

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2013 ECARB 01747**

**Assessment Roll Number:** 7809429

**Municipal Address:** 6003 103A Street NW

**Assessment Year:** 2013

**Assessment Type:** Annual New

Between:

**CVG**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF**  
**George Zaharia, Presiding Officer**  
**John Braim, Board Member**  
**Pam Gill, Board Member**

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### **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 6003 103A Street NW in the Calgary Trail North neighbourhood of south Edmonton. There are two buildings on site, both built in 1974, totaling 52,608 square feet of main floor space. Building no. one comprises 28,617 square feet of total main floor area that is deemed all office space. Building no. two comprises 23,991 square feet of total main floor area that is deemed all office space. The buildings are situated on a lot 126,574 square feet (2.9 acres) in size with site coverage of 42%.

[4] The subject property was valued on the direct sales approach resulting in a 2013 assessment of \$6,480,500 (\$123.18 per square foot).

### **Issue(s)**

[5] Is the assessment of the subject property in excess of its market value, and is it inequitably assessed compared to 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 31-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 presented eleven sales/equity comparable properties in support of his position that the assessment of the subject exceeded its market value, and was not equitably assessed.

- a) The comparables sold between March, 2008 and August, 2011 for time-adjusted sales prices ranging from \$78.89 to \$118.60 per square foot, compared to the assessment of the subject at \$123.18 per square foot. The building sizes of the comparables ranged from 39,774 to 115,318 square feet, compared to the size of the subject at 52,608 square feet. The site coverage of the comparables ranged from 28% to 52% compared to the subject's 42% site coverage.
- b) The assessments of the comparables ranged from \$79.36 to \$142.94 per square foot, compared to the assessment of the subject property at \$123.18 per square foot (Exhibit C-1, page 1).

[9] Based on an analysis of the eleven sales/equity comparables, with most weight placed on sales nos. 1, 2, 7, and 10, the Complainant requested that the assessment of the subject be reduced to \$90 per square foot (Exhibit C-1, page 2).

[10] The Complainant submitted a rebuttal, providing the assessments of the Respondent's four sales comparables, since the Respondent had not provided this information. The assessments of the four sales comparables ranged from \$110.81 to \$163.88 per square foot, compared to the assessment of the subject at \$123.18 per square foot. Specifically, the Complainant referenced the Respondent's sale nos. 3 and 4 that sold for time-adjusted sale prices of \$166 and \$242 per

square foot, but were assessed considerably less at \$138.52 and \$163.88 per square foot respectively. He did not consider these two sales comparables as good indicators of value for the subject. (Exhibit C-2, page 1)

[11] Since the subject is deemed to be all office space, in argument, the Complainant admitted that he had not visited the property to confirm how the space is used, but mused that based on the pictures of the subject that showed overhead doors, that there must be some warehouse space. He suggested that no reliance should be placed on the Respondent's sales comparables nos. 3 and 4 since they are much smaller than the subject, and on sale comparable no. 2 since it is much newer than the subject. He stated that he had selected his sales comparables based on building size, site coverage, and age (the first three factors in establishing value), and although adjustments would have to be made to some of the sales, he was still maintaining his request to reduce the assessment to \$90 per square foot.

[12] In conclusion, the Complainant requested that the 2013 assessment of the subject property be reduced from \$6,480,500 to \$4,734,500, based on a value of \$90 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 71-page assessment brief (Exhibit R-1) that included law and legislation.

[14] The Respondent submitted information addressing mass appraisal which is a methodology for valuing individual properties using typical values for groups of comparable properties.

- a) The appraisal process recommended by the Appraisal Institute of Canada is essentially the same for mass appraisals and single-property appraisals. To distinguish between mass appraisal and single-property appraisal, the International Association of Assessing Officers provides the following definition: *"...single property appraisal is the valuation of a particular property as of a given date; mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing."*
- b) *Industrial warehouses, as is the subject, are defined as buildings used for storage, light manufacturing and product distribution. They can be constructed of different materials such as wood, concrete, or metal, and can be single or multi-user in nature.*
- c) 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.
- d) The burden of proving that an assessment is incorrect lies with the party alleging it. The Complainant therefore *"must provide sufficiently compelling evidence on which a change to the assessment can be based."* (Exhibit R-1, pages 4 to 11)

[15] The Respondent submitted sales of four comparables that occurred between September 5, 2008 and November 28, 2012. The properties sold for time-adjusted sales prices ranging from \$113 to \$242 per square foot for main floor space, with the subject's \$123.18 per square foot assessment falling at the lower end of this range. Sale comparables nos. 1 and 2 were similar in building size to the subject, but sale nos. 3 and 4 were much smaller than the subject. Sale

comparables nos. 1, 3, and 4 were similar in age to the subject, while sale no. 2 was much newer. The 42% site coverage of the subject fell within the range of the comparables from 33% to 52%. The Respondent advised that the sales comparables were provided to show a range of values of similar properties. (Exhibit R-1, page 28)

[16] The Respondent provided a review of the Complainant's eleven sales comparables, suggesting that upward adjustments to the time-adjusted sale price per square foot would have to be made to all the comparables to account for variations in location, building count, condition, site coverage, total main floor space, and total upper finished space compared to the subject property (Exhibit R-1, page 29). Some of the adjustments are as follows:

- a) An adjustment that affected all the sales comparables was to account for the difference in finished office space in the comparables that ranged from 5% to 43% compared to the subject that had 100% finished office space.
- b) The building size of sale no. 3 had to be corrected by reducing its total building area from 89,449 to 79,615 square feet that resulted in an increased time-adjusted sale price from \$92 to \$103 per square foot.
- c) Sale no. 5 was a non-arms length sales transaction and therefore should not be used.
- d) The building size of sale no. 7 had to be corrected by increasing its total building area from 53,283 to 64,520 square feet that resulted in a reduced time-adjusted sale price from \$109 to \$90 per square foot. As well, this sale was deemed to be in "fair" condition while the subject and all the other comparables were in average condition.
- e) Sales nos. 1, 2, 7, and 10 have 10% rear building adjustments resulting in reduced assessments, and would require upward adjustments.

