

Edmonton Composite Assessment Review Board

**Citation: Canadian Imperial Bank of Commerce v The City of Edmonton, 2014 ECARB
00545**

Assessment Roll Number: 5088828

Municipal Address: 3924 118 AVENUE NW

Assessment Year: 2014

Assessment Type: Annual New

Assessment Amount: \$1,313,000

Between:

**Canadian Imperial Bank of Commerce as represented
by its designated agent, Altus Group Limited**

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

**George Zaharia, Presiding Officer
Brian Hetherington, Board Member
Martha Miller, 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 a bank located at 3924 118 Avenue NW in the Beacon Heights neighbourhood of northeast Edmonton. The property built in 1966, comprises 3,419 square feet of main floor space plus a further 3,239 square feet of basement non-storage space. The building is situated on a lot 7,433 square feet (0.17 acres) in size with site coverage of 48%.

[4] The subject property was valued on the income approach resulting in a 2014 assessment of \$1,313,000.

Issues

[5] Is the \$28.00 per square foot market rent applied to the subject property too high?

Position of the Complainant

[6] The Complainant submitted a 70-page brief arguing that the global market bank rate applied to area 240 where the subject property is located does not work. Based on the average actual bank lease rate for the area, a rate of \$17 per square foot would be appropriate.

[7] The Complainant provided an excerpt from the City of Edmonton Shopping Centres 2014 Assessment Brief that stated "... *banks are stratified by age: 1) 2004 and newer 2) 2003 and older*". The global rates applied to banks are \$35 per square foot for buildings constructed in 2004 and newer, and \$28 per square foot for buildings constructed in 2003 and older.

[8] The Complainant provided forty-five comparable lease rates for banks in six different market areas and grouped the properties into the two age categories (Exhibit C-1, pages 29 to 31). Following is a breakdown of the comparable lease rates:

Market Area	No. of leases	Age Category	Median
120	7	2003 & older	\$27.00/sf
140	3	2003 & older	\$28.50/sf
140	7	2004 & newer	\$38.00/sf
150	1	2003 & older	\$28.53/sf
150	1	2004 & newer	\$38.00/sf
180	4	2003 & older	\$30.37/sf
220	1	2003 & older	\$21.00/sf
240	3	2003 & older	\$17.00/sf
300	8	2003 & older	\$32.00/sf
300	10	2004 & newer	\$40.00/sf

[9] The Complainant argued that the market rental rate applied to the subject property for assessment purposes should be reflective of the lease rates being achieved for banks in market area 240. It was his position that the median lease rate of \$17.00 per square foot for the three properties in the age range of 2003 and older should be applied to the subject property resulting in a reduced assessment of \$851,000.

[10] In rebuttal, the Complainant reorganized the Respondent's comparable bank lease rates in ascending order of age and added one lease rate – the neighbouring Royal Bank branch – from his lease rate study. He then plotted the rates on a graph over the period from 1965 to 2005. The Complainant argued that the trend of the lease rates showed an increase in lease rates for properties that were newer. He argued that age was a factor in the lease rates, but that the City did not factor age into the global market rents, instead painting all the properties with one of two brushes.

[11] The Complainant requested the Board to reduce the 2014 assessment from \$1,313,000 to \$851,000.

Position of the Respondent

[12] The Respondent stated that the 2014 assessment of the subject was fair and equitable. To support the position, the Respondent presented a 59-page assessment brief which included law and legislation.

[13] Since the subject property is owner/occupied, there is no lease rate as there are for many of the other comparable bank properties, including two properties located in close proximity to the subject.

[14] The Respondent submitted nine equity comparables (excluding the subject property), all located in north/northeast Edmonton, similar to the subject. The equity comparable properties were assessed using a rental rate of \$28 per square foot. All the equity comparables fell into the 2003 and older age range with effective ages of 1969 to 1995.

[15] The Respondent provided a chart listing net rents for bank properties in the age category 2003 and older. The rent comparables were listed in ascending effective date of the leases, commencing March 1, 2008 and ending August 1, 2012. The rental rates ranged from \$12.17 to \$40.00 per square foot resulting in a median of \$29.00 per square foot.

[16] In response to the Complainant's information that two neighbouring bank properties were assessed as follows:

- a) TD Canada Trust at 6521 – 118 Avenue with an effective age of 1964 with a lease rate of \$17.00 per square foot was assessed at \$13.25 per square foot,
- b) RBC at 4002 – 118 Avenue with an effective age of 1969 with a lease rate of \$14.00 per square foot was assessed at \$21.00 per square foot,

the Respondent provided detailed reports for both properties dated May 29, 2014 showing that the assessed rate for each property was being corrected to \$28.00 per square foot.

[17] In summation, the Respondent stated that all banks are assessed using a global rental rate. In the case of the subject property which was built in 1966, it falls into the age category of 2003 and older with an applied rental rate of \$28.00 per square foot. This, the Respondent argued, provided fairness and equity amongst similar properties.

[18] In conclusion, the Respondent requested that the Board confirm the 2014 assessment of the subject property at \$1,313,000.

Decision

[19] The decision of the Board is to confirm the 2014 assessment of the subject property at \$1,313,000.

Reasons for the Decision

[20] The Board was not persuaded to accept the Complainant's position that the 2014 assessment of the subject property should be based on a rental rate of \$17.00 per square foot.

Suggesting that the subject property should be assessed at a rate equal to a neighbouring bank while all other banks in the same age category are assessed using a market rent would be akin to a "single-property appraisal" as opposed to a "mass appraisal of many properties as of a given date, using standard procedures and statistical testing."

[21] The argument put forward by the Complainant that the Respondent erred in not recognizing age in refining the global market rents applied to banks was not supported by the evidence. Even in his reordering of the Respondent's bank rates in ascending ages as shown in Exhibit C-2, page 8, the lowest lease rate of \$12.17 per square foot was for a building with an effective year built of 1999 while the comparable that he added with an effective age of 1969, thirty years older, had a lease rate of \$14.00 per square foot. It was also interesting to note that a property with an effective age of 2002 had a lease rate of \$35.00 per square foot, the same as a property with an effective age of 1986.

[22] From the list of forty-five banks represented by the Complainant, of the twenty-seven properties that were built in 2003 or earlier (the subject property being built in 1966), only three are at a rental rate below the \$28.00 per square foot applied market rent. The remainder is very close to or above the applied market rent, suggesting that the applied market rent of \$28.00 per square foot is reasonable and a reflection of the market.

[23] The Board was persuaded that the Respondent applied a market rent to the subject property that was reflective of the market and this application was done in a fair and equitable manner. Isolating one property and applying a much lower lease rate which is site specific would create an inequity.

[24] From the equity comparables, and the comparable bank rents resulting in a \$29.00 per square foot median provided by the Respondent, the \$28.00 per square foot market rent applied to the subject property appears to be fair and equitable.

[25] The Board was persuaded that the 2014 assessment of the subject property at \$1,313,000 was fair and equitable.

Dissenting Opinion

[26] There was no dissenting opinion.

Heard June 18, 2014.

Dated this 15th day of July, 2014, at the City of Edmonton, Alberta.



George Zaharia, Presiding Officer

Appearances:

Jordan Nichol, Altus Group Limited
for the Complainant

Gail Rookes
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

Exhibit C-1 Complainant’s Evidence – 70 pages

Exhibit C-2 Complainant’s Rebuttal – 23 pages

Exhibit R-1 Respondent’s Evidence – 59 pages