

NOTICE OF DECISION NO. 0098 77/12

CVG
1200-10665 Jasper Avenue
Edmonton, AB T5J 3S9

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 July 9, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
1809532	8404 182 Street NW	Plan: 7622295 Block: 13 Lot: 2	\$2,473,000	Annual New	2012

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: PRIMROSE LANE SHOPPING CENTRE LTD.

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 2200

Assessment Roll Number: 1809532
Municipal Address: 8404 182 Street NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Jack Schmidt, Presiding Officer
Lillian Lundgren, Board Member
Ron Funnell, Board Member

Preliminary Matters

[1] The Respondent made a recommendation to reduce the assessment to \$2,466,000 as a result of correcting the lease rates used to assess the commercial retail units. The Complainant appreciated the correction, but the issue of the capitalization rate is still in dispute.

[2] Neither party raised an objection to the composition of the Board. In addition, the Board members indicated that they had no conflict of interest.

Background

[3] The subject property, known as Primrose Lane Shopping Centre, is a retail plaza located at 8404 182 Street NW in the Aldergrove neighborhood. The property was constructed in 1976 and is assessed in fair condition.

Issue

[4] What is the appropriate capitalization rate to value the subject property?

Legislation

[5] The *Municipal Government Act* reads:

Municipal Government Act, RSA 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

[6] The Complainant filed this complaint on the basis that the subject property assessment of \$2,473,000 is incorrect. The Complainant explained that the Respondent's recommendation to reduce the assessment based on a correction to the lease rates of the commercial retail units (CRUs) was made after the complaint was filed. As a result of the correction, the only issue in dispute is the 8% capitalization rate used to prepare the assessment.

[7] The Complainant argued that the subject property should be valued using a capitalization rate of 8.5% considering its age, condition, and location. In support of this position, the Complainant presented ten sales of property that sold with capitalization rates ranging from 7.43% to 8.88%. The Complainant highlighted two of the sales comparables as being the best indications of an appropriate capitalization rate for the subject property. The sold properties located at 12516 132 Avenue NW and 4922 98 Avenue NW have reported capitalization rates of 8.88% and 8.17% respectively. These capitalization rates support the requested capitalization rate of 8.5%.

[8] In rebuttal to the Respondent's position, the Complainant stated that the Respondent presented no sales comparables in support of the 8% capitalization rate. As well, the Complainant disagreed with the Respondent that the sales comparables should be adjusted for expenses because net income was used to calculate the capitalization rates.

[9] In summary, the Complainant stated that capitalizing the reconstructed net income of \$197,290 by 8.5% results in a value of \$2,321,059. Based on this calculation, the Complainant requested the Board to reduce the assessment to \$2,321,000.

Position Of The Respondent

[10] The Respondent submitted that the subject property should be valued using the same 8% capitalization rate used to assess all retail plaza properties. The Respondent presented four equity comparables of similar retail plaza properties that are assessed using an 8% capitalization rate.

[11] The Respondent did not present any sales comparables in support of the 8% capitalization rate because the Complainant's best sales comparables support a capitalization rate of 8%. The Respondent agreed with the Complainant that the comparables located at 12516 132 Avenue NW and 4922 98 Avenue NW are good indicators of a capitalization rate for the subject property. However, the Respondent stated that these sales should be adjusted for a typical vacancy allowance and expenses. If these sales comparables are adjusted for these factors, the resultant capitalization rates will be 8.2%.

[12] In summary, the Respondent requested the Board to reduce the subject assessment to the recommended amount of \$2,466,000.

Decision

[13] The subject property assessment is reduced to \$2,466,000.

Reasons For The Decision

[14] In determining this matter, the Board reviewed the Complainant's evidence and finds as follows. The Complainant relied on capitalization rates that were reported by Anderson Data Online Property Analysis. The capitalization rates were derived using actual income, actual expenses and actual vacancy. The legislation requires that typical factors be used to value properties for assessment purposes; therefore, the sales comparables require adjustment.

[15] When the Complainant's sales comparables located on 12516 132 Avenue NW and 4922 98 Avenue NW are adjusted accordingly, the resulting capitalization rates support the 8% capitalization rate applied by the Respondent.

[16] In the absence of evidence to the contrary, the Board finds that 8% is an appropriate capitalization rate to value the subject property.

[17] In conclusion, the Board accepts the Respondent's recommendation to reduce the subject assessment to \$2,466,000 because this reduced value recognizes the correction in the lease rates applied to the commercial retail units.

Dated this 25th day of July, 2012, at the City of Edmonton, Alberta.

Lillian Lundgren, Board Member

Appearances:

Tom Janzen, CVG
for the Complainant

Gail Rookes, City of Edmonton
Ryan Heit, City of Edmonton
for the Respondent