

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1867

Assessment Roll Number: 1113281
Municipal Address: 16345 130 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
James Wall, Board Member
Brian Hetherington, Board Member

Preliminary Matters

[1] At the outset of the hearings the parties indicated that they had no objection to the Board or its members. Each Board member indicated that they had no bias with respect to this matter.

Background

[2] The subject property is a multi-building industrial site, located in the northwest Mistatim Industrial neighbourhood at 16345 130 Avenue. The property contains three buildings, one of which is assessed at cost. The main building, which was constructed in 1982, has a total size of 34,217 square feet (sq. ft.), is in average condition and contains a 2,054 sq. ft. main floor office and a 2,054 sq. ft. finished mezzanine. The second building has a main floor of 8,159 sq. ft., including a 435 sq. ft. main floor office and was built in 1980. The third building, measuring 2,720 sq. ft., which was built in 2006, is assessed using the cost approach, which includes a minimal value for the building plus the land value as determined by the assessment department. The subject property's 2012 assessment is \$4,057,500.

Issue(s)

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

[4] Is the assessment of the subject property fair and equitable, compared to similar properties?

[5] Is the Market Value, based on the Cost Approach to Value, correct for the out-building?

Legislation

[6] 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

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

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

[9] The Complainant provided the Board with a list of six sales comparable properties (C-1, p. 1 with details on pp 10-20). All six were located in Northwest Edmonton, similar to the subject property, and had been sold between January 2008 and February 2011. These comparables had time adjusted sales prices (TASP) ranging from \$59.85 to \$82.28 per sq. ft.

[10] The Complainant also presented the current assessments for five of the six properties, which ranged from \$72.74 to \$79.86 per sq. ft. compared to the assessment of the subject at \$95.74 per sq. ft. He did not include an assessment for the comparable property located at 13007 149 Street.

[11] The Complainant suggested that his comparables 1, 4 and 6 were the most similar to the subject in size and site coverage, and requested the Board give most weight to them. The TASP’s of the three sales were \$82.28, \$61.67 and \$76.68, while their respective assessments for 2012 were \$74.27, \$79.86 and \$75.72.

[12] On cross-examination, it was agreed that sale 2 was 12,000 sq. ft. larger than the subject, and that sales 1 and 2 had leases below market rates. Further, sales 5 and 6 had been vacant at sale date.

[13] In summary, the Complainant reinforced the position that the TASP’s of his comparable properties, coupled with the current assessments of those properties, supported his request for a reduction in the assessment of the subject property.

[14] The Complainant requested the 2012 assessment of the subject property be reduced to \$77.00 per sq. ft., generating a total assessment of \$3,263,106.

[15] The Complainant also added that the 2,720 sq. ft. lumber unheated storage shed is being included by the City as a cost adjustment based on \$20.00 per sq. ft. This would add \$54,000 to the value of the subject property, which would result in a total value of \$3,317,106. The Complainant therefore asked the Board to reduce the assessment to \$3,317,000.

Position of the Respondent

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

[17] 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. 7).

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

[19] The Respondent further stressed that the out-building located on the site was considered of minimal or no value and as a result was valued using the cost approach, which included the land under the subject material shelter as per the City of Edmonton assessment guidelines.

[20] The Respondent presented the Board with a chart of eight comparable sales (R-1, p. 21, with details on pp 22-29). Two were small buildings of less than 12,000 sq. ft.; three were in the range of 30,000 to 44,000 sq. ft., and all were located in Northwest Edmonton, similar to the subject property. The Respondent also included three multi-building properties, located in Southeast Edmonton.

[21] The TASP's of these comparable sales were \$130.29 and \$169.36 for the two smaller buildings; \$93.27; \$95.12 and \$95.24 for the three larger single buildings; and \$143.96, \$161.30 and \$165.06 for the three multi-building properties in Southeast Edmonton. These compared to the assessment of the subject property at \$95.74 per sq. ft.

[22] The Respondent also presented evidence that the Complainant's sale 1 was a vendor leaseback with below market rates (R-1, p. 31).

[23] The Respondent presented the Board with a list of five Equity Comparables (R-1, p. 30), in the vicinity of the subject property. The Respondent suggested that these assessments, ranging from \$94.18 - \$101.04 per sq. ft. supported the assessment of the subject property at \$95.74 per sq ft.

[24] Upon questioning by the Complainant, the Respondent acknowledged that the Mistatim Industrial area, where the subject property is located, has no storm sewers, while his comparables were in Northwest Edmonton, but not in the Mistatim neighbourhood. He also agreed that his comparables 2 and 5 were located on main roads, while the subject was on an interior road. He further acknowledged that the Southeast Edmonton location of his three multiple-building comparables was superior to that of the subject.

