



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 590/11

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:
8778151	8140 82 Avenue NW	Plan: 70NY Block: 34 Lot: 1	\$1,180,000	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 that they had no objection to the composition of the Board.

BACKGROUND

The subject property is a retail bank located at municipal address 8140 82 Avenue NW in the Idylwylde neighbourhood in the City of Edmonton. The property is a single building of 2,964 square feet, main floor only, on a lot of 14,382 square feet. The property was assessed on the income approach, and the 2011 assessment is \$1,180,000.

ISSUE(S)

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

1. Rental rate is too high.
2. Basement rental rate is too high.
3. Capitalization rate is 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

The Complainant submitted written evidence in the form of an appeal brief containing 37 pages that was entered as exhibit C-1.

The Complainant provided four market lease rate (rent) comparables, on four bank locations, that ranged from \$24 to \$32 per square foot (C-1, page 16). The average rents were \$27.13 and the median was \$26.25 per square foot compared to the subject's rent at \$30.00 per square foot.

Assessment lease rate comparables for basement space in seven properties was also provided, with five properties being assessed a rental rate of \$1 per square foot, one at \$2 per square foot and one at \$5 per square foot (C-1, page 17). The majority of these are substantially lower than the subject's \$4.50 per square foot.

The third issue, the capitalization rate, was addressed by the Complainant by providing 33 capitalization rate equity comparisons, ten of which are bank locations. One of the properties, located at 7915-104 Street, contained a dated lease and the Complainant requested the Board not consider this comparable. The capitalization rates ranged from a low of 7.75% to 9.00% (C-1, page 18). The Complainant requested an increase in the capitalization from 7.50% to 8%.

A Market Value Proforma was included (C-1, page 13) wherein the reduced main floor rental income of \$26.25 per square, a \$0.00 basement rental income and a change in cap rate to 8% was applied. This resulted in a new value of \$895,267. The Complainant requested a reduction of the 2011 assessment to \$895,000.

POSITION OF THE RESPONDENT

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 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 \$1,180,000.

The Respondent provided Comparable Equity Rents and Capitalization Rates for Retail Properties for eight comparable properties (R-1, page 29). Six of the eight properties are located on 82 Avenue as is the subject, while two are on Jasper Avenue, west of the downtown core. All eight properties are occupied by banks. All the properties on 82 Avenue were shown to have capitalization rates of 7.00% and the two Jasper Avenue locations have rates of 7.50% similar to the subject's capitalization rate of 7.50%. Seven of the properties are assessed at \$30.00 per square foot and have basement areas assessed at \$4.50 per square foot. The eighth 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 capitalization rates presented support the subject's current assessment and the Respondent requested that the 2011 assessment in the amount of \$1,180,000 be confirmed.

DECISION

The decision of the Board is to reduce the 2011 assessment of the subject property from \$1,180,000 to \$1,106,000.

REASONS FOR THE DECISION

Issue #1, Rental rates

The Board examined the 4 market lease rate comparables provided by the Complainant (C-1, page 16). These comparables were not in close proximity to the subject and no additional information was provided by the Complainant to allow the Board to determine comparability.

Comparable # 3 located at 12222-137 Ave, a major roadway similar to the subject is also a free standing bank and supports the assessment.

The Board was persuaded by the Respondent's Actual Bank Rents chart (R-1, page 38) 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 8 Equity Rent comparables (R-1, page 29). Comparables 1 - 6 were similar to the subject in size and location, all being located on 82 Avenue in close proximity to the subject. Comparable #1, 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. Comparables 2-6 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 29) indicating that the banks on 82 Avenue (except comparable #1 which has no basement) have basements assessed at a rate of \$4.50 per square foot. The Board is of the opinion this rate is fair and equitable.

Issue #3, Capitalization Rate

The Board examined the Capitalization Rate Equity comparison (C-1, page 18) particularly noting the comparable bank properties assessed at rates ranging from 7.5% to 9.0%.

The Board however placed more weight on comparables 1 - 6 provided by the Respondent (R-1, pg 29). When examining the Income Detail Reports (R-1, page 30-37) the Board noticed the cap rates for comparables 1=8%, 2=7.5%, 3=8%, 4=8%, 5=7.5% and 6=8% which average 7.83%.

The Board is of the opinion that a revised capitalization rate of 8% is fair and equitable when comparing the subject to the banks located on 82 Avenue.

DISSENTING OPINION AND REASONS

None

Dated this 4th day of January, 2012, 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: CANADA TRUSTCO MORTGAGE COMPANY