EDMONTON
Assessment Review Board

10019 103 Avenue, Edmonton, AB T5J 0G9
Ph: 780-496-5026
Email: assessmentreviewboard@edmonton.ca

NOTICE OF DECISION NO. 0098 132/12

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 10, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
8702789	9335 63 AVENUE NW	Plan: 2424KS Block: 4 Lot: E / Plan: 2424KS Block: 4 Lot: F / Plan: 2424KS Block: 4 Lot: E / Plan: 2424KS Block: 4 Lot: F	$2,741,500	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.

---

cc: PARAGON INVESTMENTS LTD

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, ECARB 2012-001099

Assessment Roll Number:	8702789
Municipal Address:	9335 63 AVENUE NW
Assessment Year:	2012
Assessment Type:	Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Hatem Naboulsi, Presiding Officer
Brian Carbol, Board Member
John Braim, Board Member

Preliminary Matters

[1] The parties indicated that they had no objection to the composition of the Board. Each of the Board Members indicated that they had no bias with respect to the matter being considered.

[2] The Respondent advised the Board that a revised lower 2012 assessment of $2,690,500, in respect of the subject property had been conveyed to the Complainant. This lower assessment resulting from data correction had not been accepted by the Complainant and as a consequence, the issue was before the Board.

Background

[3] The subject property is located at 9335 – 63 Avenue in the SE Industrial District of the City of Edmonton and is comprised of three separate buildings. The total areas in each of the three buildings are 15,910 square feet, 3,397 square feet and 3,839 square feet. All three buildings were constructed in 1972. While two of the buildings (#1 & #3) face a major arterial road (63 Avenue), the third (#2) is at the rear and has no major street exposure. The zoning for the subject property is IM – medium industrial and the method of valuation is the Direct Sales Comparison Approach.

Issue(s)

[4] The Board considered the following issue:

Is the 2012 Assessment of the subject property fair and equitable?

Legislation

[5] The Municipal Government Act reads:

> ***Municipal Government Act*, RSA 2000, c M-26**
>
> 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

[6] The Complainant filed this complaint on the basis that the 2012 assessment of the subject property exceeded its market value. In their submission the Complainant provided a direct sales comparison chart and an equity chart to demonstrate the subject property had been over assessed at $2,741,500.

[7] The direct sales comparison chart (Exhibit C-1, page 11) provided six sales of similar properties located in the south-east industrial district. They sold between January 2008 and April 2011 but were all time adjusted to valuation day, July 1, 2011. They ranged in age from 1968 to 1979 (subject 1972) and in size from 15,039 sq ft to 38,868 sq ft (subject 23,148 sq ft). The site coverage ratios (SCR) varied from 35% to54% with the subject having a SCR of 47%. The time adjusted selling price of the six sales ranged from $74.61/ sq ft to $112.48/ sq ft with an average of $95.38/ sq ft and a median of $95.31/ sq ft. The subject property is currently assessed at $118.93/ sq ft. The Complainant stated the average of the six sales, namely $95.38/ sq ft, was the best indicator of market value producing an assessment of $2,199,000 which is lower than the current assessment.

[8] The equity chart provided by the Complainant included four similar industrial properties; all located in the south-east industrial district, and ranged in age from 1970 to 1976. The buildings ranged in size from 15,039 sq ft to 23,100 sq ft with SCR ranging from 43% to 54%. These four equity comparables had been assessed in a range from $95.15/ sq ft to $103.83/ sq ft with an average of $99.13/ sq ft and a median of $98.78/ sq ft as compared to the subject that is currently assessed at $118.43/ sq ft. The Complainant stated that on an equity basis $97.00/ sq ft was the best indicator of market value. This produces an assessed value of $2,245,000 which is again lower than the current assessed value.

[9] The Complainant also entered in evidence a portion of an appraisal for the subject property effective December 2008 (C-1, pages 8-10). The appraisal was for $2,420,000 which when time adjusted to valuation day indicated a value of $2,292,000 which is again lower than the assessed value.

[10] The Complainant argued that the subject property may have been assessed incorrectly as it consisted of three smaller buildings of 15,910 sq ft; 3,397 sq ft and 3,840 sq ft respectively as opposed to a single larger building of 23,147 sq ft and the Respondent had erred in assessing multi-unit properties at higher rates than equivalent sized single buildings of similar total area. In support of this argument the Complainant provided the Board with a chart of Lease Comparables (C-1, pages 17& 18) to demonstrate that the number of buildings on site, or the percentage of office space in a building, has no effect on the rental rates that could be achieved on the warehouse space. The Complainant also stated that owners would not pay more on a unit rate for multiple buildings as opposed to a single building where the rental rates were the same.

