



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 814/11

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 23, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10171620	17014 90 Avenue NW	Plan: 0928218 Block: 30 Lot: 10	\$25,859,500	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 Ltd.

Persons Appearing on behalf of Respondent:

John Ball, Assessor, City of Edmonton

PRELIMINARY AND PROCEDURAL MATTERS

[1] The parties indicated that they had no objection to the composition of the Board. The Board members indicated that they had no bias with regard to the subject property.

[2] During the hearing, the Respondent advised the Board that the Respondent was making a number of recommendations that would effectively lower the assessment on the subject property. (Exhibit R-1 page 53). The recommendations put forth by the Respondent would reduce the 2011 assessment from \$25,859,500 to \$25,196,500. The Complainant did not accept the Respondent's recommendation and the hearing continued.

[3] During the hearing, both parties agreed that the issues before the Board were the rental rates and the capitalization rate.

BACKGROUND

[4] The subject property is a retail plaza located at 17014 - 90 Avenue NW in the Summerlea neighbourhood of west Edmonton. The property is located directly to the north of West Edmonton Mall. The property consists of three plaza buildings of approximately 31,100 square feet, 10,700 square feet, and 11,200 square feet respectively, and a free-standing fast food restaurant of approximately 3,700 square feet. These four buildings are located on a lot of approximately 463,300 square feet. The property was assessed on the income capitalization approach, and its 2011 assessment is \$25,859,500.

ISSUE(S)

[5] The issue is "What is the market value of the subject property?"

LEGISLATION

[6] 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

[7] 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 the assessment rental rates were in excess of the market rates and the capitalization rate was lower than the market rate.

[8] In support of his position the Complainant provided an evidentiary brief that included several tables relating to comparative rental rates and the capitalization rates (Exhibit C-1, pages 35 – 38 inclusive).

[9] The Complainant listed 5 market lease comparables (Exhibit C - 1, page 35 – lower chart) of bank properties with similar zoning that were all located in similar busy locations in various locations to the north of the river, with one being in the downtown core. The properties were mainly newer than the subject, were of fairly similar size and all commenced or were renewed between March 2009 and October 2010 relatively close to valuation day. The net lease rates of the comparables ranged from \$21.00/ sq ft to \$28.53/ sq ft with an average of \$25.41/ sq ft. The three leases signed in 2010 average \$24.51/ sq ft. Based on this analysis the Complainant requested a rental rate of \$25.00/ sq ft be applied to the bank portion of the property.

[10] The Complainant also provided a chart of restaurant lease comparables (Exhibit C-1, page 36) dated between December 2009 and March 2011 that had start or renewal dates between June 2009 and November 2010. These were in various but similar busy locations throughout the city and were all relatively newer properties like the restaurant portion of the subject which was built in 1999. The leased restaurants were all smaller in area than the subject restaurant ranging from 1,000 sq ft to 2,452 sq ft. The lease rates for the comparable restaurants ranged from \$15.50/ sq ft to \$28.00/ sq ft with average and median rates of \$23.00/ sq ft which was also the rate requested by the Complainant for the restaurant portion.

[11] In support of the restaurant lease the Complainant also provided a chart of assessment comparables (Exhibit C-1, page 37 – lower chart) for restaurant properties of like zoning but in various locations throughout the city. These were similar to slightly older in age when compared to the subject but were mainly of much smaller size ranging from 878 sq ft to 1,990 sq ft. All the restaurant assessments were at \$23.00/ sq ft including one close to the downtown area. This assessment rate also supports the market rate requested by the Complainant.

[12] For the plaza market lease rate the Complainant provided a chart of CRUMEG lease comparables (Exhibit C-1, page 35 – upper chart) in busy locations that appear to be fairly similar to or slightly inferior to that of the subject. The two leases were dated December and July 2010 and comprised larger areas of 22,888 sq ft and 13,764 sq ft which compares fairly well with the subject at 14,681 sq ft and 15,407 sq ft respectively. The unit rates for these two leases were \$15.50/ sq ft and \$13.00/ sq ft respectively and based on these two leases a rate of \$15.50/ sq ft was requested by the Complainant as applicable to the CRUMEG space.

[13] For the auto service centre the Complainant provided two assessment comparables located in the north-west and north-east quadrants of the city. These were relatively newer properties that were smaller in size than the subject and were assessed at \$13.00/ sq ft and \$17.75/ sq ft respectively. Based on this combined information a rate of \$15.50/ sq ft was requested for the lease rate on the auto service centre.

[14] With regard to the capitalization rate issue the Complainant provided a list, in chart form, of comparable assessment capitalization rates (Exhibit C-1, page 38) relating to shopping centre retail units located throughout the city but four of which were located in the west end relatively close to the subject property. The retail units ranged from 1,000 sq ft in area to in excess of 10,000 sq ft and included a bank pad, and restaurant pad. Of the ten comparables nine were either newer or substantially newer than the subject, five were developed as grocery stores and

they ranged in size from 3,644 sq ft to 42,388 sq ft. Only the Callingwood Market property is of similar age to the subject. These properties were all assessed based on the income approach method and all the capitalization rates were at 8.00% as opposed to the subject which has been assessed with a capitalization rate of 7.50%. The comparable properties are all rated to be of “average” class as is the subject property.

