

**NOTICE OF DECISION      NO. 0098 55/12**

Canadian Valuation Group  
1200-10665 Jasper Avenue NW  
Edmonton, AB T5J 3S9

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 on July 3, 2012, respecting a complaint for:

<b>Roll Number</b>	<b>Municipal Address</b>	<b>Legal Description</b>	<b>Assessed Value</b>	<b>Assessment Type</b>	<b>Assessment Notice for:</b>
4220372	10167 101 St. NW	Plan: F Lot: 41 Plan: F Lot: 42	\$3,046,500	Annual New	2012

*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.*

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cc: 1486222 Alberta Ltd.

## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2012 ECARB 002238**

**Assessment Roll Number:** 4220372  
**Municipal Address:** 10167 101 Street NW  
**Assessment Year:** 2012  
**Assessment Type:** Annual New

Between:

**Canadian Valuation Group**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF**  
**Patricia Mowbrey, Presiding Officer**  
**Brian Frost, Board Member**  
**Reg Pointe, Board Member**

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### **Preliminary Matters**

[1] When asked by the Presiding Officer, the parties indicated no objection to the composition of the Board. The Board members indicated that they had no bias in the matter before them.

### **Background**

[2] The subject property is located in Downtown Edmonton at 10167 101 Street NW on a 12,500 square foot lot. It is a 9,535 sq ft multi-tenant retail/office building that was built in 1993 and has an effective age of 1993.

### **Issues**

- [3] Is the 2012 assessment of the subject property correct?
- a) Is the lease rate for the office space appropriate?

## **Legislation**

[4] The *Municipal Government Act* reads:

### ***Municipal Government Act, RSA 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**

[5] The Complainant's position is that the assessment is incorrect because the City has applied inappropriate lease rates to the subject property.

[6] The Complainant stated that the subject is assessed as retail property. The building contains four spaces with three retail spaces facing 101 Street and one office space facing 101A Avenue. The three spaces facing 101 Street are assessed using a lease rate of \$25.50 per sq ft for the space less than 1,000 sq ft (coded CRULESS) and \$24.25 per sq ft for the two spaces that are 1,000 - 3,000 sq ft (coded CRUMED). The three retail spaces comprise a total of 3,108 sq ft and the one office space comprises 6,427 sq ft (C-1, pg 1).

[7] The Complainant stated that, while the retail space lease rates are considered reasonable, the office space facing 101A Avenue contains 6,427 sq ft and is assessed using a lease rate of \$24.25 per sq ft, the same rate that is used for retail spaces between 1,000 and 3,000 sq ft.

[8] The Complainant noted that the Respondent has classified the 6,427 sq ft space as office space in the assessment. The Complainant also said that the assessment lease rate applied to "AA" class office space in the Downtown area is \$21.00 per sq ft.

[9] The Complainant stated that the assessment retail classification applies separate rates for the 1,000 - 3,000, 3,000 - 5,000 and 5,000 - 10,000 sq ft spaces. Based on economies of scale, the lease rates are lower for larger spaces. As a result, the subject property is assessed at a lower rate for the two 1,000 - 3,000 sq ft spaces than for the space under 1,000 sq ft. The Complainant indicated that through discussions with the Respondent he understood that the lease rate for spaces in the 5,000 - 10,000 sq ft range was typically 20% lower than spaces in the 1,000 - 3,000 sq ft range. The Complainant showed that if a 20% discount is applied to the \$24.25 per sq ft, it results in a lease rate of \$19.40 per sq ft for the 6,427 sq ft office space (C-1, pgs 1 and 2).

[10] The Complainant also presented the downtown 2012 valuation rates applied to the Downtown Financial District (C-1, pg 9). The highest office space sub-class is "AA" and the

second highest is “AH”. The lease rate applied to class “AH” spaces is \$19.00 per sq ft, which the Complainant stated supports the requested \$19.40 per sq ft.

[11] The Complainant provided a December 2011 income statement which indicated that the actual 2011 net operating income for the property was \$140,629 (C-1, pg 8). When capitalized at the assessment capitalization rate of 7.00%, this results in a value of \$2,008,986.

