

Edmonton Composite Assessment Review Board

Citation: *Colliers International Realty Advisors Inc v The City of Edmonton*, 2013 ECARB 01535

Assessment Roll Number: 9963897
Municipal Address: 6303 ROPER ROAD 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

Robert Mowbrey, Presiding Officer

Brian Carbol, Board Member

Brian Frost, Board Member

Procedural Matters

[1] When asked by the Presiding Officer, the parties advised that there were no concerns respecting the composition of the Board. The Board members advised that they had no bias respecting the matter before them.

Background

[2] The subject property is a medium warehouse of 37,291 square feet (sq ft) constructed in the year 2000, located on 2.44 acres in the Roper Industrial neighbourhood. The property is zoned Industrial Business (IB) and is assessed using the direct sales approach within the Industrial valuation group 18. The 2013 assessment is for \$5,143,000.

Issue(s)

[3] Is the assessed value of the subject property greater than market value?

Legislation

[4] **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

[5] The Complainant filed this complaint on the basis that the recommended assessment of \$5,143,000 is in excess of market value. In support of this position, the Complainant presented a disclosure package marked as Exhibit C-1. The disclosure package included a chart of market transactions for comparable properties, a chart of 2013 assessments for comparable properties and a proposed assessment workup for the subject property using the income approach to valuation.

[6] The three sale comparables presented by the Complainant ranged in year built from 1978 to 2001; in net leasable area from 38,373 sq ft to 44,974 sq ft; in site coverage from 25% to 48% and in price per sq ft from \$85.42 to \$120.76 with an average sale price of \$100.27 [Exhibit C-1 page 6]. The three sales were all transacted in 2010. The Complainant noted that an upward adjustment would be needed for the comparables at \$85.42 and \$94.62 in consideration of the newer age of the subject. The Complainant noted that the larger size of the comparables necessitates a minor upward adjustment for the subject due to economies of scale. The Complainant submitted that the market sales information indicates a value of \$120/sq ft for the subject for a total assessed value of \$4,474,500.

[7] The four equity comparables presented by the Complainant ranged in year built from 1979 to 2008; in size from 38,373 sq ft to 51,892 sq ft; in site coverage from 36% to 43% and in assessment from \$104.12/sq ft to 123.96/ sq ft with an average of \$115/ sq ft. [Exhibit C-1 page 8]. The Complainant noted that due to the lower site coverage of the subject and the larger average size of the comparables that an upward adjustment for the subject to \$120/sq ft would be necessary resulting in an assessed value for the subject of \$4,474,000.

[8] The Complainant further presented a market rent analysis and a proposed assessment using the income approach (Exhibit C-1, p.7, 8). The Complainant indicated that this analysis is presented as a test of reasonableness for the requested assessment.

[9] Within this analysis the Complainant determined that, based on recent market leases, an appropriate lease rate for the subject is \$9.50/sq ft and by using typical vacancy and structural allowance rates as well as a capitalization rate of 7% derived from Avison Young reports a market value/sq ft of \$115.00 for a total value of \$4,299,500 is derived. The Complainant submits that this value supports the requested assessment.

[10] The Complainant questioned the sale comparables presented by the Respondent indicating that there were problems with sale one as it requires adjustment, sale two is two buildings, sale three is not comparable due to mezzanine space included, and sale four is 47,000 sq ft not 50,000 sq ft due to mezzanine space.

[11] The Complainant requested the Board to reduce the 2013 assessment from \$5,143,000 to \$4,474,500.

Position of the Respondent

[12] The Respondent defended the 2013 assessment by providing the Board with a disclosure package marked as Exhibit R-1. This document included a chart of sale comparables with corresponding documentation for each sale from The Network; a chart of equity comparables with corresponding assessment detail reports for each property; excerpts from "The Appraisal of Real Estate, Second Canadian Edition"; Colliers Industrial Report, Summer 2012; Canadian Cap Rate Survey (CBRE National Research); a revision of the Complainants proposed income approach assessment and assessment detail reports for the Complainants equity comparables.

[13] In support of the City of Edmonton's assessment, the Respondent presented five sale comparables to the Board. The sales comparables were all from the Industrial Valuation Group 18, were single building properties, ranged in year built from 1969 to 2000; ranged in site coverage from 25% to 40%; ranged in total building area from 27,500 sq ft to 44,887 sq ft; and in time adjusted price/sq ft from \$94.84 to \$158.18/sq ft. The Respondent submitted that these comparables support the assessment of the subject property at \$137.92/sq ft.

[14] In addition, the Respondent presented eight equity comparables to the Board. The equity comparables were all from the Industrial Valuation Group 18, were single building properties, ranged in year built from 1989 to 2005; ranged in site coverage from 22% to 56%; ranged in total building area from 30,077/sq ft to 45,371/sq ft and in assessed value from \$117/sq ft to \$151/sq ft. The Respondent argued that these comparables all are similar in age, size and site coverage and support the current assessment of the subject property.

[15] The Respondent argued that the best method for assessing this type of property is the direct sales approach and in support cited "The Appraisal of Real Estate" (Exhibit R-1, p.40). The Respondent requested that the Board give little weight to the income approach used by the Complainant noting that the rental values, vacancy rates and cap rates used in by the Respondent are subject to different opinions and illustrated this by using a cap rate of 5.75% instead of the 7% used by the Complainant (Exhibit R-1, p. 48) which resulted in a value of \$5,234,500 for the subject property.

[16] The Respondent requested the Board to confirm the 2013 assessment of \$5,143,000.

Decision

[17] The 2013 assessment of the subject property is confirmed at \$5,143,000.

Reasons for the Decision

[18] The Board was not convinced by the Complainant's market sale argument in that two of the three sales required significant upward adjustment due to site coverage. The Board notes that one sale near the requested value does not constitute a market.

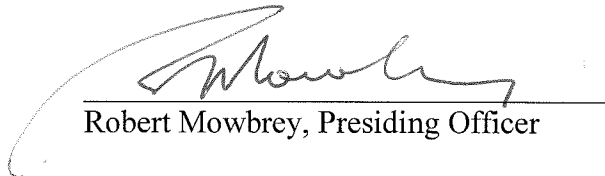
[19] The Board considered the Complainant's equity comparables and noted that of the four comparables, one was significantly older and one was significantly newer. All four equity comparables exhibited greater site coverage than the subject. While the Complainant made an upward adjustment to arrive at the requested value, the Board was not satisfied that there was sufficient evidence to support the adjustments.

[20] The Board considered the Complainant's income approach, particularly taking heed of the Respondent's observation that the income approach used a variety of information sources, all of which were third party reports. There was little evidence or documentation to support the third party reports. Thus, the Board placed little weight on the evidence presented by the Complainant's income approach.

[21] The Board concluded that the Complainant did not provide sufficient nor compelling evidence to convince the Board that the assessment of the subject property was incorrect.

Heard commencing August 1, 2013.

Dated this 20th day of August, 2013, at the City of Edmonton, Alberta.



Robert Mowbrey, Presiding Officer

Appearances:

Stephen Cook
for the Complainant

Luis Delgado, 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.