



ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL
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NOTICE OF DECISION NO. 0098 615/10

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 24, 2010 respecting a complaint for:

Roll Number 7097231	Municipal Address 10411 82 Avenue NW	Legal Description Plan: I Block: 62 Lot: 5 et al
Assessed Value \$3,998,500	Assessment Type Annual New	Assessment Notice for: 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

John Ball, Assessor
Assessment and Taxation Branch

PROCEDURAL MATTERS

The parties expressed no objection as to the composition of the CARB; Board Members expressed no bias toward this or any of the other accounts appearing on the agenda. The parties were reminded they remained under oath.

BACKGROUND

The subject property is the Army & Navy Department Store on Whyte Avenue (a.k.a 82nd Avenue). It comprises a one storey retail building with its main frontage onto Whyte Avenue but also having a small secondary access/frontage to 104 Street. The building was constructed

in/effective year built of 1952. It has a full basement, extends to a total area of approximately 29,111 ft², and is located on a 14,556 ft² parcel of land.

ISSUES

1. Should a vacancy shortfall be applied to the basement area?
2. Is the assessment capitalization rate (cap rate) correct?

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 provided the Board with a chart of seven equity comparable assessments (C1, pg. 13) all on Whyte Avenue with cap rates varying from 7.50% to 8.50% with an average of 7.79% and a median of 7.50%. Three of the seven comparables were two storey like the subject, but all the properties were smaller than the subject in size, ranging from 2,659 ft² to 11,417 ft² (net leasable area), as opposed to the subject at 13,828 ft². Overall, the comparables ranged in year built from 1946 to 1983 and the main floor lease rates ranged from \$13.75/ft² to \$27.00/ft². The Complainant requested a cap rate of 7.75% to be fair and equitable with other properties on Whyte Avenue and this would also reflect the relatively older age of the subject building.

The Complainant argued that a vacancy shortfall should be applied to the basement income in addition to the vacancy shortfall applied to the main floor rent. In support of this argument, an appendix that included three of the equity assessments, noted above, with space other than main floor space that had vacancy shortfalls applied to the additional space, was included.

POSITION OF THE RESPONDENT

The Respondent provided the Board with a brief that indicated the assessment had been calculated by the income approach (R1, pg. 22). Three maps indicating that assessment cap rates were stratified along Whyte Avenue depending on their location relative to the core of the district and their relative retail strengths were also provided (R1, pages 26-28). The Respondent argued the subject property is located in Old Strathcona at the corner of two major thoroughfares with both a high traffic and a very high pedestrian count. He indicated rents were above average for the municipality and vacancy rates were low. He also argued the quality of the subject

property was abnormal for the immediate area as it comprised a larger structure that is well located and had been owner-occupied for the past 45 years such that it had become an icon within the area.

The Respondent also argued the single tenant model uses a larger vacancy rate for basement space but does not provide a separate vacancy shortfall as it is incorporated into the higher vacancy allowance (20% as opposed to 5%).

DECISION

The decision of the Board is to confirm the 2010 assessment of \$3,998,500.

REASONS FOR THE DECISION

1. With regard to the vacancy shortfall issue, the Board was persuaded by the evidence of the Respondent wherein the policy of the Respondent is to apply a larger vacancy rate to basement space as it is less desirable than main floor space. The Board accepts the principle that the Respondent treats all properties throughout the city by a consistent method.
2. The Board placed little weight on the Complainant's evidence of vacancy shortfalls as it related to second floor space only. No evidence of a vacancy shortfall was provided with respect to basement space.
3. With regard to the cap rate, the Board was persuaded by the Respondent's evidence that cap rates were stratified based primarily on location. The cap rates ranged from 7% to 8.5% and the subject property had a cap rate of 7.5%. The Board considered the location to be excellent and only the age of the building prevented it from being rated at a lower level.
4. The Board placed little weight on the Complainant's argument for a higher cap rate as three of the four cap rates located in the immediate area of the subject property were at 7.5% and support the subject property's assessment cap rate. The Board placed little weight on the Complainant's #5, #6 and #7 assessment cap rates as they are located in the Bonnie Doon area further east on Whyte Avenue where cap rates are normally higher than the subject area.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

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

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.

CC: Municipal Government Board
City of Edmonton, Assessment and Taxation Branch
Army & Navy Dept. Store Ltd.