



**ASSESSMENT REVIEW  
BOARD**

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
Phone: (780) 496-5026

**NOTICE OF DECISION      NO. 0098 592/11**

ALTUS GROUP  
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 on December 13, 2011, 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>
7098692	10552 82 Avenue NW	Plan: I Block: 66 Lot: 16	\$1,531,000	Annual New	2011

**Before:**

Dean Sanduga, Presiding Officer  
Petra Hagemann, Board Member  
Taras Luciw, Board Member

**Board Officer:** Jason Morris

**Persons Appearing on behalf of Complainant:**

Walid Melhem, Altus Group

**Persons Appearing on behalf of Respondent:**

Ryan Heit, Assessor, City of Edmonton

## **PROCEDURAL MATTERS**

The parties indicated that they had no objection to the composition of the Board. The Board Members indicated that they had no bias with regard to the matter before them.

## **BACKGROUND**

The subject property built in 1955 is a retail building with second floor space located at municipal address 10552-82 Avenue NW in the Strathcona neighbourhood of south Edmonton. The building is 3,134 square feet on the main floor with 2,969 square feet on the second floor and is situated on a lot of 4,344 square feet. The subject property was assessed on the income capitalization approach, and the 2011 assessment was \$1,531,000.

## **ISSUE(S)**

There were numerous issues listed in exhibit C-1, pg 3 to indicate the assessment is excessive, however only the following issues were addressed during the hearing:

1. Are rental rates too high?
2. Is the capitalization rate is too low?
3. Have similar properties sold for a lower value than the assessed rate on the subject?

## **LEGISLATION**

### ***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**

The Complainant submitted written evidence in the form of an appeal brief containing 40 pages which was entered as exhibit C-1.

The Complainant provided nine assessment lease rate (rent) comparables for main floor space, on properties located in various market areas of the city ranging from \$15.00 to \$22.00 per square foot with a median of \$17.50 per square foot (C-1, page 20). The Complainant requested the rental rate of the subject be reduced from \$26.50 to \$22.00 per square foot.

The Complainant also provided nine market rent/assessment comparables on upper floor space in buildings located in the downtown and one on the south side area of the city (C-1, page 20). The

rents ranged from \$9.00 to \$15.75 with a median of \$10.50 per square foot compared to the subject's rent of \$14.50. The Complainant requested the upper floor rent be reduced to \$11.00 per square foot.

The second issue, the capitalization rate, was addressed by the Complainant by providing 24 capitalization rate comparisons (C-1, page 21). The locations of the properties were all on the south side of Edmonton with 11 of them in close proximity to the subject. One had a capitalization rate of 9.00% while six were at 8.50% and 17 were at 8.00%. The Complainant requested a change from 7.50% to 8.00%.

The Complainant further supported the request for a reduction to the assessment by providing three sales comparables (C-1, page 15). The properties were all located near the subject and sold for time adjusted sales prices from \$164.96 to \$176.82 per square foot with an average of \$170.92 per square foot. The Complainant applied \$170.00 per square foot to the subject for an indicated direct sales comparable value of \$1,122,000.

A Market Value Proforma was included (C-1, page 13) wherein the reduced main floor rental rate of \$22.00, upper floor office rental rate of \$11.00 per square foot, and a change in the capitalization rate to 8.00% was applied. This resulted in a new value of \$1,165,398. The Complainant requested a reduction of the 2011 assessment to \$1,165,000.

## **POSITION OF THE RESPONDENT**

The Respondent presented written evidence (R-1) and argument for the Board's review and consideration.

At the commencement of the Respondent's verbal evidence, the Respondent offered a recommendation to reduce the subject property's 2011 assessment from \$1,531,000 to \$1,485,500 based on a reduction in the rental rate for upper floor space from \$14.50 to \$13.25 per square foot. The recommendation was not accepted by the Complainant.

