



ASSESSMENT REVIEW BOARD

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

NOTICE OF DECISION NO. 0098 744/11

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 27, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
7811557	10362 51 Avenue NW	Plan: 6742MC Block: 95 Lot: 1	\$10,986,500	Annual Revised	2011

Before:

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

Board Officer:

Annet Adetunji

Persons Appearing on behalf of Complainant:

John Trelford, Altus Group Ltd

Persons Appearing on behalf of Respondent:

Tim Dueck, Assessor, City of Edmonton

PRELIMINARY AND PROCEDURAL MATTERS

1. Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.
2. During the hearing, both parties agreed that the only issue before the Board was the rental rates on the three restaurants.

BACKGROUND

3. The subject property is classified as a neighborhood shopping centre located at 10362-51 Avenue, within the Pleasant view subdivision. The subject property has five buildings on the site. One of the buildings is a retail store, three are restaurant/fast food outlets and the fifth is storage. The five buildings comprise 35,617 square feet and are situated on a land site of 321,410 square feet. The 2011 assessment is \$10,986,500.

ISSUE

4. Is the subject property equitably assessed in relation to other similar competing properties?

LEGISLATION

5. *Municipal Government Act, RSA 2000, c M-26*
6. 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.
7. 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

8. 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 rates for the restaurant buildings are in excess of market rental rates for each of the respective buildings.

9. 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 two lease surveys, in chart form, indicating that comparable lease rates were below the ones applied to the subject buildings by the Respondent.
10. The survey of market lease comparables (C-1, page 21) indicated they were located throughout the city but mainly on the south side and were all average class restaurants ranging in age from 1982 to 2004. The lease/renewal dates ranged from December 2009 to March 2011 and were comprised of spaces ranging in size from 1,000 sq ft to 6,898 sq ft. The triple net rates relating to these leases ranged from \$15.50/ sq ft to \$28.00/ sq ft with an average of \$22.42/ sq ft and a median of \$24.00/ sq ft. Based on this survey and the relative locations and sizes of the comparable properties the Complainant requested a rate of \$24.75/ sq ft for the three restaurant buildings.
11. The Complainant also provided a second survey in chart form containing 2 assessment comparables for the restaurant space. These were located on Gateway Boulevard and Calgary Trail and were similar in neighborhood, location and size to the subject property. The assessed rates for the 2 spaces was \$26.50/ sq ft and \$23.00/ sq ft respectively with an average/median of \$24.75/ sq ft which provided excellent support to the rate indicated in the market lease survey.
12. The Complainant also argued that access to the subject is an issue as it is uni-directional from Calgary Trail and partly so from 51 Avenue eastbound.
13. In conclusion the Complainant requested that a rate of \$24.75/ sq ft be applied to each of the restaurant buildings.
14. The Complainant also provided a rebuttal that included a chart of both the Complainant and the Respondents comparables leases together with a graph indicating that rental rates for retail and restaurant properties have declined from approximately \$30.00/ sq ft in 2008 to \$24.00/\$25.00/ sq ft in 2010(C-2 page 4).
15. On the basis of all the above evidence, the Complainant requested a reduction to the rental rate for the restaurant buildings to \$24.75/ sq ft. This would result in a reduction of the assessed value from \$10,986,500 to \$10,216,500.

POSITION OF THE RESPONDENT

16. The Respondent stated 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.

17. The Respondent provided the Board with the Assessment Detail Report showing the City's proforma on the subject property (Exhibit-R1, pages 24 & 25).
18. The Respondent also provided the rent roll for the subject property showing the actual rent commencing from December 2006 to May 2009 (Exhibit R-1, page 27). The Respondent provided the Board with comparable assessment of seven restaurants from various parts of the City showing an assessment of \$30 per sq ft for each of them (Exhibit R-1, page 29).
19. The Respondent provided the Board with a traffic flow map showing the traffic count on Calgary Trail is 34,000 per day and from Fifty First Avenue 17,000 per day would help to determine that the 2011 assessment is correct (Exhibit R-1, page 22).
20. In conclusion the Respondent requested the Board to confirm the 2011 assessment at \$10,986,500

DECISION

21. The decision of the Board is to reduce the 2011 assessment from \$10,986,500 to \$10,553,000.

REASONS FOR THE DECISION

22. The Board was persuaded by the Respondent's traffic count in determining the difference between Tony Roma's and the other two restaurants (R-1, page 22). The traffic count exposure to Tony Roma's was approximately 51,000 vehicles per day (Calgary Trail 34,000 + 51 Avenue 17,000 = 51,000), whereas the other two restaurants had 34,000 and 17,000 cars per day respectively. Thus, the corner lot location, being in a premier location should be assessed at a higher rate than the other two restaurants.
23. The Board was persuaded by the Complainant's market lease comparables for restaurant/fast food outlets for the restaurant that was only exposed to 51 Avenue and also to the restaurant that was exposed only to Calgary Trail. The comparables had a median of \$24.00 per square foot and an average of \$22.42 per square foot.
24. Regarding the Tony Roma space the Board agrees with the assessment of \$30.00 per square foot. The tenant signed a renewal lease in May 2009 for \$28.000 per square foot which approximates the \$30.00 assessment rate.
25. The Board was persuaded by the Complainant's assessment lease rate comparables. The median of the lease rate comparables was \$24.75 per square foot and although there were only two comparables, the two comparables tended to support the market lease comparables. The Board therefore selected \$24.75 per square foot as the value for the other two spaces.

26. The Board put little weight on the Respondent's restaurant/fast food lease comparables as there was little information regarding the comparables, such as location and whether the restaurant/fast food comparable was a stand alone or part of a plaza shopping centre.

27. The Board put little weight on the Respondent's restaurant/fast food assessment comparables as there was little information on the comparables.

DISSENTING OPINION AND REASONS

28. There was no dissenting opinion.

Dated this 6th 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: CATHTON PROPERTIES LTD.