



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 559/11

ALTUS GROUP
17327 106A Avenue
EDMONTON, AB T5S 1M7

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 November 28, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
1523315	16411 118 AVENUE NW	Plan: 7520501 Block: 10	\$8,628,500	Annual New	2011

Before:

John Noonan, Presiding Officer
Reg Pointe, Board Member
Taras Luciw, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Chris Buchanan

Persons Appearing on behalf of Respondent:

Marty Carpentier, Assessor, City of Edmonton
Stephen Leroux, Assessor, City of Edmonton

BACKGROUND

The subject property comprises 3 industrial buildings constructed in 1979 and covering 44% of a quarter-circle shaped 194,719 sq.ft. lot in the Norwester Industrial neighbourhood. The largest building measures 55,058 sq.ft. including 704 sq.ft. of developed mezzanine space, and the two smaller buildings are respectively 15,957 and 15,785 sq.ft., all main floor development. The assessment was prepared by a sales comparison model using 3½ years of sales data from January 2007 through June 2010. The 2011 assessment model does not differentiate main floor office or warehouse space, but did find mezzanine office space a value factor while mezzanine storage was not.

ISSUE(S)

An attachment to the complaint form identified the following issues:

1. The subject property is assessed in contravention of Section 293 of the Municipal Government Act and Alberta Regulation 220/2004.
2. The use, quality, and physical condition attributed by the municipality to the subject property are incorrect, inequitable and do not satisfy the requirement of Section 289 (2) of the Municipal Government Act.
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts.
4. The assessment of the subject property is in excess of its market value for assessment purposes.
5. The assessment of the subject property is not fair and equitable considering the assessed value and assessment classification of comparable properties.
6. The information requested from the municipality with regards to the assessment roll was so expensive that the costs impeded access to information.
7. The classification of the subject premise is neither fair, equitable, nor correct.

The Complainant's evidence package listed an eighth issue:

8. The municipality has failed to account for various elements of physical, economic and/or functional obsolescence.

The question of whether obsolescence was an issue properly before the CARB was moot, as the issue was not addressed in evidence.

At the hearing, the CARB heard evidence and argument on the following issues:

- 1. Do the sales comparables show the subject is assessed in excess of its market value?**
- 2. Has the subject been equitably assessed?**

LEGISLATION

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,

POSITION OF THE COMPLAINANT

Issue 1: Sales comparables

The complainant presented four sales comparables selected for similarity to the subject in age, location, lot size, site coverage and leasable area.

	Subject	Comparables Range
Lot size sq.ft.	194,719	107,945 – 213,448
Site coverage %	44	39 - 51
Leaseable area	86,800	53,853 – 89,784
TASP/sf (subject assessment)	\$99.41	\$57.92 - \$87.90

The Complainant argued that on the market evidence, a range of \$58 - \$88 was indicated, and the subject should properly be valued at \$67 per sq.ft. which would yield a value of \$5,815,500. The Complainant also argued that the sales comparables advanced by the Respondent were small properties, unlike the 86,800 sq.ft. subject, and they should be accorded little weight.

The Complainant took issue with the Respondent's method of assessing multi-building properties: each building was assessed in isolation, with assessment parameters derived from single building properties, and then aggregated. The Complainant suggested this method overstated the value of a single-titled property. In the market, the subject would trade as one parcel, not as the sum of three individual buildings, each on its own title. Three Calgary CARB decisions dealing with such a situation were cited but not submitted: 1315/2010-P, 0756/2010-P and 0540/2010-P.

Issue 2: Assessment equity

Five equity comparables were presented, selected for similarity to the subject in age, location, lot size, site coverage and leasable area.

	Subject	Comparables Range
Lot size sq.ft.	194,719	141,653 – 226,911
Site coverage %	44	39 - 48
Leaseable area	86,800	68,667 – 101,862
Assessment per sq.ft.	\$99.41	\$63.44 - \$88.18

These comparables showed a median assessment of \$83.89 per sq.ft. and an equitable value of \$84 per sq.ft. was determined, or \$7,291,000.

POSITION OF THE RESPONDENT

Issue 1: Sales Comparables

The Respondent presented 7 sales comparables, 5 selected to show similarity to the two smaller 16,000 sq.ft. buildings on site, as well as 2 comparables closer in size to the larger 55,000 sq.ft. building.

	Subject	Comparables Range
Site coverage %	44	28 - 56
Total building area sq.ft.	86,800	10,905 – 46,685
Office mezz included in area	704	0 - 3225
TASP/sf (subject assessment)	\$99.41	\$90.34 – 157.98

In the Respondent's view, a sale at 16821 107 Ave represented the best comparable to the smaller buildings, with a sale price of \$157.98 per sq.ft. for a property with 16,668 sq.ft. of main floor and 3225 sq.ft. of mezzanine office. Another sale at 16295 132 Ave was described as a 40,098 sq.ft. large open space, a distribution warehouse, and its \$90.34 per sq.ft. price should set a bottom end value for the larger building.

The Respondent argued that it would be improper to view the subject as a single 86,000 sq.ft. lump of space. Such a property would have a lower per sq.ft. value than the subject. The cost of construction would be much different for one large building than three smaller buildings, and the higher cost associated with the smaller buildings would reward the landlord with less risk and greater flexibility. The Respondent acknowledged that multi-building sales were difficult to find, witnessed at this hearing where only one of the twelve sales presented by the two parties was in this category.

