

Edmonton Composite Assessment Review Board

Citation: Parsons Place GP Ltd as represented by Colliers International Realty Advisors Inc v The City of Edmonton, 2014 ECARB 00504

Assessment Roll Number: 1032721
Municipal Address: 3408 99 STREET NW
Assessment Year: 2014
Assessment Type: Annual New
Assessment Amount: \$6,669,500

Between:

Parsons Place GP Ltd as represented by Colliers International Realty Advisors Inc
Complainant
and

The City of Edmonton, Assessment and Taxation Branch
Respondent

DECISION OF
Harold Williams, Presiding Officer
John Braim, Board Member
Lillian Lundgren, 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 is classified by the City as a Retail Plaza. It was constructed in 1980/1990 and is located in Strathcona Industrial Park. The property is comprised of two one storey buildings, of 10,887 square foot (sq ft) and 21,382 sq ft respectively for a total area of 32,270 sq ft. The property is zoned IB but has an effective zoning of CNC. The property has been assessed on the Income Approach to value and the assessment equates to a unit rate of \$206.68/ sq ft.

Issues

[4] Is the 2014 assessment of the subject property fair and equitable when considering:

a) The lease rates applied for the Commercial Retail Unit / Medium (CRUMED) space?

- b) The use of a Direct Sales Comparison to value?

Position of the Complainant

[5] The Complainant contended the lease rates were high for the CRUMED space (Commercial Retail Unit: – 1,000sq ft – 3000 sq ft) resulting in an assessment that was 15.00% higher than the prior year.

[6] The Complainant provided a chart of 14 lease rate transactions in support of their contention. The leases had been effective in the two years prior to valuation day and ranged from \$9.00/ sq ft to \$20.00/ sq ft with an average of \$14.86/ sq ft. Two of the leases were effective very close to valuation day at \$12.00/ sq ft and \$15.00/ sq ft respectively. After reviewing all their evidence the Complainant concluded that a rate of \$16.00/ sq ft was more appropriate to the subject space. When applied to the relevant parts of the subject property an assessment of \$6,143,000 was indicated, which equates to a unit rate of \$190.36/ sq ft

[7] In support of the contention the assessment is high the Complainant provided a Direct Sales Approach to value. This consisted of the sale of 8 properties comparable to the subject that had been constructed in an age range from 1968 to 2000 and ranged in size from 13,782 sq ft to 42,593 sq ft with two sales very close in size to the subject. The Complainant contended the difference in age was minimal and the overall average size of the comparables, at 25,267 sq ft was very similar to the size of the subject.

[8] The Complainant time adjusted the sales using the City's time adjustment chart and the indicated unit rates ranged from \$133.33/ sq ft to \$192.68/ sq ft with an average of \$173.23/ sq ft. The two sales that had transacted closest to valuation day indicated the assessed rate was high, but the Complainant made minor adjustments to equate all the sales to the subject and concluded a rate of \$180.00/ sq ft was a more accurate estimate of the value. This provided an assessment of \$5,808,600, which the Complainant argued, gave good support to the requested assessment value.

[9] In summation the Complainant noted that the Respondent had indicated lease rates were flat during the period of the Respondent's lease survey and, if this was the case, the Complainant indicated he did not understand why the assessment had increased over the prior year.

Position of the Respondent

[10] The Respondent provided rent rolls for the subject property for the two years February 1, 2013 and January 1, 2014 respectively. The 2013 chart indicated the most pertinent lease rates became effective in November 2011 and December 2012 at \$19.00/ sq ft and \$21.50/ sq ft. The 2014 chart indicated the most pertinent rates were effective July 2013 and March 2013 and ranged from \$16.50/ sq ft to \$24.00/ sq ft.

[11] The Respondent provided an equity chart of comparable rents for CRUMED spaces in the same commercial market area with rental rates effective from July 2008 to December 2012. The rental rates ranged from \$15.00/ sq ft to \$24.00/ sq ft with a median of \$19.00/ sq ft.

[12] The Respondent provided a chart of the Complainant's market lease rates with comments and indicated the average rate was \$14.86/ sq ft and the median rate was \$15.50/ sq ft.

