Edmonton Composite Assessment Review Board

Citation: Colliers International Realty Advisors Inc for 402426 Alberta Ltd v The City of Edmonton, 2014 ECARB 00813

Assessment Roll Number:	1122977
Municipal Address:	2461 76 Avenue NW
Assessment Year:	2014
Assessment Type:	Annual New
Assessment Amount:	$11,799,500

Between:

Colliers International Realty Advisors Inc for 402426 Alberta Ltd

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] There were no preliminary matters.

Background

[3] The subject property comprises 4 buildings with effective year built dates of 1963/1973/1985/2004 the first of which is a cost building. The subject property contains 11.98 acres and the total building size of the four buildings is 58,854 square feet (sq ft) of which 18,016 sq ft is finished office space. The property is located in 2461 76 Avenue in south-east Edmonton. The Complainant asserts that effective year built is 1981 and the Respondent asserts that the effective year built is 1992. Three of the buildings are in average condition and one is in fair condition. The land is zoned IM – Medium Industrial District and has a site coverage ratio of 10%.

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 $11,799,500 to $9,098,000.

[6] The Complainant stated that while the site coverage asserted by the Respondent is 10% the effective site coverage is in fact 17% due to the utility rights of way both above and below ground level which negatively affect the ability to develop 3.85 acres (32.14%) of the subject property.

[7] The Complainant provided a chart of 6 sales that had transacted between May 2010 and June 2013. All sales were located in the south-east district and were close to the subject property. There were three sales that have site coverage close to the 17% effective site coverage of the subject property one of which has similar site coverage (16%), is close to the effective year built of 1981 and was close in building size to the subject property. The Complainant stated that the unit rates emanating from the 6 sales ranged from $117.06/ sq ft to $179.57/ sq ft with an average of $146.94/ sq ft., average site coverage of 20% and average building size of 54,354 sq ft. On the direct sales approach the Complainant stated that a fair assessment unit price for the subject property is $150/sq ft which amounts to a total assessment of $9,098,000 which indicates the current assessment is too high.

[8] The Complainant contended that the property owner is entitled to the lower of the market value or the equity value and provided a chart of four equity comparable properties located in close proximity to the subject property and stated that the unit rates emanating from the four comparables ranged from $112.90/ sq ft to $151.57/ sq ft with an average of $134.47/ sq ft., an average site coverage of 21%, an average building size of 52,326 sq ft. and average effective year built of 1990. On the basis of his equity approach the Complainant stated that the assessment unit price for the subject property should be closer to $130/sq ft which amounts to a total assessment of $7,885,000 which indicates the current assessment is too high.

[9] In addition to the equity comparables referred to in paragraph [8], the Complainant provided a chart of five equity comparable properties located on 76 Avenue, like the subject property. The Complainant stated that the unit rates emanating from the five comparables ranged from $110.50/ sq ft to $189.15/ sq ft with an average of $148.84/ sq ft. average site coverage of 19%, an average building size of 62,847 sq ft. and average effective year built of 1981. On the basis of his equity approach the Complainant stated that the assessment unit price for the subject property should be closer to $150/sq ft which amounts to a total assessment of $9,098,500 which indicates the current assessment is too high.

[10] 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 from comparable single tenant lease transactions. The lease rates ranged from $6.00/ sq ft to $9.75/ sq ft with an average of $7.45/ sq ft from which a rate of $8.50/ 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 $489,077 was capitalized at 6% into a value of $8,151,291 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.

[11] In rebuttal, the Complainant provided a chart of the Respondent's sale comparables setting out the assessed value per sq ft of the comparables and the assessment to sales ratios. The complainant submitted that these average assessments per sq ft supported the request for an assessment of $9,098,000.

[12] Having utilized four approaches to value, the Complainant concluded that the evidence presented supports a reduction to $9,098,000 based on the Direct Sales approach and is supported by the Equity and Income approaches to value.

Position of the Respondent

[13] 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 $11,799,500.

[14] 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.

[15] The effective age (1992) for the buildings on the subject property had been determined by taking the weighted average of the three buildings that were not cost buildings.

[16] The correct site coverage for the subject property is 10%.

[17] A 15% reduction had been factored into the $11,799,500 assessment for the subject property to take into account the detrimental effect of utility rights of way that detrimentally impact the subject property.

