



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
Phone: (780) 496-5026

NOTICE OF DECISION NO. 0098 413/11

Canadian Valuation Group (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 November 28, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3139904	10130 105 STREET NW	Plan: B2 Block: 5 Lots: 191 and 192	\$3,441,000	Annual New	2011

Before:

Robert Mowbrey, Presiding Officer
Brian Frost, Board Member
Lillian Lundgren, Board Member

Board Officer: Denis Beaudry

Persons Appearing on behalf of Complainant:

Tom Janzen, CVG

Persons Appearing on behalf of Respondent:

John Ball, Assessor, City of Edmonton

PRELIMINARY MATTERS

The Respondent recommended that the assessment for the property be reduced from \$3,441,000 to \$3,224,500.

The recommendation is based on:

- a correction to the size of the main floor, from 10,185 sq. ft. to 10,000 sq. ft,
- a reduction in the rent applied to the second floor, from \$13.00 per sq. ft. to \$10.00 per sq. ft.; and
- a reduction of the applied vacancy rate, from 20% to 5%, as a consequence of reviewing the rent pro forma.

The Complainant chose not to accept the reduction and requested that the hearing proceed.

BACKGROUND

The subject property is a quality 04 two-storey retail/office building comprising 20,000 sq. ft. plus a full basement, with an effective 1970 year built. It is situated on a 14,050 sq. ft. interior lot at 10130 105 Street in downtown Edmonton.

ISSUE(S)

Is the assessment too high as a result of:

- A. excessive applied rent to the main floor space,
- B. excessive applied rent to the second floor space, and
- C. excessive size parameters for each of the basement, main, and second floors.

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

Issue A

It is the Complainant's position that the appropriate rental rate for the main floor space is \$14.00 per sq. ft. This is in opposition to the rental rate of \$17.50 per sq. ft. utilized in the subject assessment.

In support, the Complainant presented eight 2011 comparables drawn from the City's assessment records (C-1, p. 2). The comparables, which are in close proximity to the subject property and are similar in design and use, reflect main floor rents ranging from \$10.50 to \$15.00 per sq. ft.

Issue B

It is the Complainant's position that the 2011 assessment comparables indicate that second floor rents were all applied at 50% of main floor rents. This suggests that the appropriate rental rate for the second floor space of the subject property is \$7.00 per sq. ft., as opposed to the rate of \$13.00 per sq. ft. (subsequently reduced by the Respondent to \$10.00) applied in the preparation of the assessment.

Issue C

It is the Complainant's position that the rent roll (C-1, pp. 6-7) indicates that the property is fully leased as to the main and second floors, and that the basement is essentially unrentable.

According to the rent roll, full utilization of the main floor results in 8,233 sq. ft. of the gross 10,000 sq. ft. being rentable, full utilization of the second floor results in 7,584 sq. ft. of the gross 10,000 sq. ft. being rentable, while only 780 sq. ft. of the basement is rentable.

As to the basement, the Complainant argues that it is of no practical use. The owner has only been able to lease two small offices (200 and 580 sq. ft., respectively) in the basement, for a total of 780 sq. ft., leaving 7,000 sq. ft. of vacant basement space (after allowing for the space utilized by the mechanical systems). The Complainant does not have issue with the \$1.50 per sq. ft. rate utilized by the City; however, he is of the opinion that this rate should be applied to 780 sq. ft. only, and that the balance of the basement space should be assessed as vacant.

Requested Assessment

In summation, it is the Complainant's position that the main floor, second floor, and basement should be assessed as follows: \$14.00 per sq. ft. for 8,233 sq. ft. of main floor space, \$7.00 per sq. ft. for 7,584 sq. ft. of second floor space, and \$1.50 per sq. ft. for 780 sq. ft. of basement space, for a total income of \$169,520. The application of a 5% vacancy allowance to this amount results in an effective gross income of \$161,044, to which the Complainant applies a structural allowance and vacant space operating costs consistent with the assessment, for a net operating income of \$153,078, which, when capitalized at 7.50% (per the assessment), results in a value of \$2,041,000.

