

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01692

Assessment Roll Number: 8627457

Municipal Address: 9805 62 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

George Zaharia, Presiding Officer

Howard Worrell, Board Member

Judy Shewchuk, Board Member

Procedural Matters

[1] When asked by the Presiding Officer, the parties did not object to the composition of the Board. In addition, the Board Members indicated no bias in the matter before them.

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] The subject property is an industrial warehouse located at 9805 62 Avenue NW in the Rosedale Industrial neighbourhood. There are two buildings on site. Building no. 1, with an effective year built of 1965, comprises 9,599 square feet of total space that includes 1,790 square feet of main floor office space. Building no. 2, with an effective year built of 1967, comprises 7,400 square feet of total space that includes 1,480 square feet of main floor office space. The buildings are situated on a lot 93,646 square feet (2.15 acres) in size with site coverage of 18%.

[4] The subject property was valued on the direct sales approach resulting in a 2013 assessment of \$2,939,000 (\$172.88 per square foot).

Issues

[5] 1. Is the 2013 assessment of the subject property too high based on sales of similar properties?

2. Is the 2013 assessment of the subject property too high based on assessments of similar properties?

Legislation

[6] **The *Municipal Government Act*, RSA 2000, c M-26, reads:**

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

s 467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s 467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(a) the valuation and other standards set out in the regulations,

(b) the procedures set out in the regulations, and

(c) the assessments of similar property or businesses in the same municipality.

Position of the Complainant

[7] In support of his position that the 2013 assessment of the subject property is excessive, the Complainant presented a 53-page brief (Exhibit C-1). The Complainant argued that based on an analysis of: 1) sales of similar properties, and 2) assessments of similar properties, the assessment of the subject property was too high.

[8] The Complainant presented four sales comparable properties and eight equity comparables in support of his position that the assessment of the subject exceeded its market value:

- a) The sales comparables sold between November 3, 2008 and February 8, 2012 for time-adjusted sales prices ranging from \$154.85 to \$172.90 per square foot, resulting in an average of \$163.38 and a median of \$162.88 per square foot for main floor space. The building sizes of the comparables ranged from 11,617 to 27,750 square feet, compared to the size of the subject at 17,000 square feet. The site coverage of the comparables ranged from 13% to 25% compared to the subject’s 18% site coverage. (Exhibit C-1, page 8)
- b) The equity comparables were assessed for main floor space from \$149.10 to \$182.76 per square foot, resulting in an average of \$167.79 and a median of \$172.64 per square foot. The main floor space of the comparables ranged from 9,000 to 18,247 square feet, compared to the size of the subject at 17,000 square feet. The site coverage of the comparables ranged from 12% to 22% compared to the subject’s 18% site coverage. (Exhibit C-1, page 9)

[9] Based on an analysis of the sales and equity comparables, with most weight placed on the equity comparables, the Complainant requested that the assessment of the subject be reduced to \$2,550,000 (\$150 per square foot) (Exhibit C-1, page 7).

[10] The Complainant submitted a rebuttal, raising concerns about the Respondent's sales comparables. The subject property has two buildings on site, and they should be valued as one building. With regards to the Respondent's sale comparable no. 1, the Complainant stated that the cold storage attributable to the property would add value, not found in the subject. With regards to the Respondent's sale comparable no. 3, at less than 50% the building size of the subject, there would have to be a downward adjustment in the per square foot value to that comparable (Exhibit C-2, page 4). The Complainant submitted a map showing that all eight of his equity comparables are clustered around the subject, while only one of the Respondent's equity comparables, which is common with one of the Complainant's comparables, is close to the subject. The other three comparables are more distant (Exhibit C-2, page 7).

[11] In argument, the Complainant stated that the Respondent had erred in valuing the two buildings on the subject property separately since they form one economic unit that cannot be divided.

[12] In conclusion, the Complainant requested that the 2013 assessment of the subject property be reduced from \$2,939,000 to \$2,550,000, based on a value of \$150 per square foot.

Position of the Respondent

[13] The Respondent stated that the 2013 assessment of the subject was fair and equitable. To support his position, the Respondent presented a 55-page assessment brief (Exhibit R-1) that included law and legislation.

[14] The Respondent submitted information addressing mass appraisal which is a methodology for valuing individual properties using typical values for groups of comparable properties. Factors found to affect value in the warehouse inventory in decreasing importance are: total main floor area, site coverage, effective age, building condition, location, main floor finished area, and upper floor finished area. The Respondent also addressed multiple building accounts, highlighting that cost of construction is greater for multiple buildings, and that site configuration may be improved by splitting space between multiple buildings (Exhibit R-1, page 12).

