

Edmonton Composite Assessment Review Board

Citation: AEC International v The City of Edmonton, 2013 ECARB 01386

Assessment Roll Number: 1033034

Municipal Address: 18131 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 18131 118 Avenue NW in the Edmiston Industrial neighbourhood. The building comprises 100,983 square feet of total space with 91,793 square feet of main floor space inclusive of 8,470 office space, and 9,190 square feet of finished mezzanine space. The building has an effective year built of 1984, and is situated on a lot 320,765 square feet (7.4 acres) in size with site coverage of 29%.

[4] The subject property was valued on the direct sales approach resulting in a 2013 assessment of \$8,419,000 (\$83.37 per square foot).

Issue

[5] Is the 2013 assessment of the subject property too high based on 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 an 11-page brief (Exhibit C-1). The Complainant argued that based on an analysis of assessments of similar properties, the assessment of the subject property was too high.

[8] The Complainant presented four sales/equity comparable properties in support of his position that the subject was not equitably assessed. Initially, the Complainant had submitted five comparables, but at the hearing one of the comparables was withdrawn.

- a) The comparables sold between March 28, 2011 and November 24, 2011 for time-adjusted sales prices ranging from \$64 to \$95 per square foot, resulting in a median of \$86.50 per square foot. The building sizes of the comparables ranged from 84,854 to 135,075 square feet, compared to the size of the subject at 100,983 square feet. The lot sizes of the comparables ranged from 2.99 to 7.64 acres compared to the subject's 7.36 acres. The site coverage of the comparables ranged from 29% to 58% compared to the subject's 29% site coverage.
- b) The assessments of the comparables ranged from \$66 to \$82 per square foot, resulting in a median of \$72.50 per square foot. The assessment of the subject property is \$83 per square foot. (Exhibit C-1, page 8)
- c) Due to its proximity to the subject, the Complainant stated that the most comparable property was comparable no. 4, which is located two blocks from the subject. The Complainant acknowledged that an adjustment would have to be made to the assessment of the subject to account for the lower site coverage of the subject at 29% compared to the comparable at 46%.

[9] Based on an analysis of the four sales/equity comparables, with most weight placed on the assessment of comparable no. 4, the Complainant requested that the assessment of the subject be reduced to \$66 per square foot (Exhibit C-1, page 3).

[10] To adjust for the extra land of the subject due to its lower site coverage, the Complaint calculated a value of the extra land to be \$1,341,445 based on an assessment of another parcel of vacant land at the rate of \$482,534 per acre (Exhibit C-1, page 3).

[11] The Complainant submitted a rebuttal, providing a review of the Respondent's sales comparables, and the assessments of these properties since the Respondent had not provided this information. The assessments of the five sales comparables ranged from \$65 to \$88 per square foot, with a resulting median of \$84 per square foot, the same as the assessment of the subject property. However, the Complainant argued that the comparables show that the improvement itself, before accounting for the lower site coverage, should be substantially lower than the current \$84 per square foot (Exhibit C-2, page 3).

[12] In argument, the Complainant conceded that, based on the analysis of the sales of similar properties, the assessment of the subject property appeared to be fair. However, it was the Complainant's position that based on the assessments of the comparables, in particular the property located two blocks from the subject, the subject was over-assessed. The Complainant did acknowledge that the assessment of the subject would have to be adjusted upwards due to the lower site coverage at 29% compared to his comparable no. 4 that had site coverage of 46%.

[13] In conclusion, the Complainant requested that the 2013 assessment of the subject property be reduced from \$8,419,000 to \$8,006,500, based on a value of \$66 per square foot plus an additional \$1,341,445 to account for the extra land.

Position of the Respondent

[14] The Respondent stated that the 2013 assessment of the subject was fair and equitable. To support his position, the Respondent presented a 75-page assessment brief (Exhibit R-1) that included the City's law and legislation brief.

[15] 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).

[16] The Respondent submitted sales of five comparables that occurred between January 4, 2008 and June 20, 2012. The Respondent's no. 1 comparable and the Complainant's no. 4 comparable are the same property. The properties sold for time-adjusted sales prices ranging from \$79.35 to \$106.47 per square foot for total floor space, with the subject's \$83.37 per square foot assessment falling at the lower end of this range. The comparables were reasonably similar to the subject as follows: the 1984 effective year built of the subject was somewhat newer than all the comparables that had effective year built from 1972 to 1979; the 29% site coverage of the subject fell below the range of the comparables from 34% to 46%; and the subject's total floor space at 100,983 square feet fell within the range of the comparables from 41,554 to 135,566 square feet (Exhibit R-1, page 26).

