Edmonton Composite Assessment Review Board

Citation: Versa-Dac Properties Ltd v The City of Edmonton, 2014 ECARB 00269

Assessment Roll Number:	10238942
Municipal Address:	4204 Roper Road NW
Assessment Year:	2014
Assessment Type:	Annual New
Assessment Amount:	$8,299,000

Between:

Versa-Dac Properties Ltd

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Jerry Krysa, Presiding Officer
Mary Sheldon, Board Member
Dale Doan, Board Member

Procedural Matters

[1] The parties had no objection to the composition of the Board.

Background

[2] The subject property is a 1.79 acre parcel of land located within the Pylypow Industrial neighborhood in southeast Edmonton. The parcel is improved with a 28,064 square foot pre-engineered single-storey industrial warehouse comprised of 18,940 square feet of leasable warehouse area and 9,060 square feet of leasable office area. The multi-tenanted improvement was completed and occupied in July 2013, and reflects a 36% site coverage ratio.

Issues

[3] What is the market value of the property as of the July 01, 2013 valuation date for the current assessment?

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;

Position of the Complainant

[4] The Complainant submits that the fair market value of the subject property is $5,620,000, equating to a unit rate of approximately $200 per square foot of building area.

[5] In support of the position, the Complainant provided a copy of a full narrative appraisal prepared by a senior associate of Colliers International, and effective July 2, 2013, setting out the following summary of value ranges and reconciliation:

Income Approach	
Overall Capitalization:	$5,260,000 to $5,720,000
Discounted Cash Flow Analysis:	$5,450,000 to $5,890,000
Direct Comparison Approach:	$5,520,000 to $5,800,000
Reconciliation:	$5,620,000

[6] In support of the income approach range of values established in the appraisal, the Complainant provided copies of the subject's lease agreements indicating triple net lease rates of $13.00 per square foot for one of the tenanted areas, and escalating lease rates ranging from $10.00 per square foot to $13.50 per square foot over a 5 year term, with a lease rate of $13.95 for the subsequent 5 year term for the other tenanted area.

[7] The Complainant also provided a document titled "Job Cost Report", setting out the actual total cost of the development to the prior ending November 30, 2013 at $4,211,091 including the purchase price of the land in 2012. The Complainant submitted that subsequent costs of the tenant's interior finishing and crane ways resulted in a total development cost of $4,530,000, equating to a unit rate of $161.78 per square foot.

[8] In cross examination, the Complainant conceded that the total development cost of $4,530,000 reflects the value of the land purchased in 2012, and would exclude any developer's profit that would be sought in a sale of the property at market value. However, the Complainant maintains that the land component would be worth only 10% more as of the July 1, 2013 valuation date.

[9] The Complainant also conceded that the $10.00 per square foot initial lease rate in one of the tenanted areas is below typical market rent; however, the Complainant maintained that any deficiency would be recaptured in the subsequent years of the lease agreement.

[10] The Complainant further conceded that all of the sales comparables in the appraisal's Direct Comparison Analysis are inferior to the subject, due to age, location or economies of scale associated with larger developments. The Complainant maintained that the author of the appraisal was a professional appraiser, and would have properly accounted for the differences in his adjustment to the sale prices.

Position of the Respondent

[11] The Respondent submits that after further analysis it is prepared to concede that the current assessment is excessive, and recommend a 15% reduction, resulting in an assessment of $7,054,000. This equates to a unit rate of approximately $252 per square foot.

[12] The Respondent submits that as a result of a number of complaints to the Assessment Review Board, assessments for recently completed industrial developments were reviewed by the Respondent and adjusted as follows:

Year of Construction	Adjustment
2013	- 15%
2012	- 10%
2011	- 5%

[13] The Respondent maintains that the recommended assessment value reflects the subject's market value as of the July 1, 2013 valuation date, and submits that a qualitative analysis demonstrates that the subject would be appropriately assessed at that level.

[14] The Respondent reviewed the legislated mass appraisal requirements, and a summary of the factors affecting value in industrial warehouse properties including, in order of significance: main floor area; site coverage; effective age; location; condition; main floor "finish" area; and upper "finish" area. The Respondent argued that the subject's location along a major roadway in south Edmonton is superior to all of his own comparables and is a consideration in a qualitative analysis.

[15] In support of the recommended value, the Respondent provided a sales summary of four industrial properties located in south Edmonton, with various characteristics.. The Respondent identified the inferior and superior attributes of each of the properties in relation to the subject property to establish an overall comparability for each of the sales.

