



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 460/11

ALTUS GROUP
17327 106A Avenue
EDMONTON, AB T5S 1M7

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 December 7, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2032712	9102 142 Street NW	Plan: 947RS Block: 1 Lot: 26	\$3,211,500	Annual New	2011

Before:

Ted Sadlowski, Presiding Officer
Dale Doan, Board Member
George Zaharia, Board Member

Board Officer: Jason Morris

Persons Appearing on behalf of Complainant:

John Trelford, Altus Group

Persons Appearing on behalf of Respondent:

John Ball, Assessor, City of Edmonton

PRELIMINARY MATTERS

There were no preliminary matters raised with regard to this file.

PROCEDURAL MATTERS

The Board Members indicated that they had no bias with regard to the matter. The Parties indicated that they had no objection to the composition of the Board.

BACKGROUND

The subject property is a stand-alone bank built in 1997 and located in the Parkview Subdivision, with a municipal address of 9102 – 142 Street NW. The land size of the property is approximately 34,500 square feet, with an assessed building area of approximately 6,500 square feet. The 2011 assessment of the subject property is \$3,211,500.

ISSUE(S)

1. Is the \$40 lease rate applied to the subject property too high?
2. Is the \$6 per square foot vacancy shortfall too low?
3. Is the 7.5% capitalization rate applied to the subject too low?

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 provided twelve market lease rate comparables between January 1, 2007 and November 1, 2010 ranging from \$15.00 to \$36.00 per square foot. These leases resulted in an average of \$27.25 per square foot and in a median of \$27.50 per square foot (Exhibit C-1, page 14).
2. The Complainant provided eleven assessment lease rate comparables ranging from \$25.00 to \$30.00 per square foot. These assessment lease rates resulted in a median of \$30.00 per square foot (Exhibit C-1, page 15).

3. The position of the Complainant is that the 7.5% capitalization rate applied to the subject property is too low and should be raised to 8.0%. In support of this position, the Complainant provided eleven assessment capitalization rates for bank main, CRU Bank and CRU Bank Pad space showing cap rates at 7.5%, 8.0% and 8.5% (Exhibit C-1, page 16).
4. The Complainant submitted rebuttal that included four additional capitalization rate comparables, all showing a cap rate of 8.0% (Exhibit C-2, pages 2-5).
5. The Complainant argued that the \$6 per square foot vacancy shortfall was too low and should be increased to \$7 per square foot. In support of this position, the Complainant provided five CRU vacancy shortfall comparables ranging from \$7 to \$25 resulting in an average of \$11.80 per square foot (Exhibit C-1, page 15).
6. The Complainant requested the Board to reduce the 2011 assessment from \$3,211,500 to \$2,248,000 based on a lease rate of \$30 per square foot, a vacancy shortfall of \$7 per square foot, and a capitalization rate of 8% (Exhibit C-1, page 11).

POSITION OF THE RESPONDENT

1. The Respondent provided twenty-six actual bank lease rates from January, 1998 to January, 2010 ranging from \$21.00 to \$55.00 per square foot. These bank lease rates resulted in an average of \$40.28 per square foot (Exhibit R-1, page 24).
2. The Respondent provided ten bank equity comparables all assessed at \$40 per square foot (Exhibit R-1, page 26).
3. The Respondent argued “that the capitalization rates advanced by the Complainant are located on multiple structure properties that attract different investors. Plazas and Shopping Centres are subject to more tenant movement and lower quality structures than a singly demised financial institution. The recapture of the depreciation component must be faster in the multiple structure types, thus cap rates must be increased to facilitate that recapture.” (Exhibit R-1, page 23)
4. The Respondent requested the Board to confirm the 2011 assessment at \$3,211,500.

DECISION

The decision of the Board is to reduce the 2011 assessment from \$3,211,500 to \$2,807,000.

Roll Number	Original Assessment	New Assessment
2032712	\$3,211,500	\$2,807,000

REASONS FOR THE DECISION

1. The Board placed greater weight on the actual bank rents provided by the Respondent since all the comparables were stand-alone banks as is the subject. However, the Board considered the last five comparables to be inappropriate since four of the five comparables were for banks in new neighbourhoods and built in 2009, while the fifth was for a bank in a less desirable neighbourhood compared to the subject. The average lease rate of the remaining comparables was \$36.93 per square foot, prompting the Board to apply a \$35 lease rate to the subject. By applying the \$35 lease rate to the City's assessed space of 6,521 square feet results in a value of \$2,807,000.
2. The Board placed less weight on the capitalization rate comparables provided by the Complainant since none of the comparables were stand-alone banks as is the subject. The Board placed greater weight on the Respondent's position that plaza and shopping centres are subject to more tenant movement, and are lower quality structures than singly demised financial institutions, resulting in plaza and shopping centre space having higher capitalization rates.
3. The Board was not persuaded by the four capitalization rate comparables provided by the Complainant in Exhibit C-2. Three of the four comparables were located in multi-tenant centres with only one being a stand-alone bank as is the subject. However, the Board noted that the lease rate applied to all the four comparables was \$40 per square foot, the same as the Respondent had applied to the subject property for the 2011 assessment, and \$10 per square foot greater than the \$30 per square foot lease rate requested by the Complainant.
4. The Board was not persuaded by the Complainant's argument that the vacancy shortfall should be increased from \$6 to \$7 per square foot. None of the comparables provided were for stand-alone banks. Of the five comparables, one was at \$25 per square foot, over four times more than the subject, and one was \$13 per square foot, over two times more than the subject, putting in question the validity of the comparables.
5. The Board is persuaded that a reduced 2011 assessment at \$2,807,000 is fair and equitable.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 20th day of December, 2011, at the City of Edmonton, in the Province of Alberta.

Ted Sadlowski, 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: TIM TURPLE HOLDINGS INC