

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2013 ECARB 00996

Assessment Roll Number: 4265989

Municipal Address: 5040 MANN ING DR NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Robert Mowbrey, Presiding Officer
Brian Frost, Board Member
Taras Luciw, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties indicated they had no objection to the composition of the Board. In addition, the members of the Board stated they had no bias in respect of this matter.

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] The subject property is a single 8,554 square foot building located at 5040 Manning Drive. The subject property is classified as an "A" office building in the 118th Avenue market segment office building inventory. The subject property was constructed in 2005 and the 2013 assessment is for \$2,558,000

Issue(s)

[4] What is the appropriate capitalization rate for 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 filed this complaint on the basis that the subject property assessment of \$2,289,000 is in excess of market value and inequitable. In support of this position, the Complainant submitted an evidence package containing 21 pages (Exhibit C-1) and Rebuttal, containing 17 pages (Exhibit C-2). The Complainant stated the subject office building was an “A” class building in the 118th Avenue office building district (Exhibit C-1 page 1).

[7] The Complainant advised the Board that the issue being addressed was as follows:

- a. the capitalization rate (cap rate) is too low compared to cap rates from sales of recent comparable properties and this is the only issue with respect to this appeal.

[8] The Complainant further advised the Board that:

- a. there is no issue regarding the assessed value on the excess land, and
- b. there is no issue regarding the assessed rental rate on the office building.

[9] The Complainant provided a map and photographs for the Board’s information (Exhibit C-1 pages 3/4).

[10] The Complainant detailed eight sales comparables (Exhibit C-1 page 2) which sold between January 2010 and July 2012, whose cap rate ranged from 6.93 to 8.61%.

[11] The Complainant advised the Board that most weight should be placed on sales comparable #1 (5651/81-70th Street) and sales comparable #6 (13151-146th Street). The cap rate for sales comparable #1 of 7.30% and sales comparable #6 of 8.38% suggest a cap rate of 7.50% for the subject property would be appropriate (Exhibit C-1 page 2).

[12] By applying the 7.50% appropriate cap rate determined by the Complainant to the net income estimated by the City, would result in a value of \$1,993,760. Adding the surplus land of \$430,000 would give an overall value of \$2,336,760 (Exhibit C-1 page 2).

[13] The Complainant provided the Board with the 2013 suburban office buildings valuation rates in the Edmonton area (Exhibit C-1 page 7).

[14] The Complainant informed the Board regarding the basis for the 2013 assessment for the subject property. By utilizing \$20.00 per square foot for office space, a cap rate of 6.75% and \$343,000 for surplus land, the resulting 2013 final market value estimate is \$2,558,000 (Exhibit C-1 page 5).

[15] The Complainant presented the Board with a Rebuttal evidence package (Exhibit C-2 17 pages), showing the Network documents compared with the City documents. In addition, the Complainant advised the Board that the weight of evidence should be placed on market data.

[16] During cross-examination of the Complainant by the Respondent, the Complainant advised the Board of the following:

- a. most weight should be placed on the actual income.
- b. the sales comparables at 1281 91st Street SW and 11635 160th Street do not have any income information (Exhibit C-2 pages 4 and 11).
- c. the sales comparable at 11630 Kingsway Avenue has undergone extensive renovations (Exhibit C-2 page 5).
- d. the sales comparables in Exhibit C-2, page 6 (10345 105th Street), page 9 (6020 104th Street), and page 10 (1125 Youville Drive West), are all older properties.
- e. the sales comparable at 11010 101st Street has no vacancy (Exhibit C-2 page 8).
- f. the sales comparable at 2308 96th Street has 47% vacancy and is to be occupied by the purchaser (Exhibit C-2 page 13).
- g. the sales comparable at 18807 Stony Plain Road is fully leased and considered new (Exhibit C-2 page 14).
- h. the sales comparable at 13151 146th Street is part of a nine property portfolio sale (Exhibit C-2 page 15).
- i. the sales comparable at 3720 76th Avenue has a significant upside as the current lease is substantially below market (Exhibit C-2 page 17).

[17] With the Complainant having the last word, the Complainant advised the Board that the Network correctly adjusts vacancy to account for vacancy etc. and the Network reflects the actual action of the buyers/sellers.

[18] The Complainant requests the Board to reduce the 2013 assessment of \$2,558,000 to \$2,336,500.