[15] The Respondent submitted sales of four comparables that occurred between January 7, 2008 and June 24, 2011. The properties sold for time-adjusted sales prices ranging from \$168.00 to \$194.19 per square foot for main floor space, with the subject's \$172.88 per square foot assessment falling at the lower end of this range. The comparables were reasonably similar to the subject as follows: the age of the subject's two buildings built in 1965 and 1967 fell within the range of the comparables that had effective ages from 1958 to 1973; the 18% site coverage of the subject fell within the range of the comparables from 13% to 24%; and the subject's main floor space of the two buildings at 17,000 square feet was greater than the comparables that had main floor building space ranging from 8,006 to 12,115 square feet. The Respondent acknowledged that the comparables would require minor adjustments due to the building sizes all being smaller than the subject (Exhibit R-1, page 25).

[16] The Respondent provided a review of the Complainant's four sales comparables. In particular, the Complainant's sales comparable no. 1 that sold for a time-adjusted sale price of \$172.90 per square foot supported the subject's \$172.88 per square foot assessment (Exhibit R-1, page 25).

[17] The Respondent submitted four equity comparables that were assessed for main floor space from \$167 to \$200 per square foot, with the \$173 per square foot assessment of the subject falling at the lower end of this range. The comparables were reasonably similar to the subject as follows: the age of the subject's two buildings built in 1965 and 1967 fell within the range of the comparables that had effective ages from 1958 to 1978; the 18% site coverage of the subject fell within the range of the comparables from 13% to 24%; and the subject's main floor space of the two buildings at 16,999 square feet was greater than the comparables that had main floor building space ranging from 9,697 to 11,645 square feet. The Respondent acknowledged that the comparables would require minor adjustments due to the building sizes all being smaller than the subject (Exhibit R-1, page 30).

[18] The Respondent provided a review of the Complainant's four equity comparables. The Complainant's equity comparable no. 1, which was assessed at a value of \$155 per square foot, needs adjustment in that the Complainant had included 1,560 square feet of cost buildings in the size of the building. As result of the adjustment, the assessed value would increase to \$162.62 per square foot. The Complainant's equity comparables no. 3 and 5 were in "fair" condition while the subject is in "average" condition. Additionally, comparable no. 3 was given a "rear building adjustment" while the subject did not require this adjustment. The Complainant's equity comparable no. 6 had a cost building included in the building size, and with a site coverage of 9%, had considerably more excess land compared to the subject with site coverage of 18% (Exhibit R-1, pages 35 to 40).

[19] In summation, the Respondent argued that multiple buildings cost more to construct, are individually leased out for more than a building of equivalent size, and will trade differently than an equivalently sized one-building property.

[20] In conclusion, the Respondent requested that the Board confirm the 2013 assessment of the subject property at \$2,939,000.

Decision

[21] The decision of the Board is to confirm the 2013 assessment of the subject property at \$2,939,000.

Reasons for the Decision

[22] The Board placed less weight on the evidence and argument put forward by the Complainant for the following reasons:

- a) The median of the Complainant's sales comparables at \$162.88 per square foot is 5.8% less than the assessment, slightly outside of the plus/minus 5% quality standard as identified in MRAT s.10(3). The Complainant's sale comparable no. 1 that was sold within five months of valuation date for a time-adjusted sale price of \$172.90 per square foot supported the \$172.88 per square foot assessment of the subject. Additionally, there was no support for the Complainant's request of \$157 per square foot, given that the average of his own sales comparables was \$163.38 per square foot, and the median was \$162.88 per square foot.
- b) It was interesting to note that the median assessment of the Complainant's equity comparables was \$172.64, providing strong support for the \$172.88 per square foot assessment of the subject property. This was in spite of the fact that there were some

issues, such as improper building size, inclusion of cost buildings with the main buildings, and rear building adjustments, with four of the eight comparables. Additionally, there was no support for the Complainant's request of \$150 per square foot, given that the average of his own equity comparables was \$167.79 per square foot and the median was \$172.64 per square foot.

[23] The Board placed greater weight on the evidence provided by the Respondent for the following reasons:

- a) The assessment of the subject at \$172.88 per square foot fell at the lower end of the range of the time-adjusted sale prices of the Respondent's four sales comparables for main floor space. These sales ranged from \$168.00 to \$194.19 per square foot. Even if economies of scale were considered because the four comparables were all smaller than the subject, the assessment of the subject would still be supported.
- b) The assessments per square foot of the four equity comparables for main floor space ranged from \$167 to \$200 per square foot. The assessment of the subject at \$172.88 per square foot fell at the lower end of this range. Again, even if economies of scale were considered because the four comparables are all smaller than the subject, the assessment of the subject would still be supported.

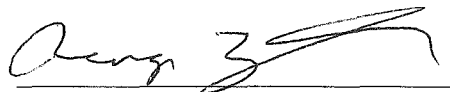
[24] The Board was persuaded that the 2013 assessment of the subject property at \$2,939,000 was fair and equitable.

Dissenting Opinion

[25] There was no dissenting opinion.

Heard September 27, 2013.

Dated this 23rd day of October, 2013, at the City of Edmonton, Alberta.



George Zaharia, Presiding Officer

Appearances:

Adam Greenough
for the Complainant

Marcia Barker
for the Respondent

This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, RSA 2000, c M-26.