



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 591/11

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 13, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
8992158	5035 Gateway Boulevard NW	Plan: 5109KS Lot: B	\$1,657,000	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:

Ryan Heit, Assessor, City of Edmonton

PROCEDURAL MATTERS

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

PRELIMINARY ISSUE

At the outset of the hearing, the Respondent made a recommendation to reduce the subject property's 2011 assessment from \$1,657,000 to \$1,553,500 based on an increase in the capitalization rate from 7.50% to 8.00%. The recommendation was not accepted by the Complainant.

BACKGROUND

The subject property consists of a restaurant and an office building located at municipal address 5035 Gateway Boulevard NW in the Calgary Trail North neighbourhood of south Edmonton. The restaurant is 2,010 square feet on the main floor. The office building has 3,515 square feet on the main floor and 2,198 square feet on the second floor. The buildings are located on a lot of approximately 31,400 square feet. The property was assessed on the income capitalization approach, and the 2011 assessment is \$1,657,000.

ISSUE(S)

There were numerous issues listed in exhibit C-1, pg 3, to illustrate that the assessment of the subject is in excess of market value, however only the following issues were addressed during the hearing:

1. Are the rental rates for restaurant and office space too high?
2. Is the capitalization rate 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 38 pages that was entered as exhibit C-1.

The Complainant provided seven market lease rate (rent) comparables, on seven restaurant locations in various market areas of the city, which ranged from \$15.50 to \$28.00 per square foot (C-1, page 17). The average rents were \$22.36 and the median was \$23.00 per square foot compared to the subject's rent at \$30.00 per square foot.

The Complainant also provided five market rent comparables, for main floor space in five office buildings located in the downtown, north side and south side areas of the city (C-1, page 17). The rents ranged from \$9.75 to \$15.00 per square foot compared to the subject's rent at \$16.25 per square foot. In addition, comparable rents for two upper offices were provided showing average and median rent of \$6.50 per square foot, compared to the subject's at \$8.25 per square foot (C-1, page 17).

The Complainant's evidence included Assessment Lease Rate Comparables (C-1, page 18) on main floor office areas that ranged from \$12.50 to \$16.00 per square foot with a median of \$14.50 per square foot as compared to the subject's assessment of \$16.25 per square foot.

The third issue, the capitalization rate, was addressed by the Complainant by providing nine equity capitalization rate comparisons (C-1, page 19). The locations of the properties were all in close proximity to the subject. Seven of the properties had capitalization rates of 8.00% while one was at 8.50%. The Complainant requested a change in the capitalization rate to 8.00%

A Requested Market Value Proforma was included (C-1, page 13) wherein the reduced main floor rental income of \$23.00 per square foot for the restaurant, a main floor office rental income of \$12.00 per square foot with \$6.50 per square foot for second floor space, and a change in the capitalization rate to 8.00% was applied. This resulted in a new value of \$1,273,796. The Complainant requested a reduction of the 2011 assessment to \$1,273,500.

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 20) wherein restaurant rent of \$30 per square foot, \$16.25 per square foot for main floor office and second floor office rent of \$8.25 per square foot, together with a capitalization rate of 7.5%, were shown as the basis for the current assessment of \$1,657,000. A Retail Plaza Inspection Sheet was included, confirming that the property was inspected on May 10, 2011.

The Respondent provided Comparable Equity Capitalization Rates for Retail Properties for nine properties located on Gateway Boulevard near the subject (R-1, page 29). They all had capitalization rates of 8.00%, higher than the subject's capitalization rate of 7.50%.

The Respondent also provided Comparable Equity Rents for Restaurants, on seven comparable properties (R-1, page 30). All of these restaurants are located in various market areas of the city and are assessed using typical rent of \$30.00 per square foot, as well, actual rents for nine restaurants were provided (R-1, page 33) and their rents averaged \$29.81 per square foot.

The Respondent stated that all similar properties (restaurants) built after 1990 are assessed at \$30.00 per square foot whereas older properties are assessed at \$23.00 per square foot.

Comparable Equity Rents for Retail Offices were also provided (R-1, page 31) on 10 office properties. Main floor rents were shown to range from \$13.50 to \$17.75 per square foot with a median of \$15.72 as compared to the subject at \$16.25 per square foot.

The Respondent also included actual lease rates for several properties as a comparison to the subject (R-1, page 33). Nine actual lease rates for main floor office space in southwest Edmonton reflected rents ranging from \$12.00 to \$19.00 per square foot, with an average of \$16.19 per square foot. Second floor space from two properties averaged \$13.50 per square foot while actual rents from nine restaurants averaged \$29.81 per square foot.

The rental rates, and the recommended increased capitalization rate to 8% support the subject's assessment. The Respondent requested that the recommended, reduced 2011 assessment in the amount of \$1,553,500 be confirmed.

DECISION

The decision of the Board is to reduce the 2011 assessment of the subject property from \$1,657,000 to \$1,553,500.

REASONS FOR THE DECISION

Issue #1, Rental rates

The Board was persuaded by the Respondent's Actual Restaurant Rents chart (R-1, page 33) indicating a rental range from \$25.63 per square foot to \$38.46 per square foot, with an average of \$29.81 per square foot, supporting the typical rent of \$30.00 per square foot. The Respondent further provided the Board with actual rents for office space which had an average of \$16.19 per square foot for main floor space and \$13.50 per square foot for second floor space, supporting the assessment at \$16.25 and \$8.25 per square foot respectively.

The Board examined the seven market lease rate comparables for restaurants provided by the Complainant (C-1, page 17). These comparables were not in close proximity to the subject and all but one were older. All main floor office lease comparables were older than the subject and one comparable located in Sherwood Park, was not considered. The Board placed less weight on the Complainant's comparables.

The Board accepts the Respondent's position that all restaurants built after 1990 are assessed at a rate of \$30.00 per square foot whereas restaurants built prior to 1990 receive a typical rental rate assessment of \$23.00 per square foot therefore the assessment of the subject's restaurant at \$30.00 per square foot is equitable. The comparable equity rents for retail office space (R-1, page

31) had a median of \$15.72 per square foot suggesting the rental rate of \$16.25 for the subject's main floor is equitable.

The Complainant's seven assessment office lease rate comparables differ greatly in size, ranging from 1,711 square feet to 50,628 square feet, and in age, ranging from 1979 to 2004, compared to the subject with 3,515 square feet and constructed in 1995. The Board placed less weight on these comparables.

Issue #2, Capitalization Rate

The Board noted that all nine comparables provided by the Respondent (R-1, pg 29) are located on Gateway Boulevard, as is the subject, and have capitalization rates of 8.00% while the subject was assessed at 7.50%. The recommendation by the Respondent to amend the capitalization rate to 8.00% brings it in line with the Complainant's request.

The Board is of the opinion that a revised capitalization rate of 8% is fair and equitable when comparing the subject to the comparables located on Gateway Boulevard.

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: CHIRO FOODS LIMITED