

## **Edmonton Composite Assessment Review Board**

**Citation: Altus Group v The City of Edmonton, 2013 ECARB 00790**

**Assessment Roll Number:** 9941099

**Municipal Address:** 4804 87 Street NW

**Assessment Year:** 2013

**Assessment Type:** Annual New

Between:

**Altus Group**

Complainant

and

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

Respondent

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**DECISION OF**  
**Tom Eapen, Presiding Officer**  
**James Wall, Board Member**  
**Randy Townsend, Board Member**

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### **Procedural Matters**

[1] Upon questioning by the Presiding Officer, the parties did not object to the composition of the Board. The Board members stated they had no bias with regard to this file.

### **Preliminary Matters**

[2] There were no preliminary matters.

### **Background**

[3] The subject property is classified as a two storey office building with a floor area of 19,007 sq. ft. It was built in 1979. The lot size is 32,844 sq. ft. The subject is located in the McIntyre Industrial subdivision on the south side and the municipal address is 4804 87 street, NW, Edmonton.

### **Issue(s)**

[4] Should the subject building be classified as a "C" class office building rather than a "B" class building?

[5] Is the assessment of the subject property correct?

### **Legislation**

[6] *The Municipal Government Act, RSA 2000, c M-26, reads:*

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

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**

[7] The Complainant provided the Board with a 111 page brief, entered into evidence as exhibit C-1.

[8] The Complainant informed the Board that the age of the building, level of finish, location, rental rates and physical characteristics are consistent with a “C” classification for the subject, which had been applied by the Assessor in previous years. The 2011 assessment indicates the subject was assessed as “C” class building in 2011 with a value of \$1,389,000 and the submitted assessment notice supported the same.

[9] The application of the “C” class parameters for the subject would result in a 2013 assessed value of \$1,710,500, which represents an increase of 23% over the 2012 assessment of \$1,389,000. The Complainant provided a pro-forma indicating this value (exhibit C-1, page 25).

[10] The Complainant requested, in the alternative, that the best indicators as to the market rent as of July 01, 2013, are evidenced by the recent leasing information for the subject property itself. The majority of the recent leases in the subject property are at rates less than \$15.00/ sq. ft., the rates used by the Respondent for the 2013 assessment. The Current market rental rate indicates the subject assessment should be reduced to \$13.00 per sq. ft.

[11] The Complainant’s evidence consisted of nine rent comparables (exhibit C-1, page 26). Two of the rent comparables are located on the south side and the remaining seven are in the west end. These comparables indicate rates between \$11.00 per sq. ft. and \$14.00 per sq. ft.; with an average of \$13.22 per sq. ft. and a median of \$13.00 per sq. ft.

[12] The Complainant provided exterior and interior pictures of the subject property. The major tenant in the subject building, Cannamm, signed a lease in 2011 at \$14.00 per sq. ft. This was after major renovations had been done to the leased space (exhibit C-1, page 39).

[13] The Complainant noted the subject property has no elevator, it is 34 years old and the boiler and HVAC systems are original and nearing the end of their economic life. Some of the occupants of the building have complained that the heating and cooling within their units is very inconsistent, with frequent interruptions in service.

[14] The building has no underground parking. Its finishes are average to good quality for a "C" class building, but are lower quality than what would be expected from a class "B" building. The Complainant also stated the property does not have exposure to any major roadways.

[15] The calculation of a net market rent of \$13.00 per sq. ft. along with the parameters as provided results in a net operating income of \$197,477 and a value of \$2,821,000. The Complainant provided a proforma indicating this (exhibit C-1, page 29).

[16] The Complainant requested the Board change the classification from "B" to "C". In the alternative, the market rent for the subject property should be reduced to \$13.00 per sq. ft. from \$15.00 per sq. ft. resulting in an assessment of \$2,821,000.

### **Position of the Respondent**

[17] The Respondent provided the Board with 68 pages of written evidence (exhibit R-1), which included the rent roll for the subject property (exhibit R-1, pages 14-17).

[18] The Respondent stated that suburban office buildings are broken down into seven market areas as indentified by the Real Estate community (exhibit R-1, page 53). The Respondent provided 47 unadjusted suburban office rental rate comparables (exhibit R-1', page 18) for the south side, where the subject is located. These rental rates range from \$8.25 per sq. ft. to \$18.00 per sq. ft. The unadjusted average for these rates is \$14.08 per sq. ft. with a median of \$14.00 per sq. ft. Time adjusted rental rates averaged \$14.76 and the median is \$14.94. The Respondent stated all attributes must be considered in determining a market value. Similar buildings should be stratified together in determining typical market rents, typical vacancy and expenses, and typical capitalization rates.