[16] The sales exhibit time adjusted sale prices per square foot to total building area ranging from $213 to 304 per square foot in contrast to the recommended assessment unit rate of $252 per square foot.

[17] The Respondent submits that sales #1 and #2, displaying time adjusted sale prices equating to unit rates of $213 and $217 per square foot are inferior to the subject property due to their inferior locations and earlier years of construction, and therefore the subject's estimated market value of $252 per square foot is appropriately higher than these market indicators.

[18] The Respondent submits that sales #3 and #4, displaying time adjusted sale prices equating to unit rates of $297 and $304 per square foot are superior to the subject property due to their lower site coverage ratios; notwithstanding their inferior locations, larger main floor areas and earlier years of construction. Accordingly, the subject's estimated market value of $252 per square foot is appropriately lower than these market indicators.

[19] The Respondent further provided a summary of four equity comparables assessed at unit rates ranging from $213 to $281 per square foot, with an overall comparability analysis similar to that employed in its sales analysis, to demonstrate that the subject's estimated market value of $252 per square foot equitably relates to the assessed unit rates of similar properties.

[20] In response to the Respondent's submissions, the Complainant argued that the location of the subject property along Roper Road was not a superior attribute in comparison to the Respondent's sales and equity comparables. The Complainant maintains that Roper Road is not a major thoroughfare in the vicinity of the subject property, as it becomes a dead end roadway within the Pylypow neighbourhood prior to its intersection with 34 Street.

[21] In response to a question of clarification from the Board, the Respondent provided amended assessed unit rates for its equity comparables. This reflected the Respondent's adjustments to properties constructed in 2011, 2012 and 2013 referenced in paragraph 12 above. The amended assessed unit rates are as follows:

Property	Total Bldg Assessment / Sq Ft (Original)	Total Bldg Assessment / Sq Ft (Amended)
Equity 1	$213	$187
Equity 2	$226	$203
Equity 3	$236	$212
Equity 4	$281	$261

Decision

[22] The Board finds that the market value of the subject property, as of the July 01, 2013 valuation date is $5,977,000, equating to a unit rate of approximately $213 per square foot.

Reasons for the Decision

[23] The Board put little weight on the Complainant's appraisal evidence as the appraiser's adjustments were largely unsupported by market evidence, and the appraiser was not present at the hearing to answer questions from the Respondent or the Board. Notwithstanding, the Board accepts that the appraisal document establishes a market value range for the property that is supported by the Respondent's sales of similar properties, and the Respondent's similar equity comparables.

[24] In respect of the subject property's location along Roper Road, the Board is not persuaded that the location of the subject property is superior in relation to the comparable properties submitted by the Complainant and Respondent. The Board was not provided with any evidence of traffic volumes to demonstrate that Roper Road is a major roadway in the vicinity of the subject property, nor was the Board provided with market evidence of properties located along major roadways in south Edmonton to quantify the purported value premium associated with an "Industrial Group 12" location.

[25] The Board finds the Respondent's sales comparables #3 and #4 are of limited value in establishing an upper limit of value for the subject property as they are dissimilar to the subject property due to their significantly lower site coverage ratios of 8% and 12%, respectively. The Board notes that these properties have approximate parcel sizes of 18.0 acres (sale #3) and 12.4 acres (sale #4) as determined from the main floor areas and site coverage ratios, in contrast to the subject's parcel size of 1.79 acres.

[26] The Board did put significant weight of the Respondent's remaining two sales #1 and #2 that illustrate a range of value from $213 to $217 per square foot, respectively. Of these two sales, the Board finds that sale #1 at $213 per square foot is the most comparable to the subject as a result of a similar one-storey configuration with a similar total main floor area and office finish ratio, and a similar site coverage ratio.

[27] The Board notes that the unit rate of $213 per square foot is supported by the most similar properties in the Respondent's equity analysis, being equity #2 and equity #3 assessed at unit rates of $203 and 212 per square foot, respectively. Of these two equity comparables, the Board finds that equity #3 at $212 per square foot (amended) is the most comparable to the subject as a result of a similar one-storey configuration with similar total main floor area, a similar site coverage ratio and a similar year of construction.

Heard May 21, 2014.

Dated this 13th day of June, 2014, at the City of Edmonton, Alberta.

J. Krysa

Jerry Krysa, Presiding Officer

Appearances

Name	Capacity
Gerard Jubinville	Representative for the Complainant
Bernie Spenrath	Representative for the Complainant
Jason Baldwin	Representative for the Respondent

Documents Received and Considered by the Board

Number	Description
1. C1	Complainant's Submission (155 pages)
2. R1	Respondent's Submission (61 pages)

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.