



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 250/10

Canadian Valuation Group Ltd
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 September 22, 2010, respecting a complaint for:

Roll Number 3090073	Municipal Address 10665 Jasper Avenue NW	Legal Description Plan: 8620900 Block: 6 Lot: 60B
Assessed Value \$56,177,000	Assessment Type Annual New	Assessment Notice for: 2010

Before:

Ted Sadlowski, Presiding Officer
James Wall, Board Member
Judy Shewchuk, Board Member

Board Officer: Karin Lauderdale

Persons Appearing: Complainant
Peter Smith, CVG

Persons Appearing: Respondent
Kevin Smyl, Assessment Branch
Cam Ashmore, Law Branch

PRELIMINARY 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.

The Respondent raised a preliminary issue, requesting that all witnesses be required to take an oath or affirmation. The Board administered the oath to both witnesses.

The Respondent presented a recommendation in the brief. This recommendation was rejected by the Complainant.

ISSUE(S)

Are the typical rental rates and the typical vacancy rates fair and equitable?

BACKGROUND

This property is known as First Edmonton Place and is located in downtown Edmonton. The building comprises 210,942 square feet of office space, 8,595 square feet of commercial rental units (CRUs) and 3,700 square feet of restaurant space for a total area of 223, 237 square feet. In addition, there are 188 underground parking stalls.

LEGISLATION

The Municipal Government Act, R.S.A. 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 the Board with a 21 page evidence package. The complainant argued that rents for the subject type of office space began to drop at the beginning of 2009 and presented evidence to support his position from actual leases entered into on office space in the subject building. This evidence consisted of five leases entered into between January 1 and July 1, 2009 and which demonstrated a downward trend in rents.

In addition, the Complainant submitted third party information (C-1, pg 7) from CB Richard Ellis (first quarter 2010) which indicated lower asking rents in similar buildings.

The Complainant submitted actual vacancy information from the subject building and third party information (C-1, pg 8-11) from 4th quarter 2009 to support his opinion that while rental rates were dropping, vacancy rates were increasing.

Based on evidence and argument, the Complainant requested a reduction for the typical rental rate for office space in the subject property from \$19/square foot to \$16/square foot and an increase in the vacancy rate from 4% to 8%.

The Complainant requested a reduction of the assessment from \$56,177,000 to \$40,000,000.

POSITION OF THE RESPONDENT

The Respondent submitted an assessment brief of 152 pages (R-1). The Respondent drew the Board's attention to the fact that the City must use the mass appraisal method and cannot do site specific assessments. Accordingly the Respondent said that typical rates (R-1, pg 16) are used for all assessments and were appropriate here.

The Respondent reclassified the subject building from AL to BH. This reclassification resulted in a typical rental rate of \$19 per square foot for office space and a vacancy rate of 4% for office space and 5% for retail space. Applying these figures to the subject property the Respondent recommended that the 2010 assessment be reduced from \$56,177,000 to \$52,892,500.

The Respondent rejected the Complainant's position and argument as it was site specific information and evidence.

The Respondent agreed with the Complainant that the October 27, 2009 appraisal was not relevant as it was completed as replacement cost for insurance purposes.

DECISION

The decision of the Board is to reduce the 2010 annual assessment from \$56,177,000 to the recommended amount of \$52,892,500.

REASONS FOR THE DECISION

The complainant requested that the typical rental rate for the office portion of the subject property be reduced from \$19. /square foot to \$16. /square foot.

In 2009 there were five leases entered into in the subject property. Two were short term leases of less than a year in duration and the lease rates ranged from \$16. /square foot to \$20. /square foot. The remaining three were five year leases ranging from \$16. /square foot to \$19. /square foot. (C-1, pg1) Both sets of agreements support the typical rental rate of \$19. /square foot.

The Complainant did not provide any comparable data on rental rates and vacancy rates but did provide third party vacancy rates (C-1, pg 10). The vacancy data was for the period of January 2009 to December 2009. No data was supplied for the valuation date (July 1, 2009). The Board placed little weight on that information.

The Respondent submitted third party data on vacancy in the second quarter of 2009 (R-1, pg. 96). The data showed that the direct vacancy for the class B office buildings in the government and non-financial districts was 2.91% which was less than the typical vacancy rate used by the Respondent.

In addition, the Respondent supplied a list of BH class office buildings in the downtown area (R-1, pg 16). In 28 of the 33 buildings listed the typical rental rate was \$19/square foot and the vacancy rate was 4%, like the subject.

The Board finds the Complainant relied upon a limited number of current new leases and actual vacancy factors in the subject building. The Board was persuaded by the Respondent's choice of market rental rates and a stabilized vacancy rate.

This demonstrates that the assessment is equitable.

DISSENTING OPINIONS AND REASONS

There was no dissenting decision.

Dated this 22nd day of September, 2010, at the City of Edmonton, in the Province of Alberta.

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, R.S.A. 2000, c.M-26.

CC: Municipal Government Board
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