



## ASSESSMENT REVIEW BOARD

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
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### NOTICE OF DECISION NO. 0098 604/11

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:
7223944	10860 82 Avenue NW	Plan: N4000R Block: 170 Lot: 14-15	\$2,781,500	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.

## **BACKGROUND**

The subject property is a retail bank located at municipal address 10860-82 Avenue NW in the Garneau neighbourhood in the City of Edmonton. The property is a single building of 6,352 square feet on the main floor and 6,018 square feet of basement space, on a lot of 10,099 square feet. The property was assessed on the income approach, and the 2011 assessment is \$2,781,500.

## **ISSUE(S)**

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

1. Are rental rates too high?
2. Is the basement rental rate too high?
3. Is the capitalization rate is too low?
4. Should parking lots associated with this property be assessed separately and be deducted from the assessment of this property?

## **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 49 pages that was entered as exhibit C-1.

The Complainant provided 12 market lease rate (rent) comparables, all bank locations, with assessments ranging from \$15 to \$36 per square foot (C-1, page 17). The average rents were \$27.25 and the median was \$27.50 per square foot compared to the subject's rent of \$30.00 per

square foot. An additional lease rate comparable was provided on a bank located at 8008-104 Street whose assessment was based on \$27.00 per square foot (C-1, page 18).

The Complainant provided the Board with assessment lease rate comparables for basement space in 11 properties. Eight of these properties were assessed a rental rate of \$1.00 per square foot and three at \$1.50 per square foot (C-1, page 18) which are substantially lower than the subject's rate of \$4.50 per square foot.

The third issue, capitalization rate, was addressed by the Complainant by providing 33 capitalization rate equity comparisons, ten of which are bank locations (C-1, page 19). One of the properties, located at 7915-104 Street, contained a dated lease and the Complainant requested the Board not to consider this comparable. The capitalization rates ranged from 7.75% to 9.00%. The Complainant requested an increase in the capitalization from 7% to 8%.

A fourth issue, relative to the parking requirement for the subject, was raised by the Complainant who requested that two parking lots associated with this property (roll #s 7223969 and 7223985) and are assessed separately should be deducted from the assessment of the subject property. The Respondent was unable to confirm whether the subject property has sufficient parking available on the site. After a brief discussion, the Board adjourned the hearing to allow the Respondent time to make the necessary inquiries as to the status of the two lots, whether they are under appeal and whether they are required by the subject property to meet the parking provision.

A Market Value Proforma was included (C-1, page 13) applying the reduced main floor rental income of \$27.50 per square foot, a \$1.00 basement rental income and a change in cap rate to 8% as well as deducting \$354,500 and \$371,500 relative to the two vacant lots, resulted in a new value of \$1,341,995. The Complainant requested a reduction of the 2011 assessment to \$1,341,500.

## **POSITION OF THE RESPONDENT**

When the hearing reconvened the following day, the Respondent advised the Board that the subject property requires seven parking stalls but only has five stalls. To meet the requirement pursuant to the City Parking Requirement Bylaw the Respondent requested that the neighboring lot represented by roll number 7223969, assessed in the amount of \$354,500 be deducted from the subject's assessment and that the 2011 assessment be reduced to \$2,427,000.

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 7.00%, were shown as the basis for the current assessment of \$2,781,500.

The Respondent provided Comparable Equity Rents and Capitalization Rates for Retail Properties for five comparable properties (R-1, page 31). All five properties are banks and are located on 82 Avenue as is the subject. Four of the properties were shown to have capitalization rates of 7.00%, like the subject, and one has a rate of 7.50%. All the properties are assessed at \$30.00 per square foot and have basement areas assessed at \$4.50 per square foot.

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 Respondent included actual bank rents for five additional properties (R-1, page 37). One had an expired lease and was not considered by the Board. The remaining four properties had rents ranging from \$25.00 to \$34.00 and averaged \$29.25 per square foot.

The Respondent referenced (R-1, page 30) the Complainant's comparable at 8008-104 Street (C-1, page 18) and noted that the property is incorrectly assessed at \$27.00 per square foot. Upon review, it was found that it should have been \$30.00 per square foot.

The rental rates and the capitalization rates presented support the subject's current assessment and the Respondent requested that, relative to the parking issue noted above, the 2011 assessment be reduced from \$2,781,500 to \$2,427,000.

## **DECISION**

The decision of the Board is to reduce the 2011 assessment of the subject property from \$2,781,500 to \$2,427,000.

## **REASONS FOR THE DECISION**

### **Issue #1, Rental rates**

The Board was persuaded by the Respondent's Actual Bank Rents chart (R-1, page 37) indicating an actual rental range from \$25.00 to \$34.00, with an average of \$29.25, supporting the typical rent of \$30.00 per square foot. The Board accepts the Respondent's explanation 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 Board reviewed the Respondent's five Equity Rent comparables (R-1, page 31). All comparables were located on 82 Avenue in close proximity to the subject and were assessed at \$30.00 per square foot suggesting the assessed rental rate of \$30.00 for the subject is fair and equitable.

The Board examined the twelve market lease rate comparables provided by the Complainant (C-1, page 17). Three comparables are free standing banks and their rents average \$29.33, supporting the assessment. The remaining banks are located in shopping malls or strip malls (CRUs) and are dissimilar to the subject. The Board noted these comparables were not in close proximity to the subject.

### **Issue #2, Basement Rental Rates**

The Board was persuaded by the Respondent's basement rental rate comparables (R-1, page 31), all located on 82 Avenue, indicating that the banks on 82 Avenue 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 Complainant's Capitalization Rate Equity comparison (C-1, page 19) particularly noting the comparable bank properties assessed at rates ranging from 7.75% to 9.0%.

The Board placed more weight on comparables provided by the Respondent (R-1, page 31) all the comparables are Banks institution and located in the same area as the subject property on 82 Avenue. The Board is of the opinion that a capitalization rate of 7% is fair and equitable when comparing the subject to similar banks located on 82 Avenue.

### Issue #4, Parking Lot

The Board accepts the Respondent's recommendation to remove the assessed value of roll #7223969 in the amount of \$354,500 from the assessment of the subject property.

### **DISSENTING OPINION AND REASONS**

None

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

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Dean Sanduga, Presiding Officer

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*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.*

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cc: TORONTO DOMINION BANK