

Edmonton Composite Assessment Review Board

Citation: Colliers International Realty Advisors Inc for Gellarne Holdings v The City of Edmonton, 2014 ECARB 00808

Assessment Roll Number: 8635005
Municipal Address: 5809 98 Street NW
Assessment Year: 2014
Assessment Type: Annual New
Assessment Amount: \$1,780,000

Between:

Colliers International Realty Advisors Inc for Gellarne Holdings

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Willard Hughes, Presiding Officer
John Braim, Board Member
Robert Kallir, 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.

Preliminary Matters

[2] With the agreement of both the Complainant and the Respondent page 5 of the surrebuttal was excluded.

Background

[3] The subject property contains an industrial manufacturing building of 7,547 sq ft with 1,627 sq ft finished main floor office area. The 1.1 acre property is located in the Coronet Industrial subdivision in south Edmonton, within Industrial Group 18 (Core South). The building has an effective year built of 1974, is in average condition, with site coverage of 16%. The land is zoned IH – Heavy Industrial. The 2014 assessment is \$1,780,000, or \$236 per sq ft.

Issues

[4] Has the subject property been fairly and equitably assessed?

Position of the Complainant

[5] The Complainant presented evidence to the Board for its review and consideration to support his position that the assessment of the subject property should be reduced from \$1,780,000 to \$1,396,000.

[6] The Complainant stated that the 2014 assessment represents a 29.6% increase from the 2013 assessment of \$1,373,500. The initial 2013 assessment of \$1,528,000 was reduced on appeal to \$1,373,500 (ECARB 01547).

[7] The Complainant used a Direct Sales Approach and presented 8 sales comparables to the Board. They ranged in year of construction from 1963 to 1981. Net leaseable areas ranged from 6,720 sq ft to 16,580 sq ft, and site coverage ranged from 8% to 23%. Sales dates ranged from Aug 2010 to Sept 2013, and the Time Adjusted Sale Price (TASP) ranged from \$120.63 to \$187.08 per sq ft. The Complainant noted the average TASP was \$166.86 per sq ft which indicates the current assessment is too high.

[8] The Complainant stated that due to the lack of small properties in the Southeast area, it was necessary to examine slightly larger parcels. The average building size of the 8 sales comparables is 11,234 sq ft which is slightly larger than the subject building at 7,547 sq ft.

[9] Given the above factors, an upward adjustment has been made to account for the smaller building size of the subject. The Complainant considers that \$185 per sq ft represents an appropriate and reasonable value, resulting in a value of \$1,396,000.

[10] The Complainant presented the same equity assessment comparables for the 8 sales comparables. The range of equity values per sq ft range from \$137.05 to \$219.03, with an average of \$182.17 which indicates the current assessment is too high.

[11] The Complainant provided an Income Approach to value in support of the reduction request of the assessment for the subject property. A table of recent leasing activity was provided. The lease rates ranged from \$5.90/ sq ft to \$12.00/ sq ft with an average of \$11.17/ sq ft from which a rate of \$11.00/ sq ft was applied to the subject property. Utilizing a vacancy rate of 2% and a structural allowance of 2% the net operating income of \$78,975 was capitalized at 6% into a value of \$1,316,247 which indicates the current assessment is too high. The capitalization rate of 6% is based on a market survey completed by Colliers International that Single Tenant Industrial Buildings in Edmonton have a capitalization rate between 5.75% and 6.75% and the chart for the sale of nine properties provided by the Complainant.

[12] In rebuttal, the Complainant provided a chart of the Respondent's sale comparables and stated that when the 1995-1999 properties were removed, the remaining older comparables support the request for an assessment of \$1,396,000.

[13] Having utilized three approaches to value, the Complainant concluded that the Direct Sales approach is the most appropriate method for valuing the property for assessment purposes, and requested the Board to reduce the assessed value to \$1,396,000. The Complainant added that this number is closely supported by both the Equity and Income approaches to value.

