Edmonton Composite Assessment Review Board

Citation: London Life Insurance Company c/o CVG Canadian Valuation Group v The City of Edmonton, 2012 ECARB 2206

Assessment Roll Number: 9974451
Municipal Address: 3404 78 AVENUE NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG Canadian Valuation Group, Agent

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Don Marchand, Presiding Officer
John Braim, Board Member
Lillian Lundgren, Board Member

Preliminary Matters

[1] The parties were sworn in.

[2] Both parties indicated they had no objections to the composition of the CARB. Further, the CARB members indicated that they had no bias with respect to this matter.

Background

[3] The subject property is located in the Weir Industrial neighbourhood with the rear of the parcel backing on to the Sherwood Park Freeway and the east side of the parcel bounding 34th Street. Access to the subject is off 34th Street via 78th Avenue. There are five separate buildings located on the subject parcel that has a total of 9.313 acres (405,654 sq. ft.). The five buildings total 143,995 square feet of warehouse/office space. The overall site coverage for the subject is 35%. The direct sales comparison approach to value is used in the challenge of and in the support of the assessment for 2012. The assessment under complaint is $15,737,000.

[4] Building #1, built in 1982, is located at the rear of the parcel. It contains 35,999 square feet in area; 19,279 square feet is office (53.6%). The balance consists of average warehouse space.

[5] Building #2 is an L-shaped warehouse/office complex, also built in 1982. It is located in the middle of the parcel along 34th Street. It has a total area of 24,799 square feet. The office component in building #2 amounts to 8,480 square feet or 34.2%.

[6] Building #3 is located along its west property line with access to 78th Avenue. It is a warehouse/office complex, also built in 1982. It has total area is 30,659 square feet. The office component in Building #3 amounts to 16,209 square feet or 52.9%.

[7] Building #4 is on the parcel's west side. It is a warehouse/office complex, also built in 1982. It has total area is 33,274 square feet. The office component in Building #4 amounts to 5,096 square feet or 15.3%.

[8] Building # 5 also fronts on to and has access to 78th Avenue. It is on the parcel's east side. It is a warehouse/office complex, built in 1999. It has total area is 19,259 square feet. The office component in Building #4 amounts to 4,950 square feet or 25.7%.

[9] Building #1 and Building #2 have had a 10% allowance applied to their costing in recognition of their lack of direct exposure and access to the front of the property. The Respondent is recommending that that same allowance be applied to Building #4 for the 2012 and future assessments.

Issue(s)

[10] Is the subject assessment correct?

Legislation

[11] The Board's jurisdiction is within the **M*unicipal Government Act*, RSA 2000, c M-26 [MGA]:**

> 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.

[12] The Board gave consideration to the requirements of an assessment, contained in the MGA:

> 289(2) Each assessment must reflect
>
> a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and
>
> b) the valuation and other standards set out in the regulations for that property.

[13] The valuation standard is set out within the ***Matters Relating to Assessment and Taxation Regulation*, Alta. Reg. 220/2004 [MRAT]:**

> 2. An assessment of property based on market value
>
> a) must be prepared using mass appraisal,

b) must be an estimate of the value of the fee simple estate in the property, and

c) must reflect typical market conditions for properties similar to that property

[14] Market value is defined within the MGA as:

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;

Position of the Complainant

[15] The Complainant is advocating an assessment based on a sales price per square foot garnered from the sales of properties that are similar to the combined size of the 5 subject building complex of 143,995 square feet, of similar site coverage, with similar building ages, and location. The subject’s assessment is based on the total area of 143,995 square feet amounts to $109.29 per square foot.

[16] The data from seven sales were presented. Sales #1 and #7 were identified as multi-building properties with time adjust sales price per square foot indicators of $72.07and $82.62 respectively. The remaining 5 sales were of single building properties with time adjust sales price per square foot indicators ranging from $68.06 to $102.31.

[17] The Board was asked to give consideration to all the comparables provided by the Complainant, with the most consideration to be given to the Complainant’s indicators #4, #5, and # 7.

[18] Supporting data was provided for the Complainant’s comparables # 4, #5, and #7 from Network reports. Comparable #4 is identified as having 79,615 square feet of building area, is built in 1961, and has site coverage of 28%, with a time adjusted sales price per square foot indicator of $91.41.

[19] The Network report for comparable #5 identifies the complex as the Letourneau Centre with a building area of 97,743 square feet (site coverage 47.3%), built in 1977, with roof repairs. The Complainant uses a time adjusted sales price per square foot indicator of $102.31.

[20] The Complainant’s report for comparable #7 identifies four buildings on site built in 1977; the combined area is 64,149 square feet. It has site coverage of 35%. The Complainant uses a time adjusted sales price per square foot indicator of $82.62.

[21] In summary the sales that the Complainant considered to be most comparable to the subject with time adjust sales price per square foot indicators of, $91.41, $102.31, and $82.62 were emphasized. Based on these indicators a time adjusted sales price per square foot of $95.00, is requested.

[22] In support of this request the Complainant included the 2011 CARB decision showing a reduction in the assessment from $16,620,000 to $13,912,000. This decision represents a per square foot rate of $96.63 based on the subject property having a five building total size of 143,975 square feet.

[23] In conclusion, the Complainant asked the Board to consider the subject in light of its single title; where the buildings can’t be sold separately. The Complainant expressed a concern with the Municipality’s approach of modeling each building based on the attributes of each building then

producing an assessment that is the sum of each building's (complete with land) contributory value. It is the Complainant's opinion that such an approach in valuing these multi-building properties results in an overstating of multi-building property's market value as evidenced by the comparables presented in support of an assessment of $95.00 or $13,679,500.

