

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2013 ECARB 01733**

**Assessment Roll Number:** 9964194  
**Municipal Address:** 7710 34 STREET NW  
**Assessment Year:** 2013  
**Assessment Type:** Annual New

Between:

**CVG**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF**  
**John Noonan, Presiding Officer**  
**John Braim, Board Member**  
**Pam Gill, Board Member**

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### **Procedural Matters**

[1] This hearing was the first of five, all dealing with complaints regarding warehouse properties. The parties requested the Board to carry forward evidence and argument from this file to the others, where applicable.

### **Background**

[2] The subject property is a 50,021 square feet (sf.) industrial warehouse with 14,155 sf. of main floor office space. It was built in 2002 and covers 25% of a 198,729 sf. lot at 7710 34 Street in the Weir Industrial neighbourhood. The 2013 assessment was prepared by the direct sales comparison approach in the amount of \$7,725,000. The Complainant requested the Board to reduce the assessment to \$6,002,500.

### **Issue(s)**

[3] The Board heard evidence and argument dealing with two issues:

1. Has the subject been assessed at greater than its market value?
2. Has it been assessed inequitably?

## **Legislation**

### **[4] 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**

[5] The Complainant noted the current assessment equates to a value of \$154.44 per sf. Ten sales comparables were presented, as well as their assessments per sf. where available. Attention was drawn to four of these comparables in particular, selected for similarity in size in that they ranged from 40,000 sf. to 57,000 sf. Three of the four comparables were of similar age, and site coverages were 31%, 25%, 28% and 41%. Their time-adjusted sales prices ranged from \$103.04 per sf. to \$138.85 per sf, with two of the sales displaying values close to \$120 per sf.

[6] The assessments of the four selected comparables ranged from \$115.24 per sf. to \$156.24 per sf.

[7] The Complainant concluded a value of \$120 per sf. for the subject was a fair estimate of the market value of the subject, and asked the assessment be reduced to \$6,002,500.

## **Position of the Respondent**

[8] The Respondent advised that the industrial inventory had been valued by the sales comparison approach, analyzing sales that occurred from January 2008 through June 2012. Factors found to affect value were: total main floor area (per building), site coverage, effective age, condition, location, and to a lesser extent, main floor finished area (office) and upper office area.

[9] In defense of the assessment, the Respondent presented five sales comparables located in the same study area as the subject, Core South. Where appropriate, various attributes of these comparables were highlighted as being superior or inferior to the subject in terms of age, site coverage, or total building area. The comparables were selected for average to under-average site coverage, showing a range of 22% - 33% versus the subject's 25%. It was noted that two of the

five were of older construction, 1974 and 1981, and the five showed a range of building size from 20,011 sf. to 51,586 sf. Their time-adjusted sales prices ranged from \$152 to \$184.16 per sf. of total building area.

[10] The Respondent critiqued the sales comparables presented by the Complainant, noting that six of the ten were 25 years older than the subject, and three had leases generating below market rent. Of the four comparables highlighted, one sale was for a 50% interest in the property and the vendor and purchaser were previously co-owners of the building. Another of the four was noted to generate below market rent.

[11] Five equity comparables were presented: main floor areas ranged from 40,000 sf. to 45,700 sf. although four of the five had mezzanine office space that bolstered the total building areas to a range of 42,500 sf. to 51,700 sf; site coverage ranged from a low of 18%, two had 25% coverage, and two registered 35%; their assessments per sf. of total building area ranged from \$147.05 to \$158.94 and supported the subject's valuation at \$154.44 per sf. in the Respondent's view.

### **Complainant's Rebuttal**

[12] The Complainant showed the Board the assessments per sf. of four of the five comparables presented by the Respondent. The fifth was unavailable. In each case the assessment was some \$8-\$14 per sf. less than the time-adjusted sale price. It was noted that one sale was from February 2008, four years and more prior to valuation date and the Network information sheet showed the transaction to be a sale-leaseback. [The Respondent conceded that a sale-leaseback can raise eyebrows but a sales validation survey had nothing to suggest this was not a valid sale.]

[13] In the case of another sale advanced by the Respondent, some 64% of the property's 27,750 sf. was office space, 9800 sf. was lab space, leaving only 2600 sf. as warehouse space. [The Respondent offered the view that lab space was not significantly different from warehouse space.]

[14] Lastly, the Complainant noted that another sale more closely resembled a two-storey office building, with 40% of the property's 32,620 sf. main floor devoted to office as well as almost 19,000 sf. of upper office area. [The Respondent observed that these characteristics were reflected in the sale price, \$291 per sf. of main floor area, or \$184.16 if one considered total building area, some \$30 per sf. more than the subject's assessment at \$154.44 per sf.]

### **Decision**

[15] The Board reduces the assessment to \$7,274,500.

### **Reasons for the Decision**

[16] The parties brought to the Board's attention numerous critiques of the characteristics of one another's comparables, and why they ought not be considered as good comparables to the

subject. In frequent examples, the Board agreed that differences in age, site coverage, building size or questions raised about a sale transaction itself were problematic.

[17] The Board found two sales comparables that in most respects bracketed the subject, especially in terms of size and age. Complainant's sale number 9 at 4403 97 St sold for \$138.85 and represented a lower limit of value; Respondent sale number one at 9330 45 Ave sold for \$152 per sf., and defined for the Board an upper limit due to its size at approximately 40,000 sf. compared to the subject's 50,000 sf. size. The Board noted that comparable one was assessed at \$144 per sf. The two sales produced an average per sf. value of \$145.43 which was also close to the assessment of the 45 Avenue property.

[18] Accordingly, the Board settled on \$145.43 as a reasonable estimate of the per sf. value of the subject in terms of market value and equitable assessment. The Board was persuaded that comparables in the 20,000-30,000 sf. range failed to recognize some measure of economy of scale that would attach to a property of the subject's size, 50,000 sf.

Heard November 13, 2013.

Dated this 6<sup>th</sup> day of December, 2013, at the City of Edmonton, Alberta.

A handwritten signature in dark ink, appearing to read "J. Noonan", written over a horizontal line.

John Noonan, Presiding Officer

**Appearances:**

Tom Janzen

for the Complainant

Amy Cheuk, City of Edmonton Law Branch

Marty Carpentier

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.*