



ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL
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NOTICE OF DECISION NO. 0098 629/10

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 30, 2010 respecting a complaint for:

Roll Number 7979594	Municipal Address 2804 Calgary Trail NW	Legal Description Plan: 663RS Lot: 4
Assessed Value \$7,749,000	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

Guo He, 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 affirmed. The parties agreed to bring forward their arguments from roll #1033083.

BACKGROUND

The subject property, located in the Calgary Trail South subdivision and part of the neighbourhood shopping centre known as Edmonton Home Fair, consists of a building of approximately 50,023 ft² located on approximately 143,470 ft² of land.

ISSUES

1. Given the restricted access to the subject, due primarily to the construction of the 23rd Avenue overpass, should the capitalization rate be adjusted to 8.5% from 8.0% to reflect this negative attribute?
2. Should the subject CRU space be assessed entirely at \$14.63/ft² which is the average of the six leases signed in the last 12 months be the typical lease rate in the subject's market area?
3. Has the vacancy shortfall been incorrectly calculated in the 2010 assessment?

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 believes the income approach to value has been applied to generate the assessment value, but the rates applied did not reflect the true attributes of the property. The current assessment does not reflect the changes in the area due to the accessibility problems associated with the construction of the 23rd Avenue overpass.

The current capitalization rate is low and should be increased to 8.5% from 8.0%. The Board was informed the City of Edmonton has a common practice to accommodate 50 basis points for distressed properties.

The market rent established in the assessment is well above what the most recent leasing activity has evidenced in the subject property.

The vacancy shortfall has been incorrectly calculated in the 2010 assessment and needs to be corrected.

POSITION OF THE RESPONDENT

The City of Edmonton recognizes the traffic factor in the mass appraisal modeling process in preparing assessments. The Respondent feels the 8.0% capitalization rate is appropriate for the subject and is reasonable due to the subject's location. The construction of the 23rd Avenue overpass does not impact the southbound traffic.

The *Municipal Government Act* requires a municipality to prepare assessments using the mass appraisal methodology. The City provided several comparables in this regard to demonstrate the subject has been assessed fairly and equitably.

Vacancy shortfall is only a minor difference and should not disturb the current assessment.

DECISION

The decision of the Board is to reduce the 2010 assessment for the subject property from \$7,749,000 to \$7,289,000.

REASONS FOR THE DECISION

The Board is of the opinion that the capitalization rate is directly impacted by the risk associated with the subject's development with access severely impacting its ability to attract tenant making it, therefore, a higher risk than other Calgary Trail locations. Thus, the Board felt a 50 basis point increase from 8.0% to 8.5% in its capitalization rate for the subject is appropriate. In addition, the cap rate for three of the four comparables supported a higher cap rate for the subject property (R1, pg. 27).

The Board noted the vacancy shortfall calculated by the Respondent in the 2010 assessment has an error and it needs to be adjusted. Currently, the assessment has the vacancy shortfall as \$12,907 and it should be \$13,307.

The Board placed less weight on the Complainant's evidence with regard to the lease rates in the subject property as there was no evidence to show that these were new leases, and appeared to be lease renewals.

DISSENTING OPINION AND REASONS

There were no dissenting opinions.

Dated this 21st 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
1044203 Alberta Ltd.