



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION      0098 869/11

COLLIERS      INTERNATIONAL      REALTY  
ADVISORS INC  
1000-335 8TH AVE SW  
CALGARY, AB T2P 1C9

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 March 16, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
2452795	12928 127 Street NW	Plan: 5573KS Block: 62 Lot: 1, etc.	\$2,800,500	Annual New	2011

#### **Before:**

Warren Garten, Presiding Officer  
George Zaharia, Board Member  
Tony Slemko, Board Member

**Board Officer:** Jason Morris

#### **Persons Appearing on behalf of Complainant:**

Stephen Cook, Colliers International  
Greg Jobagy, Colliers International

#### **Persons Appearing on behalf of Respondent:**

Ryan Heit, Assessor, City of Edmonton  
Alana Hempel, Assessor, City of Edmonton

## **PROCEDURAL MATTERS**

The parties indicated they had no objection to the composition of the Board. In addition, the Board members indicated they had no bias on this file.

## **PRELIMINARY MATTERS**

There were no preliminary matters.

## **BACKGROUND**

The subject property is a neighbourhood shopping plaza built in various years between 1957 and 1991, and is located at 12928 - 127 Street NW within the Athlone neighborhood of northwest Edmonton. There are four buildings on site totaling approximately 22,138 square feet of main floor space, situated on a lot 62,503 square feet in size.

Three of the buildings were assessed on the income approach, while the fourth building, a gas bar, was assessed on a cost approach resulting in a total 2011 assessment of \$2,800,500.

## **ISSUE(S)**

Is the 2011 assessment of the subject property too high considering its age and location?

## **LEGISLATION**

### ***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**

1. The Complainant provided a recent assessment history of the subject property, acknowledging that there was a 7.8% decrease in the 2011 assessment compared to the 2010 assessment, but arguing that subject property does not perform at the typical lease rates applied by the Respondent to arrive at the 2011 assessment. In the opinion of the Complainant, "this is partly due to the inferior location, and the old age of the subject properties...." (Exhibit C-1, page 7).
2. To support his position that the 2011 assessment of the subject property is excessive, the Complainant provided actual leases for three of the buildings excluding the gas bar. The gross rents for building one ranged from \$7.33 to \$18.67 per square foot with one lease

being a net rent at \$10.50 per square foot. This did not support the \$12.50 typical rent applied by the Respondent. The net lease for the second building was \$8.00 per square foot, much lower than the \$14.25 per square foot applied by the Respondent. The gross lease of \$16.69 per square foot for the third building would result in a much lower net lease than the \$13.25 per square foot applied by the Respondent (Exhibit C-1, page 7).

3. The Complainant suggested that based on the 2010 Annual Financial Statement, the operating expense for the total 22,138 square feet of space was \$5.29 per square foot, suggesting that a reasonable market rent for the commercial space would be \$10.50 per square foot, and for the restaurant \$12.00 per square foot (Exhibit C-1, page 7).
4. Applying the \$10.50 and \$12.00 per square foot rents to the respective areas of the subject property, the Complainant calculated a reduced assessment of \$2,313,149, rounded to \$2,313,000.
5. The Complainant submitted a rebuttal document, marked as C-2, challenging the comparables provided by the Respondent. It was the position of the Complainant that the comparables were not appropriate due to age, size, location, dated lease rates were not time-adjusted, and the fact that there were national tenants such as Mac's and Dairy Queen located in the comparables while the subject property had no national tenants.
6. The Complainant requested the Board to reduce the 2011 assessment from \$2,800,500 to \$2,313,000.

