

Edmonton Composite Assessment Review Board

Citation: Kartar Properties Inc v The City of Edmonton, 2013 ECARB 00071

Assessment Roll Number: 6712459
Municipal Address: 7210 144 Avenue NW
Assessment Year: 2013
Assessment Type: Annual New

Between:

Kartar Properties Inc

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Patricia Mowbrey, Presiding Officer
James Wall, Board Member
Judy Shewchuk, Board Member

Preliminary Matters

[1] The Complainant and the Respondent stated that there was no objection to the composition of the Board. The Board stated that it had no bias with regard to the file.

Background

[2] The subject is a 12,211 square foot two-storey Suburban Office Building located at 7210 – 144 Avenue, Edmonton. It is situated in District 118 and is assessed as a Class “A” Suburban Office Building. The 2013 assessment is \$3,133,500.

Issue(s)

[3] Is the market rent affected by the absence of an elevator in the subject property?

[4] Is the typical market rent applied in the assessment higher than the market rent that can be achieved in the subject property?

Legislation

[5] **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

[6] The Complainant presented two pages of evidence (Exhibit C-1) consisting of a letter stating that the subject is 40 years old and that there is no provision to install an elevator to provide access to the second floor. The Complainant stated that the assessed lease rate cannot be achieved without an elevator to the second floor.

[7] The second page of the Complainant’s evidence consisted of one page of an appraisal which was completed three years ago for financing purposes. It shows a partial income approach for the subject, which lists the tenant, rental area, terms, rate per square foot, and annual revenue.

[8] According to the Complainant’s calculations the annual revenue is \$177,137 to which a 7% capitalization (cap) rate was applied by the Complainant for a value of \$2,530,528. The Complainant stated that the 7% cap rate was suggested to him by realtors he had contacted.

[9] The Complainant, on the complaint form, requested an assessment value of \$2,400,000 but at the hearing requested an assessed value of \$2,800,000.

Position of the Respondent

[10] The Respondent presented evidence (Exhibit R-1) consisting of 50 pages and including photos of the subject property.

[11] The Respondent must use mass appraisal methodology to prepare assessments and must use typical rental rates, cap rates, and other values to achieve an assessment value (R-1, page 22-30).

[12] The 2013 assessment summary (R-1, page 9) effective on the valuation date indicated a square foot area of 12,211 and a potential gross income of \$238,914. To the potential gross income, vacancy rates were applied (office 6.5% and retail 5%) for an effective gross income of \$225,147. To that a 2% structural expense and \$13 per square foot vacancy shortfall were applied to arrive at a net operating income of \$211,523. A cap rate of 6.75% was applied for a 2013 market value of \$3,133,500.

[13] The Respondent performed a study regarding the presence or absence of an elevator within two-storey and three-storey office buildings (R-1, pages 10-15). The conclusion of the study was that there is no clear connection between the presence of an elevator and higher rental rates. Overall in Edmonton 30% of two-storey office buildings have an elevator. The Respondent's position is that an elevator in two-storey office buildings is not a factor contributing to the rental rate.

[14] The Respondent presented a table of Suburban Office Building rental rates for District 118 "A" class rents, which indicates a median time adjusted rental rate of \$20.13 per square foot and an average of \$18.72 per square foot (R-1, page 20).

[15] The Respondent presented an equity chart (R-1, page 21) to support the fairness and equity of the 2013 assessment of the subject.

[16] The Respondent requested that the assessment be confirmed at \$3,133,500.

Rebuttal

[17] The Complainant presented rebuttal evidence to which the Respondent objected. The Board adjourned to consider the evidence and ruled that it was new evidence and could not be considered by the Board.

Decision

[18] The decision of the Board is to confirm the 2013 assessment of the subject at \$3,133,500.

Reasons for the Decision

[19] The Board reviewed the evidence submitted by the Complainant (C-1) and the Respondent (R-1).

[20] The Board noted that the lack of an elevator was not supported by any evidence by the Complainant whereas the Respondent provided the Board with a study which showed no difference in typical rental rates achieved in two-storey buildings with elevators versus those without. The Board finds that an elevator in a two-storey office building is not a factor contributing to the rental rate.

[21] The Board heard from the Complainant that the market rent that can be achieved in the subject property is less than the typical rent applied in the assessment. The Board recognizes

that the Respondent must use typical rents for assessment purposes. Typical market rents are obtained from the market and are applied equitably to all Class “A” Suburban Office Buildings, including the subject.

[22] The Board had some empathy for the difficulties the Complainant experienced in achieving typical rent applied in the 2013 assessment. However, due to the lack of evidence presented to the Board by the Complainant, the Board finds that the typical market rent is correct.

[23] The Board finds that the 2013 assessment of \$3,133,500 is fair, equitable, and correct.

Dissenting Opinion

[24] There is no dissenting opinion.

Heard commencing May 13, 2013.

Dated this 14th day of May, 2013, at the City of Edmonton, Alberta.

Patricia Mowbrey, Presiding Officer

Appearances:

Kartar Sahota
for the Complainant

Tanya Smith
Vasily Kim
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.