



ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL
1 SIR WINSTON CHURCHILL SQUARE
EDMONTON AB T5J 2R7
(780) 496-5026 FAX (780) 496-8199

NOTICE OF DECISION NO. 0098 614/10

Altus Group Ltd
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 November 24, 2010 respecting a complaint for:

Roll Number 7223712	Municipal Address 10802 82 Avenue NW	Legal Description Plan: N4000R Block: 170 Lot: 1,etc.
Assessed Value \$2,525,000	Assessment Type Annual New	Assessment Notice for: 2010

Before:

Tom Robert, Presiding Officer
Tom Eapen, Board Member
John Braim, Board Member

Board Officer:

J. Halicki

Persons Appearing: Complainant

Chris Buchanan, Agent
Altus Group Ltd.

Persons Appearing: Respondent

John Ball, Assessor
Assessment and Taxation Branch

PROCEDURAL MATTERS

The parties expressed no objection as to the composition of the CARB; Board Members expressed no bias toward this or any of the other accounts appearing on the agenda. The parties were reminded they remained under oath.

PRELIMINARY MATTERS

Exhibits C2 and C3 (two binders) were requested, by the Complainant, to be sealed. The Board ordered it so.

The Complainant indicated there was a factual error in the calculation of the assessment and had recorded it as an issue. The Respondent recommended that issue #2 (i.e. is the basement area assessed twice?) be removed (C1, pg. 5). The Complainant agreed. The basement area had been double counted and the Respondent, accordingly, recommended that the total assessment be reduced to \$2,271,500. The Board accepted the new calculation.

The Complainant requested that the argument and evidence relating to capitalization rates be brought forward from roll #7097231 and #7098635 to this roll.

BACKGROUND

The subject property, located in the Garneau neighbourhood, is the Bank of Montreal Building on Whyte Avenue (a.k.a. 82nd Avenue). It comprises a two storey retail bank building fronting Whyte Avenue and on the northwest corner of 108 Street and Whyte Avenue. It was constructed in/effective year built of 1966. It extends to a total area of approximately 12,470 ft² with a net leasable area of 11,503 ft² and is located on an 8,690 ft² parcel of land.

ISSUES

1. Is the assessment capitalization rate (cap rate) correct?
2. What lease rate should be applied to the basement area?

LEGISLATION

The Municipal Government Act, R.S.A. 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 provided the Board with a chart containing eight assessment comparables indicating cap rates on Whyte Avenue (C1, pg. 12). The range was from 7.50% to 8.50% with an average of 7.75%. The Complainant also supplied a chart of 21 bank cap rates, located throughout Edmonton, that indicated a range of 7.5% to 9.0% with an overall average of 8.02% (C1, pg. 13). The average figure for bank pads was 7.72%. The Complainant indicated a rate of 7.75% should be applied to the subject property.

With regard to the basement lease rate, the Complainant supplied clauses extracted directly from leases. The Board was also provided with two binders, exhibits C2 and C3, entitled

“Mezzanine, Basement, & Garden Centre Analysis” (under seal) containing copies of the actual leases, as supporting evidence. Eleven relevant extracts were provided to indicate that leases were executed based on the net leasable area of the main floor only (C1, pgs. 15-19). Mezzanine and basement areas were either specifically excluded from the rental rate being charged, on a square foot basis, for the main floor area. The Complainant indicated the basement space should be assessed at a nominal rate or \$1.00/ft².

POSITION OF THE RESPONDENT

The Respondent provided the Board with a brief that indicated the assessment had been calculated by the income approach (R1, pg.23). It also indicated that assessment cap rates were stratified along Whyte Avenue depending on their location relative to the core of the district and their relative retail strengths (R1, pgs. 27-31). The cap rates ranged from 7.0% to 8.5%.

The Respondent supplied a chart of five comparable assessments for bank sites, three of which were located on Whyte Avenue (R1, pg. 32). These ranged in size from 4,872 ft² to 13,374 ft² compared to the subject at 12,470 ft². Overall, the assessments ranged from \$208.52/ft² to \$337.03/ft² which supports the subject is assessment at \$202.48/ft².

The Respondent also supplied a chart of comparable equity rents for the same five properties (R1, pg. 33). The chart indicated that the three properties on Whyte Avenue had basement areas and had all been assessed at \$4.50/ft² which supports the subject assessment

DECISION

The decision of the Board is to reduce the 2010 assessment of \$2,525,000 to \$2,271,500 as per the recommendation.

REASONS FOR THE DECISION

1. The Board was persuaded by the Respondent’s evidence with regard to the cap rate. The Respondent provided five maps indicating that cap rates were stratified based primarily on location. The cap rates ranged from 7.0% to 8.5% and the subject property had a cap rate of 7.0%. The Board considered the location to be very good and other corner lots on Whyte Avenue also had cap rates of 7.0% applied, including three banks.
2. The Board placed little weight on the Complainant’s argument for a higher cap rate as the only bank cap rate on Whyte Avenue was in the Bonnie Doon area at 7.5%. The Bonnie Doon area generally has higher cap rates than the Garneau area, and the 7.5% cap rate indirectly supports the cap rate for the subject property.
3. The Board placed less weight on the Complainant’s chart of bank cap rates as only one was located on Whyte Avenue (noted in #2 above). The balances were spread throughout Edmonton and were considered to be in inferior locations to Whyte Avenue, where cap rates are higher.

4. With regard to the basement lease rate, the Board was persuaded by the evidence of the Respondent (R1, pg. 33) indicating three other bank basement spaces on Whyte Avenue had been assessed at a rate of \$4.50/ft².

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this ninth day of December, 2010 A.D., at the City of Edmonton, in the Province of Alberta.

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, R.S.A. 2000, c.M-26.

CC: Municipal Government Board
City of Edmonton, Assessment and Taxation Branch
Bank of Montreal