[25] The Complainant also questioned the Respondent on the City's Multi-Building Accounts policy, and whether multi-tenant buildings were a factor in the assessments.

[26] Questioned by the Board on the differences in site coverage for the subject property shown on the City's data sheet (R-1, p. 17: site coverage of 30.8%), and the Respondent's Sales Comparison chart (R-1, p 21: site coverage of 33%), the Respondent indicated that this was due to the land below the cost building, as this was assessed on the cost approach to value and that the amount used for the improvement was "minimal" or "no value".

[27] 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 cost building on this particular property had been valued by the City at \$31,691.

Complainant's Rebuttal

[28] The Complainant presented the Board with a six-page rebuttal document (R-2), which included the 2012 assessments of each of the five single-building projects presented by the Respondent in R-1. These assessments ranged from \$80.36 - \$137.16 per sq. ft. compared to the TASP's of the same properties, which ranged from \$93.17 to \$169.36 per sq. ft. He suggested that there was a clear difference between the two small buildings and the three which were closer in size to the subject.

Decision

[29] It is the Board's decision to reduce the assessment from \$4,057,500 to **\$4,026,000** based on the duplication in land assessment under the out-buildings.

Reasons for the Decision

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

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

[32] The Board placed little weight on the Respondent's sales comparables 1 and 2 as they were both a fraction of the size of the subject. Similarly, the Board discounted the three multi-building properties in Southeast Edmonton as they were outside of the subject's market area and, as such, not considered strong comparables.

[33] The Board reviewed the list of comparables presented by the Complainant and was of the opinion that two of them (numbers 4 and 6) merited consideration, as both were of similar size and site coverage. The details of these two comparables were:

i 14635 121A Avenue: This property was included as evidence by the Complainant and is in the same northwest sector of the City as the subject property. The size/site coverage is similar (41,349 sq. ft./31%) as compared to the subject (42,378 sq. ft./33%).

ii 17407 106 Avenue: This property was included as evidence by the Complainant and is in the same northwest sector of the City as the subject property. The size/site coverage is similar (46,294 sq. ft./37%) as compared to the subject (42,378 sq. ft./33%).

[34] Having reviewed these comparables, the Board felt the onus of proof had switched to the Respondent to justify the assessment.

[35] Working from this premise, the Board was satisfied that the Respondent had met the onus of proof with his comparables 3, 4 and 5, which were all in the same quadrant of the city.

[36] These comparables were of a similar age, site coverage and total size, as compared to the subject property.

i 12930 148 Street: This property was built in 1972, has a site coverage of 34% and a total building size of 44,101 sq. ft., as compared to the subject property being initially built in 1980, with a site coverage of 33% and a total building size of 42,377 sq. ft.

ii 16440 130 Avenue: This property was built in 1980, has a site coverage of 31% and a total building size of 30,752 sq. ft. as compared to the subject property being initially built in 1980, with a site coverage of 33% and a total building size of 42,377 sq. ft.

iii 11565 149 Street: This property was built in 1971, has a site coverage of 43% and a total building size of 35,380 sq. ft. as compared to the subject property being initially built in 1980, with a site coverage of 33% and a total building size of 42,377 sq. ft.

[37] The average TASP of these three comparables is \$95.54 per sq. ft., which supports the current assessment of \$95.74 per sq. ft. (C-1, p. 1 and R-1, p. 21).

[38] The Board found the use of two site coverage amounts in the Respondent's evidence package (R-1 p. 17: 30.8829%; and p. 21: 33%) to be particularly confusing. 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.

[39] The Board found duplication in the City's valuation model. R-1 page 17 shows three buildings on a site totaling 45,096 sq. ft. The footprint of the two main buildings (42,377 sq. ft.) was used for the calculation of the site coverage (30.8829%). The out-building was 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 69.1171%. It should be noted that this percentage includes the land under the out-building, which is regarded as a cost building.

[40] The Board further found that the value of the out-building (2,719 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 2.0824% of the total land of the site. The information subsequently received from the Respondent indicated a value of \$31,691 was used in the assessment of this out-building.

[41] Since the Board does not consider the outbuilding assessment amount as "minimal" value or "no value" as described by the City upon questioning, the Board has no alternative but to conclude that the value includes land under the out-buildings.

[42] 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.

[43] Although the amount is small in this case, it was determined by the Board that the revised assessment of \$4,026,000 is a fair and equitable value and corrects the duplication of the land included under the out-buildings.

Dissenting Opinion

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

Heard October 18, 2012.

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

Warren Garten, Presiding Officer

Appearances:

Tom Janzen
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.