

Edmonton Composite Assessment Review Board

**Citation: Colliers International Realty Advisors Inc for Bhui Brothers Commercial Ltd v
The City of Edmonton, 2014 ECARB 00811**

Assessment Roll Number: 9979797
Municipal Address: 5725 92 Street NW
Assessment Year: 2014
Assessment Type: Annual New
Assessment Amount: \$2,222,500

Between:

Colliers International Realty Advisors Inc for Bhui Brothers Commercial Ltd
Complainant

and

The City of Edmonton, Assessment and Taxation Branch
Respondent

DECISION OF
Willard Hughes, Presiding Officer
John Braim, Board Member
Robert Kallir, 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 comprises a 5 bay industrial warehouse of 14,867 sq ft with 3,162 sq ft of finished office space, all on one level. The property is located in the Coronet Industrial subdivision in south-east Edmonton. The building has an effective year built of 1976 and is in average condition. The land is zoned IB – Industrial Business and has a site coverage ratio of 37%.

Issues

[4] Has the subject property been fairly and equitably assessed?

Position of the Complainant

[5] The Complainant presented evidence to the Board for its review and consideration to support his position that the assessment of the subject property should be reduced from \$2,222,500 to \$1,910,000.

[6] The Complainant filed this complaint noting that the assessment of the subject property had increased by 16.1% over the 2013 assessment although no changes had been made to the building. The assessment equated to a unit rate of \$149.50/ sq ft which was higher than recent sales in the market place.

[7] In support of this contention the Complainant provided a graph of 4 sales that had transacted immediately prior to valuation day. All sales were located in the south-east district and were close to the subject property. The sales were similar in size and age to the subject property (one slightly larger) and had site coverage ratios (SCR) ranging from 20% - 41%. The Complainant emphasized the sales had all taken place in early 2013 very close to valuation day and the unit rates emanating from the 4 sales ranged from \$120.63/ sq ft to \$134.35/ sq ft with an average of \$128.23/ sq ft. which indicates the current assessment is too high. As only minor adjustments were required to make them comparable to the subject property the Complainant concluded a unit rate of \$128.50/ sq ft was appropriate for the subject property.

[8] The Complainant contended that the property owner is entitled to the lower of the market value or the equity value and provided an equity approach to value utilizing the same four properties that had recently sold plus 2 additional properties that were also very close in size age and proximity to the subject. The unit assessment rates ranged from \$133.32/ sq ft to \$149.07/ sq ft with an average of \$138.49/ sq ft which also indicates the current assessment is too high.

[9] The Complainant provided an Income Approach to value as support for the Direct Sales Comparison Approach. A table of recent leasing activity was provided from comparable buildings. The lease rates ranged from \$8.25/ sq ft to \$9.50/ sq ft with an average of \$8.81/ sq ft from which a rate of \$8.50/ sq ft was applied to the subject property. Utilizing a vacancy rate of 3%, a structural allowance of 1%, the net operating income of \$120,469 was capitalized into a value of \$1,606,000 which provided support to the Direct Sales Approach of \$1,910,000.

[10] Having utilized 3 approaches to value the Complainant concluded the Direct Sales Approach was the most appropriate method of valuing the subject property for assessment purposes and requested the Board to reduce the value to \$1,910,000.

Position of the Respondent

[11] The Respondent presented evidence to the Board for its review and consideration and stated that comparable properties set out by the City in its disclosure package provided the necessary evidence to confirm the assessment of the subject property at \$2,222,500.

[12] Each year's assessment is independent of previous assessments and the mere fact of a large percentage increase without more evidence is not enough to draw the conclusion that an assessment is too high. Assessments are not based on previous year's assessments. The Complainant did not disclose any evidence to establish that the assessment was too high.

