

Edmonton Composite Assessment Review Board

Citation: Colliers International Realty Advisors Inc v The City of Edmonton, 2013 ECARB 00824

Assessment Roll Number: 10024824
Municipal Address: 10419 102 AVENUE NW
Assessment Year: 2013
Assessment Type: Annual New

Between:

Colliers International Realty Advisors Inc

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Larry Loven, Presiding Officer
Howard Worrell, Board Member
Jasbeer Singh, Board Member

Procedural Matters

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

[2] Evidence, argument and submissions were brought forward from roll #4132072, where applicable.

Preliminary Matters

[3] None noted.

Background

[4] The subject property is a retail condominium unit located on the main floor of a mixed use high-rise building located in the downtown neighbourhood of the City of Edmonton. The building was converted to a condominium development in 2004. The subject property is comprised of unit #3, measuring 2,874 square feet in total. The 2013 assessment for the subject property is \$947,000.

Issue(s)

[5] While the primary issue concerning the subject property is its 2013 assessment value of \$947,000, for sake of clarity, this may be stated as;

- a. Is the 2013 assessment of \$947,000 correct?
- b. Is the Direct Comparison approach utilized by the City for the 2013 assessment correct?

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] The Complainant filed this complaint on the basis that the subject property assessment of \$947,000 was inequitable and in excess of market value. In support of this position, the Complainant presented a 31 page assessment brief (C-1) that questioned the Respondent’s rationale for valuing the subject property.

[8] The Complainant argued that the subject property is a class ‘C’ retail property and provided three retail property sales in respect of other class ‘B’ and class ‘C’ properties, located in different parts of the City of Edmonton, in support of a request for a capitalization rate of 8.25% (C-1, p.9). The Complainant provided further argument that due to the inferior location, condominium nature of the development and lack of parking supports a market capitalization rate is of 7% for the subject property (C-1, p.9).

[9] Using the Income Approach, based on the actual average rental rate of \$18.03 per square foot of the two leases in the subject property, rounded to \$18.00, and a capitalization rate of 7.0%, the Complainant derived a value of the subject property, of \$663,000 or \$230.77 per square foot for the subject property (C-1, p.12).

[10] The Complainant provided a table containing seven single condominium sales comparables in downtown Edmonton that gave an average selling price of \$314.92 per square foot. The Complainant then adjusted the sales rate per square foot for each of the sales

comparables for parking stalls, resulting in an average sale price per square foot of \$279.17. Based on these sales comparables, the Complainant argued that due to the inferior location of the subject property and “economies of scale”, that the subject property should be modestly discounted to \$225.00 per square foot or \$646,000, based on a 10% discount for location and 10% for the larger unit size (C-1, p.7-8).

[11] The Complainant concluded the presentation with a summary (C-1, p.13) that showed;

- a. Assessment value of \$663,000 based on Income Approach using a net rental income of \$18.00 per square foot and a capitalization rate of 7.0%.
- b. Assessment value of \$646,000 based on the Direct Comparison approach using \$225 per square foot.

[12] The Complainant requested the Board to reduce the 2013 assessment from \$947,000 to \$646,000, based on the Income Approach.

Position of the Respondent

[13] In defence of the 2013 assessment, the Respondent provided an Assessment Brief (R-1) of 55 pages that contained location maps, traffic volume analysis, a third party capitalization rate report and a law and legislation brief.

[14] The Respondent advised the Board that the Direct (Sales) Comparison approach was the best method for valuing Retail/Office Condominiums. As a large number of the more than 1,600 condo properties were owner occupied and little information was available to confirm the current market lease rates, it would not be appropriate nor equitable to rely on the Income Approach to value the subject property.

[15] The Respondent provided an adjusted condominium sales chart using the same seven comparables as the Complainant (C-1, p.7), but showing detailed adjustments for size, parking location, second floor and unfinished space. The average of the adjusted price value per square foot was given as \$300.18 per square foot. A second chart containing five of the same seven adjusted sales comparables (two were deleted because they were much older than the effective age of the subject property) gave an average sale price of \$325.79 per square foot (R-1, p.17).

