Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01651

Assessment Roll Number: 10065357
Municipal Address: 389 91 STREET SW
Assessment Year: 2013
Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Lynn Patrick, Presiding Officer
Howard Worrell, Board Member
Lillian Lundgren, Board Member

Preliminary 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.

Background

[2] The subject property is located at 389 91 Street Avenue and is assessed as a Gas Station and Unrelated Retail and has CB-2 zoning. The convenience store is 2,940 square feet and was built in 2006. It is in the Ellerslie neighborhood and is located on a lot of 37,977 square feet (.872 acre).

[3] The property has been assessed using the cost approach to value and the 2013 assessment is $1,945,500.

Issue(s)

[4] Does the Complainant's estimate of value generated by the income approach result in a correct market value?

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 filed this complaint on the basis that the current assessment of $1,945,500 is higher than market value.

[7] The Complainant argued that the income approach to value is the commonly accepted method for valuing retail properties. As an example, there are other convenience stores that are assessed on the income approach. These properties transfer based on the income approach and should be assessed using the income approach to market value rather than the cost approach used by the Respondent.

[8] In support of this position, the Complainant presented an oral presentation of a pro forma for a market value in lieu of the written submissions on pages 11, 12 and 13 of Exhibit C-1. Using a $19.00/sf rental rate and the capitalization rate of 7.5% with the added costs used by the Respondent for the canopy and service station equipment, a market value for the subject of $877,000 was produced which is the Complainant's requested assessment value..

[9] The rental rate of $19.00/sf and the capitalization rate of 7.5% are taken from the Assessment Lease Rate and Cap Rate Comparable Chart (Exhibit C-1, page 16) the Chart lists twenty-two convenience store assessment comparables that have a median assessed rental rate of $19.13/sf and a median assessed capitalization rate of 7.5%.

[10] The Complainant presented a Market Lease Rate Comparable Chart that lists sixteen convenience store leases with an average rental of $19.56/sf and a median rental rate of $18.40/sf (Exhibit C-1, page 15). However, the Complainant explained that the requested value of $877,000 is based upon the assessment comparables on page 16 of Exhibit C-1.

[11] In support of the 7.5% capitalization rate, the Complainant presented a capitalization rate chart that analyzed twelve sales of retail property using the net income reported by The Network (Exhibit C-1, p.25). The Complainant adjusted the net income by applying a 5% vacancy allowance and a 2% structural allowance. The median adjusted capitalization rate is 7.7% and the

average adjusted capitalization rate is 7.81%. The Complainant noted that two of the sales in the chart are gas stations.

[12] In summary, the Complainant requested the Board to reduce the assessment to $877,000.

Rebuttal

[13] In rebuttal to the Respondent's chart, Comparing Assessments on Cost to Sales Prices (Exhibit R-1, p.12), the Complainant presented the assessments for each of the Respondent's sales. The Complainant stated that the median assessment for those sales is $203/sf which indicates a value of $566,500 for the subject property (Exhibit C-2, page 4).

[14] The Complainant also noted that there is a wide range of assessment to sales ratios (ASRs) in the Respondent's chart with ASRs ranging from 0.81 to 1.22.

[15] In rebuttal to the Respondent's comments on land value, the Complainant explained that the land value used in the Respondent's cost approach was not challenged because the Complainant is using the income approach. The land value is included in the income approach.

Position of the Respondent

[16] The Respondent submitted that the subject property is correctly assessed using the cost approach to value. The subject gas bar/convenience store is a stand- alone gas station and all similar properties are valued using the cost approach to value.

[17] The Respondent explained that the cost approach was used to derive market value estimates for gas station properties because the market values were not accurately predicted by the income approach. The cost approach involves adding the depreciated replacement costs of improvements to the estimated land value derived from sales. The Complainant did not challenge any of the components used in the cost approach

[18] The respondent presented the Marshall & Swift Commercial Detail Report (Exhibit R-1, pp. 6 to 8) for the subject property that shows a building assessment of $867,312 and a land assessment of $1,076,052 for a total assessment of $1,943,000.

[19] The Respondent argued that the land value is not accounted for in the Complainant's income approach because the requested value of $877,000 is well below the assessed value of the land.

[20] The Respondent presented a chart, Comparing Assessments on Cost to Sales Prices (Exhibit R-1, p.12), to demonstrate that the cost approach has resulted in accurate estimates of value for this type of property. The seven properties have an average ASSR of 0.99 and a median ASR of 0.92.

[21] The Respondent argued that gas stations have significant differences that affect value. For example, the Complainant's two gas station sales differ from the subject property as follows:

- The sale located at 9536 51 Avenue NW is a Husky gas bar/ carwash and convenience store. Husky owns all of the equipment including the fueling equipment. The Respondent stated that this property is not similar to the subject property because it has a carwash and it has not been established by the Complainant whether all of the equipment on the subject is owned by the assessed person, and

- the sale located at 8118 120 Avenue NW is a Husky gas bar and convenience store with two pump islands. The subject property has one pump island.

[22] The Respondent observed that only two of the Complainant's sales comparables used in the Assessment Cap Rate Analysis are stand- alone gas stations (Exhibit C-1, p.16). These comparables do not have capitalization rates because they are assessed on the cost approach.

[23] In summary, the Respondent requested the Board to confirm the assessment at $1,945,000.

Decision

[24] The property assessment is confirmed at $1,945,500.

Reasons for the Decision

[25] The Board agrees with the Complainant that most retail property transfers based upon the income approach. However, the Board finds that the cost approach is the appropriate method to assess the subject gas station because there is insufficient evidence of income and expense information for this type of property.

[26] The Board reviewed the Complainant's Assessment Cap Rate Analysis and finds that ten of the sale comparables are not similar properties because they are not gas stations. The remaining two sales do not have a capitalization rate because they are gas stations that are assessed using the cost approach.

[27] The Board reviewed the Complainant's sixteen lease comparables that are for convenience stores. The Complainant was unable to confirm if any of these comparables had a gas bar component.

[28] The Board also reviewed the Complainant's Assessment Lease Rate and Cap Rate Comparable Chart of twenty convenience store assessment comparables. Some of these comparables are gas bars and in the comment section of the chart, there are some references to rates that are paid. However, there is no supporting evidence to establish that the rates apply to the real estate.

[29] In the absence of any evidence to the contrary, the Board finds that the Respondent's cost approach to value results in a correct estimate of market value for the subject property.

[30] In conclusion, the assessment is confirmed.

Heard on October 30, 2013.
Dated this 27th day of November, 2013, at the City of Edmonton, Alberta.

Lynn Patrick, Presiding Officer

Appearances:

Jordan Nichol
for the Complainant

Tim Dueck
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.