

Edmonton Composite Assessment Review Board

Citation: Imbank Realty Co v The City of Edmonton, 2013 ECARB 01274

Assessment Roll Number: 7097397

Municipal Address: 10431 82 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group (Representing: Imbank Realty Co. Ltd.)

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

John Noonan, Presiding Officer

Jasbeer Singh, Board Member

Randy Townsend, Board Member

Procedural Matters

[1] There was no objection to the composition of the panel, nor declaration of bias from the members.

Background

[2] The subject property is a CIBC bank located at 10431 – 82 (Whyte) Ave. The building was built in 1951. Main floor area is 4294 sq. ft. with a basement area consisting of 2131 sq. ft. of office space and 624 sq. ft. of storage space for a total rent roll size of 6559 sq. ft. The Respondent has assessed the main floor area at a rental rate of \$28.00 per sq. ft. and all of the basement area, both finished and unfinished, at a rate of \$4.50 per sq. ft. The income approach determined an assessment of \$1,767,000.

Issue(s)

[3] Has the appropriate cap rate been applied in the subject assessment?

Legislation

[4] 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.

Position of the Complainant

[5] The Complainant provided the Board with a chart of ten cap rate comparables (Exhibit C-1, pg 15), five of which are banks located on or very near Whyte Ave. Ages for the comparable buildings range from 1948 to 1997. All of these comparables are located in the Old Strathcona area and, with the exception of one property, have a cap rate of 7.00% applied by the City of Edmonton for the 2013 assessment. The one exception is a property (not identified other than by roll number and address) located within the “Old Strathcona Shopping Centre” which has a cap rate of 7.5%. The subject property has a cap rate of 6.5%.

[6] The Complainant provided the Board with a copy of the City’s proforma (exhibit C-1, pg 11), showing that the City used \$28.00 per sq. ft. for main floor area and a cap rate of 6.5%. This showed the Board how the current assessment of \$1,767,000 was derived.

[7] For comparison purposes the Complainant provided a revised proforma (Exhibit C-1, pg 12) using the same \$28.00 per sq. ft. for main floor area but in this case, a 7.00% cap rate was applied. This change produces a value of \$1,641,000, which is \$126,000 less than the current assessment. The Complainant asked the Board to reduce the assessment to \$1,641,000.

Position of the Respondent

[8] The Respondent provided the Board (Exhibit R-1, pg 13) a list of four comparable properties, located on Whyte Ave between 103 St and 105 St., which sold between May 2009 and March 2011. All had been time-adjusted in accordance with the City’s time adjustment factors. The average cap rate was 5.66% and the median was 5.69%. A map showed their locations in relation to the subject property.

[9] Another map of the area showed where the Respondent used a 6.5% cap rate as well as where a 7.00% cap rate was applied. The 6.5% cap rate area falls between Gateway Boulevard (102 St south) and 106 St. To the east and west of this area a 7.00% cap rate was applied.

[10] The Respondent reviews, on an annual basis, the area on Whyte Ave between 102 St and 108 St to determine the appropriate cap rate to be applied. Market rents are adjusted to reflect differences in building type and attributes. It is the Respondent's opinion, based on market analysis, that the area between 102 St and 108 St along Whyte Ave is some of the most expensive real estate in Edmonton, outside of the downtown core.

[11] The Respondent stated that they had provided the Board with four good comparable sales to support the use of a 6.5% cap rate for the subject property assessment, whereas the Complainant had not provided any market evidence indicating that the cap rate is incorrect for this area. Therefore, the Respondent asked the Board to confirm the 2013 assessment for the subject property at \$1,767,000.

Decision

[12] The Board confirms the 2013 assessed value at \$1,767,000.

Reasons for the Decision

[13] At first blush, the Complainant's cap rate comparables (Exhibit C-1, pg 15) appear to be compelling evidence to conclude that the cap rate for the subject property likely should be 7.00%. However, upon closer examination, there is evidence to support the Respondent's argument that the comparables, although located close to the subject, all are outside the prime location of the subject and reflect a slightly higher cap rate (7.00% vs. 6.5% for the subject). Of the five bank properties used as comparables by the Complainant, four are located on Whyte Ave: three are clustered near 109th St, and one is located on 99th St. The fifth bank comparable was located at 80 Ave and 104 St. These are all very good locations, but not quite the caliber of the subject. Of the other five comparables, all of which are retail properties, only one is on Whyte Ave at 108th St., and four are on 104th St. but all south of Whyte Ave. The Board is unanimous in the opinion that properties situated off Whyte Ave are slightly less desirable than properties located directly on Whyte. The Board also agrees with the Respondent that properties located closer to 109th St or 99th St justify a slightly higher cap rate than at 104th St and Whyte Ave, where the subject is located.

[14] The Complainant did not provide the Board with any sales information to suggest that a cap rate of 6.5% is incorrect. The Complainant's information was limited to the equity comparables presented, and as discussed above, discounted by the Board due to their somewhat inferior location.

[15] Based on the cap rate study presented by the Respondent, through the use of actual time-adjusted sales, it would appear to the Board that the Respondent is being fairly generous in using a 6.5% cap rate when a lower figure could have possibly been used.

Heard September 4, 2013.

Dated this 10th day of September, 2013, at the City of Edmonton, Alberta.

A handwritten signature in dark ink, appearing to read "JPN Noonan", is written over a horizontal line.

John Noonan, Presiding Officer

Appearances:

Chris Buchanan

for the Complainant

Gail Rookes

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.