



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 679/11

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:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
7098635	10542 82 Avenue NW	Plan: I Block: 66 Lot: 11, 12, and 13	\$5,761,500	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 is a two-story building located at municipal address 10542-82 Avenue NW in the Strathcona neighbourhood of south Edmonton. The building is approximately 11,400 square feet on the main floor with 10,816 square feet on the second floor and is situated on a lot of approximately 13,000 square feet. The property was assessed on the income capitalization approach, and the 2011 assessment is \$5,761,500.

ISSUE(S)

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

1. Are the rental rates too high?
2. Is the capitalization rate too low?

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 38 pages that was entered as exhibit C-1.

The Complainant provided nine market lease rate (rent) assessment comparables for main floor space on properties located in various market areas of the city. These ranged from \$15.00 to \$22.00 per square foot (C-1, page 17). The median was \$17.50 per square foot. The Complainant requested the \$24.50 per square foot rent of the subject be reduced 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 18). These rents ranged from \$9.00 to \$15.75 per square foot compared to the subject's rent at \$18.00 per square foot. The comparable rents showed a median rent of \$10.50 and the Complainant requested \$11.00 per square foot for the subject.

The second issue, the capitalization rate, was addressed by the Complainant by providing 24 capitalization rate comparisons (C-1, page 19). 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%

A Market Value Proforma was included (C-1, page 13) wherein the reduced main floor rental income of \$22.00 per square foot, upper floor office rental income 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 \$4,417,804. The Complainant requested a reduction of the 2011 assessment to \$4,417,500.

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 \$5,761,500 to \$4,997,500 based on a reduction in the rental rate for upper floor space from \$18.00 to \$12.25 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 \$24.50 per square foot and second floor rent of \$18.00 per square foot, together with a capitalization rate of 7.5%, were shown as the basis for the current assessment of \$5,761,500. 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 on eight properties located within one block of the subject (R-1, page 25). The main floor rent ranged from \$22.00 to \$28.50 per square foot and averaged \$26.25 per square foot. Upper floor rents 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 34). Seven actual lease rates for main floor office space reflected rents ranging from \$21.99 to \$40.00 per square foot, with an average of \$27.35 per square foot compared to the subject's assessment of \$24.50 per square foot. A rent roll for the subject property was provided (R-1, page 35) wherein the main floor average actual rent was shown to be \$26.25 per square foot. One comparable had an expired lease and was not considered.

The main floor rental rate of \$26.50 per square foot with the recommended reduced upper floor rate of \$12.50 per square foot and the 7.5% capitalization support the subject's reduced assessment of \$4,997,500 as recommended.

DECISION

The decision of the Board is to reduce the 2011 assessment of the subject property from \$5,761,500 to \$4,997,500.

REASONS FOR THE DECISION

Issue #1, Rental rates

The Board was persuaded by the Respondent's eight Comparable Equity Rents (R-1, page 25) which averaged \$26.25 per square foot, the Actual Retail Rents chart (R-1, page 34) which averaged \$27.35 per square foot and the subject rent roll, with an average of \$26.25 per square foot, all of which support the main floor assessment at \$24.50 per square foot. The Respondent adjusted the upper floor space rental by reducing it to one-half of the main floor rate, to \$12.25 per square foot thereby correcting the initial assessment rate of \$18.00 per square foot.

The Board reviewed the nine assessment lease rate comparables for main floor area provided by the Complainant (C-1, page 17). Only three of these comparables are in close proximity to the subject with one being a substantially newer, a 1982 building compared to the subject being constructed in 1946 and 1951. All are smaller than the subject and no additional information was provided by the Complainant to allow the Board to determine comparability. Of the nine upper floor comparables (C-1, page 18), one is substantially larger than the subject while the remaining comparables are all substantially smaller. The Board placed less weight on the Complainant's comparables.

The Respondent's eight equity rent comparables (R-1, page 25), averaging \$26.25 per square foot, support the Respondent's \$24.50 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 17) differ greatly in size, ranging from 1,857 square feet to 9,563 square feet, and in age, ranging from 1943 to 1984, compared to the subject with 11,417 square feet and constructed in 1946. The nine upper floor comparables (C-1, page 18) 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 25) are located within one block of the subject and are retail properties and retail with upper floor space

The Board noted that the comparables provided by the Complainant (C-1, page 19), only two properties were close to the age of the subject, 1948 and 1950 compared to the subject at 1946. 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 when comparing the subject to the comparables located in the immediate vicinity of the subject.

DISSENTING OPINION AND REASONS

None

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

Dean Sanduga, 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, RSA 2000, c M-26.

cc: SCONA BUILDING (2000) INC