

NOTICE OF DECISION NO. 0098 45/12

Canadian Valuation Group
1200-10665 Jasper Avenue NW
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 July 4, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
8954687	9303 34 Avenue NW	Plan: 7821552 Block: 5 Lot: 9	\$3,535,000	Annual New	2012

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: PARSONS VILLAGE COMMERCIAL CENTRE LTD

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 002296

Assessment Roll Number: 8954687
Municipal Address: 9303 34 Avenue NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

Canadian Valuation Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Patricia Mowbrey, Presiding Officer
Brian Frost, Board Member
Reg Pointe, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties stated no objection to the composition of the Board. The Board members stated that they had no bias with regard to this file.

Background

[2] The subject property is a 25,630 square foot average quality multi-tenant retail/office building. It is situated on a 50,187 square foot lot in the Parsons Industrial subdivision in South Edmonton and is municipally described as 9303 – 34 Avenue NW. The subject property was built in 1981, has an effective age of 1991, and is assessed at \$3,535,000.

Issues

[3] Is the 2012 assessment of the subject property correct?

- a) Is the vacancy allowance appropriate?
- b) Is the capitalization rate appropriate?

Legislation

[4] The *Municipal Government Act* reads:

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

[5] The position of the Complainant is that the assessment is incorrect because the City has applied an inappropriate vacancy rate to the second floor space. The Complainant stated that the City has also applied an inappropriate capitalization rate.

[6] The Complainant stated that the subject has a second floor which has been occupied by a single tenant under a series of one-year leases since June 1, 2008. It was vacated May 31, 2011 and has remained so since then. The Complainant argued that the City's 5% vacancy allowance for the second floor space does not adequately reflect the long term vacancy in the building. In view of this, the Complainant requests that a vacancy allowance of 15% be applied to the second floor.

[7] The Complainant stated that the inability to lease the second floor space for longer than one year at a time reflects the inability to place a long term tenant and suggests an instability which has not been recognized in the assessment.

[8] The Complainant presented seven sales comparables (exhibit C-1, pg 2) ranging from 10,200 to 88,820 square feet and demonstrating capitalization rates ranging from 7.45% to 8.88%. Considering their similarities to the subject in age, condition and location, the Complainant suggested sale number 6 with a capitalization rate of 8.88% and sale number 7 with a capitalization rate of 8.17% to be the best indications of an appropriate capitalization rate of 8.5%.

[9] The Complainant requested a reduced assessment of \$3,163,500.

Position of the Respondent

[10] The position of the Respondent is that the vacancy occurred one month before the valuation date and therefore it does not demonstrate long term or "chronic" vacancy. The

Respondent presented evidence showing the lease expiry date of May 31, 2011 (exhibit R-1 pg 41), whereas the valuation date was July 1, 2011.

[11] The Respondent provided six equity comparables (R-1, pg 10 and 11) demonstrating capitalization rates for retail properties on 34th Avenue. All comparables showed capitalization rates of 8%. This is consistent with the capitalization rates used for similar properties throughout the area as determined by the model.

[12] The Respondent reviewed the Complainant's sales comparables that indicated capitalization rates (exhibit R-1, pg 15) and agreed with the Complainant that sale numbers 6 and 7 were the best comparables in relation to age and size. The Respondent, however, added that the data for sale number 6 failed to recognize a vacancy factor and operating costs. If these were included, the capitalization rate for sale number 6 would be 8.2%.

Decision

[13] It is the decision of the Board to confirm the 2012 assessment of \$3,535,000.

Reasons for the Decision

[14] The Board reviewed and considered the Complainant's evidence (C-1) and the Respondent's evidence (R-1).

[15] With regard to the issue of vacancy, the Board is of the opinion that a vacancy factor of 5% is appropriate as the second floor of the subject property was vacated on May 31, 2011 and the assessment valuation date was July 1, 2011. Therefore the second floor space had been vacant for only one month, which does not indicate a chronic vacancy situation.

[16] With regard to the issue of the capitalization rate, the Board notes that the Complainant and the Respondent were in agreement that sale numbers 6 and 7 were the best comparables presented by the complainant in C-1, pg 2. The Board considered the Respondent's position that sales number 6 required a recalculation which resulted in a revised indicated capitalization rate of 8.20%.

[17] The Board concludes that the revised capitalization rate of 8.2% for sale number 6 and the indicated capitalization rate of 8.17% for sale number 7 support the 8.0% capitalization rate in the assessment.

[18] The Board finds the 2012 assessment of \$3,535,000 to be a correct, fair and equitable assessment.

Dissenting Opinion

[19] There was no dissenting opinion.

Heard commencing July 4, 2012.

Dated this 5th day of July, 2012, at the City of Edmonton, Alberta.

Patricia Mowbrey, Presiding Officer

Appearances:

Tom Janzen, Canadian Valuation Group
for the Complainant

Chris Rumsey, Assessor, City of Edmonton
Ryan Heit, Assessor, City of Edmonton
for the Respondent