Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2014 ECARB 00637

Assessment Roll Number:	1608009
Municipal Address:	15030 118 AVENUE NW
Assessment Year:	2014
Assessment Type:	Annual New
Assessment Amount:	$2,337,000

Between:

Wheels Incorporated represented by Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Petra Hagemann, Presiding Officer
Brian Frost, Board Member
Darryl Menzak, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer the parties indicated they did not object to the Board's composition. In addition, the Board members stated they had no bias with respect to this file.

Background

[2] The subject property is an 84,630.5 square foot (sq ft) level site upon which is situated a 7,009 sq ft primary structure and 5,159 sq ft, 488 sq ft and 1,998 sq ft secondary structures. The primary structure is a typical office/warehouse of which approximately 50%, (3,424 sq ft), is finished office space and shows an effective year built of 1978. The secondary structures, two of which are quonset style storage buildings, are effectively aged 1973, 1991 and 1965.

[3] Site coverage, not including the secondary structures, is 8%.

[4] The subject property is situated in the Mitchell Industrial neighborhood of northwest Edmonton at 15030 – 118 Ave NW.

[5] All buildings are in average condition.

[6] The primary building was assessed using the direct sales comparison approach for the building and land while the secondary buildings were assessed on a depreciated cost basis.

Issues

[7] Is the current assessment greater than the market value of the subject property?

[8] Should the cost approach have been utilized in the calculation of the assessment of the main building within the subject property?

Position of the Complainant

[9] The Complainant filed the complaint on the basis that the assessor had failed to recognize fair market value in the assessment of the subject property, in particular, assessment of the primary building. The Complainant did not have issue with the depreciated cost of the secondary buildings.

[10] The Complainant first addressed the direct sales comparison approach as used in the assessment, stating that the sale comparables used by the Respondent were inappropriate given the large size of the subject lands relative to primary building size and high percentage of office space in the primary building.

[11] The Complainant provided a table with supporting data in which details were documented for five sales that occurred between June 2011 and July 2013. They ranged in year built from 1972 to 1980; in size from 4,830 sq ft to 13,402 sq ft; in site coverage from 9% to 11%; and in office component from 0% to approximately 75%. The time adjusted sale prices (TASP) ranged between $183.47 and $277.30 per sq ft, averaged $231.95 per sq ft and reflected a median of $247.62 per sq ft. The Complainant concluded that $255 per sq ft would be an appropriate assessment for the main building which suggested the assessment should more correctly be $1,853,768, ($255 per sq ft of the main building plus the depreciated cost of the secondary buildings of $57,879, $887 and $8,002 respectively).

[12] The Complainant concluded that on the basis of the Direct Sales Comparison Approach, the assessment was excessive and asked that the Board reduce the 2014 assessment to $255 per sq ft of the primary building, plus the Respondent's cost figures for the secondary buildings, or $1,853,768.

[13] The Complainant stated the lack of comparability with both his and the Respondent's sale comparables suggested that direct sales comparison approach was invalid and that the correct method for assessing the subject property would be to assess the improvements in their entirety based on the cost approach. While there was no issue with the depreciated cost of the secondary buildings, the Complainant stated that with the assistance of the Marshall and Swift on line valuation service, the depreciated cost of the primary building should be $145,821.

[14] The Complainant advised the Board that land was a key factor in the valuation because of its large size relative to the improvements. A table outlining nine sales of similarly zoned land in northwest Edmonton was provided. Sale dates ranged from July 2008 to April 2013; sizes from 53,190 sq ft to 122,816 sq ft; and TASP from $13.96 to $18.52 per sq ft. They averaged $16.40 per sq ft and reflected a median of $16.89 per sq ft. The Complainant concluded that a land value of $17.00 per sq ft would be most appropriate resulting in a land value of $1,438,718.

[15] Based on the primary building depreciated cost calculation according to Marshall and Swift, ($145,821), the depreciated replacement cost of the secondary buildings as calculated by the City, ($57,879, $887 and $8,002) and the land value determined as described in the preceding paragraph, ($1,438,718), the correct assessment should be $1,651,307.

[16] The Complainant requested that the Board reduce the 2014 assessment of the subject property to $1,651,307.

