



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 253/11

743608 Alberta Ltd.
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Edmonton, AB T5J 2L4

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 11, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3227253	10703 109 Street NW	Plan: 3942MC Block: 8 Lot: 179	\$1,109,000	Annual New	2011

Before:

Hatem Naboulsi, Presiding Officer
Dale Doan, Board Member
George Zaharia, Board Member

Board Officer: Jason Morris

Persons Appearing on behalf of Complainant:

Kim Chu

Persons Appearing on behalf of Respondent:

John Ball, Assessor, City of Edmonton

PROCEDURAL MATTERS

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

PRELIMINARY MATTERS

There were no preliminary matters.

BACKGROUND

The subject property, built in 1962 and 22,770 square feet in size, is located at 10703 - 109 Street NW in the Central McDougall neighbourhood of central Edmonton. It is assessed as a two-storey neighbourhood shopping centre with basement located on an extremely busy intersection. It was assessed using the income approach to value, and the 2011 assessment is \$1,109,000.

ISSUE(S)

Does the 2011 assessment of the subject property properly reflect:

1. the high crime rate in the area,
2. the condition of the building that continues to be a long term expense, and
3. the unique layout of the subject where there is a 1/3 retail, 2/3 office space layout compared to the typical 50/50 split of retail and office space in comparable properties?

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

1. The Complainant stated that the subject property is located in an area that is experiencing high crime rates that has necessitated the installation of cameras and the employing of

security patrols to keep existing tenants and to attract new tenants (Exhibit C-1, page 1). To support this issue, the Complainant provided an Edmonton Police Service “Neighbourhood Crime Map” that identified a variety of crimes including break and enter, sexual assaults and theft that occurred in the neighbourhood between May 30, 2011 and August 28, 2011. A graph showing crime statistics was submitted that showed three years of reported crimes that ranged between a low of twenty-four and a high of approximately fifty-four on a monthly basis (Exhibit C-1, pages 4 & 5).

2. The Complainant argued that the condition of the building remains a long-term expense that has not been properly factored into the assessment, and included Income and Expense statements for the 12-month fiscal periods ending December 31, 2009 and December 31, 2010. These statements showed total maintenance and repair expenses as at December 31, 2009 of \$26,456.19 (Exhibit C-1, page 23), and as at December 31, 2010 of \$40,693.17 (Exhibit C-1, page 33). In response to a question, the Complainant stated that maintenance was performed on an as-need basis, citing repairs that had to be done to the heating system in the amount of \$40,000 and repairs to the air-conditioning system in the amount of \$15,000.
3. The Complainant considers the layout of the subject as being unique in that it is not a typical two storey building that would have retail space on the main floor and office space on the second floor. In the case of the subject, the space is 1/3 retail and 2/3 office. Although the Complainant acknowledges this position to be hypothetical, it is the Complainant’s opinion that this unique mix of retail and office space would affect the average rent rate/cap rate used in the income approach to value (Exhibit C-1, page 1).
4. The Complainant requested the Board to reduce the 2011 assessment from \$1,109,000 to \$985,000, but alternately to no more than the \$1,000,000 that was set in the 2009 appeal.

POSITION OF THE RESPONDENT

1. A site inspection of the subject property was conducted August 25, 2011. The subject is assessed in fair condition mainly due to deferred maintenance, and a failure to do periodic updates (Exhibit R-1, page 25).
2. The Respondent provided two detailed reports for the subject. The detailed report resulting in the current assessment of \$1,109,000 is shown at Exhibit R-1, page 26 wherein the main floor rent was set at \$10.75 per square foot, the second floor at \$5.50 per square foot and the basement rent at \$4.75 per square foot. The stabilized vacancy rates were set at 20%, 20% and 30% respectively, the structural repair at 3% and the cap rate at 9%. An alternate pro forma was provided at Exhibit R-1, page 24 wherein the rental rates for the main and second floors were the same at \$10.75 and \$5.50 per square foot as in the first detailed report but the rent rate for the basement was at \$5.50 per square foot that the Respondent stated to be the appropriate market rent. The vacancy rates varied from the first report where the main floor rate was 5%, the second floor was 25% and the basement was 20%. The structural allowance of 3% and the cap rate of 9% were maintained. This resulted in a higher value of \$1,282,503 which, the Respondent

argued better reflected the value of the subject, but clearly supported the 2011 assessment of \$1,109,000.

3. The Respondent stated that the condition of the subject property was reflected in the lower applied rental rates, the higher applied structural allowance, and the higher cap rate.
4. The Respondent submitted equity comparables of similar properties located near the subject. A significant difference was that the comparables were two-storey buildings without basements. The first comparable located two blocks east of the subject was rated in average condition, had main floor rents of \$14.25 per square foot and second floor rents of \$7.25 per square foot, a structural allowance of 2% and a cap rate of 8.5% (Exhibit R-1, page 63). The second comparable located just east of the subject was rated in average condition, had main floor rents of \$14.50 per square foot and second floor rents of \$7.25 per square foot, a structural allowance of 2% and a cap rate of 8.5% (Exhibit R-1, page 64). The third equity comparable located two blocks south of the subject was rated in fair condition as is the subject, had main floor rents of \$12.25 per square foot and second floor rents of \$7.00 per square foot, a structural allowance of 3% and a cap rate of 9% (Exhibit R-1, page 65). It is the Respondent's position that these equity comparables support the assessment of the subject property.
5. The Respondent requested the Board to confirm the 2011 assessment of the subject property at \$1,109,000.

DECISION

The decision of the Board is to confirm the 2011 assessment of the subject property at \$1,109,000.

REASONS FOR THE DECISION

1. Although the Board could empathize with the Complainant's security concerns regarding the crime rate in the area, the Board finds that the evidence presented does not justify the Board reducing the assessment due to security concerns.
2. Although the Complainant raised a concern about the additional costs of security, the only information in front of the Board was a new cost of \$2,601.91 for the twelve-month-period ending December 31, 2010. There was no evidence that this was an extra-ordinary expense not incurred by any other properties in the immediate area, and beyond.
3. Of the three equity comparables presented by the Respondent, the Board found the third most similar to the subject property since it was rated in the same "fair" condition and is also located on 109 street.
4. The Board was persuaded by the Respondent's position that the Complainant's concerns regarding security, condition of the property, and any rental limitations such as building

layout were reflected in the rental rates, structural allowance and the cap rate assigned to the subject. The third comparable, which is also assessed in fair condition and located on 109 Street, also shared the 9% cap rate with the subject, unlike the other two comparables which had a cap rate of 8.5%. The rental rates applied to the subject were also lower than the third comparable. The third comparable also had the lowest main floor rental rate of the three comparables presented.

5. The Board is persuaded based on the evidence and argument that the 2011 assessment at \$1,109,000 is fair and equitable.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 17th day of October, 2011, at the City of Edmonton, in the Province of Alberta.

Hatem Naboulsi, 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: