EDMONTON
Assessment Review Board

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NOTICE OF DECISION NO. 0098 135/12

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 9, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
8627457	9805 62 AVENUE NW	Plan: 4837KS Block: 4 Lot: D	$2,659,000	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: LEAH R SUPERSTEIN

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, ECARB 2012-000839

Assessment Roll Number:	8627457
Municipal Address:	9805 62 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.

Background

[2] The subject property is a multi-tenant medium warehouse located in south Edmonton comprising two separate buildings extending to 9,600 square feet, and 7,400 square feet, respectively for a total area of 17,000 square feet. The larger building was constructed in 1965 and the second building was added in 1967. The buildings are located on 93,649 sq ft of land giving a site coverage ratio of 18%. The land is zoned ‘IM’, medium industrial.

Issue(s)

[3] The Board considered the following issue:

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

Legislation

[4] 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

[5] 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 $2,659,000.

[6] The direct sales comparison chart (Exhibit C-1, page 8) provided four sales of similar properties located in the south-east industrial district. They sold between January 2008 and September 2010 but were all time adjusted to valuation day, July 1, 2011. They ranged in age from 1961 to 1974 (subject 1966) and in size from 12,591sq ft to 15,115 sq ft (subject 17,000 sq ft). The site coverage ratios (SCR) varied from 19% to 25% with the subject having a SCR of 18%. The time adjusted selling price of the four sales ranged from $73.88/ sq ft to $144.63/ sq ft with an average of $119.40/ sq ft and a median of $119.71/ sq ft. The subject property is currently assessed at $156.41/ sq ft. The Complainant stated the higher end of the range indicated by the four sales, namely $144.00/ sq ft, was the best indicator of market value producing an assessment of $2,448,000 which is lower than the current assessment.

[7] The equity chart provided by the Complainant (C-1, page 9) included four similar industrial properties; all located in the south-east industrial district, and ranged in age from 1961 to 1969. The buildings ranged in size from 12,029 sq ft to 18,967 sq ft with SCR ranging from 18% to 25%. These four equity comparables had been assessed in a range from $129.19/ sq ft to $163.77/ sq ft with an average of $139.87/ sq ft and a median of $133.26/ sq ft as compared to the subject that is currently assessed at $156.41/ sq ft. The Complainant stated that on an equity basis $133.00/ sq ft was the best indicator of market value. This produces an assessed value of $2,261,000 which is again lower than the current assessed value.

[8] The Complainant argued that the subject property may have been assessed incorrectly as it consisted of two smaller buildings of 9,600 sq ft and 7,400 sq ft respectively as opposed to a single larger building of 17,000 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 14 & 15) 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.

[9] 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. 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,

[10] In rebuttal the Complainant provided a chart of the six sales comparables of the Respondent (C-2, page 2) with supporting documentation that indicated four of them (sales 2, 4, 5, & 6) were located on major traffic arteries with one of the four (sale #5) being significantly newer (31 years) in age; two of the sales were located in the north-west industrial district and one of them (sale #6) had a much smaller SCR (10%) than the subject property. The Complainant demonstrated that a lower SCR had a very substantially greater effect when compared to a property that had a larger SCR than the subject property. In addition the Complainant stated that one of the remaining sales (sale #3) could not be considered to be a good or valid sale as it had been purchased by the tenant. As a result of all of the above reasons five of the Respondent's six sales could not be considered to be good comparables to the subject.

[11] The Complainant further argued that the Respondent's evaluation (R-1, page 51) 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 property being primarily retail and laboratory space with only a relatively small area of warehouse space. (C-2, pages 17 – 23). 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.

[12] The Complainant's rebuttal went on to demonstrate that the Respondent's evaluation 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 (C-2, pages 24 and 25).

[13] The Complainant indicated that the Respondent had provided four equity comparables (R-1, page 29) one of which was located on a major traffic artery and one having a lower SCR as a result of which they were not good comparable properties.

