

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 00950

Assessment Roll Number: 4314456
Municipal Address: 12340 Fort Road NW
Assessment Year: 2013
Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Jerry Krysa, Presiding Officer

Brian Carbol, Board Member

Brian Frost, Board Member

Preliminary or Procedural Matters

[1] There were no preliminary or procedural matters raised by either party during the course of the hearing.

Background

[2] The subject property is a 3.299 acre parcel of land located at the intersection of Yellowhead Trail and Fort Road in the Elmwood Park subdivision of north Edmonton. The site was improved in 1963 with a 53 room full-service hotel known as the Sands Motor Inn. The property is assessed as a Class A full-service hotel using the income approach to value.

Issues

[3] Is the 2013 assessment of the subject property in excess of its market value?

[4] Is the highest and best use of the subject property, as vacant land?

Legislation

[5] The *Municipal Government Act*, RSA 2000, c M-26, reads:

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 argues that the assessment of the subject property is greater than its market value as a result of inaccurate financial data in the Respondent’s income approach valuation. The Complainant submits that the hotel business has been a money losing proposition for the last two years, and when corrected data is relied on for the income approach valuation, the indicated market value of the property is exceeded by the value of the underlying land, as though vacant. Consequently, the Complainant argues that the highest and best use of the subject property is as vacant land, and the assessment should reflect the value of the vacant land plus a nominal \$500 value for the improvements.

[7] In support of the argument, financial statements for the years 2009, 2010 and 2011 were provided (C-1, pp. 39-41) which showed a small profit for 2009 and negative operating incomes for 2010 and 2011.

[8] The Complainant further submits that the subject property, along with an adjacent vacant parcel sold in a combined transaction dated June 22, 2012, for \$3,600,000, as indicated on the Network sale document on page 25 of exhibit C1. The Complainant argues that the sale indicates a market value for the subject property of \$2,469,500, if the \$1,130,500 assessed value of the adjacent vacant lot is deducted from the combined sale price.

[9] The Complainant maintains that the adjusted sale price reflects the value of the subject parcel of land as though vacant, and is further validated by recent vacant land sales. In support of the argument, the Complainant provided a summary of eleven land sales that exhibit a range of time adjusted sale prices from \$13.01 to \$25.23 per sq ft, with median and average unit rates of \$16.58 per sq. ft. and \$18.61 per sq. ft., respectively. On the basis that \$18.61 is a reasonable unit rate for the land; the Complainant established a market value for the subject land, as though vacant, of \$2,674,000. (C-1, p.20)

[10] The Complainant also argues that based on current market leases and assessment comparables, the assessed \$1,217,000 ancillary value of a leased facility occupied by a truck driving school is excessive and should be reduced to a value of \$86,660. Further, the Complainant argues that required parking for the subject hotel operations is largely within the adjacent vacant land parcel included within the purchase, but not deducted from the assessment of the subject property. The Complainant stated this additional value should correctly be deducted from the assessor's assessment calculation for the subject property, an indication that the assessment double counted some of the value. However, the Complainant adds that as the overall income from the subject property is not sufficient to produce an income approach value in excess of land value, these points are moot.

[11] On the basis of the highest and best use being as vacant land, and based on the direct sales comparison approach of other land sales, the Complainant asked that the Board reduce the 2013 assessment of the subject property to \$2,674,000.

Position of the Respondent

[12] The Respondent conceded that the current assessment is in error, and requested that the Board revise the assessment from \$4,185,500 to \$3,530,500, to more closely reflect the actual revenues of the subject as received from the new owner of the subject property, and also to revise the rental rate per sq. ft. on the ancillary space from \$30 per sq ft to \$10 per sq ft. The Respondent indicated that he estimated 2009 income, as he had been supplied only with a partial income and expense statement from the previous owner.

[13] The Respondent stated an inspection was carried out in May 2013 in the company of the new owner, where the owner provided 2009, 2010 and 2011 financial statements that differed significantly from those received from the previous owner. The Respondent stated the new owner confirmed the sale for \$3,600,000 in June 2012 and stated the price included a vacant lot which the owner estimated was worth \$350,000. The Respondent stated the owner confirmed the land was not needed for hotel parking, but rather was purchased for future development potential.

[14] The Respondent stated a revised property assessment (pro-forma) was prepared using actual income and typical expenses in accordance with mass appraisal practice, (Exhibit R-1, page 64) which indicated the corrected assessment should be \$3,530,500.

Decision

[15] The 2013 assessment is revised to \$3,250,000.

Reasons for the Decision

[16] The Board finds that the assessment of the subject property is in excess of its market value.

[17] The Board put little weight on the income approach valuations of both parties as the subject's financial data in evidence was inconsistent and contradictory, and therefore deemed unreliable. Consequently, the Board rejects the Complainant's highest and best use test, founded on an income approach valuation, and also the Respondent's income approach recommendation.

[18] With respect to the issue of highest and best use, the Board further notes that the Complainant failed to provide a reasonable analysis of the subject's highest and best use. For that reason, and in light of the recent sale of the subject property, the Board finds that the Complainant's vacant land sales analysis is irrelevant in the valuation of a going-concern hotel property.

[19] The Board finds that the Complainant's evidence of the recent sale of the subject property is the best evidence of the subject's market value, as the \$3,600,000 sale of the subject property and an adjoining vacant lot occurred within days of the legislated valuation date. The Board, however, rejects the Complainant's sale price adjustment of deducting the "assessed" value of the adjacent vacant lot from the total combined sale price, as the Complainant's own argument at point 38, on page 22 of C1 states, "The assessment of the vacant lot exceeds the purchase price of the lots on a square foot basis. The vacant land assessment is too high."

[20] The Board notes that there was no evidence to refute the Respondent's testimony in respect of the purchaser's \$350,000 allocation of value to the vacant lot, and accordingly, finds that the net sale price attributable to the subject property is \$3,250,000.

[21] The Board further notes that \$3,250,000 is reasonably close to the January 2012, \$3,167,000 appraised value set out by the property owner in response to the Respondent's request for information at page 40 of Exhibit R1.

Heard July 22, 2013.

Dated this 21st day of August, 2013, at the City of Edmonton, Alberta.



Jerry Krysa, Presiding Officer

Appearances:

John Trelford
for the Complainant

Abdi Abubakar
Amy Cheuk
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.