



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 242/11

CVG
1200-10665 JASPER AVENUE
EDMONTON, AB T5J 3S9

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 October 17, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2717254	10630 124 Street NW	Plan: RN22 Block: 29 Lot: 16	\$715,000	Annual New	2011

Before:

Patricia Mowbrey, Presiding Officer
Jack Jones, Board Member
Jasbeer Singh, Board Member

Board Officer: Jason Morris

Persons Appearing on behalf of Complainant:

Tom Janzen, CVG

Persons Appearing on behalf of Respondent:

John Ball, Assessor, City of Edmonton

PROCEDURAL MATTERS

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

BACKGROUND

The subject property is a two-story office and retail property located at 10630 – 124 Street in the Westmount neighbourhood of Edmonton. The building consists of approximately 5,600 square feet on both floors on a lot of approximate 7,250 square feet. The property was assessed on the income capitalization approach, and the 2011 assessment was \$715,000.

ISSUE(S)

- 1) Is the 2011 assessment of the subject property at \$715,000 fair and equitable?
- 2) Is the lease rate utilized in the 2011 assessment fair and equitable?
- 3) Is the capitalization rate utilized in the 2011 assessment fair and equitable?
- 4) Is the leasable area utilized in the 2011 assessment correct?

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 presented evidence (C-1) and argument for the Board's review and consideration.

The Complainant noted that the 2011 assessment was prepared utilizing areas of 2,660 square feet and 2,520 square feet for the main and second floors respectively whereas the actual leasable area determined from the rent rolls was 2,570 and 2,385 square feet.

The Complainant presented the rent roll for the subject property (C-1, page 7) as well as three sales comparables (C-1, pages 8-10) to support a requested lease rate for the main floor of the subject property of \$13.50 per square foot.

The Complainant also requested a cap rate revision to 8.5% (C-1, page 2) based on the same three sales comparables.

The Complainant presented a time adjustment chart (C-1, page 11) to illustrate that commercial properties had decreased in value approximately 5% from June, 2009 to June, 2010 whereas the subject property's 2011 assessment has increased by 11% over the previous year.

The Complainant requested the 2011 assessment be reduced from \$715,000 to \$575,500.

POSITION OF THE RESPONDENT

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

The Respondent referenced the mass appraisal methodology (R-1, pages 4-15) utilized by the City of Edmonton to value properties in preparing the annual assessments.

The Respondent noted that the Complainant had not provided any evidence to support the requested revision to the subject property's leasable area.

The Respondent presented sales information and a sales review to support the 2011 assessment of the subject property. This sales review (R-1, page 24) included a sale of a similar property to the subject as well as an indicator of value. The sale comparable was \$248.00 per square foot and the indicator of value was \$144.70 per square foot compared to the assessed value of the subject property which is \$127.67 per square foot. The Respondent suggested that the market in the area of the subject property was unique and properties in this area were achieving higher sales prices than similar properties in other market areas.

The Respondent indicated that the 2011 assessment of the subject property (R-1, page 20) was derived by utilizing a main floor lease rate of \$16.00 per square foot along with a cap rate of 8%.

The Respondent also referenced a number of MGB and Court decisions in support of the method of valuation of the subject property.

The Respondent requested that the 2011 assessment of \$715,000 be confirmed as fair and equitable.

DECISION

The decision of the Board is to reduce the 2011 assessment of the subject property from \$715,000 to \$637,000.

Roll Number	Original Assessment	New Assessment
2717254	\$715,000	\$637,000

REASONS FOR THE DECISION

- 1) The Board reviewed and considered the evidence and argument presented by both parties at the hearing.

- 2) The subject property was assessed utilizing the income approach to valuation and the Complainant specifically challenged the lease rate, the cap rate and the leasable area utilized to derive the 2011 assessment.
- 3) The Respondent did not address either the lease rate or the cap rate in the evidence presented. The Board noted that the Respondent provided only sales data which did not include sufficient income information to support the lease and cap rates utilized in the 2011 assessment.
- 4) The Board placed little weight on the sales review (R-1, page 24) presented by the Respondent as the sale comparable was dissimilar to the subject property and the indicator of value was significantly post facto (April, 2011).
- 5) The Respondent outlined the method used to establish net leasable areas (R-1, page 14). The Board noted that the Complainant did not provide sufficient evidence to support the requested revision to the leasable area of the subject property.
- 6) The Board placed greatest weight on the Complainant's evidence for the lease rate, noting that the rent roll for the subject property was presented (C-1, page 7) and an actual lease rate in place was effective December, 2009 at \$13.74 per square foot. A second tenant's lease commenced February, 2010 at \$13.36 per square foot. The Board was compelled to give weight to these actual lease rates as no comparative lease rate information had been provided by the Respondent. The Respondent indicated that lease rates in the subject area had remained unchanged over the past year.
- 7) The Board finds that the lease rate of \$13.50 per square foot requested by the Complainant is fair and equitable.
- 8) The Board considered the sales data provided by the Complainant that supported a requested cap rate of 8.5%. The Board noted that the three sales presented to support the request were located in three different and diverse market areas which were further removed from the subject property.
- 9) The Board finds that the Complainant has not met the required burden of proof to question the validity of the cap rate utilized in the 2011 assessment.
- 10) In determining the revised assessment value of \$637,000 the Board utilized the pro-forma provided by the Respondent (R-1, page 20) with a revised main floor lease rate of \$13.50 per square foot.
- 11) The Board finds that the reduced 2011 assessment of \$637,000 for the subject property is fair and equitable.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 18th day of October, 2011, at the City of Edmonton, in the Province of Alberta.

Patricia Mowbrey, 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: APPLE CREEK INVESTMENTS LTD