[14] 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).

[15] 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.

[16] 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.

Position Of The Respondent

[17] In support of the assessment the Respondent presented a 94 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*".

[18] The assessment brief included six sales comparables (R-1, page 22) one of which was eliminated during presentation/questioning. The remaining five sales comparables ranged in building size from 10,050 sq ft to 22,938 sq ft compared to the subject at 17,000 sq ft. Site coverage ratio (SCR) ranged from 10% to 48% with the subject at 18%. Lot size ranged from 21,313 sq ft to 220,667 sq ft. The year of construction ranged from 1958 to 1975 with the subject being at 1965/1967. The time adjusted sale price ranged from $153.11/ sq ft to $176.59/ sq ft with the subject being assessed at $156.41/ sq ft.

[19] The assessment brief also included five equity comparables (R-1, page 29), one of which was eliminated during questioning/presentation. The remaining four equity comparables ranged in building size from 15,138 sq ft 25,457 sq ft compared to the subject at 17,000 sq ft. Site coverage ranged from 12% to 32% with the subject at 18%. Lot size ranged from 47,901 sq ft to 220,452 sq ft with the subject at 93,649 sq ft. The year of construction ranged from 1948/77 to 1969/98 with the subject at 1965/67. The assessments ranged from $153.95/ sq ft to $167.36/ sq ft with the subject at $156.41/ sq ft.

[20] 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 33).

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

[22] The Respondent noted that the scatter charts presented by the Complainant (C-1, pages 47 & 49) tend to support the assessment of the subject property.

[23] 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.

[24] 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.

[25] The Respondent, in response to the Income Approach for industrial properties as indicated in the "*Standard of Mass Appraisal on Real Property*, *2012* "(C-2, page 12) 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".

[26] In response to the Complainant's argument that the number of buildings had no effect on the price achieved, the Respondent claimed 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(R-1, page 45).

[27] In support of these statements the Respondent provided a series of charts paralleling those of the Complainant's and also incorporated additional sales information provided by the Respondent (R-1, pages 47 to 94).

Decision

[28] After reviewing the evidence and argument of the Complainant and the Respondent the decision of the Board is to confirm the 2012 assessment in the sum of $2,659,000.

Reasons For The Decision

[29] The Board finds that there was only limited evidence from each of the two parties that was sufficiently persuasive enough to enable them to formulate a decision.

[30] From the four sales comparables provided by the Complainant the Board found that only sale #3 at $144.63/ sq ft (C-1, page 8) was in fact a good sale comparable to the subject. It was most similar in terms of age, site area, building area and site coverage ratio (SCR). The Respondent had provided five sales comparables (R-1, page 22) but the Board found that only sale #3 at 161.83/ sq ft was a good comparable to the subject. It too was the most similar overall in terms of age, condition site area, building area and SCR.

[31] The time adjusted sale prices for the above two sales was $144.63/ sq ft and $161.83/ sq ft with an average of $153.23/ sq ft. The Board found these two sales to be the most meaningful indicators 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 9) the Board found that equity comparable #1 & #2 were the most similar to the subject property. In terms of location building age, building size, SCR and comparable #1 was also located quite close to the subject. The comparables were assessed at $132.70/ sq ft and $163.77/ sq ft respectively. The Respondent had provided five equity comparables (R-1, page 29) but the Board found that only sale #2 was similar to the subject and had been assessed at $164.41/ sq ft. Again the Board found these were the most meaningful assessments to compare to the subject property. As the Board considered them to carry equal weight, the Board concluded the average of all three equity comparables to be the best indicator of market value of the subject at $153.63/ sq ft.

[33] 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.

[34] 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.

[35] 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.

[36] 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.

[37] The Board was satisfied that the Complainant did not provide sufficient and compelling evidence to form an opinion as to the incorrectness of the assessment.

<u>Dissenting Opinion</u>

There was no dissenting opinion.

Heard commencing July 9, 2012.

Dated this 25th 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