Based on these calculations, the Complainant seeks an assessment in the amount of \$2,050,000.

POSITION OF THE RESPONDENT

The Respondent stated that the recommended reduced assessment of \$3,224,500 and its revised parameters would be the subject of his presentation.

Issue A

It is the Respondent's position that a lease rate of \$17.25 per sq. ft for the main floor is fully supported by five equity comparables (R-1, p. 25), which utilized rents ranging from \$17.00 to \$20.00 per sq. ft., reflective of the quality of tenancy and tenant improvements in the subject property.

Issue B

It is the Respondent's position that a lease rate of \$10.00 for the second floor is fully supported by five equity rent comparables (R-1, p. 25), which utilized rents ranging \$8.50 to \$12.75 per sq. ft., reflective of the quality of tenancy and tenant improvements in the subject property.

Issue C

The property was assessed using mass appraisal, which dictates that an assessment should recognize net main floor space at 95% of the gross floor area, and space other than the main floor -- in this case, second floor and basement space -- at 90% of the gross floor area.

Requested Assessment:

It is the Respondent's position that, on the basis of the revised 2011 Assessment Summary (R-1, pg 3), the assessment for the subject property should be reduced to \$3,224,500.

DECISION

It is the Board's decision that the assessment be reduced to \$2,506,500.

REASONS FOR THE DECISION

The Board considered the evidence as provided by both parties.

Issue A

The Complainant provided evidence from the City's own assessment records of eight other comparable properties and the rents utilized in their assessments. The Board noted that the comparables were all similar and in close proximity to the subject property. Although there were variances in percentage of basement to main floor or upper floor size and/or use, all showed similar main floor retail use, with rents supportive of a \$14.00 per sq. ft. lease rate.

The Board noted that of the Respondent's five lease rate comparables, only Comparable 1 was in close proximity to the subject, although in a superior corner location and with a partial second floor. The other comparables had higher quality ratings and/or were in a different market area. All were in superior high-visibility locations.

The Board therefore accepts the Complainant's argument that the main floor lease rate should be \$14.00 per sq. ft.

Issue B

The Board again visited the comparables presented by both Complainant and Respondent.

The Board noted that, with only one exception in each set of comparables, second floor rent as applied in other assessments was established at 50% of the main floor rent. In those two exceptions, it was 62% in the Complainant's comparable 5 (residential space to which a sq. ft. rate had inexplicably been applied) and 75% in the Respondent's comparable 1 (for what appeared to be a partial purpose built two storey office annex). The Board accepted the Complainant's argument that the second floor lease rate should be 50% of the main floor lease rate, or \$7.00 per sq. ft.

Issue C

The Board acknowledged the Complainant's position that the rent roll reflected significantly lesser space utilization than that utilized in the subject assessment. The Board was also mindful that mass appraisal can sometimes dictate ratios that do not reflect an actual situation. However, the Board is of the opinion that the Complainant failed to provide sufficient evidence to suggest any ratios other than those dictated by mass appraisal should be utilized in the assessment.

The Board was particularly mindful of the Complainant's position with regards to the approximately 7,780 sq. ft. of available basement space (net of mechanical requirements); however, in the end, the Board determined that the Respondent's use of a minimal \$1.50 per sq. ft. lease rate and a 20% vacancy factor was a fair compromise.

The Board then revisited the Respondent's 2011 Retail Plaza Assessment Summary (R-1, p. 3). The Board substituted the main and second floor lease rates of \$17.25 and \$10.00 per sq. ft with \$14.00 and \$7.00 per sq. ft., respectively. After correcting the structural adjustment to reflect the change in the total effective gross income, the resultant net operating income was reduced from \$241,454.00 to \$187,972.50, and the total building value was reduced from \$3,224,722 to \$2,506,300, rounded to \$2,506,500.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 15th day of December, 2011, at the City of Edmonton, in the Province of Alberta.

Robert 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: M B R HOLDINGS LTD.