

Edmonton Composite Assessment Review Board

Citation: AEC INTERNATIONAL v The City of Edmonton, 2013 ECARB 01381

Assessment Roll Number: 2181105

Municipal Address: 14803 118 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

AEC INTERNATIONAL

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

George Zaharia, Presiding Officer

Howard Worrell, 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.

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] The subject property is an industrial warehouse located at 14803 118 Avenue NW in the Huff Bremner Estate Industrial neighbourhood. The building comprises 69,034 square feet of total main floor space inclusive of 6,000 square feet of office space. The building has an effective year built of 1976, and is situated on a lot 138,101 square feet (3.2 acres) in size with site coverage of 50%.

[4] The subject property was valued on the direct sales approach resulting in a 2013 assessment of \$5,559,000 (\$80.53 per square foot).

Issues

[5] 1. Is the 2013 assessment of the subject property too high based on sales of similar properties?

2. Is the 2013 assessment of the subject property too high based on the assessments of similar properties?

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] In support of his position that the 2013 assessment of the subject property is excessive, the Complainant presented a 13-page brief (Exhibit C-1). The Complainant argued that based on an analysis of: 1) sales of similar properties, and 2) assessments of similar properties, the assessment of the subject property was too high.

[8] The Complainant submitted four sale/equity comparables in support of his position that the subject was not equitably assessed. The sales occurred between May 2010 and June 2012 for time-adjusted sales prices (TASP) ranging from \$58 to \$80 per square foot with a median of \$73, compared to the assessment of the subject at \$79 per square foot. The sizes of the comparables ranged from 52,000 to 72,931 square feet, compared to the size of the subject at 70,256 square feet. The site coverage ranged from 41% to 55%, compared to the site coverage of the subject at 50%. The Complainant stated that the best two comparables were nos. 1 and 2, located across from each other at 14345 123 Avenue and 14350 123 Avenue with a median of \$69 per square foot (Exhibit C-1, page 8).

[9] The assessments of the comparables ranged from \$64 to \$85 per square foot, resulting in a median of \$77 per square foot, compared to the assessment of the subject at \$79 per square foot. Relying on the best two comparables the median was \$68 per square foot (Exhibit C-1, page 8).

[10] The Complainant questioned the comparability of the Respondent’s sales comparables nos. 4 to 6 since they varied significantly from the building size of the subject. Only sales comparable no. 1, located at 11771 167 Street, was close in building size.

[11] In summation, the Complainant argued that even adding \$10 per square foot to the time-adjusted sale price of his comparable no. 1 for redoing the roof, the subject property was probably still worth less than the comparable.

[12] The Complainant requested that the Board place most weight on his two best comparables and reduce the 2013 assessment from \$5,559,000 (\$79 per square foot) to \$4,776,000 (\$68 per square foot).

Position of the Respondent

[13] The Respondent stated that the 2013 assessment of the subject was fair and equitable. To support his position, the Respondent presented a 51-page assessment brief (Exhibit R-1) that included the City's law and legislation brief.

[14] The Respondent submitted information addressing mass appraisal which is a methodology for valuing individual properties using typical values for groups of comparable properties. Factors found to affect value in the warehouse inventory in decreasing importance are: total main floor area, site coverage, effective age, building condition, location, main floor finished area, and upper floor finished area (Exhibit R-1, pages 5 to 12).

[15] The Respondent submitted six sales comparables, two of which were also used by the Complainant. The Respondent's sales comparable no. 2 was the same as the Complainant's comparable no. 3, and the Respondent's sales comparable no. 3 was the same as the Complainant's comparable no. 2. The sales occurred between January 2008 and June 2012 for time-adjusted sale prices (TASP) ranging from \$79.26 to \$88.05 per square foot for main floor space only. The total building sizes ranged from 41,554 to 135,566 square feet compared with the subject at 69,034 square feet. The site coverage ranged from 37% to 55% compared with the subject at 50%. The Respondent stated that this evidence supported the assessment of the subject at \$80.53 per square foot.

[16] The Respondent also submitted four equity comparables with assessments ranging from \$82.97 to \$92.79 per square foot. The building sizes ranged from 51,824 to 73,850 square feet compared with the subject at 69,034 square feet. The site coverage ranged from 36% to 55% compared with the subject at 50%. The Respondent stated that this evidence further supported the assessment of the subject at \$80.53 per square foot.

[17] In argument, the Respondent questioned the comparability of the Complainant's sales comparables as one was not on a major road, and one was in a partially serviced area. Two of the Respondent's sales comparables were also used by the Complainant.

[18] The Respondent drew the Board's attention to the Complainant's sales comparable no. 1 at 14345 123 Avenue which, according to the third party documentation provided by the Respondent, required \$850,000 in roof repairs (Exhibit R-1, page 34). The Respondent submitted that this expense would adjust the TASP for that property from \$58 to \$69 per square foot. The median TASP of the Complainant's best two comparables would then increase from \$69 to \$74 per square foot. The Respondent also pointed out that the Complainant's comparable no. 2, which is the same as the Respondent's sale comparable no. 3, had a negative income at time of sale, suggesting that this could have had a negative effect on the sale price (Exhibit R-1, page 35).

