

Edmonton Composite Assessment Review Board

Citation: 681348 Alberta Ltd., as represented by MNP LLP v The City of Edmonton, 2014 ECARB 00759

Assessment Roll Number: 9988208
Municipal Address: 8403 Roper Road NW
Assessment Year: 2014
Assessment Type: Annual New
Assessment Amount: \$21,991,000

Between:

681348 Alberta Ltd., as represented by MNP LLP

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Jerry Krysa, Presiding Officer

Brian Frost, Board Member

Martha Miller, Board Member

Procedural Matters

[1] In response to queries from the Presiding Officer, the parties indicated they did not object to the composition of the Board, and the Board members confirmed that they had no bias with respect to this matter.

Background

[2] The subject property is a 12.773 acre parcel of land located at the intersections of 84th Street, 51st Avenue and Roper Road in southeast Edmonton. The parcel is zoned DC2 (Comprehensively Planned Development District), and the assessment reflects an effective zoning of IB (Industrial Business District). The parcel was improved in the year 2000 with a 145,191 square foot armoury and a 2,435 square foot storage warehouse.

[3] The total assessment of \$21,991,000 (rounded), determined by the cost approach to value, is comprised of individual land and building values of \$8,440,486 and \$13,550,821, respectively.

[4] The Complainant submits that the \$13,550,821 assessed value of the improvements is not at issue in this complaint.

Issues

[5] Is the assessment of the subject's land component in excess of its market value, and inequitable in relation to the assessments of similar properties?

Position of the Complainant

[6] The Complainant argues that the subject's \$8,440,486 land assessment is greater than the market value of the land, and inequitable in relation to the assessments of similar properties. The Complainant requests that the Board reduce the subject's total assessment from \$21,991,000 to \$19,550,000, reflecting a land value of \$6,000,000.

[7] In support of the argument that the assessment of the land exceeds its market value, the Complainant provided a summary of five vacant, industrial land parcels located in the southeast quadrant of the municipality that transferred ownership between May 2011 and January 2013, as set out below. The parcels range in size from 6.18 acres to 9.29 acres, and exhibit time adjusted sale price (*TASP) unit rates ranging from \$456,906 to \$633,557 per acre; and average and median time adjusted unit rates of \$523,956 and \$484,692 per acre, respectively, in contrast to the subject's assessed unit rate of \$660,962 per acre.

No.	Address	Industrial Subdivision	Site Area (Ac)	Sale Price	Sale Date	*TASP	TASP / Acre
1	5306 36 St	Pylypow	6.97	\$3,902,000	26-May-11	\$4,415,893	\$633,557
2	304 69 Av (Lots 11-12)	Maple Ridge	6.47	\$2,734,590	03-Jun-11	\$3,082,403	\$476,415
3	304 69 Av (Lots 13-14)	Maple Ridge	6.18	\$2,657,400	03-Jun-11	\$2,995,395	\$484,692
4	2235 76 Av	Southeast	6.84	\$3,500,000	07-Sep-11	\$3,886,575	\$568,213
5	6928 51 Av	Roper	9.29	\$4,140,000	03-Jan-13	\$4,244,659	\$456,906
Average							\$523,956
Median							\$484,692

[8] The Complainant submits that the median time adjusted unit rate of \$484,000 per acre (rounded), indicates that the July 01, 2013 market value of the subject lands is \$6,180,680. The Complainant further submits that the requested \$6,000,000 land assessment is conservative when consideration is given to "economy of scale" in respect of the subject's 12.77 acre parcel size, and to the sale of the property located at 6928 51 Avenue. The Complainant maintains that this sale, exhibiting a time adjusted sale price equating to \$456,906 per acre, is the best comparable as this property is located in close proximity, and is similar in size, to the subject property.

[9] In support of the argument that the assessment of the land is inequitable in relation to the assessments of similar lands, the Complainant provided a summary of the assessments of five fully-serviced industrial land parcels located in the south industrial district of the municipality, as set out below. The parcels range in size from 5.19 acres to 11.77 acres, and exhibit unit rates of assessment ranging from \$312,110 to \$595,687 per acre; and average and median assessed unit rates of \$469,929 and \$517,460 per acre respectively, in contrast to the subject's assessed unit rate of \$660,962 per acre.

