



## **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 625/10**

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 29, 2010 respecting a complaint for:

<b>Roll Number</b> 4819850	<b>Municipal Address</b> 11959 82 Street NW	<b>Legal Description</b> Plan: RN63 Block: 1 Lot: 18, etc.
<b>Assessed Value</b> \$818,500	<b>Assessment Type</b> Annual New	<b>Assessment Notice for:</b> 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**

Peter Bubula, 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 providing evidence were placed under oath/affirmed.

### **BACKGROUND**

The subject property comprises a neighbourhood shopping centre known as Eastwood Shopping Centre and consists of a building of approximately 6,415 ft<sup>2</sup> located on a 20,856 ft<sup>2</sup> parcel of land. Both parties agree that a portion of the subject property is contaminated.

## **ISSUES**

1. What is the rental rate for the subject property?
2. What is the vacancy rate of the subject property?
3. What is the correct calculation for vacancy shortfall?
4. Should the value for the subject be adjusted due to contamination?

## **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 a rent roll indicating a lease commencing/renewed in April 2008 for 1,565 ft<sup>2</sup> at \$9.50/ft<sup>2</sup> and a lease commencing in September 2008 for 1,103 ft<sup>2</sup> at \$9.80/ft<sup>2</sup>. In addition, another lease commencing in November 2008 for 2,050 ft<sup>2</sup> at \$11.00/ft<sup>2</sup> was presented. The Complainant argued that the current rents used for assessment at \$13.50/ft<sup>2</sup> and \$15.00/ft<sup>2</sup> are incorrect and that an average rent of \$10.25/ft<sup>2</sup> should be used to calculate the potential gross income.

Furthermore, the Complainant provided information regarding an issue of contamination arising from the subject's site which was formerly used for the retailing of petroleum products. The indicated estimate to remediate to an Alberta Soil and Groundwater Remediation Guideline Tier 1 level would be approximately \$627,000. The reports indicate, "...should the contamination fall under Tier 2 guidelines, the estimated cost would range from \$85,000 to \$255,000." This process could take from at least five to ten years of extraction.

The Complainant suggested either a deduction of \$255,000 or an increase in the capitalization rate from 8.50% to 15.00% to reflect the issue of contamination.

The Complainant provided a rent roll indicating that the subject property has a chronic vacancy of - 30 %. The unit described as #11951 (2,069 ft<sup>2</sup>) represents approximately 30% of the total leasable area of the subject and has been vacant in excess of four years. The Complainant argued that the subject vacancy rate should be increased from 15% to 30% to reflect this chronic vacancy.

The Complainant indicated that the vacancy shortfall is incorrectly calculated and should be corrected.

### **POSITION OF THE RESPONDENT**

The Respondent argued that the leases, as submitted by the Complainant, are lease renewals and typically do not represent new or current lease rates.

The Respondent provided four equity comparables ranging per square foot from \$155.30 to \$190.21 (the subject's assessment is at \$127.57). Furthermore, the Respondent submitted four comparable equity rents for retail plaza properties indicating typical main floor rents ranging per square foot from \$14.25 to \$16.25 (subject is at \$13.50).

The Respondent advises that the City has applied a typical vacancy and collection loss to the subject. The subject does have a 30% vacancy; however, this is specific to one unit of 2,069 ft<sup>2</sup> and is not reflective of the whole property.

The Respondent argued that there is an issue of contamination; however the assessment reflects the correct value for the property using mass appraisal methods.

The Respondent argued that the subject property is assessed correctly, fairly, and equitably based on a direct comparative basis as well as on income using rental data.

### **DECISION**

The decision of the Board is to reduce the 2010 assessment from \$818,500 to \$479,000.

### **REASONS FOR THE DECISION**

The Board is of the opinion that the rental rates applied are typical rates derived from the overall market in the area as indicated from the Respondent's evidence wherein rents range per square foot from \$14.25 to \$16.25 for similar plaza properties.

The Board is of the view that the subject vacancy rate should be increased from its current 15% to 30% based on the chronic vacancy and further supported by the Respondent's practice in place that recognizes chronic vacancy after a three year period.

In regard to the issue of contamination, the Board is of the opinion that the market place will take this issue into consideration and its impact on the subject's value. The Board recognizes the contamination and has chosen a mid-range value of the reported annual costs of \$120,000. The reported costs to cure/monitor are \$85,000 to \$255,000.

The Board is of the opinion that the vacancy shortfall should be corrected to the values as indicated. The parties have agreed that this calculation is in error.

## **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.

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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.*

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CC: Municipal Government Board  
City of Edmonton, Assessment and Taxation Branch  
1251835 Alberta Ltd.