



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION 0098 86/11

Gasland Properties Ltd
16060 - 114 Avenue NW
Edmonton, AB T5M 2Z5

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on August 3, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
1519255	16002 114 Avenue NW	Plan: 6097AH Block: 17	\$7,167,000	Annual New	2011

Before:

Dean Sanduga, Presiding Officer
Reg Pointe, Board Member
Taras Luciw, Board Member

Board Officer: Nicole Hartman

Persons Appearing on behalf of Complainant:

Brad Daviss, Frost & Associates Realty Services Inc

Persons Appearing on behalf of Respondent:

Mary-Alice Nagy, City of Edmonton, Assessor
Rebecca Anderson, City of Edmonton, Law Branch
Stephen Leroux, City of Edmonton, Assessor

PRELIMINARY MATTERS

Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

The Respondent objected to two pages of the Complainant's submission of rebuttal material, as it contained new evidence that had not been included in the original disclosure package. The Board recessed to review the material, a two page letter from The Network dated July 14, 2011. Upon reconvening, the Board advised the parties that it decided to exclude the two pages from The Network in accordance with s. 9(2) of MRAC.

BACKGROUND

The subject property comprises three industrial warehouse buildings, a small storage shed and a gas bar, situated on a 175,730.861 square foot lot with 17% site coverage. It is located in the Alberta Park Industrial neighbourhood in Northwest Edmonton. All buildings are considered in average condition.

ISSUE(S)

Is the 2011 assessment of the subject property at \$7,167,000 fair and equitable?

LEGISLATION

Municipal Government Act, R.S.A. 2000, c. M-26;

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.

Matters Relation to Assessment Complaints Regulation AR 301/2009 (MRAC);

s. 9(2) A composite assessment review board must not hear any evidence that has not been disclosed in accordance with section 8.

POSITION OF THE COMPLAINANT

The Complainant submitted written evidence containing income/expense statements for the subject property, sales of four properties as market comparables, and a market rental survey prepared by CB Richard Ellis. The evidence, containing 13 pages, included the following chart (exhibit C-1):

Property	Size	Estimated Rent
Building A	2000 sq. ft.	\$95,000
Building B (single tenant)	6000 sq. ft. Mezz 6,000 sq. ft.	\$105, 000
Building C (single tenant)	9,500 sq. ft. Mezz 5,000 sq. ft.	\$130,000
Building D (two tenant)	10,800 sq. ft. Mezz 6,800 sq. ft.	\$163,000
Total		\$493,000
Less Vacancy at 4%		
Less Structural at 2%		
NOI – \$464,000 at an 8% Capitalization rate is \$5,800,000		

The subject property is unique in that it contains three commercial buildings, each with main floor and mezzanine area, and a gas bar. A small storage shed is also located on the property but is not included in any valuation. The Complainant believes that the Respondent's approach is ineffective in its ability to account for the characteristics of the property. In addition, none of the Respondent's sales comparables reflect similarities to the uniqueness of the subject.

The Complainant described the property as an income producing property and stated that the correct approach to valuing the subject property is the income approach with the application of a capitalization rate derived from the marketplace.

To conclude a market value, the Complainant applied estimated rent totalling \$493,000. After deducting 4% vacancy and 2% structural expense, the resulting net operating income of \$464,000 was divided by an 8% capitalization rate resulting in a value of \$5,800,000. The Complainant requested this reduced assessment amount.

POSITION OF THE RESPONDENT

The subject property is assessed at \$7,167,000 using a mass appraisal methodology with sales occurring from January, 2007 through June, 2010 for model development and testing. The primary factors affecting the value of the warehouse inventory are location, size of lot, age, main floor area, finished main floor area and developed second floor and mezzanine area. Assessments for the 2011 year were arrived at using the sales comparison approach.

The most common unit of comparison for industrial properties is the value per square foot of developed area. When properties are compared on this basis, the site coverage plays a key role in the comparison.

The subject property contains 5 buildings with a total of 49,684 square feet. The property has 17% site coverage. A gas bar, a storage shed and three industrial warehouses with main floor office and finished mezzanine space are included in the assessment. This is a unique property containing a gas bar along with warehouse buildings. The storage shed, with 624 square feet, is valued at a nominal value of \$1,000.

Nine sales comparables were identified with time adjusted sales values ranging from \$136.52 to \$239.43 per square foot, supporting the subject assessment at \$144.25 per square foot (R-1, page 37). All but one of the sales comparables have some upper mezzanine area similar to the subject and comparables #4 and #5 were also used by the Complainant. Sale comparable #4 at \$160.82 exceeds the subject value per square foot and sale comparable #5 has 29% site coverage compared to the subject's 17% site coverage.

Seven equity comparables were identified (R-1, page 48) with a range of \$138.77 to \$180.15 per square foot, supporting the assessment at \$144.25 per square foot.

To test the Complainant's income pro-forma, the Respondent used three different valuation models (R-1, page 24). Actual rent less vacancy and structural allowances capitalized at 8% produced a value of \$6,333,250, while capitalized at 7% produced a value of \$7,238,000. The Network shows the average capitalization rate at 7.46% for multi-bay warehouses. The subject has newer and better buildings and therefore should be valued using a capitalization rate lower than 7.46%. When using the income approach, the inputs used must be right or they will have a major impact on the final value. The Complainant's market rents and capitalization rates are not supportive for this superior property.

DECISION

The decision of the Board is to confirm the 2011 assessment in the amount of \$7,167,000.

REASONS FOR THE DECISION

The Board was satisfied that the direct sales approach was the most appropriate method of valuation for the subject property.

The Respondent identified nine sales comparables including two that were also brought forward by the Complainant (C-1, pages 4 and 6). The Board was more persuaded by the Respondent's sales comparables, which supported the subject assessment (R-1, page 37). The Board noted that none of the comparables brought forward by either party contained a gas bar.

The Board noted that the subject property is superior in that it is newer and the subject site coverage is lower than 8 of the 9 sales comparables submitted by the Respondent.

The Board found that the income approach presented by the Complainant was not sufficiently supported by third party evidence. The Respondent showed that using a capitalization rate at 8%

on actual rent produced a value of \$6,333,250 while using a 7% capitalization rate produced a value of \$7,238,000, demonstrating the significance of applying a proper capitalization rate.

A 2010 Market Overview by The Network (R-1, page 26) indicates a multi-bay average capitalization rate of 7.46% with a single tenant capitalization rate of 7.38%. A Cap Rate Report by Colliers International for Q4, 2010, indicates a range from 7.00% to 7.50% for both multi-tenant and single tenant properties (R-1, page 29). The Board found that the 8% capitalization rate used by the Complainant was not sufficiently supported by third party reports.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 9th day of August, 2011, at the City of Edmonton, in the Province of Alberta.

Dean Sanduga, Presiding Officer

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, R.S.A. 2000, c.M-26.

cc: Frost & Associates Realty Services Inc.