

EDMONTON

Assessment Review Board

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NOTICE OF DECISION NO. 0098 113/12

Altus Group
780-10180 101 ST NW
EDMONTON, AB T5J 3S4

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 July 23, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3172392	8403 Coronet Road NW	Plan: 8720678 Block: 1 Lot: 4C	\$5,718,500	Annual New	2012

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: CANADIAN CAPITAL REALTY CORPORATION

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2012 ECARB 854

Assessment Roll Number: 3172392

Municipal Address: 8403 Coronet Road NW

Assessment Year: 2012

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Patricia Mowbrey, Presiding Officer

Lillian Lundgren, Board Member

Ron Funnell, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to the file.

Background

[2] The subject property, known as the Coronet Building, is a two storey office building located at 8403 Coronet Road with an assessed area of 31,370 sq ft constructed in 1980, and is located in the Coronet Addition Industrial subdivision of Edmonton.

Issue(s)

[3] Is the 2011 assessment of the subject property correct?

- a. Is the lease rate applied appropriate?
- b. Is the vacancy rate applied appropriate?
- c. Is the assessed area correct?

Legislation

[4] The Municipal Government Act reads:

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

[5] The position of the Complainant was that the subject property assessment of \$5,718,500 was incorrect due to an incorrect size of the building, an inappropriate lease rate and an inappropriate vacancy rate. The Complainant submitted evidence, C1, in support of that position.

[6] The Complainant submitted the correct size of the building was the 29,491sq ft, C1-page 16 & 17, which was the leasable area based on the rent roll information.

[7] The Complainant indicated that the subject property is a Class B building located in the South Side Area of Edmonton and indicated that the market lease rate for the subject at the valuation date of July 1, 2011, was \$12.50 per sq ft, significantly lower than the assessed rate of \$16.00 per sq ft.

[8] In support of the requested lease rate of \$12.50 per sq ft, the Complainant provided the actual renewal rates for two tenants in the subject property, C1-page 16-22. One tenant took occupancy as of August 1, 2010 at a net rental rate of \$11.00 per sq ft under a one year term. It renewed for an additional one year term at the same rate as of August 1, 2011. A second tenant signed a lease renewal agreement effective March 1, 2012, for a one year term at a lease rate of \$12.50 per sq. The Complainant suggested a lease rate of \$12.50 per sq ft was an indication of a market lease rate at the valuation date.

[9] The Complainant submitted that an appropriate vacancy rate for the subject was 10%, a rate considerably higher than the 7% applied in the assessment.

[10] The Complainant presented 4 third party reports of vacancy rates for the Class B Buildings in the South Side Area for the second quarter of 2011, C1-pages 24-54. The Complainant placed reliance on the statistics provided by Cushman and Wakefield which indicated a vacancy of 19.9%, and Altus Insight which reported a vacancy rate of 10.12% as of the valuation date. The complainant pointed out that 10.12% was the lowest vacancy rate of all the data submitted.

[11] The Complainant provided a Requested Market Proforma, C1-page 12, for the subject property which included the area of 29,491 sq ft, a lease rate of \$12.50 per sq ft and a vacancy rate of 10%, with all other factors remaining the same as in the Current Assessment Proforma, C1-page11, for a requested assessment of \$3,823,500.

Position Of The Respondent

[12] The position of the Respondent was that the subject property assessment of \$5,718,500 was incorrect due to an incorrect size of the building reflected in the assessment. The Respondent corrected the size from 31,370 sq ft to 29,491 sq ft which reduced the assessment accordingly to \$5,376,000. The reason for the change in size of the building was due to unfinished upper floor space. The Respondent recommended to the Board that the 2011 assessment be revised to \$5,376,000.

[13] The Respondent submitted evidence, R1, and that the lease rate and vacancy rate applied in the assessment of the subject was correct, fair and equitable.

[14] The Respondent clarified with the Complainant that the classification of the building, South Side Area Class B, was not an issue and that there was nothing unusual about the building. The Complainant agreed it was not.

[15] The Respondent emphasized that Mass Appraisal was the basis to determine the assessment for the subject property in accordance with legislative requirements and used typical market data gathered from property owners on the RFI's (Request For Information) sent out each year. The Respondent indicated the lease rate of \$16.00 per sq ft and the vacancy rate of 7% is reflective of the typical market data collected for the South Side Area Class B buildings and was applied in the assessment of the subject property.

[16] The Respondent provided a chart including 6 comparable lease rates, R1-page 33, effective between February 1 and June 1, 2011 with an average lease rate of \$16.00 per sq ft. The Respondent indicated that the one lease renewal in the subject property was not included as it was effective August 1, 2011 which was after the valuation date of July 1, 2011. The Respondent also presented 7 Altus Insight data sheets of comparable properties with asking lease rates which ranged from \$11.00 per sq ft to \$16 per sq ft.

[17] The Respondent referred to the *Sunlife Assurance Company Canada v. The City of Edmonton*, MGB BO 038/06, R1-page 37, which states that the Board found that for the purpose of mass appraisal, typical rental rates are to be used rather than the actual contract rents in place.

[18] The Respondent submitted in evidence, R1-page 27, the subject RFI (Request For Information) that is requested each year from the property owner. The RFI indicated the property was fully occupied at the date of the report, April 18, 2011.

[19] The Respondent submitted an equity comparable chart with the 40 office buildings located in the South Side Area Class B classification, R1-page 34, to indicate the lease rate of \$16.00 per sq ft and the vacancy rate of 7% was applied to each of the buildings and reflected fairness and equity.

Decision

[20] The Decision of the Board is to accept the Revised 2011 Assessment for the subject property of \$5,376,000.

Reasons For The Decision

[21] The Board reviewed and considered the evidence presented by the Complainant, C1, and Respondent, R1.

[22] The Board noted the Complainant presented two of the subject property's actual lease renewal rates, effective close to the valuation date, as a basis for the requested lease rate of \$12.50 per sq ft. The Complainant provided no market comparable lease rates to support the requested lease rate. It was also noted by the Board that the two subject lease renewals were effective after the valuation date of July 1, 2011.

[23] The Board understands that assessments must be prepared by Mass Appraisal methodology and must be in accordance with legislation and that typical market data is required to build an assessment base. The Board finds the Complainant has provided insufficient market data evidence to support the requested lease rate of \$12.50 per sq ft.

[24] The Board places greater weight on the Respondent's lease comparable chart with 6 leases effective from February to June 2011, with an average lease rate of \$16.00 per sq ft which supports the assessment lease rate of \$16.00 per sq ft.

[25] The Board refers to the *SunLife Assurance Company Canada v. The City of Edmonton*, MGB BO 038/06 where it was found by the MGB that "typical rates rather than actual contract rates are to be used for assessment purposes as there are various factors that influence the agreement to lease property between a lessor and a lessee, some of which may not be related to the realty at all". For this reason the request of the Complainant to apply an actual rent of \$12.50 per sq ft to the assessment must fail.

[26] The Board noted the Complainant's evidence of third party data reports regarding the vacancy rate were inconsistent within the same building as well, varied widely on the reported vacancy rates for the same period of time. For this reason the Board found the reports provided little support for the requested vacancy rate of 10%.

[27] The Board finds the revised 2011 assessment of \$5,376,000 for the subject is correct, fair and equitable.

Dissenting Opinion

[28] There was no dissenting opinion.

Heard commencing July 23, 2012.

Dated this 25th day of July, 2012, at the City of Edmonton, Alberta.

Patricia Mowbrey, Presiding Officer

Appearances:

Kerry Reimer

for the Complainant

Cameron Ashmore

John Ball

for the Respondent