[12] The Complainant requested that the 2012 assessment be reduced from \$3,046,500 to \$2,600,000.

### **Position of the Respondent**

[13] The Respondent’s position is that the 2012 assessment is correct.

[14] The Respondent noted that the Complaint Form requested a reduction in assessment to \$1,600,000 instead of the currently requested \$2,600,000.

[15] The Respondent presented a market rent comparison chart (R-1, pg 15) which indicated that office space of up to 3,000 sq ft in a second floor location averages \$11.00 per sq ft, while a main floor location averages \$23.44 per sq ft. This suggests that a main floor lease rate should be double the lease rate for a second floor space.

[16] The Respondent also presented an equity rent comparison chart (R-1, pg 17) for spaces ranging from 1675 to 7553 sq ft. The chart indicated a range of lease rates from \$19.25 to \$22.50 per sq ft with an average rent of \$20.87 per sq ft. The comparables were older than the subject property and ranged in age from 1958 to 1978.

[17] The Respondent further noted that the subject is in a desirable location near the Commerce Place and Manulife Place towers and adjacent to the currently vacant Kelly Ramsey Block.

[18] The Respondent also provided evidence in the form of a Network Data Sheet (R-1, pg 14) which indicated that the subject property was sold on August 26, 2010 for \$4,200,000.

[19] The respondent requested that the 2012 assessment be confirmed.

### **Decision**

[20] It is the decision of the Board to reduce the 2012 assessment for the subject property from \$3,046,500 to \$2,600,000.

## **Reasons for the Decision**

[21] The Board considered the evidence provided by both the Complainant and the Respondent.

[22] The Board was convinced by the Complainant's evidence that the office space facing 101A Avenue warrants a reduced assessment lease rate due to economies of scale, as it is sufficiently larger than the retail space facing 101 Street.

[23] The Board accepts the Complainant's argument that the location of the office space facing 101A Avenue, where only pedestrian traffic is present, is inferior to the 101 Street location where there is significant drive-by traffic in addition to pedestrian traffic.

[24] The Board is persuaded by the Complainant's argument that a 20% discount to the typical lease rate applied to 1,000 - 3,000 sq ft spaces is appropriate.

[25] The Board placed less weight on the Respondent's position that the 101A Avenue space is equal to the 101 Street space, as the 101A Avenue space is an inferior location due to its lower levels of exposure and traffic.

[26] The Board notes that the Respondent's equity comparable most similar in size to the subject property, a 7,553 sq ft office space, reflects a \$19.25 per sq ft lease rate. While this comparable is older than the subject, this property is superior in terms of location and exposure because of its 10279 Jasper Avenue location. It supports the Complainant's requested \$19.40 per sq ft.

[27] The Board also considered the evidence of both the Complainant and Respondent with regard to office lease rates. In the Board's opinion, a main floor one-storey office space facing a pedestrian walkway and adjacent to a vacant building should be less than an "AA" office space lease rate of \$21.00 per sq ft. The Board concluded that the "AH" high rise office space at \$19.00 per sq ft is more reflective of the lease rate for a main floor one-storey office space with inferior exposure.

[28] The Board notes that the subject property's 2011 actual net operating income is \$140,629, whereas the Complainant's requested net operating income is \$184,278 (C-1, pg 2). The Board considers the net operating income of \$184,278 a reasonable request based on the office lease rate of \$19.40 per sq ft to indicate a value of \$2,600,000.

[29] The Board notes that the Respondent indicated that the sale of the subject property was part of a land assembly including the adjacent Kelly Ramsey Block and other lands.

[30] The Board finds that a reduced 2012 assessment of \$2,600,000 is correct, fair and equitable for the subject property.

## **Dissenting Opinion**

[31] There was no dissenting opinion.

Heard commencing July 3<sup>rd</sup>, 2012.

Dated this 10<sup>th</sup> day of July, 2012, at the City of Edmonton, Alberta.

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Patricia Mowbrey, Presiding Officer

### **Appearances:**

Tom Janzen, Canadian Valuation Group  
for the Complainant

Ryan Heit, Assessor, City of Edmonton

Tim Dueck, Assessor, City of Edmonton  
for the Respondent