[11] In support of the argument that the number of buildings on the property had no effect on the price achieved the Complainant also provided the Board with a series of charts and supporting information to demonstrate this point(C-1, p. 52-215). The Complainant stated that the majority of the charts demonstrated that multi-building properties sold for the same as, or less than, single building properties. In argument he also stated that where there were exceptions, it was usually because the property fronted a major roadway, the property was newer, or the property had been renovated.

[12] In rebuttal the Complainant provided a chart of the seven sales comparables of the Respondent (C-2, page 2). The Complainant stated that five of the sales were significantly smaller; one was an office building; one was significantly newer and one had a significantly lower SCR and was acquired by the tenant. As a result of all of the above reasons six of the Respondent's seven sales could not be considered to be good comparables to the subject.

[13] The Complainant further argued that the Respondent's rebuttal (R-1, page 54) of the Complainants Chart #2 was misleading as the sale of the property at 8103 Roper Road was not, in fact an industrial use property but almost entirely a commercial use being primarily retail and laboratory space with only a relatively small area of warehouse space. (C-2, pages 13 – 19). As a result of the higher use and rental rate applicable to this property it was not possible to compare it with the warehouse nature of the subject.

[14] The Complainant's rebuttal went on to demonstrate that the Respondent's rebuttal of the Complainant's sales clearly demonstrated that multi-building properties do not sell for a greater value and that the sales added to the charts by the city were not comparable to the subject property as they were newer.

[15] In rebuttal the Complainant argued that the Income Approach to value should be the primary approach to use in assessing industrial property and argued that the Respondent's use of the direct sales comparison approach does not conform to the 2012 version which ranks the Sales Comparison Approach third, after the Income Approach and the Cost Approach. In support of this statement he included a page from the *Standard on Mass Appraisal of Real Property, 2012* (R-3).

[16] The Complainant also pointed out to the Board that caution should be exercised with respect to multiple regression analysis due to the influence that dependent variables have on each independent variable and that the analysis required examination of the linear regressions between each pair of independent variables.

[17] In summation of his argument the Complainant stated the leasing data clearly showed there was no difference in the value purchasers would pay between one or several buildings. Only the total area under consideration was meaningful and consequently the number of

buildings was irrelevant to the value of the project as a whole as the rental rate achieved was the prime consideration of an investor and not the number of buildings. The subject property had two buildings but was on one title and as such was one property.

<u>Position Of The Respondent</u>

[18] In support of the assessment the Respondent presented a 97 page Assessment Brief (R-1), a Law and Legislation Brief (R-2) and a Sur-Rebuttal (R-3) entitled "*Standard of Mass Appraisal on Real Property 2012*".

[19] The assessment brief included seven sales comparables one of which was utilized by the Complainant as an equity comparable. The seven sales comparables ranged in building size from 2,813 sq ft to 15,089 sq ft compared to the subject at 23,147 sq ft. Site coverage ratio (SCR) ranged from 33% to 44% with the subject at 47%. Lot size ranged from 8,637 sq ft to 43,272 sq ft compared to the subject at 44,025 sq ft. The year of construction ranged from 1968 to 1993 with the subject being at 1972. The time adjusted sale price ranged from $122.27/ sq ft to $231.09/ sq ft with the subject being assessed at $116.23/ sq ft.

[20] The assessment brief also included five equity comparables that ranged in building size from 19,286 sq ft 29,901 sq ft compared to the subject at 23,147 sq ft. Site coverage ranged from 34% to 40% with the subject at 47%. Lot size ranged from 43,057 sq ft to 80,624 sq ft with the subject at 44,025 sq ft. The year of construction ranged from 1957/78 to 1978/94 with the subject at 1972. The assessments ranged from $118.79/ sq ft to $123.20/ sq ft with the subject at $116.23/ sq ft.

[21] The Respondent stated that multiple industrial buildings are valued according to the same mass appraisal model as single building accounts and as such each building is analyzed for its contributory value to the property as a whole. The aggregate of these contributory amounts is then summed to represent market value of that particular property. A summary of the rationale behind this process was provided for the Board to consider (R-1, page 36).

[22] The Respondent argued that the Complainant did not provide evidence to show that multi-building properties do not sell for a greater value.

[23] The Respondent noted that the scatter charts presented by the Complainant (C-1, pages 53 & 55) tend to support the assessment of the subject property.

[24] The Respondent informed the Board that the subject property assessment was prepared similar to other warehouse assessments using the direct sales comparison approach as a large percentage of industrial property in Edmonton was owner-occupied and had no income attributable to it.

