

Edmonton Composite Assessment Review Board

Citation: Michele Warwa-Handel, APTAS v The City of Edmonton, 2013 ECARB 00819

Assessment Roll Number: 4202321

Municipal Address: 10524 101 STREET NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Michele Warwa-Handel, APTAS

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Shannon Boyer, Presiding Officer
Jack Jones, Board Member
Robert Kallir, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer the parties before the Board indicated no objection to the Board's composition. In addition, the Board Members indicated no bias with respect to this file.

Preliminary Matters

[2] The Respondent advised the Board that there was a recommendation to reduce the 2013 assessment of the subject property from \$1,254,000 to \$1,177,000, based on adjusting the vacancy rate from 15% to 20%. The Complainant was aware of the recommendation but did not accept and chose to proceed with the merit hearing.

Background

[3] The subject property is a 9,320 square foot commercial complex located in the Central McDougall neighborhood. The subject property has been assessed utilizing the income approach to valuation.

Issue

[4] Is the 2013 assessment of the subject property at \$1,254,000 correct?

Legislation

[5] 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

[6] The Complainant presented evidence (C-1) and argument for the Board’s review and consideration.

[7] The Complainant indicated that the 2013 assessment of the subject property was too high based on chronic high vacancy, an assessed capitalization rate that did not adequately reflect the risk associated with operating a business in the subject location and external influences such as a neighboring homeless shelter and a high crime rate which impacted the subject property’s market value.

[8] The Complainant presented a witness statement from the property owner (C-1, page 29) which indicated the subject property had experienced a vacancy rate of over 50% for the last ten years as well as outlining problems experienced with break-ins, vandalism, etc.

[9] In support of a requested reduction to the 2013 assessment of the subject property the Complainant presented seven sales comparables (C-1, page 3) reflecting an average sales value of \$116.38 per square foot and cap rates in excess of 8%.

[10] The Complainant also presented an analysis utilizing the actual income and operating costs for the subject property along with cap rates ranging from 7.5% to 8.5% to derive a requested 2013 valuation of the subject property at \$716,705.

[11] In summary the Complainant requested the 2013 assessment of the subject property be reduced from \$1,254,000 to \$716,705.

Position of the Respondent

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

[13] The Respondent outlined the methodology used to assess the subject property (R-1, page 7) indicating that the various retail components were valued at lease rates ranging from \$13.25 to \$14.50 per square foot along with a vacancy rate of 15% and a cap rate of 7.5%.

[14] The Respondent advised that upon further analysis of the vacancy situation in the subject complex based on the past three years, the vacancy component of the valuation should be revised from 15% to 20% which would revise the 2013 assessment of the subject property from \$1,254,000 to \$1,177,000 (R-1, pages 20 to 23).

[15] In support of the rate components utilized in the 2013 assessment the Respondent presented lease comparables (R-1, pages 28 to 32), sales cap rate comparables (R-1, page 35) and equity cap rate comparables (R-1, pages 33 & 34).

[16] The Respondent provided an analysis of the income approach using both the Complainant's actual lease rates as well as the Respondent's lease rates (R-1, pages 26 & 27) to support the 2013 recommended assessment at \$1,177,000. In addition the Respondent noted that the Complainant's sales comparable valuation at \$116.38 per square foot also supported the Respondent's recommendation.

[17] In summary the Respondent recommended the 2013 assessment of the subject property be revised from \$1,254,000 to \$1,177,000 due to an adjustment in the vacancy rate from 15% to 20%.

Decision

[18] The decision of the Board is to reduce the 2013 assessment of the subject property from \$1,254,000 to \$945,500.

Reasons for the Decision

[19] After review and consideration of the evidence and argument presented by both parties the Board determined that the 2013 assessment of the subject property at \$1,254,000 was not appropriate.

[20] The Board placed greatest weight on the Complainant's argument and the witness statement (C-1, page 29) indicating that the subject property had experienced chronic vacancy in excess of 50% over the last ten years due to a number of problems in the neighborhood.

[21] The Board finds that a vacancy rate of 30% for the subject property is supported based on the above as well as by the two comparable properties (R-1, pages 29 to 31) in immediate proximity to the subject which are assessed at a 30% vacancy rate.

[22] The Board agreed with the lease and capitalization rate analysis prepared by the Respondent and found that the lease rates and capitalization rate used were appropriate for the subject property.

[23] The Board finds that the income approach to valuation is the appropriate methodology for valuing the subject property and as such placed little weight on the sales comparables presented by the Complainant (C-1, page 3).

[24] In determining the revised 2013 assessment of the subject property the Board utilized the data in the Respondent's Income Detail Report (R-1, page 23) and substituted a 30% vacancy rate for the 20% rate recommended by the Respondent.

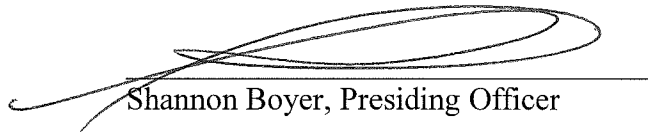
[25] The Board finds that the revised 2013 assessment of the subject property at \$945,500 is fair and equitable.

Dissenting Opinion

[26] There was no dissenting opinion.

Heard on June 25, 2013.

Dated this 4th day of July, 2013, at the City of Edmonton, Alberta.



Shannon Boyer, Presiding Officer

Appearances:

Michele Warwa-Handel, APTAS
for the Complainant

Chelsea Bradshaw, City of Edmonton
Ryan Heit, City of Edmonton
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.