EDMONTON
Assessment Review Board

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NOTICE OF DECISION NO. 0098 131/12

Altus Group
780-10180 101 ST NW
EDMONTON, AB T5J 3S4

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on July 4, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
8953754	3261 Parsons Road NW	Plan: 7920813 Block: 5 Lot: 5	$4,411,000	Annual New	2012

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.

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cc: WEST TWO ENTERPRISES LTD

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2012 ECARB 841

Assessment Roll Number:	8953754
Municipal Address:	3261 Parsons Road NW
Assessment Year:	2012
Assessment Type:	Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
John Noonan, Presiding Officer
Petra Hagemann, Board Member

Preliminary Matters

[1] One of the scheduled panel members was unable to attend, and the hearing proceeded before a panel of two members, a quorum, as allowed per s. 458(2) of the *Municipal Government Act.*

[2] The Assessor presented a recommendation to reduce the assessment from $4,411,000 to $4,239,000 (from approximately $109 per sq.ft. to $105) on the basis that one of the two buildings on the subject site had a lack of exposure to Parsons Road. The Complainant was advocating an even lower amount, thus the hearing continued.

Background

[3] The subject property is a 1979 build industrial warehouse located at 3261 Parsons Road in the Parson Industrial neighbourhood. It is comprised of two warehouse buildings, one of 13,853 sq.ft. and the other with 20,161 sq.ft. main floor area and 6292 sq.ft. of finished mezzanine space. In total, the two buildings have 40, 307 sq.ft. of leasable area including 34,015 sq.ft. of main floor development. The warehouses cover 42% of an 81,632 sq.ft. lot. The 2012 assessment was prepared by the direct sales comparison method.

Issues

[4] The complaint form listed fifteen reasons for complaint but at the hearing, the Board heard evidence and argument on the following:

1. Has the property been assessed in excess of market value?
2. Has the subject been assessed inequitably?

[5] The parties asked the Board to carry forward similar evidence and argument from an earlier hearing, roll 8956047, dealing with the manner in which the City assesses properties with more than one building.

Legislation

[6] The *Municipal Government Act* reads:

> ***Municipal Government Act*, RSA 2000, c M-26**
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> 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.
>
> …
>
> 458(1) Two members of a local assessment review board referred to in section 453(1)(d)(i) constitutes a quorum of the local assessment review board.
>
> (2) The provincial member and one other member of a composite assessment review board referred to in section 453(1)(c)(i) constitutes a quorum of the composite assessment review board.

Position of the Complainant

[7] The Complainant submitted that a review of market transactions indicated that the subject should be valued at $90 per sq.ft., or $3,627,500, and a review of the assessments of similar properties indicated that a rate of $95 per sq.ft. would yield an equitable assessment of $3,829,000.

[8] Five sales comparables were presented, two of which were multi-building properties, four of which had lot sizes in the 53,000-86,000 sq.ft. range, with site coverages of 36%-45%, and time-adjusted sales prices of $75-$104 per sq.ft. The sales produced average and median per sq.ft. values of $93.89 and $96.37 after adjusting one of the sales for required repairs. The Complainant advanced $90 as a reasonable estimate of the subject's per sq.ft. market value.

[9] Five equity comparables were presented, all constructed in the 1970's and having site coverage in a range of 39%-41%, very similar to the subject's 42%. The comparables' leasable areas ranged from 33,000-53,000 sq.ft., bracketing the subject's 40,307 sq.ft., and had been assessed in a range of $82.49-$98.23 per sq.ft. Average and median assessments per sq.ft. for the

five were $93.34 and $95.57. The Complainant submitted that $95 per sq.ft. would be an appropriate and equitable assessment for the subject. It was noted that one of the five comparables was also a two-building development like the subject, and another was located diagonally (kitty-corner) across the intersection from the subject.

[10] The Complainant submits that the assessor's method of valuing a property that contains more than one building tends to overstate value. This method values each building separately, as if it were on its own title. For a property that contained both a 10,000 and a 15,000 sq.ft. building, the assessor would compare each to other properties with similar attributes and then add the two values to arrive at the assessed value. In the Complainant's view, such a property is better compared to other properties with 25,000 sq.ft. of area, regardless of the number of buildings. A typical renter who wants a 5,000 sq.ft. bay is not concerned whether a property has more than one building and would not pay a higher rent for a typical bay. A typical investor would not pay more for a property just because it had two or more buildings. Rather, a property would sell as one parcel, not the sum of two or more individual buildings, each on its own title. The Complainant presented a series of sales of multiple-building properties, and compared each to sales of other similar sized properties, usually with a single building, sometimes more. The Complainant made the point that these comparisons showed that in the marketplace, multiple building properties sold for no higher than single building properties of similar size.

Position of the Respondent

[11] The Respondent presented thirteen sales comparables selected to show similarity to each of the subject's two buildings. The comparables were of similar vintage, average condition, had average to higher site coverage, and building areas of 8,500-15,000 sq.ft. with a further, larger sale of a 39,000 sq.ft. building presented to show comparability to the subject's 40,306 sq.ft. total development. The sales ranged from $109-$171 per sq.ft., with the larger property selling at $112.48; these sales supported the subject's recommended assessment of $105.17 per sq.ft. It was noted that four of the thirteen comparables were located on major roadways, like the subject. The largest comparable, the 39,000 sq.ft. property, was one of those on a major road and was some eight blocks north of the subject.

