Edmonton Composite Assessment Review Board

Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of Edmonton, 2012 ECARB 2306

Assessment Roll Number:	4309175
Municipal Address:	8059 CORONET ROAD NW
Assessment Year:	2012
Assessment Type:	Annual New

Between:

COLLIERS INTERNATIONAL REALTY ADVISORS INC

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Robert Mowbrey, Presiding Officer
Brian Frost, Board Member
Reg Pointe, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated that they had no bias on this file.

Background

[2] The subject property is a medium warehouse located at 8059 Coronet Road. The building has an effective year built of 1974 and comprises 9,100 square feet (sf) including 1,040 sf of main floor office space and 1,040 of finished mezzanine space. The site is 1.054 acres resulting in site coverage of 18%. The 2012 assessment is $1,445,000.

Issue

[3] Is the 2012 Assessment excessive in relation to market value?

Legislation

[4] The Municipal Government Act reads:

> ***Municipal Government Act*, RSA 2000, c M-26**
>
> 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

[5] The Complainant filed this complaint on the basis that the subject assessment of $1,445,000 is in excess of market value. In support of this position, the Complainant submitted a 31-page evidence package marked as Exhibit C-1.

[6] The Complainant provided the Board with property details, maps and photographs of the subject property (Exhibit C-1, pages 4 - 6).

[7] The Complainant advised the Board about assessment and valuation and how the subject property was evaluated by the Complainant. From the Complainant's evidence package regarding the valuation methodology utilized by the Complainant, "The Direct Comparison Approach is based on the Principle of Substitution which maintains that a prudent purchaser would not pay more for a property than what it would cost to purchase a suitable alternative property that exhibits similar physical characteristics, tenancy, location, etc. Within this approach, the property being reviewed is compared to properties that have sold recently and considered to be relatively similar to the subject." (Exhibit C-1 page 7).

[8] The Complainant presented five sales comparables to the Board, all of which sold within 18 months of the valuation date. The sales comparables were all warehouses which ranged in size from 10,000 sf to 15,972 sf, and with sites ranging from 0.51 to 1.29 acres. The price per sf ranged from $78.13 to $121.53 and averaged $96.87 per sf. The Complainant stated the comparables were all very similar to the subject in terms of age, zoning and size. The comparable sales were considered recent so no time-adjustment factors were warranted however they were zoned IB and IH, the former considered superior and the latter inferior to the subject property's IM zoning. The Complainant stated that with adjustment for variances in zoning and age, the subject property should reflect a unit value of $120.00 per sf or $1,092,000.

[9] The Complainant provided a Comparable Recent Leasing summary itemizing four spaces similar to that evident in the subject property that had recently leased (Exhibit C-1, pg 10). The leases, all three year terms, ranged from $8.25 - $9.50 per sf and averaged $8.81 per sf.

[10] The Complainant presented reports from Colliers and CR Richard Ellis which documented average vacancy rates, rental rates and capitalization rates for Edmonton Industrial properties by zone (Exhibit C-1, pgs 22 - 28).

[11] On the basis of the documented leases and third party data, the Complainant stated that the subject if analyzed using the income approach to value should utilize a $9.50 per sf lease rate, a 3% vacancy rate and a 7.50% cap rate. The result (Exhibit C-1, Pg 13) suggested the value by the Income Approach would be $1,099,500, or $120.82 per sf. This, the Complainant suggested, fully supported the estimate of value by the Direct Comparison Approach.

[12] Accordingly, the Complainant requested that the subject assessment should be reduced to $1,092,000.

Position of the Respondent

[13] The Respondent presented the Board with a 52-page assessment brief marked as Exhibit R-1. In addition, the Respondent presented the Board with a 44-page Law and Legislation package marked as Exhibit R-2.

[14] The Respondent explained to the Board that the subject assessment and similar assessments were prepared using the Direct Sales Comparison assessment methodology for the 9,100 sf building. The Respondent advised the Board that the City was mandated to use mass appraisal for assessment purposes.

[15] The Respondent advised the Board that for the 2012 annual assessment the sales comparison approach was employed. This was because there was ample data from which to derive reliable value estimates and only a portion of the inventory was traded on its ability to generate income. A large percentage of industrial property in Edmonton is owner-occupied, and as such has no income attributable to it.

[16] The Respondent provided the Board with photographs and maps detailing the subject property (Exhibit R-1, page 12).