Position of the Respondent

[17] The Respondent defended the assessment on the basis that while the International Association of Assessing Officers (IAAO) and the Appraisal Institute of Canada recognize that all three approaches are valid in mass appraisal and that each may be used in certain circumstances, the majority of office/warehouse sale transactions involved owner occupiers. The market has been very active for this type of property. Accordingly the Direct Sales Comparison approach is employed.

[18] The Respondent directed the Board to the section in their brief outlining mass appraisal versus the single appraisal processes.

[19] The Respondent advised the Board that the Factors Affecting Value in the order of importance are: main floor area, site coverage, effective age, industrial group location, condition, main floor finished area and upper finished area. Further adjustments for a rear building, lot shape, caveats, etc. may be applied on an individual basis if warranted.

[20] The Respondent provided a table displaying the sale of five properties similar to the subject that occurred between April 2008 and March 2011. The Complainant's five comparable sales were tabled in the same format, on the same page, to simplify comparison.

[21] The Respondent's comparable sales ranged in year built from 1968 to 1997; in size from 3,204 sq ft to 6,750 sq ft; in site coverage from 6% to 12%; and in office component from 0% to approximately 50%. The time adjusted sale prices (TASP) ranged between $302 and $399 per sq ft. The Respondent concluded that the subject property's assessment for the primary building and land of $324 per sq ft, and of the subject property in its entirety of $333 per sq ft was well supported.

[22] The Respondent, in its tabling of the Complainant's sales, noted that all were inferior to the subject property in terms of building size, three were in an inferior location and two had site coverage sufficiently greater than the subject property to affect a negative differential. The Respondent concluded that all the Complainant's comparable sales were sufficiently inferior to the subject to render them of little value.

[23] The Respondent questioned the Complainant's use of the Marshall and Swift valuation model, in particular the lack of back up data as it related to the building specification used in the analysis and potential for error in its application.

Decision

[24] The Board confirms the 2014 assessment of $2,337,000.

Reasons for the Decision

[25] The Board first considered the Complainant's issue as regarding use of the Cost Approach to Value as opposed to the use of the Direct Sales Comparison approach to value.

[26] The Board considered the Complainant's argument that the cost approach was most appropriate given the larger than average land component and high percentage of office space within the primary building.

[27] The Board also considered the Complainant's position that the sale comparables as presented by both the Complainant and the Respondent were lacking in comparability to the subject property, the Complainant's conclusion being that the correct method of assessment would be the Cost Approach to Value.

[28] The Board considered the Respondent's position that the cost approach as presented was not supported by data and was prone to error, and that at any rate there were more than enough sale comparables to rationalize use of the direct sales comparison approach in calculation of the assessment.

[29] The Board concludes that the Cost Approach to Value as presented by the Complainant lacks sufficient detail to convince the Board as to its accuracy. Further, the Board notes that between the Complainant and the Respondent, ten sale comparables were documented. This suggests there is no issue as to available of market data. The Board further understands that the sales exhibit sufficient similarity to allow a qualitative analysis of the results.

[30] The Board rejects the Complainant's issue that the Cost Approach best represented market value warranting a reduction of the assessment to $1,651,307.

[31] The Board reviewed the sale comparables presented by the Complainant. The sales ranged between $194 and $277 per sq ft. All were considered inferior to the subject property and required an upward adjustment, most notably because three buildings were significantly larger than the subject, the office space to warehouse ratio was much less than the subject and three had second floor office space whereas the subject had none. Given the dissimilarity between the comparable sales and the subject property, the Board placed little weight on the Complainant's comparable sales.

[32] The Board reviewed the Respondent's sale comparables, noting that the fifth sale was in question as it was a portfolio purchase. Excluding that sale, the Respondent's comparables ranged between $302 and $393 per sq ft. A combination of age and size suggested that the range could be adjusted upwards. This evidence was most persuasive.

[33] The Board confirms the 2014 assessment at $333 per sq ft, or $2,337,000.

Dissenting Opinion

[34] There was no dissenting opinion.

Heard June 23, 2014.
Dated this 7th day of July, 2014, at the City of Edmonton, Alberta.

Petra Hagemann, Presiding Officer

Appearances:

Adam Greenough, Altus Group
for the Complainant

Marty Carpentier, Assessor
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.

Appendix

Legislation

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.

Exhibits

C-1 – Complainant's Brief (63 pages)
R-1 – Respondent's Brief (60 pages)