

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1328

Assessment Roll Number: 1511005
Municipal Address: 11530 154 Street NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Lynn Patrick, Presiding Officer
Darryl Menzak, Board Member
Petra Hagemann, Board Member

Preliminary Matters

[1] The parties indicated they had no objection to the composition of the panel, and the Board members indicated that they had no bias to declare with regard to this matter.

Background

[2] The subject is a three-building owner occupied industrial complex located at 11530-154 Street NW in the Garside Industrial neighbourhood. Building one is a 22,108 square foot (sq ft) industrial warehouse, which includes 1,079 sq ft of office space. It has an effective year built of 1977. Building two is an 8,237 sq ft office, which includes 4,407 sq ft of main floor office space, and a 3,829 sq ft finished mezzanine area. It has an effective year built of 2006. Building three is a 7,799 sq ft industrial warehouse, with an effective year built of 2008. The total square footage for the three buildings is 36,948 sq ft and the site coverage ratio is approximately 18%. The subject's 2012 assessment of \$6,921,000 is based on the sales comparison approach to value.

Issue(s)

[3] Is the assessment of the subject correct based on comparable sales?

Legislation

[4] 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

[5] The Complainant submitted a brief (C-1) including photos, maps and nine comparable sales with sales data sheets to challenge the assessment of the subject property.

[6] The nine sales comparables are all located in Northwest Edmonton (C-1, p. 1). They vary in year of construction from 1965 to 2000. Sale dates range from January 2008 to October 2010, and site coverages range from 9% to 58%. The sizes of the comparables range from 15,426 sq ft to 84,832 sq ft. The time adjusted sale price per sq ft ranges from \$48.86 to \$132.63. The subject is assessed at \$181.43 per sq ft.

[7] These comparable sales included multi-building as well as single-building properties. The Complainant suggested that it was impossible to find sales which mirrored the subject insofar as the number and type of buildings on site. It was also suggested that the market value of a property was determined not so much by the number of the buildings on site but rather by the overall square footage of building space available to the purchaser, together of course with site coverage and also other attributes such as age, size and location of the property.

[8] The Complainant suggested that most weight should be placed on comparables 1, 3, 6 and 9 due to their similar physical and locational characteristics to the subject. These sales average \$91.16 per sq ft. It was noted that sale 6, with lower site coverage than the subject, was located directly across from the subject, and that sale 9 at \$93.13 per sq ft was suggested to be most comparable to the subject. To account for the requested reduction in the assessment to \$120.00 per sq ft rather than the \$91.00 average, the Complainant explained that the relatively new office building would add further value to the subject.

[9] The 2012 assessment notice illustrated that the assessment had increased by 45% since the previous year, which did not reflect the decision of the CARB in the previous year to reduce the assessment from \$6,842,500 to \$4,768,000. The Complainant advised the Board that the first eight sales comparables were used in the previous year to successfully challenge the assessment. By including comparable 9 this year, with a time adjusted sales price of \$93.13, the resulting average time adjusted sales price was consequently reduced from \$125.00 to \$120.00 per sq ft.

[10] The Complainant requested the Board reduce the 2012 assessment from \$6,921,000 to \$4,575,000.

Position of the Respondent

[11] The Respondent submitted a brief (R-1) including photos, maps, four sales and nine equity comparables to defend the 2012 assessment of the subject property.

[12] The Respondent explained the unit of comparison and site coverage to the Board, which they submitted is an important aspect of the assessment process. The Respondent referred to R-1, p. 8, which states:

The most common unit of comparison for industrial properties is value per square foot of building area. When comparing properties on this basis, it is imperative that the site coverage be a key factor in the comparison. Site Coverage expresses the relationship between the main floor area of the building and the amount of land associated with it. Properties with a larger amount of land in relation to the building footprint will see a higher value per square foot, as each square foot has to account for the additional value attributable to the larger land area.

[13] The photos (R-1, p. 12-14) illustrated that the subject property is rather unique in that it has two warehouse and one newer two storey office building. The Respondent advised the Board (R-1, p. 27) that the process of evaluating industrial properties with multi-buildings, although based on the same mass appraisal model as single-building properties, analyzes each building for its contributory value to the property. The assessment then represents the aggregate market value of that particular property. This methodology takes into account that the cost of construction for multiple buildings is greater, size and interior finish can vary widely between the different buildings, site configuration may be improved, and potential for subdivision may be a factor and can increase sale and rental options. The City's model predictions of value, including those for multiple building accounts have been tested and meet Provincial Quality Standards as set out in the *Matters Relating to Assessment and Taxation Regulations*, AR220/2004.

[14] The Respondent advised the Board that the subject's location on 156 St (a major roadway) had been reflected in the assessment. It was pointed out to the Board that as per the site plan (R-1, pg 15), there is access from 156 Street. Further, the possibility of subdividing the subject property in the future may add additional value to it.

