



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 777/11

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 February 14, 2012, respecting a complaint for:

| Roll Number | Municipal Address | Legal Description | Assessed Value | Assessment Type | Assessment Notice for: |
|-------------|---------------------|----------------------------------|----------------|-----------------|------------------------|
| 2228120 | 12836 146 STREET NW | Plan: 4183RS Block: 7 Lot: 12 | \$2,537,000 | Annual New | 2011 |

Before:

Robert Mowbrey, Presiding Officer
Dale Doan, Board Member
George Zaharia, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Chris Buchanan

Persons Appearing on behalf of Respondent:

Brennen Tipton, Assessor, City of Edmonton
Vasily Kim, Assessor, City of Edmonton
Cam Ashmore, Legal Branch, City of Edmonton

PROCEDURAL MATTERS

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicted no bias with respect to this file.

BACKGROUND

[2] The subject property is a Class “B” one storey office building built in 1976 and is located at 12836-146 Street in the Bonaventure Industrial subdivision of Edmonton. The building totals 15,244 square feet in size, comprised entirely of office space. The 2011 assessment is \$2,537,000.

ISSUE(S)

[3] The issues are:

- a. What is the market value of the subject property?
- b. Does the 2011 assessment of the subject property reflect the proper rental or lease rate?

LEGISLATION

[4] The *Municipal Government Act, RSA 2000, c M-26* reads:

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

[5] In support of the contention that the assessment of the subject property was too high, the Complainant submitted one evidentiary package marked as C-1. The complaint is based on the issue that the subject’s assessed value exceeds its market value due to the fact that the municipality has utilized the incorrect rental or lease rate in determining the value of the subject.

[6] The complainant provided lease comparables to support their position that the municipality’s lease rate of \$15 per square foot was incorrect (Exhibit C-1, page 14). A total of 11 leases from one building with start dates from December 1, 2009 through to June 1, 2010 were provided ranging from \$8 to \$13.00 per square foot with an average of \$10.84 per square foot and a median of \$11.25 per square foot. The Complainant argued that the subject should be assessed at a rate of \$11 per square foot

[7] In further support of their position of determining appropriate market rents the Complainant highlighted excerpts from the Alberta Assessors valuation guide (C-1, page 36).

Two sections of the guide were highlighted; the first being Data Collection Guidelines (C-1, page 36), that states in part that “data should be pertinent to the valuation date”, and the second section that was highlighted being Base Rent (C-1, page 40), that states to determine the current market rent as of the valuation date the best evidence of market rents are “actual leases signed on or around the valuation date”.

[8] Utilizing a lease rate of \$11 per square foot a vacancy rate of 5%, structural expense of 2%, and vacancy shortfall of \$13 per square foot, the Complainant requested that the Board reduce the original 2011 assessment from \$2,537,000 to \$1,827,500 (Exhibit C-1, page 11).

POSITION OF THE RESPONDENT

[9] The Respondent stated that the City of Edmonton is legislated to use Mass Appraisal, [10] thus applying typical market rents, typical vacancy rates, typical operational costs and typical capitalization rates to similar inventories. The subject property has been classified as a “B” class building and has therefore been assessed as all other “B” class buildings in the 149th Street district.

[11] The Respondent included a “2011 Suburban Valuation Rates” used by the Respondent in establishing assessed values. Properties in the 149th Street district classed as “B” buildings as is the subject were all assessed on the basis of \$15 per square foot rental rate, a 5% vacancy rate, a 2% structural rate, a \$13 office vacancy shortfall, a \$13 CRU vacancy shortfall and a 8% capitalization rate (Exhibit R-1, page 32).

[12] The Respondent provided 19 leases from seven of twenty-nine “B” class buildings in the 149th Street district. The start dates of these leases ranged from January 1, 2009 to March 1, 2010. The time-adjusted rents ranged from \$9.95 to \$17.71 per square foot resulting in an average of \$14.48 per square foot and a median of \$15.36 per square foot (Exhibit R-1, page 33).

[13] The Respondent provided a chart of time adjustment factors covering the eighteen month period between January 1, 2009 and June 30, 2010 (Exhibit R-1, page 35). These factors were applied to the leases used by the Respondent in determining the market rent used in establishing the assessed value of the subject property.

[14] The Respondent provided a review of the Complainant’s lease comparable chart. Two of the leases were deemed outdated since they commenced June 1, 2005 and December 1, 2007, leaving the remaining eight comparables as useable. The rents range from \$9 to \$13 per square foot.

[15] The Respondent included a hypothetical sale using different rent rates from \$13 and \$10 per square foot. The purpose of this illustration was to display the direct relationship between market rents and capitalization rates. In the example, if the market rent changes by \$3 per square foot, the capitalization rate changes by more than a full percentage point in order to arrive at the sale value. The illustration displays the importance of consistency when applying and deriving typical income parameters, and that the typical market rent and the typical capitalization rate is interrelated (Exhibit R-1, page 37).

[16] In order to prove equity, the Respondent provided a chart showing the typical rates used in establishing assessed values for all twenty nine suburban “B” class office buildings in the 149th Street District. Of importance to this complainant, a typical office rent of \$15 per square

foot was applied to all the properties, resulting in an assessed value of \$166.44 per square foot (Exhibit R-1, page 38).

[17] The Respondent provided 7 Altus Insite reports that showed asking rents ranging from \$14 to \$18 per square foot for properties in the 149th Street District (Exhibit R-1, pages 39 – 45).

[18] The Respondent also included a Colliers International report that showed a \$14 - \$16 asking rate for Suburban Market office space in the 149th Street District (Exhibit R-1, page 48).

[19] The Respondent requested the Board to confirm the 2011 assessment in the amount of \$2,537,000.

DECISION

[20] The decision of the Board is to confirm the 2011 assessment of \$2,537,000 as being fair and equitable.

REASONS FOR THE DECISION

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

[22] The Board was persuaded by the Respondent's evidence regarding the fact that all 149th Street "B" class buildings were treated in a fair, equitable and consistent manner. All of the "B" class buildings had a typical lease rate of \$15.00 per square foot for assessment purposes.

[23] The Board was also persuaded by the Respondent's evidence of 19 time adjusted comparable leases from seven "B" class buildings within the 149th street district. The median of the comparable leases was \$15.36 per square foot and strongly supports the \$15 per square foot used for assessment purposes.

[24] The Board placed little weight on the Complainant's lease analysis as it was only based on one building and was felt to be too small a sample base.

DISSENTING OPINIONS AND REASONS

[25] There was no dissenting opinion.

Dated this 24th 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: STUART OLSON CONSTR LTD