[16] In response to the Income Approach evidence submitted by the Complainant, the Respondent provided a Cap Rate Study table (R-1, p.7) presenting the sales of five properties having a Predicted City Cap Rate ranging from 4.09% to 9.08% with an average capitalization rate of 6.59%. A third party Cap Rate Report for retail (Q3 2012), prepared by Colliers International, was provided to further support a capitalization rate for retail (community centres) in the Edmonton market of 6.25% to 6.75% (R-1, p.16).

[17] A Typical/Market Rents chart (R-1, p.18) containing nine main floor retail/office spaces in the downtown Edmonton market was provided to the CARB by the Respondent giving rents ranging from \$14.25 to \$19.75 per square foot with an average net rent of \$17.17 per square foot. In response to the Income Approach argument of the Complainant, the Respondent derived an income value for the subject property of \$678,558, based on a capitalization rate of 6.5% and a net rental rate of \$17.00 per square foot (R-1, p.18).

[18] Secondly, using the actual rental rates for the subject property and a capitalization rate of 6.5%, the Respondent derived a value of \$766,387 for the subject property (R-1, p.19).

[19] Thirdly, using the average net rental rate of five main floor CRU (Commercial Retail Unit) premises located in the downtown Edmonton and a capitalization rate of 6.5%, the Respondent derived a income value of \$719,709(R-1, p.20).

[20] In summary the Respondent stated that the Direct Comparison of five of the seven sales comparables given by the Complainant, as corrected by the Respondent, supports the 2013 assessment of the subject at \$329.62 per square foot or \$947,000. The Respondent requested the CARB confirm 2013 assessment of \$947,000.

Decision

[21] The decision of the CARB is to reduce the 2013 assessment from \$947,000 to \$862,500.

Roll Number	Original Assessment	New Assessment
4132072	\$947,000	\$862,500

Reasons For The Decision

[22] The Respondent's table of five comparables for capitalization rate showed predicted capitalization rates ranging from 4.09% to 9.08 %, averaging to 6.59%. The CARB notes that the same comparable used by the both the Complainant and the Respondent, namely 16220 Stony Plain Road, showed a capitalization rate of 7.69% by the Complainant and 5.07% by the Respondent. Further the CARB notes that the ASR (Assessment to Sales Ratio) given by the Respondent varied from 1.02 to 0.55, and was 0.65 for the comparable used by both parties. Accordingly, due to the variance in capitalization rates put forward by the parties, the CARB finds that it can place little reliance on the resulting income value.

[23] The Direct Sales approach is the methodology used by the Respondent to determine market value for the subject property. The CARB heard arguments and evidence from the Complainant that due to site specific factors in the development, including but not limited to lack of customer parking, location and condominium nature of the development, all represent negative effects on the market value of the subject property. The Complainant provided seven sales of similar properties ranging in value from \$201.86 to \$472.07 per square foot, all retail condominium units located in developments with high-rise residential units above. The Respondent, using the same sales comparables adjusted the sale price to account for variances in size, parking, location, second floor and undeveloped space. The average adjusted price per square foot of the seven comparables as determined by the Respondent was \$300.18 versus the adjusted price (for parking only) of \$279.17 as determined by the Complainant.

[24] Given the use of the same sales comparables by both parties, \$55.00 per square foot as an adjustment for interior improvements, \$30,000 per parking stall and other adjustments for location and second floor, together with the likely pre-existence (by many years) of the building to its conversion to condominiums and no sales comparables provided by the Respondent, the CARB finds the indication of market value of \$300.18 per square foot , as determined by the Respondent's adjustments to the Complainant's sales comparables to be reflective of the value of the subject property.

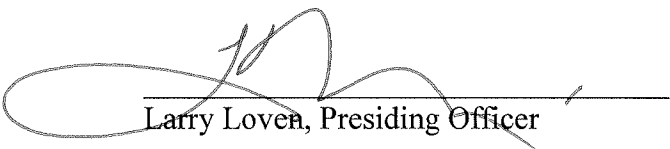
[25] In summary, based on its consideration of the above reasons the Board finds the market value of the subject property, in accordance with Direct (Sales) Comparison approach to be \$862,500, based on an rate of \$300.18 per square foot.

Dissenting Opinion

[26] There was no dissenting opinion.

Heard commencing July 2, 2013.

Dated this 25th day of July, 2013, at the City of Edmonton, Alberta.



Larry Loven, Presiding Officer

Appearances:

Stephen Cook

Greg Jobagy

Kevin Petterson

for the Complainant

Tim Dueck

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.