No.	Address	Industrial Subdivision	Site Area (Ac)	2014 Assessment	Assessment per Acre	
1	5306 36 St	Pylypow	6.96	\$4,016,500	\$576,835	(Sale 1)
2	6928 51 Av	Roper	9.29	\$2,899,500	\$312,110	(Sale 5)
3	5805 53 Av	Roper	5.19	\$3,094,000	\$595,687	
4	871 76 Av	Southeast	9.62	\$3,344,500	\$347,553	
5	5103 36 St	Pylypow	11.77	\$6,090,500	\$517,460	
Average					\$469,929	
Median					\$517,460	

[10] The Complainant submits that the above median assessed unit rate of \$517,000 per acre (rounded) indicates that an equitable unit rate of assessment of the subject land is \$6,602,090.

[11] The Complainant further submits that the 11.77 acre property located at 5103 36 St., exhibiting an assessed unit rate of \$517,460 per acre, is the best comparable as this property is located nearest to the subject, and is similar in size to the subject property.

[12] In further support of the requested total assessment of \$19,550,000, the Complainant provided email correspondence from Steve Burnie, Director, Asset Management, GWL Realty Advisors indicating that the current lessee has been granted irrevocable options to purchase the property on every 5th anniversary of the lease, with the next option date being May 2016 at a price of \$19,500,000; and the subsequent option date being May 2021 at a price of \$16,000,000.

[13] The Complainant's additional land valuation issues relating to the impact of the subject's DC2 zoning restrictions and the current lease agreement were withdrawn in rebuttal (C2).

[14] In cross examination, the Complainant conceded that all of the market and equity comparables were located east of the subject property; however, the Complainant maintained that the difference in development density between the subject's Roper Road location and the locations of the comparables is insignificant.

[15] In response to questions from the Board, the Complainant conceded that it's best comparable, Sale 5, is inferior to the subject in respect of parcel shape, assess and visibility.

Position of the Respondent

[16] The Respondent maintains that the assessment of the subject property falls fairly within an acceptable range of values exhibited by market evidence and by the assessments of similar properties, and requests that the assessment be confirmed.

[17] In support of the subject's \$660,962 per acre assessed unit rate, the Respondent provided a summary of five vacant, industrial land parcels located in the southeast, west, and northwest regions of the municipality, that transferred ownership between October 2008 and December 2011, as set out below. The parcels range in size from 4.60 acres to 13.10 acres, and exhibit time adjusted sale price (*TASP) unit rates ranging from \$481,014 to \$795,767 per acre; and average and median time adjusted unit rates of \$665,883 and \$738,826 per acre, respectively.

No.	Address	Neighbourhood	Site Area (Ac)	Sale Price	Sale Date	TASP	TASP / Acre
1	5703 72A Av	Davies Industrial SE	13.10	5,371,000	16-Aug-10	6,300,719	\$481,014
2	17720 129 Av	Kinokamau Plains NW	11.76	6,050,000	16-Dec-11	6,618,458	\$562,956
3	18715 Stony Plain Rd	Place La Rue W	11.08	7,987,195	31-Oct-08	8,817,304	\$795,767
4	18334 114 Av	Edmiston Industrial W	8.95	5,841,299	11-May-11	6,610,602	\$738,326
5	321 Parsons Rd.	Ellerslie Industrial SE	4.60	3,128,000	31-Oct-11	3,456,212	\$751,350
Average							\$665,883
Median							\$738,826

[18] To demonstrate that the subject's assessed unit rate is equitable in relation to similar properties, the Respondent provided a summary of the assessments of five fully-serviced

industrial land parcels located in the south east and west regions of the municipality, as set out below. The parcels range in size from 13.25 acres to 17.34 acres, and exhibit unit rates of assessment ranging from \$577,566 to \$755,629 per acre; and average and median assessed unit rates of \$655,489 and \$616,802 per acre respectively, in contrast to the subject's assessed unit rate of \$660,962 per acre.

No.	Address	Region	Site Area (Ac)	2014 Assessment	Assessment per Acre
1	6403 Roper Road	SE	3.43	\$2,485,000	\$725,547
2	4803 Roper Road	SE	6.04	\$4,564,000	\$755,629
3	10610 184 St	W	9.88	\$6,094,000	\$616,802
4	13560 156 St	W	10.26	\$6,175,500	\$601,901
5	10335 184 St	W	11.30	\$6,526,500	\$577,566
				Average	\$655,489
				Median	\$616,802

[19] In response to the Complainant's evidence, the Respondent argues that both the Complainant's sales and equity comparables are not comparable to the subject property, as all of the Complainant's sales are located east of the subject property in sparsely developed areas whereas the subject is located in a mature, densely developed industrial area.

