



## **ASSESSMENT REVIEW BOARD**

MAIN FLOOR CITY HALL  
1 SIR WINSTON CHURCHILL SQUARE  
EDMONTON AB T5J 2R7  
(780) 496-5026 FAX (780) 496-8199

### **NOTICE OF DECISION NO. 0098 501/10**

Altus Group Ltd  
17327 - 106A Avenue  
Edmonton AB T5S 1M7

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 November 8, 2010 respecting a complaint for:

<b>Roll Number</b> 1449602	<b>Municipal Address</b> 15420 Stony Plain Road NW	<b>Legal Description</b> Plan: 2111S Block: 20
<b>Assessed Value</b> \$2,331,000	<b>Assessment Type</b> Annual New	<b>Assessment Notice for:</b> 2010

#### **Before:**

Tom Robert, Presiding Officer  
Tom Eapen, Board Member  
John Braim, Board Member

#### **Board Officer:**

J. Halicki

#### **Persons Appearing: Complainant**

Chris Buchanan, Agent  
Altus Group Ltd.

#### **Persons Appearing: Respondent**

Guo He, Assessor  
Assessment and Taxation Branch

### **PRELIMINARY MATTERS**

The Complainant requested that exhibits C2 and C3 be sealed by the Board given the confidentiality of the information contained therein. The Board ruled it be sealed.

### **BACKGROUND**

The subject property comprises a gas bar/convenience store and an unrelated retail building. The convenience store (building #2) is approximately 2,794 ft<sup>2</sup>; the retail building (building #1) is approximately 5,700ft<sup>2</sup> of main floor space and 5,400 ft<sup>2</sup> of basement space. The retail building

has been vacant for more than two years. The property is assessed via the income approach to value. The Complainant argued on the basis of specific inputs to this valuation approach.

### **ISSUE(S)**

What is the market lease rate of the basement portion of the retail building known as building #1?

What is the approximate vacancy rate to be applied on building #1?

Is the capitalization rate correct on both building #1 and building #2?

### **LEGISLATION**

**The Municipal Government Act, R.S.A. 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 argues that the basement lease rate applied to building #1 is excessive at its current value of \$6.75/ft<sup>2</sup> and that a nominal value of \$1.00/ft<sup>2</sup> should be applied. The Complainant further argued that this space provides little or no income to the property.

In regard to the issue of vacancy, the Complainant argues that a vacancy rate of 30% should be applied to building #1 rather than the current 20% vacancy rate in place on the basement and 5% on the main floor space. The building has been vacant for more than two years and does not generate any income to the property.

In regard to the issue of the capitalization rate currently applied at 7.50%, the Complainant argued that a capitalization rate of 8.50% be applied, based on comparable properties on Stony Plain Road as analyzed on page 20, exhibit C1. The indicated average and median is 8.50% based on 26 properties.

### **POSITION OF THE RESPONDENT**

The Respondent argues that the basement area is rentable space and basement equity rent comparables indicate that the subject is correct. The basement rent comparables range from

\$7.25 to \$12.25/ft<sup>2</sup> in the seven comparables provided (R1, pg. 43) with the subject falling to the bottom of the range.

In regard to the issue of vacancy, the Respondent argued that the subject is not suffering from a vacancy for an extended time period, and the property is in the process of opening a new business.

In regard to the issue of capitalization rate, the Respondent argued that seven comparables as presented (R1, pg. 44) on Stony Plain Road indicate a capitalization rate of 7.50% is correct, fair, and equitable.

### **DECISION**

To reduce basement rent on building #1 to \$1.00/ft<sup>2</sup> from \$6.75/ft<sup>2</sup>. To increase the vacancy rate from 5% to 20% on the main floor of building #1. To increase the capitalization rate from 7.50% to 8.50%.

To reduce the subject from \$2,331,000 to \$1,587,500.

### **REASONS FOR THE DECISION**

Firstly, the Board looked to the issue of the basement rental rate on building #1. The Board is not convinced based on the evidence provided by the Respondent that the subject is comparable to the seven comparables presented. None of the comparables are in the area of the subject nor are they similar in terms of business or building type.

In regard to the issue of vacancy rate, the Board is of the opinion that the subject (building #1) should receive the same vacancy as applied to the basement area that being 20%. The subject property has been vacant for more than two years as provided in evidence of both parties. The City of Edmonton policy as stated, in brief, that three years of vacancy would receive a 30% vacancy appears to be reasonable; however, the subject is nearing this criteria and a 20% rate appears to be appropriate for the subject.

In regard to the issue of capitalization rate, the Board is of the opinion that the twenty-six capitalization rate comparables presented by the Complainant were representative of the subject. Further, the Board is of the opinion that the subject has demonstrated from the vacancy that the capitalization rate requires an upward adjustment.

### **DISSENTING OPINION AND REASONS**

There were no dissenting opinions.

Dated this tenth day of November, 2010 A.D., at the City of Edmonton, in the Province of Alberta.

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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, R.S.A. 2000, c.M-26.*

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CC: Municipal Government Board  
City of Edmonton, Assessment and Taxation Branch  
Stony Plain Road (154 St.) Investments Inc.