Position of the Respondent

[24] The Respondent advised the Board of the factors that the Municipality found to affect value in the warehouse inventory. They are the location, the parcel size, the age, condition, and footprint of each building, as well as the amount of main floor and upper area development. The upper space being at a lesser rate per area then the main.

[25] The Respondent also advised the Board of how the industrial accounts with multiple buildings were valued as per the Complainant's understanding and explanation. The reasons for valuing each individual building based on the aggregate site coverage for the entire parcel was set out as per the following points:

- The cost of construction is greater for multiple buildings.
- Size and interior finish can vary widely between different buildings. (as well as age)
- There may be decreased investment risks and greater upsides associated.
- Site configuration may be improved.
- The potential for subdivision can increase sale and rental options.
- Analyzing each building allows for precise account adjustment when necessary. i.e. adjusting for rear building exposure, varying building conditions etc.

[26] The Respondent provided the Board with 3 sales that occurred with building sizes that included finished upper space ranging from 17,802 to 19,903 square feet. They were built in 1986, 1979, and 1977 and have site coverage of 36%, 38%, and 30 % respectively. The time adjusted sales price per square foot range from $94.80 to $141.09. These sales are primarily in support of Building # 5 on the subject's site.

[27] The Respondent provided the Board with another group of 4 sales that occurred with building sizes, including finished upper space, ranging from 23,880 to 28,688 square feet. They were built in 1972, 1982, 1974, and 1992 have site coverage of 46%, 29%, 25, and 27 % respectively. The time adjusted sales price per square foot range from $97.70 to $144.14. These sales are primarily in support of Building # 2 on the subject's site.

[28] An 8th sale comparable was provided in support of the balance of the buildings on the subject site. It is the sale of a 41,991 square foot warehouse with 31.4% office space (site coverage 28%), built in 1974 on a parcel with a time adjusted sales price per square foot indicator of $109.55.

[29] The Respondent also provided the Board with 3 multi-building sales. They had 4, 2, and 11 buildings respective and with total building sizes that ranged from 55,654 to 291,285 square feet. The time adjusted sales price per square foot indicators ranged from $118.36 to $165.06. The Respondent advised that these three sales were superior to the subject.

[30] The blended rate for all 5 of the subject buildings with a combined total of 143,995 square feet and based on a recommended 10% reduction to Building #4's cost equals $107.32 .

[31] The Respondent advised that the Complainant's sales indictor #5 is considered a Retail Plaza within the Municipalities inventory and is not considered similar to the subject. The Respondent also advised that the Complainant's indicator #7 was reflective of a fair condition building as the building was with foundation and plumbing problems at the time of sale.

[32] In summary the Respondent emphasized that the onus lies with the Complainant to show or demonstrate that the assessments of multi-building accounts, such as the subject, as predicted do not meet the valuation standard is set out within the *Matters Relating to Assessment and Taxation Regulation.* The Respondent asked the Board to place little weight on the Complainant's three comparable sales considered to be most comparable properties to the subject- the Complainant's indicators #4, #5 and # 7. Comparable # 5 is a Retail Plaza. Comparable # 7 measures building that was in fair condition at the time of sale. Comparable # 4 is measuring a single building property of 79,615 square feet, built in the 1960's with 28% site coverage, and is not comparable to the subject.

[33] The Respondent requested that the Board revise the assessment to give a 10% allowance to the building #4's cost as consideration for interior location of Building #4, its lack of exposure and access to the main entry off of 78^{th} Avenue. The revised assessment amount is $15,453,000.

Decision

[34] That the property assessment for roll number 9974451 be reduced to $15,453,000.

Reasons for the Decision

[35] The subject property is an industrial property with five buildings on the parcel. All are of a varying size and one is seventeen years newer. Each building does have its own exposure, parking and access attributes. The explanation as to how these multi-building accounts were assessed was given consideration. The Board appreciates that the reasons for valuing each individual building based on the aggregate site coverage for the entire parcel may or not may not apply in their entirety to all multi-building properties.

[36] A multi-building property is atypical to a single building property. If the method used in the preparation of the assessment is considered to yield an assessment that is not a reasonable indication of its market value then the onus to support the challenge is with the party making the challenge.

[37] The Board gives consideration to the retail nature of the Complainant's comparable #5 and finds it not comparable to the subject. The inferior condition of the improvements at the time of sale relative to the Complainant's comparable #7 is given weight and the indicated unit price needs significant upward adjustment to make it comparable to the subject. The board agrees with the Respondent that the Complainant's comparable #4 is not similar to the subject for their reason stated.

[38] The Respondent's comparables have time adjusted sales price per square foot indicators reflective of their various sizes, together with the comparable attributes and allowance for each individual subject building. The final assessment is then a blend of the rates computed for each building. The assessment of $107.32 per square foot is based on the total area of all five buildings.

[39] The recommended assessment of $15,453,000 that incorporates an allowance for building #4 is reasonable and consistent with the other buildings and is accepted.

Heard commencing October 31, 2012.
Dated this 29th day of November, 2012, at the City of Edmonton, Alberta.

Don Marchand, Presiding Officer

Appearances:

Tom Janzen
for the Complainant

Cam Ashmore
Mary-Alice Nagy
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.