



ASSESSMENT REVIEW BOARD

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10019 103 Avenue
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NOTICE OF DECISION NO. 0098 721/11

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 25, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
3021649	9104 179 Avenue NW	Plan: 8122420 Block: 1 Lot: 328 & 329	\$1,638,000	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
Walid Melhem, Altus Group

Persons Appearing on behalf of Respondent:

Ning Zheng, Assessor, City of Edmonton

PRELIMINARY MATTERS

[1] The parties indicated that they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias on this file.

BACKGROUND

[2] The subject property comprises a neighbourhood shopping centre known as Lakeview Plaza located at 9104 – 179 Avenue in north-east Edmonton. The plaza building is 16,529 sq ft and is located on 58,394 sq ft of land. It is zoned CNC and contains restaurant space, daycare facilities and retail space. The 2011 assessment is \$1,638,000

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 assessment of \$1,638,000 is in excess of its market value and in particular that the rental rate applied to the subject space was higher than both market lease rates and other assessment rates.. In addition the Complainant stated that the vacancy rate for the subject property should be increased due to the location of the subject property.

[8] The Complainant provided rent rolls for the subject property together with pro forma statements relating to the assessment, the actual leases and the requested lease and vacancy rates.

[9] The Complainant provided the Board with a survey of comparable spaces for each type of space in the subject property (Exhibit C-1, page 18). These were in chart form with the first survey (top chart) comprising 6 lease comparables of retail space which were compared to the individual spaces in the subject property. The comparables were similar in size to the individual

units in the subject property and both the median rate and the requested rate were both at \$10.00/ sq ft.

[10] The second survey (middle chart) comprised 3 market lease comparables for the 3 restaurant spaces in the subject property. This indicated average, median and requested rates for the subject of \$11.00/ sq ft.

[11] The third survey provided a single daycare comparable for the 2 lease spaces in the subject that were daycare facilities. The comparable was at \$7.00/ sq ft whereas the subject was at \$8.50/ sq ft for the 1984 lease and \$9.95/ sq ft for the April 2010 lease/renewal.

[12] In support of the above rates the Complainant also provided equity assessment comparables for each type of space being leased in the subject property (Exhibit C-1, page 19). The 2 CRUMED comparables were at \$10.50/ sq ft , the 3 restaurant comparables had a median of \$11.00/ sq ft (\$10.75 requested) and the 3 day care comparables had a median of \$8.00/ sq ft which also was the requested rate for that space.

[13] The Complainant provided a summary of historical rent rolls for the subject property for the months of March/April for four consecutive years, 2007 to 2010 inclusive (Exhibit C-1, page 27). These indicated which units were vacant at those times. In addition the respective vacancy rate for those 4 years was 19.24%; 12.27%; 30.05% and 19.12% with an average of 20.17% for the 4 years. Based on this information the Complainant requested a vacancy rate of 20%.

[14] In support of the vacancy factor the Complainant provided a more extended vacancy history for Lakeview Plaza for the 7 years 1997 to 2002. The vacancy rate for the seven year period equates to an average of 33.5%.

[15] In rebuttal and in support of this argument the Complainant also provided financial statements for the seven years 2004 to 2010 to indicate to the Board the fact that actual net income was less than 50% of the amount that had been estimated by the Respondent.

[16] In response to questions and the topic of poor management, the Complainant stated that there were few leasing costs evidenced in the financial statements as there had been no leasing by agents, and therefore no fees, and advertising was restricted to on-site signage only.

[17] In argument the Complainant stated that the subject property was inferior in location to most to most shopping plazas as there was very little development of the land to the north and the subject property was adversely affected by a relatively low population density.

[18] As a result of the various surveys the Complainant requested that reduced lease rates be applied to the subject as noted above and a vacancy rate of 20% be applied to recognize the chronic vacancy problem.

POSITION OF THE RESPONDENT

[19] The Respondent presented the Board with a ninety two page brief that included the mass appraisal process that the city of Edmonton utilizes for their 2011 assessment. The assessment methodology used by the Respondent is the income capitalization approach.

[20] The Respondent provided 12 market lease comparables for plazas (Exhibit R-1, page 26) together with 5 restaurants and 3 day care lease information comparables.

[21] The Respondent also provided 7 equity lease comparables for plazas and neighbourhood shopping malls (Exhibit R-1, page 27) together with 4 restaurants and 5 day care facilities.

[22] A series of rent rolls for the subject property was provided to the Board was provided to the Board for the daycare facility as this had previously been submitted by the owners of the property (exhibit R-1, pages 28 to 47).

[23] Under argument the Respondent noted that the management might or could be the reason for chronic vacancy rates in the subject building. The Respondent also advised the Board that the owners appeared to have done very little advertising for the subject property based on the financial statements provided.

[24] The Respondent informed the Board that they recognize the historic chronic vacancy of the subject property and advised that they have taken these vacancies into the consideration in the model and stabilized the vacancy rate at 10% for the subject property in accordance with an assessment department program that equates actual vacancies with stabilized vacancies (Exhibit R-1, pages 48 and 49).

[25] In conclusion, the Respondent asked the Board to confirm the subject property assessment of \$1,638,000.

DECISION

[26] The decision of the Board is to reduce the 2011 assessment from \$1,638,000 to \$1,441,000.

REASONS FOR THE DECISION

[27] The Board reviewed both the Complainant's and Respondent's evidence and found the Complainant's evidence to be more compelling.

[28] The Board was persuaded by the Complainant's 20% vacancy allowance. The Board found that the subject property did indeed, have a chronic vacancy problem. While the Respondent recognized the vacancy issue, the Respondent only allowed a 10% vacancy rate. The Complainant was able to persuade the Board that chronic vacancy had occurred for a number of years. The Complainant had charts that showed the chronic vacancy over the last number of years. Furthermore the Board recognizes the fact that population density is very low to the north of the subject property and this would result in less demand for space.

[29] Mass appraisal is a methodology for valuing individual properties that are stratified into groups of comparable properties. Therefore, the Board put little weight on the Respondent's comparables as the Respondent's comparables were not on the outskirts of the City, as compared to the subject property which is located on the outskirts of the City.

[30] The Board put little weight on the Complainant's request for a reduction in the lease rate for the restaurant space, as the restaurant was actually paying a higher lease rate than the assessment.

[31] Although the Respondent stated that management might be an issue, there was no evidence given to support this assertion and the Complainant's argument with reference to leasing costs is sound in principle.

DISSENTING OPINION AND REASONS

[32] There was no dissenting opinion.

Dated this 7th 8th 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: 673908 ALBERTA LTD.