[25] The Respondent also indicated to the Board that in order to have a more reliable and equitable outcome the city considers a number of factors including the age, building condition, building size, exposure and traffic flow. In addition the city also assesses each property with its own attributes and combines the individual assessments to arrive at the assessment for total property.

[26] The Respondent, in response to the Income Approach for industrial properties as indicated in the "*Standard on mass appraisal of real property, 2012* (C-2, page 8) advised the

Board that the continuation of the same paragraph (4.6.3) stated “Direct Sales Comparison Models can be equally effective in large jurisdictions with sufficient sales”.

[27] In response to the Complainant’s argument that the number of buildings had no effect on the price achieved the Respondent stated (R-1, page 48); that this statement was not sufficiently supported as:

a. Multiple errors and omissions had been detected, which when corrected fail to support the Complainant’s position;

b. Market value, for multiple building sales, has not been established. Typically only one multiple building sale is provided per comparison chart and;

c. The multiple building sales provided by the City indicate a higher value for multiple building properties.

[28] In support of these statements the Respondent provided a series of charts paralleling those of the Complainant’s and incorporating additional sales information (R-1, pages 50 to 97)

Decision

[29] After reviewing the evidence and argument of the Complainant and the Respondent the decision of the Board is to reduce the 2012 assessment from $2,741,500 to $2,511,500.

Reasons For The Decision

[30] The Board finds that from the four sales comparables provided by the Complainant (C-1, page 11), only sale #6 at $103.84/ sq ft was in fact a good sale comparable to the subject. It was most similar in terms of location, age, site area, and building area. The Respondent had provided seven sales comparables (R-1, page 24) but the Board found that only sale #7 at $122.27/ sq ft one was a good comparable to the subject. However, although this was a sale in common with Complainant’s sale #1 (C-1, page 11), the Board disregarded the sale as it was unable to resolve the difference in the area between the two parties.

[31] From the time adjusted sales provided by both parties the Board found this sale to be the only meaningful indicator of market value for the subject property.

[32] The Board also looked at the equity comparables of the two parties. Of the four provided by the Complainant (C-1, page 12) the Board found that equity comparables #1 at $103.83/ sq ft & #2 at $98.45/ sq ft were the most similar to the subject property in terms of location, building age, building size, and SCR. The Respondent had provided five equity comparables (R-1, page 33) but the Board found that only comparable #5 at $123.20/ sq ft was similar to the subject. Again the Board found this assessment to be the only assessment similar to the subject property in combined terms of age, condition, lot size and building size. As the Board considered the three equity comparables to carry similar weight, the Board concluded the average value of these comparables to be the best indicator of market value at $108.49/ sq ft.

[33] The Board also found that the appraisal entered in evidence by the Complainant, although only a partial document, supports a reduction to the current assessment.

[34] The Board placed less weight on the balance of the sales and equity comparables from either party as they were more distant from the subject property in combined terms of location, building age, site size, building size and site coverage ratio.

[35] With regard to the Complainant's argument that the number of buildings on a property had no effect on the price achieved for the property, the Board gave most weight to the Respondent's position. The Respondent correctly maintained that the Complainant was unable to establish market value for multiple building sales by providing only one sale for each of the charts presented. The Board recognizes that even though the sales presented by the Respondent had newer buildings in some cases, or were located on major roads, overall they tend to support higher values for multiple building properties.

[36] With regard to the Complainant's argument that the Income Approach to value should be used as the primary method to establish value in assessing industrial property, the Board found that the Respondent was correct to employ the standards from the 2002 version of the" Standards for Mass Appraisal". The Board notes that the 2012 version of the manual was not in effect as of the 2011 valuation date for assessments. Further evidence presented by the Respondent regarding the 2012 version of this document indicated that " direct sales comparison models can be equally effective in large jurisdictions with sufficient sales." The Board considers the City of Edmonton sufficiently large to meet this criterion.

[37] The Board gave little weight to the argument of the Complainant regarding the influence of dependent variables on independent variables when using multiple regression analysis to arrive at assessments. More weight was given to the Respondent's approach of considering multiple factors such as building age, condition and size as well as exposure and traffic flow.

Dissenting Opinion

[38] There was no dissenting opinion.

Heard commencing July 10, 2012.

Dated this 26th day of July, 2012, at the City of Edmonton, Alberta.

____

Hatem Naboulsi, Presiding Officer

Appearances:

Walid Melhem, Altus Group
for the Complainant

Marty Carpentier, Assessor, City of Edmonton
Tanya Smith, Legal Counsel, City of Edmonton
for the Respondent