[19] In addition the Respondent submitted 51 equity comparables (exhibit R1- page 20) of suburban "B" class office buildings. The Respondent stated the income approach is the best approach as it reflects the typical actions of buyers and sellers. Direct capitalization involves capitalizing the derived net income by an overall rate determined from comparable market sales. The City of Edmonton collects rental and income information through annual survey returns. This information is used for analysis purposes to predict assessed values. The current assessment is based on property and market conditions as of July 01, 2012.

[20] The Respondent stated that the assessment models are submitted annually to the Assessment Services Branch of Alberta Municipal Affairs for audit purposes and they determine the accuracy of the City's predictions relative to the market place. This is a direct reflection of the accuracy of their models. The City passed the 2012 audit.

[21] The Respondent indicated that a common argument advanced by Complainants is that the actual income of a property should be used when calculating the assessment of the property by the income approach to value. However, for assessment purposes, and for the purpose of mass appraisal within the confines of the MGA, typical rental rates are more appropriate for these types of properties.

[22] In conclusion the Respondent requested the Board to confirm the 2013 assessment at \$3,302,500.

## **Decision**

[23] The subject property is properly assessed as a class "B" building.

[24] The decision of the Board is to reduce the rental rate from \$15.00 per sq. ft. to \$13.00 per sq. ft., which results in the 2013 assessment being reduced from \$3,302,500 to \$2,821,000.

## **Reasons for the Decision**

[25] The Board lacked evidence that would indicate a change of class from "B" to "C". The evidence provided by both parties indicated that the subject property is producing an income between class "B" and class "C".

[26] The Respondent's evidence (exhibit R-1, page 18) lacks information on factors such as size, age and location to identify the comparability of these properties to the subject. The Respondent highlighted four of the forty seven rental comparables. The average of these four is \$13.50 per sq. ft. and the median is \$13.00 per sq. ft., which supports a reduction.

[27] The Board noted that there is credibility to the Complainant's office space comparables (exhibit C-1, page 26) which show location and sizes. The four properties on the south side show an unadjusted average rent of \$13.00 per sq. ft. whereas all nine comparables indicate an unadjusted average of \$13.22 per sq. ft., which also supports a reduction.

[28] The Respondent tried to use the Complainant's information, as shown in exhibit C-1, page 39, to show that at least one of the current tenants (Auto Design) has a rent rate of \$17.00 which would indicate that \$15.00 is not out of line. This lease rate, in the Board's opinion, is not typical as it is a month to month lease only. If this one lease is removed from the mix the average becomes \$13.25 per sq. ft. and the median is \$13.00 per sq. ft. This, to the Board, also indicates that the lease rate at \$15.00 is too high and that \$13.00 is much more in line with typical market rents in this area.

[29] The major tenant occupies 44% of the entire building. This space has undergone major renovations and is currently achieving a lease rate of \$14.00 per sq. ft. This indicates that the space where no renovations have taken place cannot obtain revenue of \$15.00 per sq. ft.

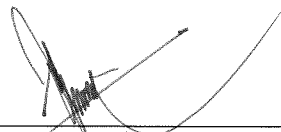
[30] The Respondent's equity argument was of limited assistance to the Board in arriving at a decision as the City admitted that they only had one rate (\$15.00, with no variation) for "B" class warehouse buildings. This, to the Board, makes no sense that there can only be one rate for "C" class buildings (\$9.00) and one rate for "B" class buildings (\$15.00) with nothing in between. Surely there are buildings that will fall in between these two classes. In the opinion of the Board, the subject property is better than a "C" building but clearly not as good as a "B" building. Using a lease rate of \$13.00 for the subject property recognizes this fact.

## **Dissenting Opinion**

[31] There was no dissenting opinion.

Heard on July 15, 2013.

Dated this 29<sup>th</sup> day of July, 2013, at the City of Edmonton, Alberta.

  
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Tom Eapen, Presiding Officer

**Appearances:**

Kerry Reimer  
for the Complainant

Mary-Alice Nagy  
Darren Davies  
Steve Lutes  
for the Respondent

*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.*