



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
Phone: (780) 496-5026

NOTICE OF DECISION NO. 0098 716/11

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 January 26, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9987054	12904 50 Street NW	Plan: 8267ET Block: Z Lot: 1	\$3,348,000	Annual New	2011

Before:

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

Board Officer: Jason Morris

Persons Appearing on behalf of Complainant:

John Trelford, Altus Group

Persons Appearing on behalf of Respondent:

Ning Zheng, Assessor, City of Edmonton
Tim Dueck, Assessor, City of Edmonton

PRELIMINARY MATTERS

1. 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 subject property.

BACKGROUND

2. The subject property is a retail plaza located at 12904 - 50 Street NW in the Kennedale Industrial neighbourhood of northeast Edmonton. The property consists of a single building of approximately 28,256 square feet on a lot of approximately 43,123 square feet. It was assessed on the income capitalization approach, and its 2011 assessment is \$3,348,000.

ISSUE(S)

3. What is the market value of the subject property?

LEGISLATION

4. *Municipal Government Act, RSA 2000, c M-26*
5. 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.
6. 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

7. The Complainant filed this complaint on the basis that the subject property has been assessed in excess of its market value. In particular the Complainant stated that the assessment rental rates for all the buildings are in excess of market rental rates for the respective spaces.
8. In support of this position the Complainant provided the Board with an appraisal brief containing the rent rolls and a revised pro forma utilizing the requested rental rates. In addition, the Complainant provided the Board with several market lease surveys, in chart form, indicating that comparable lease rates were below the ones applied to the subject spaces by the Respondent.

9. For the CRUMAX space the Complainant provided (Exhibit C-1, page 20 – upper chart) 4 lease comparables of similar age and class space in the northeast, south-side and west-end of the city that were leased/renewed between November 2007 and March 2009. The spaces ranged in size from 2,600 sq ft to 4,250 sq ft and the unit rates ranged from \$7.50/ sq ft to \$10.00/ sq ft with an average of \$9.40/ sq ft and a median of \$10.00/ sq ft. Based on this survey the Complainant requested a unit rate of \$10.00/ sq ft should be applied to the subject space.
10. In support of this argument the Complainant also provided two charts (Exhibit C-1, page 21) representing the result of assessment equity surveys for CRUMED and CRUMAX spaces.
11. The CRUMED (upper chart) survey on the same page related to space located only in the north-east district of varying age and sizes ranging from 1,027 sq ft to 23,482 sq ft. They were assessed for unit rates ranging from \$10.50/ sq ft to \$12.25/ sq ft with a median of \$11.25/ sq ft which were also the requested rate.
12. For the CRUMAX space (lower chart) the survey related to space in other city locations of varying age and sizes ranging from 8,730 sq ft to 19,418 sq ft. They were assessed for unit rates ranging from \$9.50/ sq ft to \$10.00/ sq ft with a median of \$9.50/ sq ft which again were the requested rate.
13. For the restaurant space the Complainant provided a chart representing a survey of similar class but varying age restaurant properties located throughout the city in fairly similar busy locations. The 6 leases started as early as Dec 2008 extending to April 2010 and were for spaces ranging in size from 1,200 sq ft to 6,100 sq ft. The unit lease rates ranged from \$11.00/ sq ft to \$14.00/ sq ft with an average of \$12.08/ sq ft and a median of \$12.00/ sq ft. The Complainant requested a rate of \$12.00/ sq ft as being the appropriate rate for the subject space.
14. The Complainant also provided an assessment equity survey of 6 restaurant leases mainly on the north side that were in fairly similar condition to the subject and ranged in age from 1959 to 1984 and in size from 2,460 sq ft to 4,899 sq ft. The unit rates ranged from \$11.00/ sq ft to \$12.25/ sq ft with a median of \$12.00/ sq ft. This provided excellent support to the market lease survey for restaurants noted in # above
15. In argument the Complainant stated the Respondent's restaurant leases were not comparable as they were in superior locations and the Respondent's predicted income for the subject property was very high, being \$289,000 as opposed to the actual of \$159,402.
16. In conclusion the Complainant requested the assessment be reduced from \$3,348,000 to \$2,839,500, based on the reduced lease rates.

POSITION OF THE RESPONDENT

17. The Respondent presented the Board with a seventy five pages of brief that included the mass appraisal process that City of Edmonton utilizes for their 2011 assessments. The assessment methodology used by the Respondent is the income capitalization approach.

18. The Respondent included in his submission an explanation how the city assessed the subject property. For the purpose of the 2011 Annual Assessment, viable income producing properties were valued based on their income potential using 2010 market *net rental lease rates*, not *effective net lease rates*. The Income Approach is the approach of choice, as it best reflects the typical actions of buyers and sellers when purchasing income-producing properties. This approach estimates the value of a property by determining the present value of the projected income stream. Direct capitalization is the method of choice employed to value the majority of properties in the commercial inventory. This involves capitalizing the derived net income by an overall rate determined from comparable market sales.
19. The Income Approach was deemed to be the best method of establishing equitable valuation estimates. Ample information was provided by property owners with regards to both income and expense information, which also reinforced this decision.
20. The Respondent provided the Board with a map indicating five equity comparables four of which are on 50th Street between 128 and 131 Avenues, whereas the subject property is located on 50 Street at 129 Avenue. All of these buildings are similar in age and the location (Exhibit R1, pages 28 & 29) and all had some unit spaces that are similar in size to units in the subject property.
21. The Responded also provided the Board with actual lease rates for CRUMED and Restaurant spaces that support the assessment rates (Exhibit R1, pages 30 to 32).
22. The Respondent requested the Board to confirm the 2011 assessment for the subject property at \$3,348,000.

DECISION

23. The decision of the Board is to confirm the 2011 assessment of \$3,348,000 as being fair and equitable.

REASONS FOR THE DECISION

24. The Board reviewed both the Complainant's and the Respondent's evidence and found the Respondent's evidence to be more compelling.
25. The Board was persuaded by the Respondent's five equity assessment comparables. All of the equity comparables was in close proximity to the subject property. Four of the five equity comparables were on 50th Street, the same as the subject property and the fifth comparable was in a comparable location that was also in close proximity to the subject property.
26. The Board notes the subject property's assessment per square foot of \$118.49 is lower than the five equity comparables, which tends to strengthen subject property's assessment.

27. The Board put little weight on the Respondent's actual CRUMED lease comparables as the comparables evidence was lacking in location and the Board was unable to compare these to the subject property.
28. The Board put little weight on the Respondent's actual restaurant lease comparables as the location of the comparables was unknown and the Board was again unable to compare the locations to the subject property.
29. The Board put little weight on the Respondent's CRUMAX actual lease comparables. Although the size was comparable, the evidence was lacking in terms of location.
30. The Board put little weight on the Complainant's actual lease comparables for both CRUMAX and the restaurant. Only one of the comparables in each survey was in the northeast zone, the same as the subject property.
31. Regarding the Complainant's equity assessment comparables, the Board put little weight on these comparables as they were in various locations throughout the city.

DISSENTING OPINION AND REASONS

32. There was no dissenting opinion.

Dated this 7th.day of February, 2012, at the City of Edmonton, in the Province of Alberta.

Robert Mowbrey, 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: STROMIGA INC.