

NOTICE OF DECISION NO. 0098 92/12

Colliers International Realty Advisors Inc
3555 - 10180 101 Street
Edmonton, AB T5J 3S4

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 July 30, 2012, respecting a complaint for:

| Roll Number | Municipal Address | Legal Description | Assessed Value | Assessment Type | Assessment Notice for: |
|--------------------|--------------------------|--------------------------|-----------------------|------------------------|-------------------------------|
| 6558613 | 12872 52 Street NW | Plan: 8020334 Unit: 1 | \$468,000 | Annual New | 2012 |

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.

cc: SABLE REALTY & MANAGEMENT LTD.

Edmonton Composite Assessment Review Board

Citation: Colliers International Realty Advisors Inc v The City of Edmonton, 2012 ECARB 1718

Assessment Roll Number: 6558613
Municipal Address: 12872 52 Street NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

Colliers International Realty Advisors Inc

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Warren Garten, Presiding Officer
Jack Jones, Board Member
Pam Gill, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties before the Board indicated no objection to the Board's composition. In addition, the Board Members indicated no bias with respect to this file.

Background

[2] The subject property was built in 1977 and is assessed as an industrial condominium located in the Kennedale Industrial neighborhood. The building has an area of 3,202 square feet of which 1,440 square feet is classed as office space. The subject property has been assessed for 2012 utilizing the direct sales comparison approach to valuation based on sales occurring between January 2008 and June 2011.

Issue

[3] Is the Market Value based on the Direct Comparison Approach to Value correct?

Legislation

[4] The *Municipal Government Act* reads:

Municipal Government Act, RSA 2000, c M-26

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.

Position of the Complainant

[5] The Complainant presented evidence (C-1 and C-2) and argument for the Board's review and consideration.

[6] The Complainant argued that the subject is over assessed based on the Direct Comparison Approach supported by the Income Approach.

[7] The Complainant provided five sales comparables (C-1, page 13) for the Board's review ranging from \$104.55 per square foot to \$129.53 per square foot. The average of the five comparables was \$118.51 per square foot. Taking into consideration the state of disrepair and location of the subject, the Complainant argued that an assessment of \$110 per square foot would be fair.

[8] The Complainant also presented the Income Approach (C-1, page 16) to the Board; however, the purpose of this was to show that the subject was over assessed and that a lower assessment was warranted. The Income Approach valued the subject at \$95.41 per square foot, using a lease rate of \$6.50 per square foot and a capitalization rate of 6.50%. Upon questioning as to why this amount was not requested by the Complainant, it was stated that the Income Approach was only used to support the Direct Comparison Approach and to show that the subject was over assessed.

[9] The Complainant also argued that properties located in the Northeast of Edmonton have unit sales that are 26.6% (C-1, page 18) lower compared to properties in the other three quadrants of the city. The information was based on Collier's analysis of the Gettel Network Sale Quadrant Study (C-2, pages 22-23).

[10] Upon cross examination, the Complainant stated that the five sales used were from different parts of the city because there were not enough comparable sales in the quadrant itself. The comparables were superior to the subject and therefore a 10% downward adjustment ought to be made for the subject.

[11] Upon rebuttal, the Complainant reviewed the Respondent's sales comparables (R-1, page 19) and stated the following:

- i. Sale #1: The sale represented the sale of the entire industrial property not for individual condominium units.

- ii. Sale #2: The property is located in a superior neighbourhood and is exposed to a much larger traffic volumes.
- iii. Sale #3: The property is located in a superior location, which has higher traffic volumes.
- iv. Sale #4: The purchaser owned the adjacent property and it was argued that this was a motivated sale. The property is zoned as CSC not as industrial.
- v. Sale #5: The property is located in a superior neighbourhood and is exposed to a much larger traffic volumes. This property was also used as a comparable by the Complainant.

[12] In summary, the Complainant requested the 2012 assessment of the subject property be reduced to \$352,000 based on \$110 per square foot.

Position of the Respondent

[13] The Respondent presented evidence (R-1 & R-2) and argument for the Board's review and consideration.

[14] The Respondent outlined the mass appraisal methodology for valuing properties (R-1, pages 5 to 7) and stressed that the "factors found to affect value in the condominium warehouse inventory were: the location of the property, the size of the lot, age of the building, total area of the main floor, amount of finished area on the main floor as well as developed upper area" (R-1, page 8).

[15] The Respondent indicated that the direct sales comparison approach to valuation was the best indication of value for buildings such as the subject property where owner-occupants outbid investors (R-1, pages 54 & 55) and that an income approach can be unreliable in this type of market place.

[16] The Respondent presented 23 sales comparables (R-1, page 19) in support of the 2012 assessment of the subject property. The comparables were broken down into three groups (North, West and South Edmonton) to illustrate the variance in the different market areas within the City. Five comparables were presented from within the market area of the subject property and these had an average unit value of \$140.05 per square foot compared to the assessed unit value of the subject at \$146.16 per square foot.

[17] The Respondent questioned the relevance of the Complainant's sales comparables as four of the five comparables presented were outside the market area of the subject property. The Respondent also questioned the accuracy of the Complainant's "Edmonton Industrial Sales by Quadrant" analysis (C-1, page 18) as the average lot and building sizes were far larger than the subject property.

[18] The Respondent suggested the \$6.50 per square foot lease rate (C-1, page 15) used within the Complainant's income valuation was inaccurate. The Respondent presented market data (R-1, page 52) from an Avison Young Industrial Report, which suggested an average lease rate for properties within the subject property's market area and size would be \$10.00 per square foot.

[19] In summary the Respondent requested the 2012 assessment of the subject property be confirmed at \$468,000.

Decision

[20] It is the decision of the Board to reduce the assessment of the subject property from \$468,000 to \$419,000 based on the revised assessment of \$130.92 per square foot (rounded).

Reasons for the Decision

[21] In reaching its decision, the Board considered all argument and evidence.

[22] The Board agreed that location (North-East Edmonton) has a major effect on Market Value.

[23] The Board did not rely on the Respondent's sales comparables from West Edmonton or South Edmonton as they were outside of the subject's market area.

[24] The Board reviewed all comparables provided by both the Complainant and Respondent and decided that there were 2 sales comparable that closely resembled the subject property. These are:

- i. 12251 Fort Road: This property was submitted as evidence by both the Complainant and Respondent. It is in close proximity to the subject and the size is similar (2,980 square feet) as compared to the subject (3,203 square feet).
- ii. 12820 – 52 Street: This property was included as evidence in the Respondent's submission. It is directly adjacent to the subject with similar by sizes (1,889 – 2,689 square feet) as compared to the subject (3,202 square feet)

[25] Further the Board placed little weight on the balance of the Complainant's submitted comparables as they are located outside of the subject property's market area.

[26] 12255 Fort Road was included as evidence in the Respondent's submission. It is in close proximity to the subject and the size is similar (2,849 square feet) compared to the subject (3,202 square feet); however, due to the large "Vendor Take Back" mortgage of \$40,000 compared to a down payment of \$94,500, the Board agreed that this VTB could easily influence the final selling price as a result little weight was placed on this sale.

[27] The Board placed little weight on the Respondent's submitted comparable at 12523C – 127 Street as the location is in the North West quadrant of the City on an extremely busy arterial roadway which was not considered to be comparable to the subject.

[28] The Board placed little weight on the Respondent's submitted comparable at 5618 – 125A Avenue. It is currently zoned CSC which is dissimilar to the subject's zoning of IB. This property was bought by the owner of an adjacent property and may have been a motivated sale (C-2, page 17).

[29] The Board placed little weight on the Complainant's Income approach to value as there was no supporting evidence to substantiate a market rent of \$6.50 for small bay sizes except for the subject's achieved rental rates. The resulting calculation on the Complainant's submission

(C-1, page 16) totaled \$95.41 per square foot, which bore no relation to the requested \$110.00 per square foot assessment.

[30] The average selling price of 12251 Fort Road and 12820 – 52 Street is \$130.92 per square foot. The Board applied this unit value to the subject property's area of 3,202 square feet for a total revised 2012 assessment of \$419,000 (rounded).

Dissenting Opinion

[31] There was no dissenting opinion.

Heard commencing July 30, 2012.

Dated this 1st day of August, 2012, at the City of Edmonton, Alberta.

Warren Garten, Presiding Officer

Appearances:

Greg Jobagy, Colliers International Realty Advisors Inc.

Stephen Cook, Colliers International Realty Advisors Inc.

for the Complainant

Cherie Skolney, City of Edmonton

Stephen Leroux, City of Edmonton

for the Respondent