[18] The Respondent provided a Direct Sales Approach chart as the subject property had been assessed by that method. The chart provided set out five sales two of which were located in the same industrial grouping as the subject property. One of these two comparables had a somewhat comparable building size, a site coverage of 8%, was a much larger lot size and an effective year built of 1998. The second of the comparables in the same industrial grouping had a smaller building size, a site coverage of 30% , was a much smaller lot size and an effective year built of 1980. The other three comparables were in different industrial groups than the subject property and in two cases were of newer construction. The five sales were time adjusted to valuation day and produced rates ranging from $149.00/ sq ft to $304/ sq ft with the subject property being assessed at $200.00/ sq ft.

[19] The Respondent also provided a chart of the Complainant's sales setting out that only two of the comparables were located in Industrial Group 18, they had higher site coverage than the subject and in one case was much newer and in one case much older than the subject property and in both cases were smaller in lot and building size.

[20] The Respondent provided a chart of four equity comparables to support their contention the assessment was equitable with other properties. Three of the comparables were in the same

industrial group, the same condition and were somewhat comparable in terms of age, site coverage ratios (10%) and areas of office development. The unit assessment rates ranged from $188.00/ sq ft to $192.00/ sq ft resulting in an average 189.66/ sq ft.

[21] The Respondent provided a chart of the Complainant's first set of equity comparables all of which were located in a different Industrial Group to the subject property.

[22] The Respondent provided a chart of the Complainant's equity comparables located on 76 Avenue and stated that only the property at 2840 76 Avenue was somewhat comparable to the subject property.

[23] In surrebuttal the Respondent critiqued the methodology of the Complainant's ASR analysis and maintained their comparables supported the request for an assessment of $11,799,500.

Decision

[24] The decision of the Board is to confirm the assessment of $11,799,500.

Reasons for the Decision

[25] The Board was not convinced that the site coverage of the subject property was 17% as asserted by the Complainant. While the utility easements did detrimentally affect the subject property the actual site coverage is 10%.

[26] The assessment by the Respondent factored into account a 15% reduction to address the detrimental effect of the utility encumbrances affecting the subject property. The 15% reduction is reasonable taking into account the utility of the 3.85 acres of the subject property detrimentally affected by the utility rights of way.

[27] The Board was not convinced that the effective age of the subject property is 1981 as asserted by the Complainant. The Board accepts the position of the Respondent that the effective age of the subject property is 1992.

[28] The sale comparables provided by the Complainant were lacking in sufficient attributes being utilized for comparable purposes as to allow the Board to place much weight on these comparables. Only two of the sale comparables provided by the Complainant were located in Industrial Group 18, but they had higher site coverage than the subject and in one case the building was much newer and in one case the building was much older than the subject property. In both cases the lots and building size were smaller.

[29] The sale comparables provided by the Respondent were lacking in sufficient attributes being utilized for comparable purposes as to allow the Board to place much weight on these comparables. Only two were located in the same industrial grouping as the subject property. However, one of these comparables had a site coverage of 8%, was a much larger lot size and an effective year built of 1998. The second a site coverage of 30%, was a much smaller lot size and had an effective year built of 1980.

[30] The Complainant's equity comparables other than the property located at 2840 76 Avenue were lacking in sufficient attributes being utilized for comparable purposes as to allow the Board to place much weight on these comparables.

[31] Three of the Respondents equity comparables were in the same industrial group as the subject property, in similar condition and are comparable to the subject property in terms of age, site coverage ratios (10%) and areas of office development.

[32] The property located at 2840 76 Avenue submitted by both the Complainant and the Respondent as an equity comparable was the property most comparable to the subject property. Due to the building located on the property being somewhat larger than the building on the subject property its $189 /sq ft assessment relationship to 195 /sq ft for the subject property seems reasonable due to economies of scale.

[33] 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.

[34] The onus of proving the incorrectness of an assessment is on the Complainant. The Complainant did not provide sufficient evidence to prove the incorrectness off the assessment.

[35] The assessment of $11,799,500 is fair and equitable.

Dissenting Opinion

[36] There is no dissenting opinion

Heard July 9, 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
R-1 Respondent's Submission
R-2 Respondent's Surrebuttal