### **POSITION OF THE RESPONDENT**

1. The Respondent submitted a brief that included a detailed report resulting in a total 2011 assessment of \$2,800,500. This reflected an increased vacancy rate from the typical 5% neighbourhood shopping plaza space to 10% for the retail space while maintaining the 5% vacancy rate for the other two buildings (Exhibit R-1, pages 23 & 24).
2. The Respondent acknowledged that the \$14.25 per square foot rate applied to the daycare space in building number two was higher than the rates applied to other daycare space and suggested that the rental rate be reduced to \$10.75 per square foot. The resulting reduced assessment would be \$263,780, down from the original \$352,113 (Exhibit R-1, page 23).
3. The Respondent held at the \$13.25 per square foot market rent applied to building three (restaurant), resulting in an assessment of \$232,665 (Exhibit R-1, page 23).
4. The fourth building, a gas bar, was assessed using the cost approach resulting in a value of \$12,729 (Exhibit R-1, page 24).
5. The Respondent provided three equity comparables with assessments ranging from \$118.23 to \$162.55 per square foot, supporting the assessment of the subject at \$122.71 per square foot (Exhibit R-1, page 37).
6. The Respondent provided four comparables of rents of retail plaza property space, as well as the applied capitalization rates. The rents for the comparable retail space ranged from

\$13.00 to \$16.00 per square foot compared to the \$12.50 per square foot applied to the subject. The rents for the comparable restaurant space ranged from \$14.75 to \$17.50 per square foot compared to the \$13.25 per square foot applied to the subject. The capitalization rate of three of the comparables was 8.5%, the same as the subject while the capitalization rate of the fourth comparable was 9.0%. It was the position of the Respondent that age and location were accounted for in the rental rates.

7. The Respondent argued that the Complainant had not provided any equity or rent comparables, to support a reduction in the 2011 assessment.
8. Based on a reduction in the rental rate applied to the daycare space from \$14.25 to \$10.75 per square foot, the Respondent requested the Board to accept the reduced 2011 assessment from \$2,800,500 to \$2,712,500.

## **DECISION**

The Board accepted the Respondent's recommended reduced assessment of \$2,712,500.

Roll Number	Original Assessment	New Assessment
2452795	\$2,800,500	\$2,712,500

## **REASONS FOR THE DECISION**

1. The Board placed less weight on the Complainant's position for the following reasons:
  - a. Although the Complainant provided gross and net rents for the subject property, a rent roll was not provided to corroborate these rents. The Respondent did supply a commercial rent roll submitted by the owner in response to a "request for information", but unfortunately it was illegible and could not be relied upon.
  - b. In calculating the operational costs of the subject property, the Complainant referred to "the attached Annual Financial Statement – 2010", but unfortunately there was no attachment to support the suggested operating cost of \$5.29 per square foot.
2. The Board placed greater weight on the Respondent's position for the following reasons:
  - a. Although the issue of "vacancy" was not raised by the Complainant, the Respondent increased the vacancy rate for the retail building of the shopping plaza from the typical 5% to 10%.
  - b. Recognizing that the \$14.25 rent applied to the daycare was in excess of other daycare space, the Respondent reduced the rent rate to \$10.25, thereby prompting a reduction in the assessment.
  - c. The assessment of the subject property at \$122.71 per square foot fell within the range of the three equity comparables that were assessed from \$118.23 to \$162.55 per square foot.

- d. The rents of the subject were all lower than the rents for similar space in comparable properties. The subject's retail space rent at \$12.50 per square foot was lower than the four comparables that ranged from \$13.00 to \$16.00 per square foot. The subject's restaurant space rent at \$13.25 per square foot was lower than the three comparables that ranged from \$14.75 to \$17.50 per square foot. These lower rents for space in the subject property supported the Respondent's argument that age and location of the subject were accounted for in the rental rates.
3. The Board was persuaded that the recommended reduced 2011 assessment of \$2,712,500 for the subject property is fair and equitable.

### **DISSENTING OPINION AND REASONS**

There was no dissenting opinion.

Dated this 13<sup>th</sup> day of April, 2012, at the City of Edmonton, in the Province of Alberta.

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Warren Garten, Presiding Officer

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*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: 334154 ALBERTA LTD