[17] The Respondent provided six equity comparables in support of the assessment of the subject. The assessments ranged from \$112 to \$137 per square foot, with the subject's assessment at \$123 per square foot falling within this range, suggesting that the equity comparables were close in all factors and therefore supported the assessment of the subject. The Respondent admitted that there would have to be both upward and downward adjustments to the assessments of the equity comparables to account for location, site coverage, total main floor area, upper finished area, and the amount of finished office space to better reflect the parameters of the subject.

[18] In closing argument, the Respondent admitted that his sales comparables were divergent compared to the subject, but that the equity comparables provided strong support for the subject's assessment. He stated that the City may not be perfect but not by 27% , the reduction in the assessment sought by the Complainant.

[19] In conclusion, the Respondent requested that the Board confirm the 2013 assessment of the subject property at \$6,480,500.

### **Decision**

[20] The decision of the Board is to confirm the 2013 assessment of the subject property at \$6,480,500.

## **Reasons for the Decision**

[21] The Board acknowledges that both parties struggled with the same problem – finding good comparables that best reflected the attributes of the subject, in particular, a property in the industrial warehouse inventory that had 100% office space. However, in weighing the evidence, the Board did not find sufficient compelling reasons to change the assessment.

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

- a) Although the Complainant provided eleven sales/equity comparables, all of them would need upward adjustments in both their sales prices and assessments due to a variety of variations in attributes compared to the subject. The most finished office space that a comparable had was 43%, with the least office space being 5%, compared to the subject that had 100% finished office space. Some of the comparables were either much smaller or larger than the subject's 52,608 square feet of main floor space, necessitating adjustments due to economies of scale. Other comparables that were multiple building properties, received 10% rear building adjustments while the subject, although a two-building property, did not receive this adjustment.
- b) Upon reviewing the Complainant's comparables, it was obvious that there was a fairly large differential between the lowest and highest values. Taking the numbers at face value as they were provided by the Complainant, it was interesting to note that the median time-adjusted sale price was \$90.19 per square foot, while the median assessment was \$103.27, suggesting that possibly, the subject's \$123.18 per square foot assessment might be too high. However, this was before any adjustments would have to be applied because of the varying attributes identified in the previous paragraph.
- c) The Board concurred with the Respondent that all of the Complainant's comparables would require some upward adjustment. The dilemma that the Board faced was how to quantify the amount of the adjustments.

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

- a) The average time-adjusted sale price of the Respondent's sales comparables nos. 1 and 2 at \$113 and \$121 per square foot respectively, although they had much less finished office space thus requiring upward adjustments, supported the subject's \$123.18 assessment per square foot. The Respondent's sale no. 2 could only be used for trending purposes since it sold November 28, 2012, five months after the July 1, 2012 valuation date. Even the assessments of these two comparables at \$112.53 and \$110.81 per square foot with the same variation in finished office space, supported the subject's \$123.18 assessment per square foot. The Board placed little weight on comparables nos. 3 and 4 since at 5,808 and 2,813 square feet of building area, they were dissimilar to the subject's 52,608 square feet of building area.
- b) The equity comparables provided by the Respondent were a reasonable reflection of the attributes of the subject, and with assessments ranging from \$112 to \$137 per square foot they supported the subject's \$123.18 assessment per square foot. In particular, equity no. 4, with very similar attributes compared to the subject except for the 63% finished office

space compared to the subject's 100%, at an assessment of \$123 per square foot, the same as the subject, provided strong support for the subject's assessment.

- c) Although the Complainant provided eleven comparables to suggest the assessment was incorrect, the burden lies with the Complainant to provide sufficient compelling evidence upon which the Board can make a change in the assessment. This, the Complainant did not do.
- d) The Board is mindful of the limitations placed upon it by s.467(3) of the Municipal Government Act whereby it must not alter any assessment that is fair and equitable, taking into consideration standards and procedures set out in the regulations, and assessments of similar properties. In the Board's opinion, the Respondent prepared the assessment consistent with the directions set out in the legislation and regulations, and therefore the Board must not alter the assessment.

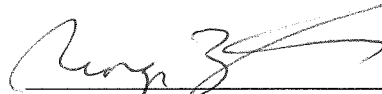
[24] The Board was persuaded that the 2013 assessment of the subject property at \$6,480,500 was fair and equitable.

### **Dissenting Opinion**

[25] There was no dissenting opinion.

Heard October 31, 2013.

Dated this 12<sup>th</sup> day of November, 2013, at the City of Edmonton, Alberta.



George Zaharia, Presiding Officer

### **Appearances:**

Tom Janzen  
for the Complainant

Jason Baldwin, City of Edmonton  
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.*