

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1538

Assessment Roll Number: 4235966

Municipal Address: 16910 129 Avenue NW

Assessment Year: 2012

Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Warren Garten, Presiding Officer
Brian Hetherington, Board Member
James Wall, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties did not object to the composition of the Board. In addition, the Board Members expressed no bias with regards to this matter.

Background

[2] The subject property was built in 2001 and is assessed as an industrial warehouse building. Located in the Kinokamau Plains Industrial neighborhood, the site has a total area of 326,577 square feet (sq. ft.) with two main buildings totaling 56,165 sq. ft. The first building has a total area of 20,846 sq. ft. The second building has a total area of 35,319 sq. ft., which includes 2,820 sq. ft. of office on the main floor and 2,820 sq. ft. of mezzanine office. The total footprint of the two main buildings is 53,345 square feet. The subject further contains two out-buildings, one of which is a 4,620 sq. ft. material storage building built in 1994, and the other is a 520 sq. ft. shop. The subject's main buildings and land have been assessed for 2012 utilizing the direct sales comparison approach to value based on sales occurring between January 2008 and June 2011. The out-buildings have been assessed using the cost approach to valuation which includes a minimal value for the building plus land value as determined by the assessment guidelines.

Issue(s)

[3] Is the Market Value based on the Direct Comparison Approach to Value correct for the main building and land?

[4] Is the Market Value based on the Cost Approach to Value correct for the out-buildings?

Legislation

[5] 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

[6] The Complainant presented evidence (C-1) and argument for the Board’s review and consideration.

[7] The Complainant argued that the subject is over assessed based on the Direct Comparison Approach supported by the sales comparisons.

[8] The Complainant provided ten sales comparables (C-1, p. 1) for the Board’s review, ranging from a time-adjusted selling price (TASP) of \$59.85 per square foot to \$132.63 per square foot. The Complainant argued that an assessment of \$90 per square foot would be fair and equitable.

[9] The Complainant further pointed out that all comparable properties presented were in the northwest sector of the City of Edmonton and were reasonably close in size and site coverage.

[10] The Complainant suggested that the TASP of comparables 3, 4, 5, 7, 8 and 9 were most similar to the subject and requested the Board apply the most weight to these properties. These figures are \$93.13, \$59.85, \$90.70, \$96.31, \$87.40 and \$93.43 respectively.

[11] Upon questioning by the Respondent, it was determined that most of the sales comparables had higher site coverage than the subject. Further, numbers 1, 2, 3, 4, 6, 7, 8, 9 and 10 were vacant at the time of the sale or had current below market leases in place.

[12] Upon further questioning by the Board, the Complainant did not agree that vacancies or below market rates would dramatically affect the value of the property sales.

[13] In summary, the Complainant reinforced the position that the TASP's of his comparable properties (C-1 p. 1) provided evidence of an over-assessment of the subject property.

[14] The Complainant requested the 2012 assessment of the subject property be reduced to \$5,470,000, based on \$90 per square foot for the main buildings (gross cumulative area of 60,787 sq. ft.)

Position of the Respondent

[15] The Respondent presented evidence (R-1) and argument for the Board's review and consideration.

[16] The Respondent outlined the mass appraisal methodology for valuing properties (R-1, pp 4 to 8) and stressed that the "factors found to affect value in the industrial warehouse inventory were: the location of the property, the size of the lot, age of the building, total area of the main floor, amount of finished area on the main floor as well as developed upper area" (R-1, p. 17).

[17] The Respondent indicated that the direct sales comparison approach to valuation was the best indication of value for industrial buildings such as the subject property.

[18] The Respondent further stressed that the out-buildings located on the site were considered of minimal or no value and as a result were valued using the cost approach, which included the land under the out-buildings as per the City of Edmonton assessment guidelines

[19] The Respondent presented seven sales comparables (R-1, p. 21) in support of the 2012 assessment of the subject property. One comparable was from the Winterburn area and six comparables were from Southeast Edmonton. These had TASP's ranging from \$143.96 per square foot to \$178.28 per square foot.