Issue 2: Assessment equity

The Respondent presented two groups of equity comparables, one group of five comparable to the smaller 16,000 sq.ft. buildings, and a second group of five similar to the larger:

	Subject		Comparables Range
Site coverage	44		31 - 54
Total building area sq.ft.	15,977	15,785	14,010 – 29,058
Office mezz. Included in area	0	0	0 - 1292
Assessment per sq.ft.	\$99.41	\$99.41	\$100.94 - \$126.73

	Subject		Comparables Range
Site coverage	44		29 - 41
Total building area sq.ft.	55,058		55,857 – 93,733
Office mezz. Included in area	704		0
Assessment per sq.ft.	\$99.41		\$85.48 - \$98.54

Both groups were assessed as being on major roads, the first group showing a range of \$100-\$126 per sq.ft. and the second group hovering around \$90. The subject is a blend of these two types.

DECISION

The CARB confirms the assessment at \$8,628,500.

REASONS FOR THE DECISION

Properties with multiple buildings pose a challenge for the CARB. As to be expected, the parties present the Board with diametrically opposing views of value: as a single lump of space, or the lump sum of three smaller spaces. Unfortunately, because of a lack of sales, neither party was able to show the Board strong evidence in support of their positions. In such a vacuum, the Board hears mostly argument, and each party has some strong points. It is reasonable to assume that construction cost of a multi-building property would be higher than for a single building, and that a multi-building configuration would allow a landlord greater opportunity for income diversification and possibly, higher rents. However, the subject has a single title and would transact in the market as such, regardless of the number of buildings on site. To view a multi-building property as the sum of two, three or whatever number of smaller individual parcels, each on its own title, would overstate the value.

The Board reviewed the Calgary CARB decisions cited by the Complainant, but found only two of the three relevant: 0756/2010-P and 0540/2010-P. The first decision dealt with almost 600,000 sq.ft. of space apportioned between two buildings of some 250,000 sq.ft. each, and a third building of 90,000 sq.ft. That CARB found that rent would be determined by bay sizes rather than building sizes, and that an equitable assessment would value all the property at the same per sq.ft. rate. The second decision dealt with two buildings of 39,000 and 10,000 sq.ft. That fortunate CARB had the benefit of a two-building comparable sale, and after adjusting for site coverage, applied its per sq.ft. selling price to the subject's total size. The decision stated:

The methodology used in the assessment presumes the aggregate value of buildings on a multiple building parcel is the same as the sum of similar buildings that are separately titled. **In the opinion of the Board this is not a reasonable hypothesis.** (Emphasis added)

This CARB is not bound by prior decisions of other panels, but would prefer to deliver consistent decisions where the evidence allows. In deciding whether the subject should be valued as a lump of space or the sum of several lumps, this CARB is inclined to believe that the market truth is somewhere between the two extremes and likely closer to the sum; but as building sizes and numbers increase, the closer the value approaches a lump. Whatever the Board's inclination, each case must be decided on the basis of evidence presented.

Here, the Board sees support for a value of about \$85 per sq.ft. for the largest building of some 55,000 sq.ft. The CARB notes a Respondent equity comparable at 11703 170 Street with an area only 800 sq.ft. larger, assessed at \$88.99 per sq.ft. That comparable has superior (lower) site coverage and sets an upper limit. The property at 11771 167 Street is only about 3 blocks

removed from the subject and was both a Complainant sale and Respondent equity comparable. Considering the required installation of a sprinkler system, and time-adjusted, this 68,815 sq.ft. property sold for \$5,410,000 or \$79 per sq.ft., and is assessed at \$5,882,000. This larger property would benefit from some degree of economy of scale, and so \$79 would set a lower limit of value. Using that \$85 per sq.ft. value for the 55,000 sq.ft building gives a value of some \$4,680,000 rounded. Examining the Respondent's five sales of smaller buildings, if one excludes both the high and low extremes, the average of the remaining three sales yields \$120 per sq.ft. Applied to the 31,762 combined sq. ft. of the two smaller buildings, that gives a value of roughly \$3,810,000 rounded. In combination that would be an assessment of almost \$8,500,000, not far from the total assessment of \$8,628,500. The Board is satisfied that the component parts of the subject are assessed at very close to market rates.

The Board cannot determine on the basis of the evidence submitted what discount might be appropriate to account for multiple buildings on a single-titled property. The Complainant did provide the Board with a 2-building sale and equity comparable at 11448 149 Street. This property at 89,784 sq.ft. is only 3000 sq.ft. larger than the subject and shows a time-adjusted price of \$87.90 per leasable sq.ft., and \$93.99 per main floor sq.ft. If one were to value the 5823 sq.ft. of mezzanine office at this comparable as being worth only 60% of main floor area, the implied area would be 87,455 sq.ft. and the time-adjusted price \$90.24 per sq.ft. Compared to the \$99.41 assessment under complaint, this evidence might be suggestive that some alteration to the subject might be considered. Unfortunately, the measured sizes of the two buildings at the 149 Street property were not provided. An aerial photo appears to show a smaller building occupying the 149 Street frontage, and behind it a second building, about half as large again as the first, hidden from 149 Street. In the estimation of the Board, the second, larger building occupying an interior location would not command the higher value of a 149 Street or the subject's 118 Avenue location. The CARB believes the 149 Street comparable is more supportive of the assessment than suggestive a reduction is warranted.

Dated this 21 day of December, 2011, at the City of Edmonton, in the Province of Alberta.

John Noonan, Presiding Officer

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: SREIT (NUQUEST EDMONTON) LTD