



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 630/10

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 30, 2010 respecting a complaint for:

Roll Number 1033083	Municipal Address 2850 Calgary Trail NW	Legal Description Plan: 8120268 Block: 23 Lot: 72A
Assessed Value \$6,062,500	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

Guo He, 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 providing evidence were affirmed.

Exhibits C2 and C3 comprising two binders and entitled, "Mezzanine and Garden Centre Analysis" were submitted by the Complainant with the request that they be sealed and the Board ruled it be so.

BACKGROUND

Built in 1993 and located in Calgary Trail South subdivision, the subject property consists of two buildings with a combined gross area of 34,714 ft² situated on approximately 95,940 ft² of land. It has an effective zoning of CB2.

ISSUES

1. Given the restricted access to the subject due primarily to the construction of the 23rd Avenue overpass, should the capitalization rate be adjusted to 8.5% from 8.0% to reflect this negative attribute?
2. Has the mezzanine lease rate of \$9.00/ft² been incorrectly applied to the subject and should it be reduced to a nominal rental rate of \$1.00/ft²?
3. Has the vacancy shortfall been incorrectly calculated in the 2010 assessment?

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 believes the income approach to value has been applied to generate value, but the rates applied did not reflect the true attributes of the property. The current assessment does not reflect the changes in the area due to the accessibility problems associated with the construction of the 23rd Avenue overpass.

The current capitalization rate is low and should be increased to 8.5% from 8.0%. Normally, the City of Edmonton has a common practice to accommodate 50 basis points for distressed properties.

The Respondent did not correctly calculate the vacancy shortfall adjustments. Building #1 should have a vacancy shortfall of \$7,524. A similar error was noted as well on building #2 where the assessment had a vacancy shortfall of \$1,823 and this should be \$1,879.

The mezzanine area should be assessed at a nominal rate of \$1.00/ft² as the main floor rent included the mezzanine area and it does not generate extra rent.

POSITION OF THE RESPONDENT

The City of Edmonton recognizes the traffic factor in the mass appraisal modeling process in preparing assessments. The Respondent feels the 8.0% capitalization rate is appropriate for the subject and is reasonable due to the subject's location. The construction of the 23rd Avenue overpass does not impact the southbound traffic.

The *Municipal Government Act* requires a municipality to prepare assessments using the mass appraisal methodology. The City provided several comparables in this regard to demonstrate the subject has been assessed fairly and equitably.

Mezzanine and basement areas are rentable space and an assessment must be prepared. The Respondent provided a basement rent chart to show the subject was fairly assessed which also included rents for second floor space. This also included rents for second floor space. Several Board decisions were also provided with the brief.

Vacancy shortfall is only a minor difference and should not disturb the current assessment.

DECISION

The decision of the Board is to reduce the 2010 assessment from \$6,062,500 to \$5,407,500.

REASONS FOR THE DECISION

The Board notes that the capitalization rate is directly impacted by the risk associated with the subject's development. The closure of the 23rd Avenue access and the increased difficulty in accessing the subject property from Calgary Trail northbound, severely impacts its ability to attract tenants, making it a higher risk than other Calgary Trail locations. Therefore, the Board is of the opinion that a 50 basis point increase from 8.0% to 8.5% in its capitalization rate for both buildings is reflective of this issue.

The Board noted the vacancy shortfall calculated by the Respondent in the 2010 assessment has an error and it needs to be adjusted. Currently in building #1, the vacancy shortfall used is \$7,146 and it should be \$7,310; in building #2, it is \$1,823 and should be \$1,879.

The Board is of the opinion that mezzanine area does not typically attract a separate lease. However, this does not detract from the area having value. The Board is of the view that a rate of \$5.00/ft² reflects the value of this space.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 21st 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
1044203 Alberta Ltd