[20] Further on R-1 (pp 29, 30), the Respondent provided evidence that the Complainant's sales comparable #1 was a duress sale and #5 was a non-arm's length sale. The Respondent therefore requested that the Board disregard both properties as they were non-*bona fide* sales.

[21] Upon questioning, the Respondent agreed that the City's sales comparables were not located in the immediate area of the subject; however, the services and site coverage were similar to the subject property. As such, the Respondent requested that these sales be considered by the Board as acceptable comparables. Further, it was agreed that the subject had rural storm servicing only.

[22] Upon the Board's questioning the Respondent agreed that the out-buildings were assessed on the cost approach to value and that the amount used for the improvement was "minimal" or "no value", however he did not have the exact number available.

[23] At the request of the Board, the Respondent agreed to obtain the precise allocations for each of the cost buildings involved in the four hearings being heard by the Board in this series of CVG applications. This information was provided, which showed that the two cost buildings on this particular property had been valued by the City at \$17,530 for Cost Building #1 and \$13,741 for Cost Building #2, for a total of \$31,271.

Decision

[24] It is the Board's decision to reduce the assessment from \$7,003,000 to \$6,978,000, based on the duplication in land assessment under the out-buildings.

Reasons for the Decision

[25] In reaching its decision, the Board considered all argument and evidence.

[26] The Board agreed that the lack of storm sewer service in the subject location (Northwest Edmonton) has minor impact on the property value.

[27] The Board placed little weight on the Respondent's sales comparables from the Winterburn area or Southeast Edmonton as they were outside of the subject's market area and, as such, not considered strong comparables.

[28] The Board reviewed all comparables provided by both the Complainant and Respondent and decided that the most weight should be placed on two sales provided by the Complainant. These are:

- i. 17803-118 Avenue: This property was included as evidence by the Complainant and is in the northwest sector of the City. The size/site coverage is similar (31,388 sq. ft./18%) as compared to the subject (56,165 sq. ft./16%).
- ii. 14440-123 Avenue: This property was included as evidence by the Complainant and is in the northwest sector of the City. The size/site coverage (54,555 sq. ft./42%) compared to the subject (56,165 Square Feet/16%).

[29] The average of the two comparable TASP's is \$112.88 which supports the current assessment of \$115.21 (C-1 p. 1).

[30] The Board found the use of two site coverage amounts in the Respondent's evidence package (R-1 p. 17: 16.3347%; and p. 21: 18%). Resulting questioning and cost information provided by the Respondent via e-mail (October 19, 2012) alerted the Board to an anomaly in the City's model in calculating the value of industrial sites with out-buildings.

[31] The Board found duplication in the City's valuation model. R-1 page 17 shows four buildings on a site totaling 326,577 sq. ft. The footprint of the two main buildings (53,345 sq. ft.) was used for the calculation of the site coverage (16.3347%). The out-buildings were not included. This site coverage is used in the calculation of value based on the direct sales comparison approach to value. The land component used in this calculation is 83.6653%. It should be noted that this percentage includes the land under the out-buildings.

[32] The Board further found that the value of the two out-buildings (5,140 sq. ft.) was calculated based on the Cost Approach to value which by definition includes a depreciated value for the improvements plus the land value. In this case it represents 1.5739% of the total land of the site. The information subsequently received from the Respondent indicated a value of \$31,271 was used in the assessment of these two out-buildings.

[33] Since the Board does not consider the out-building assessment amount as “minimal” value or “no value” as described by the City to, the Board has no alternative but to conclude that the value includes land under the out-buildings.

[34] The Board found that this resulting overlapping of approaches to value in the City’s model have an effect of duplicating the value of the land under the out-buildings.

[35] Although the amount is small in this case, it was determined by the Board that the revised assessment of \$6,978,000 is a fair and equitable value and corrects the duplication of the land included under the out-buildings.

Dissenting Opinion

[36] There was no dissenting opinion by any Board Member

Heard commencing October 17, 2012.

Dated this 9 day of November, 2012, at the City of Edmonton, Alberta.

Warren Garten, 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.