[13] For the purposes of the 2014 annual assessment, the Direct Comparison approach (also referred to as the Sales Comparison approach) was employed. There is ample data from which to

derive reliable value estimates and only a portion of the inventory is traded based on its ability to generate income. A majority of industrial property in Edmonton is owner-occupied and as such has no income attributable to it.

[14] The Respondent provided a Direct Sales Approach as the subject had been assessed by that method. The graph provided had 4 sales that were very similar in location, size, age, SCR and all with similar amount of offices. The sales were time adjusted to valuation day and produced rates ranging from \$140.00/ sq ft (sale of the subject property) to \$160/ sq ft with the subject being assessed at \$149.00/ sq ft.

[15] The Respondent also provided a graph of the Complainant's sales with additional columns indicating variations and adjustments to the information supplied by the Complainant. The net result was that the overall comparability was inferior in the case of 3 of the sales and upwards adjustments would be required.

[16] The Respondent provided a chart of equity comparables to support their contention that the assessment was equitable with other properties. The 7 comparables were all in the same industrial group, the same condition and were extremely close in size to the subject. They were of similar age and site coverage ratios with reasonably similar areas of office development. The unit assessment rates ranged from \$142.00/ sq ft to \$160.00/ sq ft resulting in an average in excess of \$151.00/ sq ft with the subject falling within the range at \$149.50/ sq ft.

[17] The Respondent provided a chart of the Complainant's equity comparables indicating there was, according to their records, some missing information and that upward adjustments were required to 3 of the comparables to make them truly similar to the subject property.

Decision

[18] The decision of the Board is to confirm the assessment of \$2,222,500.

Reasons for the Decision

[19] The Board was persuaded by the equity analysis and argument of the Respondent. The 7 comparable properties were close to the subject in location, building count, age, condition, size and office content and the unit rates clearly indicate that the subject property has been assessed equitably with other properties.

[20] The Board placed less weight on the equity approach of the Complainant as one of the comparables (6205 – 97 Street) was considerably older and was rated in only fair condition whereas all the other comparables were in average condition like the subject property. Two of the sales, at \$156/ sq ft and \$167/ sq ft tend to support the assessment, even after deducting the second floor office value.

[21] The Board was not persuaded by the direct sale approach of either the Complainant or the Respondent. The Board noted the Complainant provided sales very close to valuation day but one of the sales, although it had a lower site coverage ratio, was considerably older and was in poor condition compared to the average condition of the subject property. The Complainant's last sale was over 30% larger than the subject and was not considered to be a good comparable from the size aspect as an upward adjustment would be required. This left two sales at \$142.00/ sq ft and \$134.00/ sq ft both of which had upper floor office space which the subject did not have.

[22] The Board placed little weight on three of the Respondent sales. Although they were very good comparables in terms of location, size, SCR, condition and office accommodation, 3 of the 4 were very dated. Although the sales were time adjusted, the Board considers them to be much less meaningful due to their sale dates. The sale at 7324 – 76 Avenue at \$154/ sq ft supports the assessment of \$2,222,500.

[23] The Board places little weight on the Complainant's Income Approach as the Board finds the Direct Sales Approach is the generally accepted method for industrial properties in Edmonton due to the high proportion of owner user properties.

[24] Each year's assessment is independent of previous assessments and the mere fact of a large percentage increase without more evidence is not enough to draw the conclusion that an assessment is too high. In conclusion the Board finds there is a lack of sufficiently persuasive evidence to make the reduction requested by the Complainant.

Dissenting Opinion

[25] There is no dissenting opinion.

Heard July 10, 2014.

Dated this 5th day of August, 2014, at the City of Edmonton, Alberta.



Willard Hughes, Presiding Officer

Appearances:

James Phelan, Colliers International
Stephen Cook, Colliers International
for the Complainant

Katrina Rossol, Assessor
Luis Delgado, Assessor
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

- C-1 Complainant’s Submissions
- C-2 Complainant’s Rebuttal
- R-1 Respondent’s Submission
- R-2 Respondent’s Surrebuttal