[20] The Respondent further argues that the Complainant's sales are affected by factors which make them unreliable indicators of land value. The Respondent submits that the Complainant's Sales 1 and 4 included significant "vendor take back" mortgages, and Sale 4 is not vacant, but is improved with twelve structures of varying ages. The Respondent further submits that the Complainant's Sales 2 and 3 were part of a multi-parcel transaction including four properties, without an accurate allocation of value to each parcel, and that the Complainant's Sale 5 was a non-arm's length transaction between related parties.

[21] The Respondent referred the Board to pages 63 and 64 of the Complainant's exhibit C1, and pages 60 to 66 of exhibit R1 to support its position that the Complainant's sales should be excluded from a market analysis as a result of the above noted factors.

[22] In cross examination, the Respondent conceded that three of its five sales comparables are located along major roadways; and further, that its Sale 1, located at 5703 72A Avenue is nearest to the subject property and most similar to the subject in respect of parcel size. However, the Respondent maintains that the location of Sale 1, along 57 Street is inferior to the subject's location along Roper Road, and although the subject assessment does not include a major road adjustment, the subject's location along Roper Road is superior to any of the sales presented by the Complainant.

[23] The Respondent further conceded that four of its five equity comparables are located on major roadways; and that the three properties most similar in size to the subject are assessed at lower unit rates than the subject, despite their locations along major roadways.

[24] The Respondent also conceded that the purchaser, Maple Ridge GP Inc. referenced in Complainant's Sales 2 and 3, purchased those properties from independent vendors.

[25] In rebuttal, the Complainant provided photographs of the property located at 2235 76 Avenue (Sale 4) and maintained that the sale price of the property would reflect the value of the land, as the structures were of little value due to age and condition.

Decision

[26] The Board finds there was insufficient relevant evidence from either party to demonstrate that the subject's land component is assessed in excess of its market value, or is inequitable in relation to the assessments of similar properties. The assessment is confirmed at \$21,991,000.

Reasons

[27] The Board put little weight on the Complainant's average and median per acre unit rate evidence, as the average and median values are reflective of properties that are inferior to the subject in respect of their locations. The Board notes that the Complainant's sale and equity comparables are located east of the subject property; with many located within areas of minimal industrial development, as evident in the Complainant's satellite image of the southeast industrial district. The Board was further persuaded by the Complainant's rebuttal evidence illustrating that Roper Road traffic counts west of 75 Street (in proximity of the subject) have consistently been significantly higher than traffic counts on Roper Road west of 59 Street (east of the subject). Although the Complainant argues that the difference in development density between the subject's Roper Road location and the locations of the comparables is insignificant, there was no evidence provided to support this position.

[28] The Board also put little weight on the Complainant's Sale 5, offered as the best comparable sale, as the Complainant conceded that notwithstanding its close proximity and similar size to the subject, this property is inferior to the subject in respect of its parcel shape, and its visibility and access from 51st Avenue.

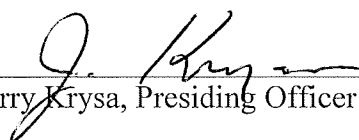
[29] In light of the Board's finding that the Complainant's sample properties are insufficiently similar to the subject property to be appropriate market or equity indicators, the Board makes no findings in respect of the validity of the Complainant's sales.

[30] Although the Board acknowledges that economy of scale may be a factor in unit rates of larger parcels of land, there was no conclusive market evidence provided by either party to allow the Board to quantify an economy of scale factor between the subject's 12.77 acre parcel size and the smaller parcels in evidence.

[31] The Board was also not persuaded by the Complainant's email evidence of the current lessee's options to purchase, as there was no evidence that the negotiated values set out in the lease agreement have any relationship to the market value of the property on the option dates.

Heard July 9, 2014.

Dated this 23rd day of July, 2014, at the City of Edmonton, Alberta.


Jerry Krysa, Presiding Officer

Appendix

Legislation

Municipal Government Act, RSA 2000, c M-26

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.

Appearances

Walid Melhem, for the Complainant

Michael Johnson, for the Respondent

Exhibits

C1 Complainant’s Submission (88 pages)

C2 Complainant’s Rebuttal (15 pages)

R1 Respondent’s Submission (80 pages)

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.