[15] At the conclusion of his presentation the Complainant requested a reduction in the assessment to \$22,975,500.

POSITION OF THE RESPONDENT

[16] The Respondent provided the Board with one hundred pages of information (R-1, pages 100). In addition, the Respondent made a recommendation to reduce the 2011 assessment from \$25,859,500 to \$25,196,500 based on the following.

[17] The summary of amendments as follows:

Building #1	\$14,907,546
Building #2	3,747,500
Building #3	5,172,000
Building #4	1,325,500
SSE	<u>44,221</u>

Recommended assessment for 2011 \$ 25,196,767

[18] As such, the Respondent is defending the revised 2011 assessment of \$25,196,767.

[19] The Respondent provided the Board with the mass appraisal process which the City of Edmonton utilizes for the neighborhood shopping center inventory.

[20] The Respondent also provided the Assessment Detailed Report for the subject property (Exhibit R-1, pages 25 - 27) which included the assessed lease rates for each of the buildings. In addition the Respondent also provided the rent rolls for all of the tenants in the subject property (Exhibit R -1, pages 28 – 34).

[21] The Respondent defended the cap rate of 7.5% for the subject property used by the City (Exhibit R-1, page 35). The capitalization rate for the subject is lower than most plazas due to its location adjacent to West Edmonton Mall. West Edmonton Mall is assessed at a capitalization rate of 6.75% recognizing the stature of the complex with worldwide prominence. This property is recognized as a premiere commercial property. The commercial properties directly adjacent have been assigned a capitalization rate of 7.5% recognizing the synergy created by the adjacent mall property. A similar plaza located on the west side of the subject has also been assigned a cap rate of 7.5%.

[22] The Terra Losa Centre located five blocks to the north of both the subject and the mall have been assigned an 8% capitalization rate, reflecting the distance from the prime property. The capitalization rate of 7.5% is reflective of the desirability of the subject property.

[23] The Respondent also provided five equity comparables for bank pads (Exhibit R-1, page 37) from various locations throughout the city. Four of these comparables are also assessed at the rate of \$30.00/ sq ft and one at \$27.00/ sq ft.

[24] In conclusion the Respondent requested the Board to confirm the revised recommended 2011 assessment at \$25,196,500.

DECISION

[25] The decision of the Board is to reduce the 2011 revised assessment of \$25,859,500 to \$25,196,500.

REASONS FOR THE DECISION

[26] The Board was persuaded by the actual rental rates put forth by both the Complainant and the Respondent regarding the bank space. The Board utilized three of the Complainant's comparables and two of the Respondent's comparables that were in proximity to the valuation date. All of the leases utilized were started in 2010. The five leases utilized had an average of \$26 per square foot and the Board accepted this figure as being the best indicator of rental value at valuation day.

[27] Although the Respondent provided a number of bank leases, there was little information to show the Board the location, and whether the bank was a standalone or part of a shopping centre. This lack of information made the comparability difficult.

[28] The Board was persuaded by the Complainant's survey of rental rates regarding restaurant/fast food facilities (Exhibit C-1, page 36). The seven restaurant/fast food actual leases had an average of \$23 per square foot and a median of \$23 per square foot. The Board agreed with the Complainant that for the two restaurants in Plaza 2 (Exhibit R-1, page 26) of \$22 per square foot and \$23 per square foot were supported by his findings. However the Complainant acknowledged and agreed to a sum of \$30/ sq ft when the Respondent informed the Board the restaurant was a Macdonald's restaurant. Therefore the Board accepts that the two parties are agreed over the restaurant value at \$30.00/ sq ft.

[29] The Board was persuaded by the Complainant's comparable lease rates regarding the auto/serve tenant. Although there were only two leases, both were signed in 2010. The Board noted the Respondent did not provide any auto/serve lease comparables to defend the Respondent's position and accepted the rate of \$15.50/ sq ft for the auto/serve space.

[30] The Board was persuaded by the Respondent's argument regarding capitalization rates on the subject property. The Board agrees that West Edmonton Mall is a premier commercial property. The Board further agrees that the Terra Losa Centre is somewhat inferior to the subject property, in terms of location. As such, the Board agrees that the subject property should have a capitalization rate 0.75 % higher than West Edmonton Mall and 0.50 % lower than the Terra Losa Centre.

[31] The Board reviewed the Respondent's equity capitalization rates for shopping centre's and believes the subject property is in a superior location and accepts the argument of the Respondent regarding location close to West Edmonton Mall and the capitalization rate of 7.5%.

[32] In consideration of the above, the Board finds that the Respondent's recommended value is a fair and equitable assessment for the subject property.

DISSENTING OPINION AND REASONS

[33] There was no dissenting opinion.

Dated this 28th 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: WESTGATE SHOPPING CENTRE INC