

**NOTICE OF DECISION      NO. 0098 78/12**

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:

<b>Roll Number</b>	<b>Municipal Address</b>	<b>Legal Description</b>	<b>Assessed Value</b>	<b>Assessment Type</b>	<b>Assessment Notice for:</b>
3139904	10130 105 Street NW	Plan: B2 Block: 5 Lot: 191 / Plan: B2 Block: 5 Lot: 192	\$3,766,000	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.*

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cc: M B R HOLDINGS LTD.



## **Edmonton Composite Assessment Review Board**

**Citation: CVG v The City of Edmonton, 2012 ECARB 2000**

**Assessment Roll Number:** 3139904  
**Municipal Address:** 10130 105 Street NW  
**Assessment Year:** 2012  
**Assessment Type:** Annual New

Between:

**CVG**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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

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### **Preliminary Matters**

[1] The Respondent made a recommendation to reduce the subject assessment from \$3,766,000 to \$2,923,500 based on the lower rental rates requested by the Complainant. The Complainant did not accept the recommendation because the issues relating to the leasable area and the capitalization rate were unresolved. The Board proceeded to hear the complaint.

[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 in this matter.

### **Background**

[3] The subject property is a 14,980 square foot (sf) lot improved with a two storey retail/office building located at 10130 105 Street NW. The building has a 10,000sf floor plate with the main floor used as retail space and the second floor used as office space. The basement is used mainly for storage and mechanical.

### **Issues**

- [4] 1. What is the correct leasable area to be used for assessment purposes?
- [5] 2. What is the appropriate capitalization rate to value the subject property?



## **Legislation**

[6] 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**

[7] The Complainant filed this complaint on the basis that the subject property assessment of \$3,766,000 is incorrect. Although the Complainant did not accept the recommendation, the Complainant requested the Board to accept the lower rental rates offered by the Respondent. The issues relating to the leasable area and the capitalization rate are outstanding.

[8] The Complainant contends that the area used by the Respondent to prepare the assessment is incorrect because the subject property does not achieve the typical leasable area. The typical leasable area used for assessing this type of property is based on 95% of the main floor area and 90% of the second floor area. The Complainant explained that the subject property is an old warehouse that was originally constructed in 1946. Since then it has been converted to retail space on the main floor and office space on the second floor. The building has a freight elevator, loading zone, stairwells and hallways that reduce the amount of leasable space. As a result of the floor plan, the subject property has only 80% to 85% of the floor area available for lease.

[9] In support of this position, the Complainant produced the rent rolls showing the actual space fully leased which is 8,233sf on the main floor and 7,584sf on the second floor. The Complainant requested the Board to accept the actual leasable area as the correct area.

[10] The Complainant also argued that a capitalization rate of 8% should be used to value the subject property, rather than the 7% capitalization rate used by the Respondent. In support of this argument, the Complainant presented eleven sales comparables that have capitalization rates ranging from 7.08% to 8.88%. The Complainant also noted that the retail building located at 10167 101 Street NW was built in 1993 and is assessed using a 7% capitalization rate. It appears unreasonable to apply the same capitalization rate to the much older subject property.

[11] The Complainant prepared a proforma based on the lower rental rates, the actual leasable area and an 8% capitalization rate, which resulted in a value of \$2,172,100. In summary, the Complainant requested the Board to reduce the assessment to \$2,172,100 based on the requested revisions.



### **Position Of The Respondent**

[12] At the outset of the hearing, the Complainant requested the Board to accept a recommendation to reduce the subject assessment to \$2,923,500 based on the rental rates suggested by the Complainant.

[13] The Respondent explained that a 7% capitalization rate is used for all of the retail plaza properties in the downtown market area. Differences in attributes of properties are recognized in the rental rates used to value the properties. The Respondent presented five equity comparables that were each valued using the same capitalization rate of 7% and were assessed using rental rates ranging from \$15.00/sf to \$33.00/sf. The recommendation for the subject property is based on a rental rate of \$15.00/sf for the main floor, \$7.50/sf for the second floor and \$1.50/sf for the basement storage area.

[14] The Respondent confirmed that all similar properties are valued using typical leasable area based on 95% of the main floor area and 90% of the second floor area. The Respondent advised the Board that he had inspected the property and was not prepared to deviate from the typical leasable area based on the formulas used by the Respondent.

[15] In summary, the Respondent requested the Board to reduce the assessment to the recommended amount of \$2,923,000.

### **Decision**

[16] The property assessment is reduced to \$2,482,500.

### **Reasons For The Decision**

[17] The Board notes that the parties are in agreement with the rental rates of \$15.00/sf for the main floor, \$7.50/sf for the second floor and \$1.50/sf for the basement.

[18] With respect to the issue of whether the assessment was prepared using the correct leasable area, the Board finds as follows. The Respondent did calculate the typical leasable area correctly based on the formulas used by the assessment department to prepare assessments. However, the subject property suffers from functional obsolescence owing to the fact that the warehouse conversion does not physically allow for the typical 95% leasable area on the main floor and 90% leasable area on the second floor. Therefore, the Board accepts the actual leasable area presented by the Complainant as the correct leasable area for assessment purposes.

[19] Respecting the capitalization rate, the Board does not accept the Complainant's argument that the subject property should be valued using an 8% capitalization rate. The Complainant's eleven sales comparables are located in various market areas throughout the city and are not necessarily similar in location to the subject property which is in the downtown market area. Additionally, insufficient evidence was presented to show that the comparables are similar in other attributes that affect market value.

[20] In the absence of evidence to the contrary, the Board accepts the capitalization rate of 7% to value the subject property. Based on the Respondent's equity comparables, the Board is satisfied that all similar retail/office properties in the downtown market area are assessed using the same capitalization rate.



[21] In consideration of the above findings, the Board recalculated the subject assessment using the lower rental rates, the actual leasable area and a capitalization rate of 7% which yields a value of \$2,482,400. Based on this calculation, the property assessment is reduced to \$2,482,500.

Heard commencing July 9, 2012.

Dated this 25<sup>th</sup> day of July, 2012, at the City of Edmonton, Alberta.

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Lillian Lundgren, Board Member

**Appearances:**

Tom Janzen, CVG

Brent Green, MBR Holdings Ltd.  
for the Complainant

Gail Rookes, City of Edmonton

Ryan Heit, City of Edmonton  
for the Respondent