An Income Detail Report was submitted (R-1, page 19) wherein main floor rent of \$26.50 per square foot and second floor rent of \$14.50 per square foot, together with a capitalization rate of 7.5%, were shown as the basis for the current assessment of \$1,531,000. A Retail Plaza Inspection Sheet was included, confirming that the property was inspected on May 10, 2011.

The Respondent provided Comparable Equity Rents and Capitalization Rates for Retail Properties for eight properties located within one block of the subject (R-1, page 27). The main floor rent ranged from \$22.00 to \$28.50 and averaged \$26.25 per square foot. Upper floor rent ranged from \$11.00 to \$18.00 per square foot. All comparables had capitalization rates of 7.50%.

The Respondent also included actual lease rates for eight properties as a comparison to the subject (R-1, page 36). Seven actual lease rates for main floor office space reflected rents ranging from \$21.99 to \$40.00, with an average of \$27.35 per square foot compared to the subject's rent of \$26.50 per square foot. One comparable had an expired lease and was not considered.

The rental rates with the recommended, reduced upper floor rate and the capitalization presented support the subject's assessment. The Respondent requested that the recommended, reduced 2011 assessment in the amount of \$1,485,500 be confirmed.

## **DECISION**

The decision of the Board is to reduce the 2011 assessment of the subject property from \$1,531,000 to \$1,485,500.

## **REASONS FOR THE DECISION**

### Issue #1, Rental rates

The Board was persuaded by the Respondent's eight Comparable Equity Rents (R-1, page 27) which averaged \$26.25 per square foot and the Actual Retail Rents (R-1, page 36) which averaged \$27.35 per square foot. This supports the main floor assessment at \$26.50 per square foot. The Board accepts the Respondent's recommendation to revise the upper floor rent to \$13.25 per square foot.

The Board reviewed the nine assessment lease rate comparables for main floor area provided by the Complainant (C-1, page 20). Only three of the comparables are in close proximity to the subject. Several are substantially newer, built in 1980, 1982 and 1984 compared to the subject being built in 1955. Of the nine upper floor comparables (C-1, page 20), one is substantially larger than the subject and two are much newer (1985 & 1986). The Board placed less weight on the Complainant's comparables.

The Respondent's eight equity rent comparables (R-1, page 27), averaging \$26.25 per square foot, support the Respondent's \$26.50 per square foot, suggesting the rental rate for the subject's main floor is fair and equitable.

The Complainant's nine assessment lease rate comparables for main floor space (C-1, page 20) differ greatly in size, ranging from 1,857 to 9,563 square feet, and in age, ranging from 1943 to 1984, compared to the subject with 3,134 square feet and being built in 1955. The nine upper floor comparables (C-1, page 20) also differ in size with one at 19,175 square feet and the other eight ranging from 1,535 to 6,095 square feet. Their ages range from 1951 to 1986. The Board placed less weight on these comparables.

### Issue #2, Capitalization Rate

The Board noted that all eight comparables provided by the Respondent (R-1, pg 27) are located within one block of the subject and are retail properties and retail with upper floor.

Of the comparables provided by the Complainant (C-1, page 21), only two properties were somewhat close to the age of the subject (1948 and 1950). The remaining comparables were newer and no additional information was provided by the Complainant to allow the Board to determine comparability.

The Board is of the opinion that the capitalization rate of 7.50% is fair and equitable and placed more weight on the comparables provided by the Respondent.

### Issue #3, Comparable Sales

The Board reviewed the three sales comparables provided by the Complainant (C-1, page 15). The Board noted the comment on page 15 of C-1 that “The transfer sheets for these comparables are located in the appendix” but found that there were no transfer sheets attached. As there was no additional information provided by the Complainant, the Board was unable to determine comparability to the subject. The Board is of the opinion that the income approach is the appropriate method for valuing income producing properties and therefore placed no weight on the sales comparables.

### **DISSENTING OPINION AND REASONS**

None

Dated this 4<sup>th</sup> day of January, 2012, at the City of Edmonton, in the Province of Alberta.

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Dean Sanduga, Presiding Officer

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*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: BUBBLES INTERNATIONAL CAR WASH CORPORATION