[12] Thirteen equity comparables were submitted, all two-building properties, and again four were located on major roads. Their assessments ranged from $104.78-$124.80 per sq.ft. and supported the Respondent's position that the subject was treated equitably with a recommended assessment of $105.17 per sq.ft.

[13] The Respondent defended the method of assessing multiple building properties, observing that the cost of construction for such a property would be higher, could lead to greater diversity of leasing options for a landlord, among other benefits. The Respondent reproduced nine of the ten sales comparison charts submitted by the Complainant and added a column of comments or observations about the comparables presented. These comments focused on corrections, differences in size, site coverage, measurement discrepancies, non-arm's-length sales, or other considerations that distinguished the comparables from the multiple-building sale highlighted. Further, the Respondent added a row to each chart showing another multiple-building sale that reinforced the proposition that these multi-building sites indeed sold at higher per square foot values. The Respondent submitted that the Complainant's analysis or lack of analysis of the multi versus single property sales did not meet the onus required to show the alleged error in the City's ways. Therefore, the Respondent submitted that a whole new analysis

from the City on the basis of the evidence presented by the Complainant on the single building vs. multiple buildings assessment method was not warranted.

Decision

[14] The Board reduces the assessment to $3,829,000.

Reasons For The Decision

[15] The Board finds merit in the argument of both parties. Particularly, the Board accepts the idea that the cost of construction of a multiple building development would likely exceed that of a single larger building. The Board is also inclined to agree that the renter of a single small warehouse bay would not likely pay higher rent because he had only three neighbours as opposed to ten in the immediate building.

[16] Although the panel has presented the party positions on this point in the same format as a regular or frequently-decided issue, the Board observes that there is no all-encompassing decision to be reached. The Board cannot say that at all times, or even this time, that an assessment is incorrect because the City views value as the sum of several lumps. Neither can the Board say that any or all complaints are wrong because they see value as a lump sum. The Board must make each complaint decision on the basis of the evidence presented. The Board is not convinced that every multiple-building property must be exclusively viewed one way or another.

[17] Looking at the photos of this two-building property, the larger building appears very presentable and has good exposure to a major roadway. The rear building, in contrast, only has access and visibility from the avenue, and has a down-market "look". The Assessor's recommendation to afford the rear building a 10% downward adjustment for lack of exposure at least partially reduces the multiple-building premium as compared to a larger single-building site.

[18] The Board paid particular attention to two comparables: one presented by the Respondent at 4004 99 Street, eight blocks north of the subject and very close in total building size, lot size and site coverage; the second advanced by the Complainant as both an equity and sales comparable situated kitty-corner from the subject. The kitty-corner property also has very similar attributes.

	Subject	**Kitty-corner**	**8 Blocks Away**
Bldg. size	40,307	38,868	38,859
Lot size	81,632	79,763	85,813
Site coverage	42%	39%	45%
Assessment	$4,239,000	$3,818,000	N/A
Sale price	N/A	$2,900,000	$4,370,920
Assessmt./sq.ft.	$105.17	$98.23	N/A
Sale/sq.ft.		$74.61	$112.48

[17] The sale of the property eight blocks away at 4004 – 99 Street appears to affirm the subject's assessment, but looks high in comparison to the kitty-corner property's (3304 Parsons Road) assessment and sale price. The $4.37 million sale is some $550,000 greater than the kitty-corner's assessed vale and almost $1.5 million over its sale price. That extra consideration bought an additional 6000 sq.ft. of lot size. Looking at the supporting third party documentation,

the Board sees that the property 8 blocks away was a former furniture sales outlet with a showroom area and 4 loading docks, and was expected to be used for the same purpose again. It is reasonable to assume that the buyer paid full market value for a property that “fit the bill” as a furniture sales store. At the other end of the spectrum, the kitty-corner sale appears low in comparison to every other value on the chart. The Respondent pointed out that there was about 10% vacancy and some below-market leases in place at the kitty-corner at the time of sale. The property also has some 7,300 sq.ft. of mezzanine office included in the area of 38,868 sq.ft. and according to the Network, that mezzanine space was also leased at below-market rates. Again, it is reasonable to assume that these characteristics influenced the sale price to some degree. The Board concluded that the subject’s main building with 20,161 sq.ft. including 6292 sq.ft. of mezzanine was very comparable to the kitty-corner property, especially in terms of location, but they were also built in the same year, and both have Parsons Road frontage. In contrast, the 13,835 sq.ft. second subject building with lack of exposure is inferior to the kitty-corner comparable. In sum, the subject should attract a valuation somewhat lower than the $98.23 applied to the kitty-corner, in the interest of equity. The Board excluded two of the five Complainant sales for size difference considerations, and found an average per sq.ft. selling price of $94.49 for the remaining three. The Respondent’s sales, except for the one noted above, were all much smaller properties. The Board simply did not see that the subject’s two buildings could be valued in comparison to those single buildings each on its own title. Accordingly, the Board decided that $95 per sq.ft. represented a fair and equitable estimate of the subject’s market value.

Heard July 4, 2012.

Dated this 10th day of August, 2012, at the City of Edmonton, Alberta.

John Noonan, Presiding Officer

Appearances:

Walid Melhem
for the Complainant

Will Osborne
for the Respondent