

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2012 ECARB 1119

Assessment Roll Number: 6372957

Municipal Address: 13005 97 Street NW

Assessment Year: 2012

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

James Fleming, Presiding Officer

Brian Hetherington, Board Member

James Wall, Board Member

Preliminary Matters

[1] The parties indicated no objection to the composition of the CARB. Each of the CARB members indicated that they had no bias with respect to this complaint.

Background

[2] The subject property is an auto service centre occupying a total space of 8,386 square feet (sq. ft.), divided into two units – one measuring 5,221 sq. ft. and occupied by Speedy Auto, with the balance of 3,165 sq. ft. occupied by Speedy Auto Glass. The business is located at 13005 97 Street in the Killarney community of Edmonton. The net rentable area amounts to 7,989 sq. ft.

[3] The property is zoned CSC and the assessment is based on the Income Approach to Value (IAV).

Issue(s)

[4] The Complainant's presentation included a schedule of 10 different issues, but on questioning by the Chair, the Complainant identified only four issues to be addressed. They were:

- i. The sale price of a similar neighbouring property on May 3rd, 2010 for \$1,100,000 indicated the assessment is too high;
- ii. The market rental rate applied by the City to the main floor is too high;
- iii. A review of recent leasing indicates a lower rental rate of approximately \$14.00 per sq. ft.; and
- iv. The assessments of similar properties indicated a lower equitable value, with main floor rental rates of \$14.50 per sq ft. for similar space types.

[5] The Board also considered the following issues:

- i. Are city-wide comparables the best evidence for rental rates and cap rates?
- ii. Is there a difference in rental rates between sales and warehouse space?

Legislation

[6] The Municipal Government Act reads:

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.

Position of the Complainant

[7] The Complainant indicated that the total net rentable area of the property was 7,989 sq. ft. of space, used as an auto service centre.

[8] The Complainant presented the Board with a Requested Market Value Proforma (Exhibit C-1, page 12), which suggested a market rent of \$14.00 per sq. ft. and a cap rate of 8.00%. These figures would produce a market value of \$1,279,000 for the 7,989 sq. ft. of space.

[9] The Complainant presented the Board with a chart of four auto service centres (Exhibit C-1, page 16), located on or close to major city roads. These showed an average rental rate per sq. ft. of \$14.00, compared to the assessment of the subject property at \$18.25 per sq. ft.

[10] The Complainant also presented the Board with an assessment lease rate chart of 11 auto service companies across the city, with sizes ranging from 1,720 sq. ft. to 12,795 sq. ft., indicating a median rental rate of \$13.50 per sq. ft (Exhibit C-1, page 17).

[11] To support the Complainant's suggestion that properties in the 97 Street area were over-assessed, the Complainant presented details of a May, 2010 sale of an auto service centre on 97 Street at a price of \$1.1 million. No time-adjustment was required to make this sale comparable to the subject's 2012 assessment. This property had since been assessed by the City for 2012 at \$1,785,500.

[12] The Complainant presented the Board with a copy of a December, 2011 ARB decision respecting the subject property, in which the assessment had been reduced from \$1,674,000 to \$1,158,000. The Complainant suggested that this supported the claim that the 97 Street area was over-assessed by the City.

[13] In closing, the Complainant asked the Board to revise the assessment of the subject property to **\$1,279,000.**

Position of the Respondent

[14] The Respondent presented the Board with a 21-page submission, plus the City's Law and Legislation document, to support the City's 2012 assessment of the property at \$1,785,500.

[15] The Respondent presented the Board with the City's Detail Report for the subject property (Exhibit R-1, page 7), which indicated that 60 per cent of the space was used as a warehouse.

[16] The Respondent also presented the Board with two charts – one was for rents for four auto centres, including the subject property's two related spaces (Exhibit R-1, page 13) and one which presented comparable assessments for six auto centres in the 97 Street area (Exhibit R-1, page 15). To support the latter chart, the Respondent included the City's Detail Report for each of the six properties.

[17] In closing, the Respondent asked the Board to confirm the assessment at **\$1,785,500.**

Decision

[18] The decision of the Board is to reduce the assessment to **\$1,364,000.**

Reasons for the Decision

[19] The Board noted the Complainant's submission that properties in the 97 Street area were generally over-assessed in comparison to similar business properties in other parts of the city. The Complainant supported this through the sale of an auto service building four blocks away from the subject at a price of \$1.1 million, and which was subsequently assessed by the City at \$1,785,500. Although the Board recognizes that the sale was between landlord and tenant, the magnitude of the difference between the sales price and the assessed value, as well as the values shown in the Complainant's City-wide comparables (Exhibit C-1, page 17) which averaged \$13.50 per sq. ft. (median \$13.57 per sq. ft.), convinced the Board that there may be some question as to the validity of assessments on 97 Street.

[20] The Board noted that all of the Respondent's Comparables were classified as sales space, whereas the subject property was classed as 60% warehouse. The Board noted that it was not helpful that the Respondent was unable to account for a lack of information on any difference in assessment rates for warehouse space and sales space, suggesting that each was assessed at the same rate. From its experience, the Board concluded that there is usually a difference between sales and warehouse space, and so the difference in the classification persuaded the Board that the income is likely to be different for the space classified as sales space. This difference would lead to a different value and a lack of similarity between the subject and the Respondent's Comparables. Due to the lack of an explanation of these differences, the Board concluded that the Respondent's Comparables are indeed not comparable, and thus put less weight on this evidence.

[21] The Board was persuaded by the Complainant's four lease comparables which, while being from different areas of the city, were all located on, or adjacent to, major traffic roadways, similar to the subject. These four similar properties had a median rental rate of \$14.00 per sq. ft.

[22] The Board noted that the capitalization rate was not raised as an issue at the outset of the hearing.

[23] In contrast, the Respondent presented a chart of four auto service centres to support the proposed assessment. Of these, two of those were the subject property. The other two were considerably smaller than either of the two components of the subject. The Board was not persuaded by this evidence.

[24] The Board was also convinced by the Complainant's list of 11 Assessment Comparables of auto service businesses across Edmonton, which showed a median assessed rental rate of \$13.50 per sq. ft.

[25] While the Respondent presented a chart of six auto centres to illustrate rental rates, they were all in the 97 Street area. Given that the Complainant's evidence put into question the assessments in this area, the Board does not place great weight upon these comparables. In this context, the Board recognized the efforts taken by the Respondent to focus on similar properties in the area of the subject – likely in response to a criticism made in the 2011 assessment review of the same property, in which the comparable properties had been from various parts of Edmonton. This approach was countered by the evidence presented by the Complainant that all auto service businesses in the 97th Street area appeared to have been over-assessed.

[26] Based on the above reasons, the Board accepted the Complainant's request for a rate of \$14.00 per sq. ft., to generate an assessment of **\$1,364,000.**

Dissenting Opinion

[27] There was no dissenting opinion.

Heard on August 22, 2012.

Dated 24 day of September, 2012, at the City of Edmonton, Alberta.

James Fleming, Presiding Officer

Appearances:

John Trelford

Jordan Nichol

for the Complainant

Gail Rookes, Assessor

for the Respondent

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Appeal Type	Property Type	Property Sub-Type	Issue	Sub – Issue
CARB	Other Property Types	Vacant Land	Cost/Sales Approach	Land Value