



## ASSESSMENT REVIEW BOARD

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
Phone: (780) 496-5026

### NOTICE OF DECISION NO. 0098 883/11

Colliers International Realty Advisors Inc.  
1000-335 8TH Avenue SW  
Calgary, AB T2P 1C9

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 March 20, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9972798	7603 McIntyre Road NW	Plan: 9925652 Block: 3 Lot: 23	\$5,861,500	Annual Revised	2011

#### Before:

Warren Garten, Presiding Officer  
George Zaharia, Board Member  
Tony Slemko, Board Member

**Board Officer:** Segun Kaffo

#### Persons Appearing on behalf of Complainant:

Stephen Cook, Colliers International

#### Persons Appearing on behalf of Respondent:

Marty Carpentier, Assessor, City of Edmonton  
Steve Lutes, Law, Branch, City of Edmonton

## **PROCEDURAL MATTERS**

The parties indicated they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias on this file.

## **PRELIMINARY MATTERS**

There were no preliminary matters.

## **BACKGROUND**

The subject property is a warehouse built in 2001, and is located at 7603 McIntyre Road NW within the McIntyre Industrial neighborhood of southeast Edmonton. The building has approximately 40,000 square feet of main floor space. The improvements are situated on a lot zoned IM, 158,663 square feet (3.6 acres) in size, resulting in a 25% site coverage.

The subject property was sold December, 2010 for the sum of \$4,425,000.

The subject property was assessed on the direct sales approach resulting in a 2011 assessment of \$5,861,500.

## **ISSUE(S)**

1. Is the 2011 assessment of the subject property at \$5,861,500 fair and equitable compared to sales of similar properties?
2. Is the December, 2010 sale of the subject property an appropriate indication of value?

## **LEGISLATION**

### ***Municipal Government Act, RSA 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.

## **POSITION OF THE COMPLAINANT**

1. The Complainant provided a recent assessment history of the subject property that showed a 1.8% decrease in the 2011 assessment compared to the 2010 assessment, arguing that the sale of the subject property for \$4,425,000 is the best indicator of value (Exhibit C-1, pages 3 and 8).

2. To support his position that the 2011 assessment of the subject property was excessive, the Complainant provided an appraisal which established ranges of value based on the 1) income approach - capitalization, 2) income approach - discounted cash flow analysis, and 3) direct sales comparison approach. In the opinion of the Complainant, the market value of the subject property should be \$4,500,000 (Exhibit C-1, pages 7 & 8).
3. The Complainant provided an appraisal of the subject property dated October 19, 2010, and addressed the income and direct sales approach.

a. Income Approach

- i. As at the valuation date, the subject building was fully leased commencing September 1, 2001 at a lease rate of \$7.73 per square foot and increasing to \$8.33 per square foot after five years (Exhibit C-2, page 39).
- ii. To determine if the lease rate in the subject is at market, the Appraiser undertook a market survey of leases paid for space in similar properties. The Appraiser provided six leases, three commencing after the valuation date at rates of \$9.75, \$10.05, and \$10.15 per square foot, and three leases commencing prior to, or at, the valuation date at rates of \$9.14, \$9.85, and \$10.75 per square foot (Exhibit C-2, page 40).
- iii. It was the opinion of the Appraiser that the lease rates for good quality single-tenant warehouses of newer vintage would lease for between \$8.00 and \$11.00 per square foot net, depending on a variety of factors listed in the appraisal, supporting the leases identified in the comparables (Exhibit C-2, page 40).
- iv. For the purposes of preparing a pro forma for the subject property, the Appraiser chose a lease rate of \$9.50 per square foot, and after applying selected vacancy rates, structural costs, and operating expenses, a capitalization rate of 7.25% to 7.75% was applied to the resulting net operating income of \$351,440 (Exhibit C-2, pages 41 & 43). This provided a value in the range of \$4,500,000 to \$4,820,000 (Exhibit C-2, page 54).

b. Direct Sales Approach

- i. The Appraiser provided five sales comparables. These sales occurred between July, 2009 and May, 2010 for amounts between \$66.00 and \$219.13 per square foot with resulting capitalization rates from 7.30% to 8.06% (Exhibit C-2, page 57).
- ii. In valuing the subject property, it had been compared to each of the sales based upon the following criteria: property rights, financing terms, conditions of sale, market conditions, location, physical characteristics, and economic characteristics. To address the preceding criteria, the Appraiser applied qualitative adjustments to the comparables, using terms such as *similar*, *slightly inferior*, *much inferior*, *superior*, and *much superior* (Exhibit R-2, pages 57 & 60).

- iii. Based on a net operating income of \$8.79 per square foot and the identified adjustments, the Appraiser suggested that a value of \$110.00 to \$120.00 per square foot would be appropriate for the subject property. This resulted in a value of \$4,400,000 to \$4,800,000 (Exhibit C-2, page 60). However adjusting for the interim rental shortfall that is calculated to be \$30,000, the Appraiser concluded that the value based on the direct sales approach would be in the range of \$4,370,000 to \$4,770,000 (Exhibit C-2, page 61).
  - c. Final Value as a Result of the Income and Direct Sales Approach
    - i. Based on the outcome of the two above-noted approaches to value, the Appraiser established a value for the subject property as at October 19, 2010 at \$4,630,000 (Exhibit C-2, page 62).
4. The Complainant provided the Land Title Certificate that showed the transfer value for the sale of the subject property at \$4,425,000 (Exhibit C-1, page 11).
5. The Complainant submitted a rebuttal document, marked as C-3, challenging the appropriateness of the Respondent's sales and equity comparables.
  - a. It was argued that five of the six sales comparables were smaller in size, which would result in these properties having a higher value per square foot. The Complainant also argued that the location and dated sales rendered the Respondent's sales comparables inappropriate, and that sale comparable number four was of an office building, making this comparable dissimilar to the subject (Exhibit C-3, pages 3).
  - b. The Complainant argued that the size of the improvements and the site coverage of the equity comparables made them inappropriate. He stated that three of the comparables were significantly smaller in size compared to the subject, making these comparables inappropriate since the result would be a higher value per square foot (Exhibit C-3, pages 3).
6. The Complainant requested the Board to reduce the 2011 assessment from \$5,861,500 to \$4,500,000.