[13] The Respondent produced a chart of 5 equity comparables which also included the subject property. The rates ranged from \$17.75/ sq ft to \$19.25/ sq ft.

[14] The Respondent also produced a chart of the Complainant's market sales with comments indicating that all the sales except one were questionable for a variety of reasons, namely; two sales were located in St Albert, two were multiple party sales and two were tenant purchases.

[15] The Respondent provided a chart of 4 comparable sales in support of the assessment. The comparable properties ranged in size from 16,400 sq ft to 42,410 sq ft and the sales were transacted between December 2011 and December 2012. The sales were time adjusted to valuation day and produced rates ranging from \$199.38/ sq ft to \$397.61/ sq ft with an average of \$271.17/ sq ft which supports the assessment.

[16] Although the vacancy rate was not an issue the Respondent provided a rental listing for the subject property indicating that 3 CRUMED spaces were available for lease immediately and the basic rents were negotiable.

Decision

[17] The decision of the Board is to reduce the 2014 assessment of the subject property from \$6,669,500 to \$6,143,000.

Reasons for the Decision

[18] The Board was persuaded by the evidence of the Complainant with respect to the lease rate for the CRUMED space in the subject property. The Complainant had provided 14 leases that were all effective within 2 years of the valuation date. The Respondent's summary chart of the Complainant's lease rates confirms the assessed lease rate is high and indicates a rate in the \$15.00 to \$15.50 range. The two sales closest to valuation day also support this finding at \$12.00/ sq ft and \$15.00/ sq ft respectively.

[19] The Board placed some weight on the rental survey of the Respondent which, with one exception, indicated a downward trend in rental rates for the 5 year period prior to valuation day. The average and median rental rates for the most pertinent rents (2012) was \$16.93/ sq ft and \$16.00/ sq ft respectively, which tends to support the \$16.00 rental rate requested.

[20] The Board recognizes that the Respondent is mandated to estimate the typical market rent and the Board notes the Respondent's treatment of the Complainant's rent survey clearly indicates the assessed rental rate is high. The Board is aware there is a wide diversity in rents and that "typical" is the most relevant.

[21] The Sales Approach, as provided by the Complainant, also supports the Income Approach. The Board accepts the principle that the Income Approach is the primary approach to value when dealing with income producing properties. The Board is well aware that the Market Approach, often referred to as the Sales Approach and/or the Direct Sales Comparison Approach, is commonly used in the real estate industry by assessors, appraisers and agents. The Board fully respects the rights of the assessors to choose the method they find to be most pertinent and is aware that this method may change periodically. The parties are agreed upon the most appropriate method in the case of the subject property but the Respondent acknowledged that the *sales comparison approach can be equally effective in large jurisdictions with sufficient sales.*

[22] The Complainant provided 8 sales although two are located in the adjoining City of St Albert which the Board considers to be a different market area. Of the 6 remaining sales the Board finds the weight of evidence supports the Complainant's argument. The Board considers the sales are supportive of the fact that the assessment is high. The Board is aware that multiple parcel sales are not uncommon with respect to commercial and retail properties and the Respondent had supplied no substantive evidence to support the fact that 5 of the six sales were questionable.

[23] Although each party had provided one sale similar in size to the subject, the Board placed less weight on the Respondent's evidence as three of the four sales were less than half the size of the subject whereas the Complainant had provided 3 sales from 6 that were closer to the subject property in terms of size.

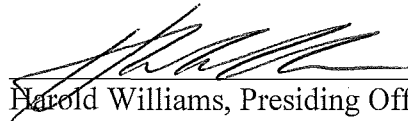
[24] The Board also placed little weight on the Respondent's equity approach as there was insufficient information for the Board to be able to make a comparison.

Dissenting Opinion

[25] There is none.

Heard June 27, 2014

Dated this 14th day of July, 2014, at the City of Edmonton, Alberta.


Harold Williams, Presiding Officer

Appearances:

James Phelan
Stephen Cook
for the Complainant

Alana Hempel
Tracy Ryan
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

Complainant’s Brief, C1 – 28 Pages

Complainant’s Rebuttal, C2 – 13 Pages

Respondent’s Brief, R1 – 69 Pages