[19] To address the issue of physical changes to an improvement between the time of sale and a subsequent assessment, the Respondent included the following statement: "*Sales data files should reflect the physical characteristics of the property when sold. For ratio studies, if significant physical changes have occurred to the property between the date of sale and the appraisal date, the sale should not be included. The sale may still be valid for mass appraisal*"

modeling by matching the sale price to the characteristics that existed on the date of sale” (Exhibit R-1, page 37). This could explain why an assessment is significantly higher than the time-adjusted sale price of the property.

[20] In response to the Assessment to Sales Ratios as shown by the Complainant on his comparables chart, the Respondent acknowledged that MRAT s.10 directs that all industrial properties have an overall median ASR of 0.95 to 1.05. However, what is before the Board at this hearing is a small number of ASRs that relate to a single property that is under complaint as opposed to all the ASRs of the total industrial property inventory as required by legislation. The Respondent maintains that it has met provincial quality standards, confirming that the overall median ASR for this stratum of property was between 0.95 and 1.05 (Exhibit R-1, page 38).

[21] In conclusion, the Respondent requested that the Board confirm the 2013 assessment of the subject property at \$5,559,000.

Decision

[22] The decision of the Board is to confirm the 2013 assessment of the subject property at \$5,559,000.

Reasons for the Decision

[23] In support of his sales/equity comparables, the Complainant submitted aerial photographs of only two of the properties, rather than detailed reports usually provided by third party sources. These third party reports include zoning, site size and site coverage ratio, building size, sale terms, description of the improvement(s), and a commentary of matters that may affect the value of the property. The aerial photographs lacked detailed information, were not instructive, and therefore of minimal value to the Board. There was absolutely no supporting evidence for the Complainant's remaining two comparables.

[24] The Board placed little weight on the Complainant's sales comparables for the following reasons:

- a) Only comparable no. 1, located at 14345 123 Avenue, was very close in size to the subject;
- b) Only comparable no. 3, located at 12110-142 Street, was situated on a major road.
- c) Of the Complainant's best two comparables, neither was on a major road, and one required a significant roof repair which would have affected the TASP.
- d) Two of the Complainant's comparables, which were also put forward by the Respondent (no. 2 at 14350 123 Avenue and no. 3 at 12110 142 Street), had TASP of \$79 and \$80 per square foot, and assessments of \$71 and \$83 per square foot. These supported the assessment of the subject at \$79 per square foot.
- e) The Complainant's equity comparables, with a median of \$77 per square foot, also supported the assessment of the subject.

[25] The Board placed greater weight on the evidence and argument provided by the Respondent for the following reasons:

- a) The Respondent was able to verify his sales comparison chart information with third party reports.
- b) The Board considered the Respondent's sales comparables supportive of the subject's assessment, accepting the Respondent's position that some adjustments would have to be made to account for variations in some of the parameters. The TASP of the Respondent's six sales comparables, ranging from \$79.26 to \$88.05 per square foot supported the assessment of the subject at \$80.53 per square foot.
- c) In particular, the Board considered sales comparables no. 1 at 11771 167 Street and no. 2 at 12110 142 Street supportive of the assessment of the subject in that they are both situated on major roads, and are reasonably close in building size and site coverage. With TASP of \$79.26 and \$80.27 per square foot respectively, they support the \$80.53 per square foot assessment of the subject.
- d) The Board found that the Respondent's equity comparables with assessments ranging from \$82.97 to \$92.79 per square foot also supported the assessment of the subject. The equity comparables were all located on major roads and were in average condition as the subject, and were reasonably comparable in age, site coverage, and building size.

[26] The Board concurred with the Respondent's position that if an ASR was outside of the plus/minus 5% quality standard as mandated by MRAT, it would be necessary to know whether there had been significant changes to the property, causing an increase in the assessment, to reflect its current condition. The Board was not provided any evidence that there had been a change, or conversely, that there had been no change to the properties in question. As well, the Board accepted the Respondent's explanation that the overall median ASR for this stratum of property was between 0.95 and 1.05, and therefore met provincial audit.

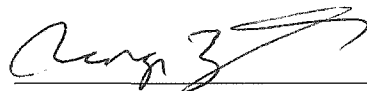
[27] The Board was persuaded that the 2013 assessment of the subject property at \$5,559,000 was fair and equitable.

Dissenting Opinion

[28] There was no dissenting opinion.

Heard September 25, 2013.

Dated this 23rd day of October, 2013, at the City of Edmonton, Alberta.



George Zaharia, Presiding Officer

Appearances:

John Smiley
for the Complainant

Marty Carpentier
Tanya Smith
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.