## **POSITION OF THE RESPONDENT**

1. The Respondent advised that sales occurring from January 2007 through June 2010 were used in developing and testing the model. As well, factors found to affect value in the warehouse inventory were: location, lot size, age and condition of the building, the total area of main floor, developed second floor and mezzanine space, these factors listed in no particular order (Exhibit R-1, page 7).
2. The Respondent provided six sales comparables, of which four were located in southeast Edmonton, and the other two were located in west Edmonton, that occurred between February 1, 2007 and September 16, 2009. The comparables were built between 1980 and 2005, were all in average condition, and ranged in total building size between 30,078 and 74,801 square feet. The time-adjusted sale prices ranged between \$132.15 and \$160.82 per square foot, compared to the assessment of \$137.91 per square foot of the subject

property (Exhibit R-1, page 23). It was the position of the Respondent that the comparables reflected fairness and equity.

3. The Respondent provided six equity comparables, all located in southeast Edmonton, the same as the subject. The comparables were built between 1992 and 2002, were all in average condition, ranged in total building size between 28,950 and 50,022 square feet, and had site coverage of 18% to 33%. The assessments ranged between \$134.68 and \$140.35 per square foot resulting in an average of \$138.21 per square foot, supporting the assessment of \$137.92 per square foot of the subject property (Exhibit R-1, page 30).
4. The Respondent requested the Board to confirm the 2011 assessment at \$5,861,500.

## **DECISION**

The decision of the Board is to confirm the revised 2011 assessment of the subject property at \$5,861,500.

## **REASONS FOR THE DECISION**

1. The Board placed little weight on the sale price of the subject since the sale that took place December 2010 was nearly six months post facto of the July 1, 2010 valuation date.
2. The Board placed little weight on the Complainant's appraisal that was used to support a reduction in the assessment for the following reasons:
  - a. The appraisal, dated October 19, 2010, was nearly four months post facto, and the Appraiser was not present to answer questions.
  - b. Three of the lease rates that were included in the lease rate comparable chart were post facto. Of the three remaining lease comparables, one of the comparables was one-half the size of the subject, one was two times, and the third, four times the size of the subject.
  - c. The subject property was valued on the direct sales approach, rendering the lease rate information provided by the Complainant of little value, other than providing a support for the direct sales information that the Appraiser provided.
  - d. Two of the five sales comparables provided by the Complainant were outside of the municipality and therefore could not be considered. Of the three remaining sales comparables, one of the comparables was one-third the size of the subject, one was nearly the same size, and the third was more than two and one-half times the size of the subject.
  - e. The sale prices of the three comparables at \$160.86, \$172.17 and \$219.13 per square foot actually supported the assessment of the subject at \$137.92 per square foot.
  - f. The "qualitative adjustments" provided by the Complainant did not address the "quantitative adjustments" required to establish value.

3. The Board placed greater weight on the Respondent's sales comparables for the following reasons:
  - a. Four of the six sales comparables were located in southeast Edmonton, as is the subject. Five of the comparables were built within eight years of the subject's year built of 2001. The total building size of the subject at 42,500 square feet fell within the total building size range of the comparables that go from a low of 30,078 to a high of 74,801 square feet, and site coverages are similar to the subject. The subject and the comparables were all in average condition.
  - b. The assessment of the subject property at \$137.91 per square foot fell within the range of the time-adjusted sale prices of \$132.15 to \$160.82 per square foot.
  - c. Sales comparables number one is very comparable to the subject. It has a total floor space of 39,663 square feet inclusive of 1,361 square feet of upper floor space, compared to the subject's 42,500 square feet, inclusive of 2,500 upper floor space. It was built three years before the subject, and with 29% site coverage, would need a slight upward adjustment to its time-adjusted sale price of \$136.52 per square foot, well supporting the assessment of the subject at \$137.91 per square foot.
4. The Board also placed more weight on the Respondent's equity comparables which, assessments at \$134.68 to \$140.35 per square foot, supported the assessment of the subject property at \$137.92 per square foot. All six equity comparables were located in southeast Edmonton, the same as the subject. The 2001 year built of the subject fell within the range of the year built of the comparables of between 1992 and 2002; the subject and the comparables were all in average condition; the subject at 42,500 square feet in total building size fell within the range of the comparables of between 28,950 and 50,022 square feet; and the site coverage of the subject at 25% fell within the range of the comparables of between 18% and 33%.
5. The Board is persuaded that the reduced 2011 assessment of the subject property at \$5,861,500 is fair and equitable.

### **DISSENTING OPINION AND REASONS**

There was no dissenting opinion.

Dated this 13<sup>th</sup> day of April, 2012, at the City of Edmonton, in the Province of Alberta.

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Warren Garten, Presiding Officer

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*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.*

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cc: 7603 MCINTYRE HOLDINGS LTD