[15] The four comparable sales chosen by the Respondent are all multi-building properties. It was suggested that the first three sales are most comparable to the subject in size, site coverage and condition. They range in time adjusted sales price from \$165.06 to \$297.92 per sq. ft, and in the Respondent's view supported the assessment of the subject at \$187.31 per sq ft.

[16] The nine assessment comparables presented by the Respondent are also all multi-building properties, located throughout the City of Edmonton. They are similar to the subject in site coverage, age, size and have an average assessment of \$208.83 per sq ft, suggesting that the assessment of the subject is also equitable.

[17] In argument, the Respondent cautioned the Board not to place much weight on the CARB decision presented by the Complainant as all the evidence presented during last year's hearing on which the board made its decision was not presented as evidence before this Board.

[18] The Respondent requested the Board confirm the 2012 assessment of the subject property at \$6,921,000.

Decision

[19] The decision of the Board is to confirm the 2012 assessment at \$6,921,000.

Reasons for the Decision

[20] The Board examined and considered all the evidence presented by both parties.

[21] In respect to assessing single- and multi-building properties, the Board finds merit in the argument presented by both parties. The Board accepts the Respondent's position that the cost of construction of three buildings (as in the subject) would exceed that of an equally sized larger building; however, whether a potential purchaser would pay more for a multi-building complex is questionable. The Board also recognizes the Complainant's position that rental income or market value would not necessarily be greater in bays of multi-building properties versus bays in a larger single building. Therefore the Board finds that all things being equal except for the number of buildings, there may not necessarily be a great difference in market value. In the case of the subject property, however, there are three distinctly different types and values represented in the three buildings. Simply calculating the time adjusted sales price per square foot of the sales and comparing this to the assessment of the subject, may not be a true representation of market value.

[22] The Board accepts the methodology as explained by the Respondent of assessing industrial multi-building properties (para. 12) by taking each building's assessment and using the aggregate to derive the total assessment. This is particularly important when assessing buildings that may be different in age, use and quality as is the case in the subject.

[23] The Board notes that the Complainant focused on their sales comparables 1, 3, 6, and 9. However, only 1 and 6 are multi-building complexes. Each of these comparables was fully considered by the Board. Comparable 1, similar to the subject in location, zoning, and site coverage, is comprised of 10 buildings which are considerably older than the subject. These warehouse buildings, leased to various tenants, do not include a newer office building as does the subject. Comparable 9, similar to the subject in site coverage, is superior in zoning. This older vacant property was to be renovated by the purchaser. This may have had an influence on the sale price. The Board was not persuaded by the comparables presented by the Complainant.

[24] The Board notes that the assessment of the subject had been successfully contested the previous year. However, the decision in itself is not compelling evidence for this Board to come to the same conclusion without the supporting evidence which led last year's board to its decision. Therefore the Board placed little weight on this information.

[25] The Board reviewed the four sales comparables of multi-building properties provided by the Respondent to support the assessment. The last sale was dissimilar in size and was not considered. Sale 1, inferior to the subject in location and with smaller site coverage, was difficult to evaluate for similarity. Sale 2, a warehouse that is much smaller than the subject and leased below market at the time of its sale, appears to support the assessment. Sale 3 was given less consideration by the Board as there was a sale/lease back by the vendor which may have been a financial/tax transaction rather than a market sale. The Board placed little weight on the Respondent's sales comparables.

[26] The Board examined the Respondent's equity comparables, however only two of these properties were located in the northwest area of the City where the subject is situated. Generally speaking the Board has difficulty rationalizing that northwest and southwest locations are equal in value. Both parties agreed with the Board. Furthermore, the information provided for the assessment comparables of the two properties in the northwest was not sufficient to come to a conclusion as to their similarity to the subject. Therefore the Board was not persuaded by this evidence.

[27] The subject is a unique property. It consists of two typical warehouses and one newer office building with a large amount of finished main and upper floor space. The office building is superior in value to a typical warehouse. It is the Board's opinion that it cannot be adequately compared to typical warehouse properties. Its market value must reflect the additional benefit of the office building. The Board agrees with the Respondent that this is best achieved by valuing each building and creating the assessment from the aggregate value as explained in the Respondent's methodology (para. 12).

[28] The onus lies with the Complainant to show the assessment is incorrect. The Board finds that there is not sufficient compelling evidence to alter the assessment. The decision of the Board is that the 2012 assessment at \$6,921,000 is fair and correct.

Dissenting Opinion

[29] There was no dissenting opinion.

Heard commencing November 7, 2012.

Dated this 5 day of December, 2012, at the City of Edmonton, Alberta.

Lynn Patrick, Presiding Officer

Appearances:

Peter Smith
for the Complainant

Marty Carpentier
for the Respondent

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.