



ASSESSMENT REVIEW BOARD

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

NOTICE OF DECISION NO. 0098 187/11

1388133 ALBERTA INC
7340 - YELLOWHEAD TRAIL NW
EDMONTON, AB T5B 4K2

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 September 6, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2704021	10420 122 STREET NW	Plan: RN22 Block: 9 Lot: 10 / Plan: RN22 Block: 9 Lot: 9 / Plan: RN22 Block: 9 Lot: 10	\$1,447,000	Annual New	2011

Before:

Lynn Patrick, Presiding Officer
Brian Frost, Board Member
Jack Jones, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Samir Osman

Persons Appearing on behalf of Respondent:

Peter Bubula, Assessment and Taxation Branch
Cam Ashmore, Law Branch
Andy Chopko, Consultant – Impact Property Advisors Ltd.

PROCEDURAL MATTERS

Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

PRELIMINARY MATTERS

The Respondent introduced Mr. Andy Chopko, AACI, P.App. of Impact Property Advisors Ltd., reviewed his qualifications and requested he be accepted as an expert witness.

The Board and the Complainant accepted the qualifications of Andy Chopko as an expert witness in the field of appraisal.

BACKGROUND

The subject property is a 1975 built, single storey, 11,000 square foot building located in the Westmount neighbourhood and is zoned CB2. The property was formerly utilized as a racquetball / fitness facility and has been vacant for the past three years.

ISSUE(S)

Is the 2011 assessment of the subject property at \$1,477,000 fair and equitable?

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

The Complainant presented evidence (C-1, C-2 & C-3) and argument for the Board's review and consideration.

The Complainant indicated that the subject property had been purchased in October, 2010 for \$790,000 (C-1). The property had been in foreclosure and the purchase was made through a tender process that was the result of a judicially ordered sale. The Complainant indicated that due to the nature and timing of the tender process no inspections were performed on the subject property prior to the purchase.

The Complainant referenced a preliminary architectural and structural report (C-2) that was completed in order to analyze the feasibility of converting the subject property for other potential

uses. The end result was that the potential costs of conversion were prohibitive and the subject property is back on the market with an asking price of \$900,000. The Complainant indicated that he is seeking to recover the initial purchase price as well as carrying costs incurred since the initial purchase.

The Complainant presented an appraisal of the subject property (C-3) dated February, 2011 prepared by Bourgeois & Company Ltd. The purpose of the appraisal was to provide a retrospective estimate of the market value of the subject property as of the 2011 assessment valuation date of July 1, 2010. The appraiser determined that the highest and best use of the subject property was as a redevelopment site (C-3, page 3). The appraiser utilized both an Income Approach and the Direct Comparison Approach to value the subject as a redevelopment site.

The appraisal determined through the Income Approach that the market value of the subject property as of July 1, 2010, after renovations, would range from \$260,000 to \$321,000 (C-3, page 29). By utilizing the Direct Comparison Approach and considering the subject as vacant land the appraiser determined the market value of the subject property as of July 1, 2010, after demolition, would range from \$617,000 to \$682,000 (C-3, page 33). In summary the appraisal determined that the market value of the subject property as a redevelopment site as of July 1, 2010 was \$650,000.

The Complainant requested the 2011 assessment of the subject property be reduced from \$1,447,000 to \$650,000.

POSITION OF THE RESPONDENT

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

The Respondent advised that the subject property had been assessed utilizing the Income Approach to value which has been determined as the most appropriate method to apply when sufficient market data is available (R-1, Tab 1, page 15).

The Respondent further advised that the Income Detail Report (R-1, Tab 1, page 29) had been revised (R-2) to utilize a 30% vacancy rate for both the main and upper floors. The 30% vacancy rate was the maximum allowed under City policy for buildings that had been vacant for a period of time. The revised Income Detail Report reflects a recommended 2011 assessment of \$892,000.

The Respondent presented nine equity comparables (R-1, Tab 1, page 92) consisting of assessments of properties ranging from \$105.66 to \$177.00 per square foot compared to the subject property's recommended assessment of \$67.04 per square foot. The Respondent also presented an equity rent and cap rate chart (R-1, Tab 1, page 93) utilizing the same comparables to support the rental rates applied to the subject building's main (\$11.75 per square foot) and upper (\$6.00 per square foot) floors as well as the cap rate (8.5%).

Mr. Andy Chopko of Impact Property Advisors Ltd. presented a technical review (R-1, Tab 2) of the Complainant's appraisal (C-3). The technical review outlined a number of concerns with the methodology utilized in the Complainant's appraisal and in particular "the decision to discount entirely the building on the subject site in the valuation process and refer to demolition costs in

the Direct Comparison Analysis does not appear to meet the reasonable appraiser test as outlined in the Appraisal Standards” (R-1, Tab 2, page 16). Mr. Chopko’s review concludes that the Complainant’s appraisal does not reflect the market value of the subject property based on the highest and best use.

The Respondent requested the revised recommended 2011 assessment of \$892,000 be confirmed.

DECISION

The decision of the Board is to reduce the 2011 assessment of the subject property from \$1,477,000 to \$892,000 as per the recommendation of the Respondent.

REASONS FOR THE DECISION

- 1) Upon review and analysis of the evidence and argument presented by the parties the Board finds that the 2011 assessment of \$1,447,000 is not equitable for the subject property.
- 2) The Board found that the appraisal presented by the Complainant (C-3) was flawed in the analysis of the highest and best use for the subject property.
- 3) The Board found that the Income Approach to valuation was the most appropriate approach for the subject property as of the valuation date of July 1, 2010.
- 4) The Board placed greatest weight on the equity analysis presented by the Respondent (R-1, Tab 1, pages 92 & 93) and the subsequent revision to the vacancy rate (R-2) to account for the recent history of the subject building.
- 5) The Board considered the purchase of the subject property in a judicially ordered sale for \$790,000 in October, 2010 as an indication of value. The Board notes the potential impact of a court ordered sale on value as well as the fact that the sale was post-facto (after the July 1, 2010 valuation date).
- 6) The Board finds the revised 2011 assessment of \$892,000 for the subject property recommended by the Respondent to be fair and equitable.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 20th day of September, 2011, at the City of Edmonton, in the Province of Alberta.

Lynn Patrick, Presiding Officer

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: Samir Osman