[17] The Respondent submitted five equity comparables. The equities ranged from \$80.66 to \$91.25 per square foot for total floor space, with the subject's \$83.37 per square foot assessment falling at the lower end of this range. The comparables were reasonably similar to the subject as follows: the 1984 effective year built of the subject built fell within the range of the comparables that had effective year built from 1982 to 1994; the 29% site coverage of the subject fell below the range of the comparables from 33% to 41%; and the subject's total floor space at 100,983 square feet exceeded the range of the comparables from 61,488 to 82,713 square feet. All the equity comparables were located in industrial group 17, the same as the subject (Exhibit R-1, page 32).

[18] 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 33). This could explain why an assessment is significantly higher than the time-adjusted sale price of the property.

[19] In response to the Assessment to Sale Ratios (ASR) 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 34).

[20] In summation, the Respondent questioned whether or not the Complainant had met onus – proving the incorrectness in the assessment. As well, the Respondent advised that the Complainant had submitted aerial photographs of the properties in support of his sales/equity comparables, rather than detailed reports usually provided by third party sources. The Respondent drew attention to the Complainant's comparable no. 2 that was close in building size to the subject, had the same 29% site coverage, and was reasonably close in age. The \$82 per square foot assessment of this comparable supported the \$83.37 per square foot assessment of the subject property.

[21] In conclusion, the Respondent requested that the Board confirm the 2013 assessment of the subject property at \$8,419,000.

Decision

[22] The decision of the Board is to confirm the 2013 assessment of the subject property at \$8,419,000.

Reasons for the Decision

[23] In support of his sales/equity comparables, the Complainant submitted aerial photographs 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.

[24] The Board placed less weight on the evidence and argument put forward by the Complainant for the following reasons:

- a) The Board could not verify, and therefore rely upon, the time-adjusted sale prices and assessments per square foot provided by the Complainant since detailed information about the property was not provided. Although the Respondent provided some of this information in his evidentiary package, details of all the properties were not available.
- b) If the details provided by the Complainant in his chart are correct, sales comparable no. 2 that was close in building size to the subject, and with the same site coverage, its assessed value of \$82 per square foot would support the subject's assessment of \$83.37 per square foot.

[25] The Complainant had stated that his comparable no. 4 was his best one, conceding that there would have to be an upward adjustment to the requested reduced assessment of the subject to account for the extra land. By calculating a value for this excess land, the resulting value of \$8,006,500 was within 4.9% of the original \$8,419,000 assessment of the subject property. This is within the plus/minus 5% quality standard as mandated in MRAT s. 10(3). Consequently, the Board saw no need to make a change in the original assessment.

[26] With evidence provided by the Complainant, upon analysis, supporting the assessment of the subject, there was really no need to turn to the Respondent's evidence. However, as a quick summary, the Board placed greater weight on the evidence provided by the Respondent for the following reasons:

- a) The time-adjusted sale prices of the Respondent's five sales comparables for total floor space that ranged from \$79.35 to \$106.47 per square foot encompassed the subject's \$83.37 assessment per square foot. Even if economies of scale were considered because four of the five comparables are considerably smaller than the subject, and adjustments were made for age and site coverage, the assessment of the subject would still be supported.
- b) The assessments of the five equity comparables provided by the Respondent that ranged from \$80.66 to \$91.25 per square foot encompassed the subject's \$83.37 assessment per square foot. Again, even if economies of scale were considered because all five comparables are smaller than the subject, and adjustments were made for age and site coverage, the assessment of the subject would still be supported.

[27] 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.

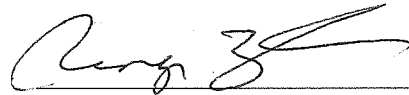
[28] The Board was persuaded that the 2013 assessment of the subject property at \$8,419,000 was fair and equitable.

Dissenting Opinion

[29] There was no dissenting opinion.

Heard September 25, 2013.

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

A handwritten signature in black ink, appearing to read 'George Zaharia', written over a horizontal line.

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.