[17] The Respondent highlighted excerpts from The Appraisal of Real Estate, Second Canadian Edition, a publication of The Appraisal Institute of Canada (Exhibit R-1, pgs 21 - 27) that more particularly related to the relevance of the Direct Sales Comparison Approach being the best indication of value for owner occupied properties and for deriving of cap rates subject to market adjustments where required..

[18] To support the City of Edmonton's assessment of the subject property, the Respondent provided the Board with five sales comparables. The sales comparables ranged in effective year built from 1967 to 1985 as compared to the subject's 1974. The total building areas of the sales comparables ranged from 7,058 sf to 13,839 sf as compared to the subject's 9,100 sf. The site coverage ranged from 15% to 20% as compared to the subject's 17.5%. All the sales

comparables were, like the subject, in average condition. The time-adjusted selling price per square foot, based on total building area, ranged from $144.63 to $185.06 (Exhibit R-1, page 28).

[19] In critique of the Complainant's comparables, the Respondent provided in its Exhibit R-1, pg 28, a summation of the Complainant's comparable properties and individual comments relating to their relevance and validity. The Respondent stated that the Complainant's sale 1 was vacant at the time of sale, with 43% site coverage versus the subject's 17.5%; sale 2 was vacant at the time of sale and had 26% site coverage; sale 3 was vacant and had 23% site coverage; sale 4 was a non arms length sale and had 50% site coverage, and; sale 5 was leased at below market lease rates and reflected 35% site coverage.

[20] The Respondent advised the Board the subject property and other similar properties were assessed using the direct sales assessment methodology. The subject property was built in 1992, is in average condition, and has a site coverage ratio of 12%.

[21] The Respondent asked the Board to confirm the 2012 assessment of $1,445,000.

Decision

[22] The decision of the Board is to confirm the 2012 assessment of $1,445,000.

Reasons for the Decision

[23] The Board reviewed the Complainant's evidence as it related to both the Direct Sales Comparison Approach and the Income Approach. The Board was satisfied that the Complainant's sales comparables were all in the same market area as the subject and relatively comparable in building size.

[24] The Board shared the Respondent's concerns that the Complainant failed to address the significantly lesser site coverage evident in the subject property. Further, the Board agreed with the Respondent's position that the Complainant's request of an assessment of $120 per sf bore no rationale for adjustment when compared with the Complainant's comparable sales and their $96.87 average.

[25] The Board considered the Respondent's critique of the Complainant's sales comparables as summarized in the preceding paragraph 19, particularly that the Complainant's sale 1 was vacant at the time of sale, with 43% site coverage versus the subject's 17.5%; sale 2 was vacant at the time of sale and had 26% site coverage; sale 3 was vacant and had 23% site coverage; sale 4 was a non arms length sale and had 50% site coverage, and; sale 5 was leased at below market lease rates and reflected 35% site coverage.

[26] The Board considered the Respondent's position that vacancy within comparable sales was a negative aspect which would reduce the sales price per sf in most cases. The Board however heard that 2/3 of industrial properties in Edmonton were owner occupied and it was persuaded by the Complainant's argument that vacancy could well be seen as an advantage rather than a disadvantage in the sale of a property.

[27] The Board reviewed the Respondent's comparable sales and noted that all five comparable sales exhibited site coverage similar to the subject's 17.5%. The Board as well noted the Respondent's position that site coverage is a key issue in valuation for assessment purposes.

[28] The Board agreed with the Respondent's comment that the Complainant's Income Approach to Value utilized generalized third party information as it related to a typical property and the subject property, with its smaller building size and low site coverage was not typical and as such the income approach was prone to error.

[29] The Board noted the Complainant's statement that three of the Respondent's sales were dated beyond 2 years of the valuation date however the Board was satisfied that The City of Edmonton time adjustment tables, in their consistency and universal use, fairly compensated for this time factor.

[30] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Board finds that the Complainant's evidence was neither sufficient nor compelling enough to enable the Board to form an opinion as to the incorrectness of the assessment.

Dissenting Opinion

[31] There was no dissenting opinion.

Heard commencing November 5, 2012.

Dated this 30th day of November, 2012, at the City of Edmonton, Alberta.

Robert Mowbrey, Presiding Officer

Appearances:

Greg Jobagy
Stephen Cook
for the Complainant

Joel Schmaus
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.