

Edmonton Composite Assessment Review Board

Citation: Liz McLeod MNP LLP v The City of Edmonton, 2013 ECARB 01059

Assessment Roll Number: 8976979

Municipal Address: 9503 42 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Liz McLeod MNP LLP

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

John Noonan, Presiding Officer

John Braim, Board Member

Judy Shewchuk, Board Member

Procedural Matters

- [1] When asked by the Presiding Officer, the parties did not object to the composition of the Board. In addition, the Board Members indicated no bias in the matter before them.

Background

- [2] The subject property comprises an office warehouse complex of 2 buildings located in the Strathcona Industrial Park in the south industrial district. The buildings were constructed in 1978, which is also their effective age, and extend to a total area of 63,091 square feet (sq ft) with 24,637 sq ft (39 %) of main floor offices. The condition is rated as average. The lot size is 4.05 acres resulting in a site coverage ratio of 35.74%. Respectively the 2 buildings are 29,019 sq ft with 13,623 sq ft of offices and 34,072 sq ft with 11,014 sq ft of offices.
- [3] The property has been assessed by the direct sales comparison method and the assessment of \$7,412,000 equates to a unit rate of \$117.48/ sq ft of total building area.

Issue(s)

- [4] Do the sales comparables show the subject is assessed at greater than market value?
- [5] Is the subject property assessed inequitably?

Legislation

[6] 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

[7] The Complainant filed this complaint on the basis that the assessment of the subject property was much higher than the market value and was also inequitably assessed when compared to similar properties.

[8] In support of this position the Complainant provided a chart of 6 comparable sales from the south industrial area. The sales were of similar age and in similar locations to the subject property. The sales were time adjusted to valuation day and the resulting rates ranged from \$67.55/ sq ft of total area to \$111.81/ sq ft with an average of \$90.67/ sq ft and a median of \$92.04/ sq ft of total area. When the main floor only of the comparables is used the unit values ranged from \$78.75/ sq ft to \$118.60/ sq ft with an average of \$97.47/ sq ft and a median of \$98.07/ sq ft. The Complainant contended from this analysis that a rate of \$95.00/ sq ft should be applied to the subject property for a market value of \$5,993,500.

[9] The 6 sales had effective ages ranging from 1974 and 1979; had site areas ranging from 2.30 acres to 3.48 acres; 3 of the parcels each had 2 buildings and 3 had only 1 building. The buildings ranged in size from 39,991 sq ft to 59,653 sq ft; site coverage ratios ranged from 26.52% to 44.16%.

[10] The Complainant contended the assessments of warehouse properties with more than one building were 20.0% higher than the single building property assessments and a 20% adjustment should be applied to produce a value of \$6,158,500 for the subject property. This contention was based on the economies of scale principle wherein it would be more expensive to buy two separate buildings as opposed to buying 2 buildings in one transaction.

[11] In support of this contention, the Complainant provided an assessment to sale ratio analysis (ASR) on the same chart for each sale that indicated the ASRs of the two building properties was higher than the single building properties by approximately 20%.

[12] In summation, the Complainant stated that the economies of scale had not been considered by the Respondent and affected the assessment and the sales analysis had clearly demonstrated the unit rate should be \$95.00/ sq ft for an assessment of \$5,993,500.

Position of the Respondent

[13] In defence of the assessment of \$7,412,000, the Respondent provided a chart of 5 sales of similar properties from the south industrial area that were similar in size, age and condition to the subject property. The buildings ranged in age from 1974 to 1979; size from 18,534 sq ft to 59,655 sq ft; site coverage ratios from 28% to 45% and time adjusted sale prices from \$101.30/ sq ft to \$122.88/ sq ft. The average time adjusted sale price was \$112.54/ sq ft compared to the subject at \$117.48/ sq ft. The chart was colour coded to inform the reader that further adjustments were required.

[14] The Respondent defended the equity argument by the provision of a chart of 5 comparable properties from the south industrial district that were all in average condition. They were all two building properties that were similar in age and SCR to the subject. The buildings ranged in size from 24,003 sq ft to 47,951 sq ft and had SCRs that ranged from 34% to 40%. The assessments ranged from \$111.79/ sq ft to \$123.15/ sq ft with an average of \$116.70/ sq ft. Again the chart was colour-coded indicating that additional adjustments were required.

[15] The Respondent informed the Board the subject property had sold on April 13, 2012 for the sum of \$7,100,000 and this provided additional support for the assessment. The sale was part of a multiple property sale but had been validated and used in the model.

[16] In response to questions the Board was informed that sales #3 and #4 of the Respondent were the same sales as used by the Complainant, namely sales #1 and #2. In addition the Respondent agreed that their sale #1 and #2 were in superior locations as they fronted major roads.

Complainant's Rebuttal

[17] In rebuttal of the Respondent's comparable sale evidence the Complainant provided the 2013 assessments on sales #1 to #3 to demonstrate that the assessments and ASRs on the Respondent's multi-building property sales were higher relative to the single building assessments.

Sur-Rebuttal

[18] The Respondent provided evidence that since the original sale in January 2008, alterations had been made to the building that could account for the apparent and unusual high ASR of the Respondent's sale #1.

Decision

[19] The Board reduces the assessment from \$7,412,000 to \$7,100,000.

Reasons for the Decision


[20] The parties presented nine sales comparables, two of them common to both presentations. Usually the Board is able to draw some value conclusion from such an array, especially if the sales include some very similar properties. Here, the sales were sufficiently different from the subject in terms of building size or site coverage that the Board can only generalize. Excluding the low sale, which was influenced by a low lease rate, the Complainant's five sales averaged \$101.21 per sq ft of main floor area. Excluding a sale that had since seen alterations, accounting in some part for an ASR of 1.34, the Respondent's four sales averaged \$116.38 per sq ft. The seven different sales, after the two exclusions, yielded an average \$107.38 and the two common sales averaged \$109.97. Regarding the two common sales, the Board observed that 4704 97 St. (at \$101.30 per sq ft) was very close in building size to the subject, but had 44% site coverage versus the subject's 36%. The 8% difference is not insignificant, and one would expect the subject to have a greater value given the lower site coverage. Conversely, the other common sale at 8210 McIntyre Road (\$118.63 per sq ft) has 28% site coverage, an 8% advantage over the subject. Ordinarily, the Board might just average those two sales, but here, other information was available. Handily, the other information also addresses the Complainant's argument of multiple building properties being assessed inequitably in comparison to single building developments.

[21] The Board was persuaded by the evidence of the Respondent with regard to the sale of the subject property. The sale took place on April 13, 2012, less than 3 months prior to valuation day. The Respondent informed the Board that the sale had been validated and used in the model. The Board has long accepted the sale of the subject as being the best evidence of value in the absence of extenuating circumstances.

[22] Usually the Board does not alter an assessment if the change is less than 5%. However, given the sale date so close to valuation day the Board is satisfied that the subject is slightly over assessed and so departs from its usual practice.

Heard August 6, 2013.

Dated this 3rd day of September 2013, at the City of Edmonton, Alberta.


John Noonan, Presiding Officer

Appearances:

Walid Melhem
for the Complainant

Amy Cheuk, City of Edmonton, Law Branch
Marcia Barker
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.