Position of the Respondent

[14] The Respondent presented evidence to the Board for its review and consideration and stated that comparable properties set out by the City in its disclosure package provided the necessary evidence to confirm the assessment of the subject property at \$1,780,000.

[15] For the purposes of the 2014 annual assessment, the Direct Comparison approach (also referred to as the Sales Comparison approach) was employed. There is ample data from which to derive reliable value estimates and only a portion of the inventory is traded based on its ability to generate income. A majority of industrial property in Edmonton is owner-occupied and as such has no income attributable to it.

[16] Each year's assessment is independent of previous assessments and the mere fact of a large percentage increase without more evidence is not enough to draw the conclusion that an assessment is too high. Assessments are not based on previous year's assessments. The Complainant did not disclose any evidence to establish that the assessment was too high.

[17] The Respondent provided a Direct Sales approach as the subject had been assessed by that method. Six sales comparables were provided. The sales comparables ranged in effective age from 1970 to 1999, site coverage ranged from 7% to 31 %. Total building area ranged from 6,750 sq ft to 9,918 sq ft, and TASP ranged from \$202 to \$399 per sq ft., whereas the subject was at \$236 per sq ft.

[18] The Respondent also provided a chart of Complainant sales with additional columns indicating variations and adjustments to the information provided by the Complainant. This produced rates between \$118 to \$189 TASP/sq ft total, relative to the subject at \$236 per sq ft.

[19] The Respondent provided seven Equity comparables in support of the assessment. All were in Neighbourhood Group 18, and provided an assessment per sq ft range between \$226 and \$262, relative to \$236 per sq ft. for the subject property. The Respondent critiqued the Complainant's equity comparables; however, no substantive evidence was provided.

[20] In surrebuttal, the Respondent provided a chart of the Respondent's sale comparables excluding comparable #2 which they submitted had changes significantly since the sale. The revised chart support the request for an assessment of \$1,780,000.

[21] In summary, the Respondent concluded that City Direct Sales comparables do reflect the fair and equitable assessment value, and requested that the 2014 assessment of \$1,780,000 be confirmed.

Decision

[22] The decision of the Board is to reduce the 2014 assessment from \$1,780,000 to \$1,396,000.

Reasons for the Decision

[23] The sales comparables provided by the Complainant in Neighbourhood Group 18 provide support for the requested assessment of \$1,396,000. The Board accepts that upward adjustment to the Complainant average sale price is warranted taking into account the lot and building sizes of the Complainants sales comparables.

[24] In reviewing the sales comparables, the Board is persuaded that the Complainant's Direct Sales comparables provide good support in the attributes to value in terms of site coverage and age of buildings.

[25] The sale comparables provided by the Respondent were lacking in attributes being utilized for comparative purposes as to allow the Board to place much weight on these comparables.

[26] The Board placed little weight on the Equity comparables of either party as they were lacking in attributes being utilized for comparative purposes as to allow the Board to place much weight on these comparables. No substantive evidence was presented by the Respondent with respect to its critique of the Complainant's equity comparables.

[27] The Board places little weight on the Complainant's Income Approach, as the Board finds the Direct Sales approach is the generally accepted method for industrial properties in Edmonton due to the high proportion of owner user properties.

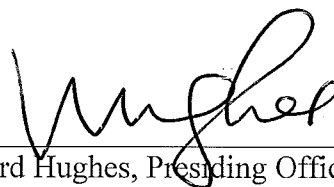
[28] The direct sales approach is the best methodology for assessing the value of the subject property.

Dissenting Opinion

[29] There was no dissenting opinion.

Heard July 10, 2014.

Dated this 5th day of August, 2014, at the City of Edmonton, Alberta.



Willard Hughes, Presiding Officer

Appearances:

James Phelan, Colliers International
Stephen Cook, Colliers International
for the Complainant

Katrina Rossol, Assessor
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.

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 Submission
- C-2 Complainant’s Rebuttal
- I-1 Anderson Data Property Information
- R-1 Respondent’s Submission
- R-2 Respondent’s Surrebuttal