



## ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL  
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EDMONTON AB T5J 2R7  
(780) 496-5026 FAX (780) 496-8199

### NOTICE OF DECISION NO. 0098 292/10

CVG Canadian Valuation Group  
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 Assessment Review Board from a hearing held on October 20, 2010, respecting a complaint for:

<b>Roll Number</b> 1216571	<b>Municipal Address</b> 11010 101 Street NW	<b>Legal Description</b> Plan: 8222283 Block: 1 Lot: 319B
<b>Assessed Value</b> \$38,141,500	<b>Assessment Type</b> Annual - New	<b>Assessment Notice for:</b> 2010

#### Before:

Larry Loven, Presiding Officer  
Terri Mann, Board Member  
Brian Frost, Board Member

**Board Officer:**  
Karin Lauderdale

#### Persons Appearing: Complainant

Peter Smith, CVG

#### Persons Appearing: Respondent

Cameron Ashmore, Law Branch  
Kevin Smyl, Assessment & Taxation Branch  
Darren Davies, Assessment & Taxation Branch

#### PRELIMINARY MATTERS

1. 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.
2. Prior to the commencement of the hearing, the parties were sworn in.

## **BACKGROUND**

The property is known as Hys Centre and located in north-central Edmonton. It is a mixed use development consisting of a multi-family tower and an office tower. It was constructed in 1979 (R-1, p.70). The City of Edmonton has classified the office structure as a 118 “A” building.

## **ISSUE(S)**

The Complainant listed the following issues:

1. The assessment amount is incorrect.
2. The Potential Gross Rent estimated by the City is incorrect, and at least 10% lower income should be applied to this building.
3. The vacancy rate estimated by the City is lower than the actual vacancy rate and an analysis of vacancy statistics and actual vacancies in similar buildings indicates a vacancy rate of at least 10% should be applied.
4. The Gross Rent Multiplier estimated by the City is higher than the multipliers derived from sales of similar properties, and an analysis of these sales indicates a GRM of no more than 9.0 should be applied. In addition, the capitalized 2008 net operating income of the subject is less than the assessment amount.
5. The assessment amount is inequitable as the assessments of similar multi-family properties have lower 2010 assessments per suite than the subject property.
6. The lease rates estimated by the City for the office component of this property are greater than the typical or market rents, at least a 15% lower income should be applied to this property.
7. The capitalization rate used by the City is lower than the capitalization rates derived from sales of similar properties. An analysis of these sales indicates a higher capitalization rate of 9% should be applied for 2010 assessment.
8. The assessment amount is inequitable as the 2010 assessments of similar office buildings have lower 2010 assessments per square foot than the subject.
9. The percentage of space exempt from taxation shown on the assessment notice is less than the actual percentage of exempt space in the building.
10. Based on the revised values of the apartment and office components, the assessment classes shown on the assessment notice show too high a percentage applied to the non-residential component.

The Complainant provided evidence only on issues #1, #2, #6 and #9.

## **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 confirmed that only the office component is the subject of the Hearing.

The Complainant is of the position that the lease rate of \$19.00 applied to the office space, pursuant to the 118 “A” classification, is excessive. The Complainant submitted the 2009 actual rent roll (C-1, p. 6-9) from which a summary of renewed leases and new leases commencing in 2008 and 2009 (C-1, p. 2) was provided. The summary showed an average rent rate of \$17.20/sq.ft. The Complainant argued that the lease rate that should be applied to the office component of the subject property be \$18.00/sq.ft., based on the actual lease rates. The Complainant noted that, utilizing an \$17.50/sq.ft. lease rate and applying the 8% capitalization rate utilized by the City would result in a reduced assessment of \$30,808,000.

Alternatively, the Complainant is of the position that the subject building should be reclassified as a 118 “B” building, which would lower the lease rate utilized in the assessment to \$15.00/sq.ft.

## **POSITION OF THE RESPONDENT**

The Respondent stated that the appropriate market lease rate for this property is \$19.00/sq.ft. consistent with its 118 “A” classification. He provided third party market reports for Q4-2008 and Q1, Q2-2009 (R-1, p.74-82) showing suburban rent rates for 118 Avenue average asking rental rates of \$15.00/sq.ft. - \$18.00/sq.ft., with top rates and new product at \$22.00/sq.ft.

He further stated that only new leases on units 504 and 710, at \$20.00/sq.ft and \$18.00/sq.ft respectively (C-1, p.2), should be considered as being reflective of the market within the subject building. Lease renewals do not properly represent the market.

The Respondent argued that for assessment purposes and for the purpose of mass appraisal, typical rental rates are more appropriately relied upon than actual lease rates. Assessment is on a fee simple, not leased fee, interest.

The Respondent pointed out an error in the Complainant's summary. The renewal for unit 300 should be \$19.00/sq.ft, resulting in a change in the average of \$17.20/sq ft to \$17.70/sq.ft.

The Respondent noted that the leases for units 202 and 210, given in the Complainant's summary, both started in September of 2009 and were therefore post facto. However, at \$17.50/sq.ft, neither would affect the overall average.

The Respondent argued that the Complainant was precluded from introducing evidence on classification, pursuant to s. MRAC 9(1), as this was not an item that was identified on the complaint form.

The Respondent provided 3 equity comparables; all of which were suburban 118 "A" class office buildings (R-1, p.15). Two of these buildings are medical office buildings like the subject. The City applied a \$19.00/sq.ft lease rate to all of these comparables, resulting in a \$212.36/sq.ft assessed rate.

## **DECISION**

The decision of the Board is to reduce the assessment to \$36,820,500, based on an office component of \$31,844,000 (substituting \$18.00/sq.ft. for the \$19.00/sq.ft. the City used in its calculation in R-1, p.13) plus the residential component of \$4,976,500.

## **REASONS FOR THE DECISION**

The Board finds that the weighted average for the 2 new leases, units 504 and 710, is \$18.37/sq.ft.

The Board finds that the weighted average of the 10 new and renewed leases provided in the Complainant's summary is \$17.66/sq.ft.

The Board accepts the Complainant's argument that the market based lease rate for the office space of the subject property should \$18.00/sq.ft.

This is further supported by the third party report as being the high end of the average asking rental rates for the 2<sup>nd</sup> quarter of 2009 (R-1, p 82). The Board finds that the top rate and new product lease rate of \$22.00/sq.ft., referenced in the report, is not applicable because of the subject property year built date.

The Board finds that because the Complainant did not state classification as an issue on the complaint form, pursuant to section 9(1) of MRAC, the Board is precluded from hearing evidence on this matter.

The Board finds that the assessed rate of \$212.36/sq.ft. for the subject property includes the residential component, and therefore reduces the comparability of the subject property to the equity comparables provided by the Respondent.

## **DISSENTING OPINIONS AND REASONS**

There was no dissenting opinion.

Dated this 21<sup>st</sup> day of October, 2010, at the City of Edmonton, in the Province of Alberta.

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Presiding Officer

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cc:   Municipal Government Board  
      City of Edmonton, Law Branch  
      101 Street Properties Ltd.