

Edmonton Composite Assessment Review Board

**Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of
Edmonton, 2012 ECARB 2227**

Assessment Roll Number: 3190287
Municipal Address: 3704 93 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
Robert Mowbrey, Presiding Officer
Brian Frost, Board Member
Reg Pointe, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated that they had no bias on this file.

Background

[2] The subject property is a medium warehouse located at 3704 - 93 Street NW. The building was constructed in 1980. The building comprises 31,505 square feet (sf) including 4,219 sf of main floor office and 4,964 sf of finished mezzanine space. The building site coverage is 42% on 1.438 acres.

Issue

[3] What is the market value of the subject property?

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 filed this complaint on the basis that the subject property assessment of \$2,856,000 is in excess of market value. In support of this position, the Complainant submitted a 23-page evidence package marked as Exhibit C-1.

[6] The Complainant provided the Board with a map and photographs of the subject property (Exhibit C-1 pages 4, 5, 6 and 11).

[7] The Complainant advised the Board about assessment and valuation and how the subject property was evaluated by the Complainant. The Complainant indicated that real estate Owner – Operators purchase the majority of industrial warehouse buildings in Western Canada. Such owners are most concerned with its particular physical and locational characteristics, rather than the property’s income generation. This suggests that the Direct Comparison Approach is a relevant valuation technique for the subject property. However, to further support a reduced assessment, the Complainant also presented an income approach to value. The overall income capitalization method is the Income Approach, utilized due to its dominant usage by investors for properties similar to the subject. The Income approach is sometimes referenced as a secondary measure of value for industrial warehouse buildings. It is therefore utilized as a supporting method in valuation, as it is a good test for market value.

[8] The Complainant presented three sales comparables to the Board that were within approximately 18 months of valuation. The sales comparables were all medium warehouses which ranged in size from 38,373 to 44,994 sf and the site coverage ranged from a low of 25% to a high of 48%. By incorporating this time frame, there was no necessity for time adjustments as the City of Edmonton’s City Assessor’s chart shows that from June 2010, there is 0.0 % adjustment. The first two sales are zoned IB as is the subject property and the third sale is zoned IM. The Complainant advised the Board that when the factors of age, total lot size, total building size and zoning are considered, a concluded unit valuation of \$80.00 per square foot is

appropriate for the subject property. The resulting total property value is \$2,520,000 (Exhibit C-1, page 10).

[9] The Complainant concluded by stating the 2012 assessment of the subject property is unreasonable and the Complainant believes the most persuasive evidence supports a reduction of the 2012 assessment to \$2,520,000 (Exhibit C-1, page 12).

Position of the Respondent

[10] The Respondent presented the Board with a 34-page assessment brief marked as Exhibit R-1. In addition, the Respondent presented the Board with a 44-page law and legislation package marked as Exhibit R-2.

[11] The Respondent explained to the Board that the subject assessment and similar assessments were prepared using the direct comparison assessment methodology. The Respondent stated that sales occurring from January 2008 through June 2011 were used in the model development and testing. (Exhibit R-1, page 7).

[12] The Respondent noted the factors found to affect value in the warehouse inventory were: the location of the property; the size of the lot; the age and condition of the buildings; the total area of the main floor (per building), and; the amount of finished area on the main floor as well as the developed upper area (per building) (Exhibit R-1 page 7).

[13] The most common unit of comparison for industrial properties is value per square foot of building area. When comparing properties on this basis, it is imperative that the site coverage be a key factor in the comparison. Properties with a larger amount of land in relation to the building footprint display a higher value per square foot, to account for the additional land value attributable to each unit of the building size (Exhibit R-1, page 8).

[14] The Respondent is legislatively obligated to use mass appraisal methodology for valuing individual properties. The Respondent employed the sales comparison approach for the 2012 annual assessment of all warehouse properties in Edmonton. The Respondent informed the Board that a large percentage of industrial property in Edmonton was owner occupied and had no income attributable to it, making the sales comparison a more reliable approach in this market place (R-1, page 6).

[15] The Respondent provided the Board with photographs and maps detailing the subject property (Exhibit R-1, pages 12-14).

[16] To support the City of Edmonton's assessment of the subject property, the Respondent provided the Board with six sales comparables. The sales comparables ranged in age from 1968 to 1982. The Total building area ranged in size from 19,806 square feet to 44,887 sf. The site coverage ranged from a low of 29% to a high of 46% and all sales comparables were in average condition. The time adjusted selling price per square foot, based on total building area, ranged from \$90.74 to \$112.48 (Exhibit R-1, page 24).

[17] Several issues were addressed during the Respondent's cross-examination of the Complainant's evidence:

- The Respondent asked the Complainant if they determined all the sales were valid. The Complainant answered in the affirmative and stated contact had been made with the sale on Parsons Road and the sale on McIntyre Road.
- The Respondent asked the Complainant if any of the sales were out of line. The Complainant stated the sales comparables were typical.

[18] The Respondent noted that the Complainant's sale #1(3304 Parsons Road) had four of the main floor bays leased at below market rates. In addition, the mezzanine is also leased at rates below market. The space was acquired based on a future upside (Exhibit R-1, 32).

[19] The Respondent also noted the lease rate for the Complainant's sale #4 (7603 McIntyre Road) was considered below market (Exhibit R-1, page 34).

[20] The Respondent advised the Board that the burden of proof is on the party who desires the Board to take action and must prove its case to the Board's satisfaction.

[21] In argument and summation, the Respondent advised the Board to review the evidence and note the issues with the Complainant's comparables.

[22] The Respondent requested the Board to confirm the 2012 assessment of \$2,856,000.

Decision

[23] The decision of the Board is to confirm the 2012 assessment of \$2,856,000.

Reasons for the Decision

[24] The Board considered the evidence as put forward by the Respondent. Notwithstanding four of its six comparable sales were older than the subject, four occurred over three years prior to the valuation date and three were substantially larger in size than the subject, the comparables all supported an assessment greater than the range of \$90.73 to \$112.48, yet the subject property's assessment is \$96.65 per sf.

[25] The Board considered the evidence as put forward by the Complainant. The Board heard that the Complainant's comparables were with one exception similar in age to the subject. The buildings were all somewhat larger than the subject, in similar condition and were sold within 18 months of the valuation date. The Board noted the newer comparable also had lower site coverage but was satisfied that its \$110.62 recognized those advantages and that it would be logical to apply a negative adjustment. The Board noted the remaining two comparables, at \$75.57 per sf and \$86.67 per sf did not however fully support the Complainant's requested reduction to \$80.00 per sf.

[26] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Board finds that the Complainant's evidence was, particularly when reviewed in concert with the Respondent's most relevant evidence, neither sufficient nor

compelling enough to enable the Board to form an opinion as to the incorrectness of the assessment.

Dissenting Opinion

[27] There was no dissenting opinion.

Heard commencing November 8, 2012.

Dated this 30th day of November, 2012, at the City of Edmonton, Alberta.

Robert Mowbrey, Presiding Officer

Appearances:

Greg Jobagy

for the Complainant

Mary-Alice Nagy

Suzanne Magdiak

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.