Position of the Respondent

[19] In defending the current year's assessment, the Respondent submitted a 95 page evidence package (Exhibit R-1) in support of the argument that the 2013 assessment is fair and equitable.

[20] The Respondent explained to the Board the mass appraisal brief regarding the methodology for valuing individual properties. The mass appraisal properties are stratified into groups of comparable properties, common property attributes are identified for the property in each group and a uniform valuation model is calibrated for each group using market information incorporating the property attributes (Exhibit R-1 pages 67-82). The Respondent noted that the City of Edmonton has met all governing legislation including regulations and quality standards (Exhibit R-1 page 82).

[21] The Respondent presented maps and photographs of the subject property to the Board (Exhibit R-1 pages 5-10).

[22] The Respondent explained the analysis of the cap rate study and the factors that make up the determinants in the cap rate study. As it is indicated in the City's capitalization rate study the range of OCR (for available valid sales of AA and A class suburban office properties) was from 4.25% to 9.10%. The City consistently applies the same methodology of developing an overall cap rates for different office classes; median rate (helps to reduce the influence of outliers) came to 6.60%. The City therefore determined that typical overall cap rate for AA and A suburban office class buildings in the 118th market segment should be utilized at 6.75% (Exhibit R-1 pages 16 and 17).

[23] The Respondent advised the Board about the 2013 suburban office buildings valuation rates for the office building inventory throughout the City (Exhibit R-1 page 36).

[24] The Respondent advised the Board regarding the equity for suburban 118th Avenue class "A" office buildings. The 118th Avenue suburban office buildings were all assessed \$20.00 per square foot and a cap rate of 6.75% (Exhibit R-1 page 37).

[25] The Respondent referred the Board to a previous ECARB decision which states:

"With respect to the Complainant's source of capitalization rates, the rates published by the Network are derived from the actual NOI at the time of sale. The Board finds that the Complainant's cap rates are "leased fee" cap rates, and should not be used for assessment purposes. When the actual lease rents differ from the typical market rents and are used to derive the cap rate, the result is a "leased fee" cap rate. The cap rates must be derived and applied in a consistent manner. In conclusion, the Board finds that the Respondent's cap rates are more reliable because the Respondent consistently used the 2013 stabilized NOI and the time adjusted sale price to derive the cap rate. Further, there is insufficient evidence to prove that the subject property assessment is inequitable or incorrect." (*CVG v The City of Edmonton*, [2013] ECARB 00972, at para 26, 27)

[26] During argument and summation, the Respondent stated one of the issues was onus.

[27] The Respondent requested the Board to confirm the 2013 assessment of \$2,558,000.

Decision

[28] The decision is to confirm the 2013 assessment of \$2,558,000.

Reasons for the Decision

[29] The Board did not accept the Respondent's contention that the Complainant did not meet onus.

[30] The Board accepts the Respondent's cap rate analysis to determine the assessed value of the subject property. The adjusted cap rate median of 6.60% reflects the cap rate analysis provided by the City. The City therefore utilized 6.75% by the City for class "A" and class "AA" properties in the Edmonton office suburban building market. The Board accepts that 6.75% cap rate is fair and equitable for the subject property.

[31] The Board is persuaded that the City has treated the subject property in a fair and equitable manner. All class "A" suburban 118th Avenue office buildings were all assessed in an identical manner.

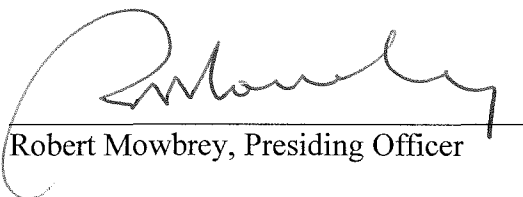
[32] The Board is persuaded by the Respondent's analysis of the Complainant's cap rates. The median adjusted cap rate of 6.60% supports the assessment cap rate of 6.75% and the equity comparables confirm that a 6.75% is used for the assessments of all similar properties.

Dissenting Opinion

[33] There was no dissenting opinion.

Heard commencing September 27, 2013.

Dated this 18th day of October, 2013, at the City of Edmonton, Alberta.


Robert Mowbrey, Presiding Officer

Appearances:

Tom Janzen
for the Complainant

Tanya Smith, Legal Counsel
Vasily Kim, 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.