



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 461/11

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: |
|-------------|---------------------------|--------------------------|----------------|-----------------|------------------------|
| 1449602 | 15420 Stony Plain Road NW | Plan: 2111S Block: 20 | \$2,507,000 | 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

PROCEDURAL MATTERS

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

BACKGROUND

The subject property is a gas station with unrelated retail located at municipal address 15420 Stony Plain Road NW. The improvements on the site have been built in different years starting in 1951 and ending in 2002. The land size of the property is approximately 47,400 square feet, with an assessed building area of approximately 13,900 square feet comprised of a retail store, a convenience store, and gas station. The 2011 assessment of the subject property is \$2,507,000.

ISSUE(S)

1. Is the rental rate of \$15.25 per square foot for main floor space and \$7.50 per square foot for basement space applied to the retail space too high?
2. Is the 7.5% capitalization rate applied to the subject property 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 position of the Complainant is that the \$15.25 per square foot rental rate applied to the main floor of the retail space of the subject property is too high and is requesting that the rate be reduced to \$10.50 per square foot. To support this position, the Complainant provided:
 - a. the rent roll for the subject property that shows the rent for this retail space for a lease period commencing April 1, 2010 and expiring March 31, 2020 is \$10.50 per square foot (Exhibit C-1, page 19).
 - b. Market lease rate comparables for three retail spaces, two within the same complex, showing an average lease rate of \$12.67 per square foot and a median of \$12.50 per square foot (Exhibit C-1, page 20).

2. The Complainant further argues that the \$7.50 per square foot rental rate applied to the basement of the retail space should be reduced to zero since it can only be accessed from within the main floor space, and has no exterior access.
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 8.5% (Exhibit C-1, page 10). In support of this request, the Complainant provided a capitalization rate comparables chart that showed cap rates ranging from 8.0% to 9.0% (Exhibit C-1, page 21).
4. The Complainant does not disagree with the \$25.85 per square foot rental rate applied to the convenience store space, the canopy value of \$63,921, and service station equipment value of \$175,203 (Exhibit C-1, page 15).
5. By applying a rental rate of \$10.50 per square foot to the main floor of the retail space, a zero rate to the basement of the retail space and a capitalization rate of 8.5%, results in a total requested value for the subject property in the amount of \$1,737,000 (Exhibit C-1, page 15).

POSITION OF THE RESPONDENT

1. The Respondent advised the Board at the commencement of the hearing that a recommendation without prejudice in the amount of \$2,120,000 had been made to the Complainant but that it had not been accepted.
2. The basis of the recommendation was as a result of two changes:
 - a. that the rental rate for the basement space in the retail area be reduced from \$7.50 per square foot to \$1.50 per square foot. The Respondent provided the following rationale for this change, stating *"This recommendation reflects that the basement of the structure #1 is only suitable for storage and has had the interior finish removed. The rental is therefore reduced to \$1.50 sq ft as are most other unfinished storage areas."* (Exhibit R-1, page 5)
 - b. that the capitalization rate be increased from 7.5% to 8.0% for both buildings on the subject property (Exhibit R-1, page 5).
3. The Respondent stated that there is direct access from outside to the basement space in the retail building of the subject.
4. The Respondent provided land title certificates covering the sale of the subject property May 15, 2006 in the amount of \$2,193,500 (Exhibit R-1, pages 36 and 37). By applying a time adjustment factor of 1.4546 to the 2006 sale price, the time adjusted value as at valuation date would be \$3,190,600 (Exhibit R-1, page 5).
5. Using the cost approach, the Respondent stated that the value of the subject property would be \$2,667,000, comprised of land value in the amount of \$1,924,376 and improvements in the amount of \$742,732 (Exhibit R-1, page 38). However, based on the

recommended value made by the Respondent, using a land value of \$1,924,376 would leave a value of only \$195,624 for the improvements on the property, which the Respondent considered way too low.

6. The Respondent requested that the Board not assign a value lesser than what had been recommended for the subject in the amount of \$2,120,000.

DECISION

The decision of the Board is to reduce the 2011 assessment from the original value of \$2,507,000 to \$1,940,000.

| Roll Number | Original Assessment | New Assessment |
|-------------|---------------------|----------------|
| 1449602 | \$2,507,000 | \$1,940,000 |

REASONS FOR THE DECISION

1. The Board accepted the Respondent's position of lowering the rental rate for the basement space from \$7.50 to \$1.50 per square foot since the basement finish had been removed. The Board did not accept the Complainant's position that the basement space should be valued at zero. The Respondent was able to prove that there was access to the basement space directly from the outside.
2. The Board accepted the Respondent's position of raising the capitalization rate from 7.5% to 8.0%. In the opinion of the Board, the higher capitalization rate better reflected the retail improvement with a basement that had been gutted, and the uniqueness of the property.
3. The Board placed less weight on the Complainant's capitalization rate comparables since none of them had a gas station. Having a gas station on the site made the subject property unique, a fact agreed to by both parties.
4. The Complainant had provided the current rental rate for the retail space at \$10.50 per square foot, and also provided three comparable rental rates for retail space in other properties. The median rate for these comparables was \$12.50 per square foot, and in absence of any comparables by the Respondent to support the \$15.25 per square foot rate, the Board applied a rental rate of \$12.50 per square foot to the main floor retail space.
5. The Board was not persuaded that the sale of the subject property in 2006 had any bearing on the assessed value of the subject as at July 1, 2010, for two reasons:
 - a. there was no evidence provided to indicate what the rental rates were for the subject property at the time of sale in 2006, and

- b. although the Respondent suggested that the 2006 sale would carry a time adjusted factor of 1.4546 resulting in a value of \$3,190,600, the Respondent had recommended that the 2011 assessment be reduced to \$2,120,000, suggesting that the time adjusted value of \$3,190,600 was too high.
6. Although the Respondent suggested that by using the cost approach, the land value only for the subject property would be \$1,924,376, no evidence was provided to support this value.
7. The Board is persuaded that a reduced assessed value of the subject property at \$1,940,000 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: STONY PLAIN ROAD (154ST) INVESTMENTS INC