



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 586/11

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 12, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3778123	6150 28 Avenue NW	Plan: 9122777 Block: 4 Lot: 6A	\$2,369,000	Annual New	2011

Before:

Dean Sanduga, Presiding Officer
Petra Hagemann, Board Member
Taras Luciw, Board Member

Board Officer: Jason Morris

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group

Persons Appearing on behalf of Respondent:

Bartosz Jarocki, Assessor, City of Edmonton
Ryan Heit, Assessor, City of Edmonton

PROCEDURAL MATTERS

The Board Members indicated that they had no bias with regard to the matter before them. The parties indicated they had no objection to the composition of the board.

BACKGROUND

The subject property is a retail bank located at municipal address 6150 28 Avenue NW in the Tawa neighbourhood of southeast Edmonton. The property is a single building of approximately 6,200 square feet on the main floor and approximately 2,200 in the basement area, on a lot of approximately 28,800 square feet. The property was assessed on the income approach, and the 2011 assessment is \$2,369,000.

ISSUE(S)

There were numerous issues listed in exhibit C-1, pg 3, however only the following issues were addressed during the hearing:

1. Is the rental rate too high?
2. Is the basement rental rate too high?
3. Is the capitalization rate correct at 7.5%?

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

The Complainant submitted written evidence in the form of an appeal brief containing 39 pages that was entered as exhibit C-1.

The Complainant provided seven market lease rate (rent) comparables of banks in north Edmonton. These ranged from \$21.00 to \$32.00 per square foot (C-1, page 17). The average rents were \$28.86 and the median was \$28.00 per square foot compared to the subject's rent at \$30.00 per square foot.

The Complainant requested the assessment lease rate for the basement space to be reduced to \$0.00 per square foot (C-1, page 14). The subject is being assessed for basement space at \$4.50 per square foot.

The third issue, the capitalization rate, was addressed by the Complainant by providing 13 capitalization rate equity comparisons all located in southeast Edmonton in close proximity to the subject property. The capitalization rates ranged from 8% to 9% (C-1, page 18). The Complainant requested an increase in the capitalization from 7.5% to 8.5%.

A Market Value Proforma was included (C-1, page 14) wherein the reduced main floor rental income of \$28.00 per square, a \$0.00 basement rental income and a change in cap rate to 8.5% was applied. This resulted in a new value of \$1,873,182. The Complainant requested a reduction of the 2011 assessment to \$1,873,000.

POSITION OF THE RESPONDENT

At the outset of the Respondent's presentation, the Respondent made a recommendation that the capitalization rate in the assessment should have been set at 8% in accordance with the rest of the subject property's development, resulting in a revised assessment of \$2,225,500. The Respondent argued, however, that the rental rates applied to the property are appropriate.

The Respondent presented written evidence (R-1) and argument for the Board's review and consideration. An Income Detail Report was submitted (R-1, page 19) wherein main floor rent of \$30.00 per square foot and basement non-storage rent of \$4.50 per square foot, together with a capitalization rate of 7.5%, were shown as the basis for the current assessment of \$2,369,000.

The Respondent provided Comparable Equity Rents and Capitalization Rates for Retail Properties for eight comparable properties (R-1, page 25). All eight properties are occupied by banks, and two were shown to have capitalization rates of 7% and the remainder have capitalization rates of 7.5% similar to the subject. Seven of the properties are assessed at \$30.00 per square foot for main floor area and four have basement areas and are assessed at \$4.50 per square foot. The fourth property is newer, constructed in 1997, is assessed at \$40.00 per square foot and does not have a basement. The Respondent stated that all similar properties built after 1995 are assessed at \$40.00 per square foot whereas older properties are assessed at \$30.00 per square foot.

The rental rates and the revised capitalization rate presented by the Respondent support the subject's assessment. The Respondent requested that the Board accept the revised 2011 assessment in the amount of \$2,220,500.

DECISION

The decision of the Board is to accept the Respondent's recommendation to reduce the 2011 assessment to \$2,220,500.

REASONS FOR THE DECISION

Issue #1, Rental rates

The Board examined the seven market lease rate comparables provided by the Complainant (C-1, page 17). These comparables were all banks, however not in close proximity to the subject.

Comparable 1-4 are dissimilar to the subject property as they are not free standing properties. Their average rental rate is \$25.00 per square foot. Comparable 5,6 and 7 are free standing similar to the subject and have an average rental rate of \$29.33 per square foot. This supports the \$30.00 rent applied to the assessment of the subject.

The Board was persuaded by the Respondent's Actual Bank Rents chart (R-1, page 34) indicating an actual rental range from \$25.00 per square foot to \$34.00 per square foot, with an average of \$29.25 per square foot, supporting a typical rent of \$30.00 per square foot. The Respondent further provided the Board with eight Equity Rent comparables (R-1, page 25). Comparable 4, built in 1997, assessed at \$40.00 per square foot, supports the Respondent's comments that all banks built after 1995 are assessed at a rate of \$40.00 per square foot whereas banks built prior to 1995 receive a typical rental rate assessment of \$30.00 per square foot. The remaining comparables were assessed at \$30.00 per square foot suggesting the rental rate of \$30.00 for the subject is fair and equitable.

Issue #2, Basement Rental Rates

The Board was persuaded by the Respondent's comparables (R-1, page 25) indicating that any banks that have basements space are assessed at a rate of \$4.50 per square foot. The Board is of the opinion this basement rental rate is fair and equitable.

Issue #3, Capitalization Rate

The Board agrees with and accepts the Respondent's recommendation to revise the capitalization rate from 7.5% to 8%.

DISSENTING OPINION AND REASONS

None

Dated this 21st day of December, 2011, at the City of Edmonton, in the Province of Alberta.

Dean Sanduga, 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: CANADIAN IMPERIAL BANK OF COMMERCE