



ASSESSMENT REVIEW BOARD

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

NOTICE OF DECISION NO. 0098 889/11

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 March 23, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
5088828	3924-118 AVENUE NW	Plan: 1151AN Block:11 Lot: 1 / Plan: 1151AN Block:11 Lot: 2	\$1,411,500	Annual New	2011

Before:

Don Marchand, Presiding Officer
Brian Carbol, Board Member
Mary Sheldon, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group

Persons Appearing on behalf of Respondent:

Ning Zheng, Assessor

PRELIMINARY MATTERS

- The Parties at the onset of the hearings affirmed to tell the truth. No objection was raised as to the composition of the CARB panel. In addition, the Board members indicated no bias with respect to this file.
- The issues set out were canvassed with the Parties. The Complainant advised that the issues were contained in items numbers 4 and 5, as shown on the SCHEDULE OF ISSUES and advised that any other issue on the SCHEDULE OF ISSUES would not be argued.

BACKGROUND

The subject consists of a CB1 zoned parcel of 7,433 square feet along 118th Avenue and the corner of 40th street. On site is a 1966 built CIBC free standing bank of 3,599 square feet with a fully developed basement. The income approach to value is the chosen method of valuation by both parties.

ISSUE(S)

1. Is the assessment of the subject property correct given the market data?
 - What is the typical market rental lease rate?
 - What is the typical capitalization rate that should be applied within the income approach methodology?
2. Is the assessment of the subject property correct given assessments of comparable properties?

LEGISLATION

Municipal Government Act, RSA 2000, c M-26

In this Act,

(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

289(2) Each assessment must reflect

- (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and***
- (b) the valuation and other standards set out in the regulations for that property.***

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.***

Matters Relating to Assessment and Taxation Regulation (AR 220/2004)

2. *An assessment of property based on market value*
 - (a) *must be prepared using mass appraisal,*
 - (b) *must be an estimate of the value of the fee simple estate in the property, and*
 - (c) *must reflect typical market conditions for properties similar to that property*

POSITION OF THE COMPLAINANT

In support of his position that the lease rate used by the Respondent in the income valuation of the subject was too high, the Complainant presented a chart of nine market lease rate comparables. The range per square foot of these comparables was from \$15.00 to \$28.53 with a median value of \$26.50. The Complainant argued that this supported a reduction in the lease rate applied from \$30.00 to \$27.00.

The Complainant also argued to the Board that the cap rate of 7.5% applied in the valuation of the subject was neither equitable nor correct and that a cap rate of 8% should be applied. On an assessment comparables chart which the Complainant provided, the cap rate applied to other banks/financial institutions ranged from 8.5% to 8%.

On his requested market value proforma, the Complainant applied a \$27.00 per square foot lease rate and an 8 % cap rate and requested a value of \$1,204,000 to the subject.

In response to the Respondent's submissions, the Complainant provided a rebuttal document questioning the Respondent's cap rate comparables.

The Complainant requested that the Board reduce the assessment of the subject to \$1,204,000.

POSITION OF THE RESPONDENT

The Respondent submitted a chart showing four supporting lease comparables rates for free standing banks located on bank pads. They are from the neighbourhoods of Larkspur, Eaux Claire, Crestwood and Eastgate. The lease rates range from \$33.00 to \$40.00. The Respondent explained that the location and age of the subject property resulted in a predicted \$30.00 per square foot, lower than the range of comparables.

The Respondent also submitted a chart showing four supporting capitalization rate comparables. They are for free standing banks located on bank pads ranging in year build from 1963 to 1987. They are from the neighbourhood's of Prince Rupert, Northmount, Jasper Park, and Eastwood.

The Respondent stated that the Complainant's comparables are bank CRUs or bank pads located in a shopping centre where the capitalization rate is a blended capitalization rate that is applied to the whole shopping centre.

The Respondent requested that the Board confirm the assessment of the subject property at \$1,411,500.

FINDINGS AND REASONS FOR THE DECISION

The Complainant's requested rate of \$27.00 per square foot is based on the lease comparable rates for space that is not similar to the subject. The subject has a 228 code. (LUC 228). Within the Complainant's 9 provided comparables: two are (LUC 225), 4 are (LUC 240), 1 is (LUC 242), and 1 is a (LUC 244). Only 1 comparable is a (LUC 228).

The CARB is not persuaded to amend the lease rate based on other than a freestanding bank space.

Similar to the rental rate argument, the CARB finds the equity capitalization rates provided by the Complainant are not reflective of the subject properties characteristics or properties similar to the subject. The rate of 8% requested is a composite or blended rate applied to banks within shopping complexes.

The legislation requires an assessment of property based on market value and it must be reflective of typical market conditions for properties similar to the subject property.

DECISION

The assessment for roll number 5088828 is confirmed at \$1,411,500.

Dated this 23rd day of April, 2012, at the City of Edmonton, in the Province of Alberta.

Don Marchand, 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: CANADIAN IMPERIAL BANK OF COMMERCE

For MGB Administrative Use Only: *From D. H. Marchand*

Decision No.		Roll No. 5088828 Edmonton		
<u>Subject</u>	<u>Type</u>	<u>Property Sub</u> <u>type</u>	<u>Issue</u>	<u>Sub Issue</u>
CARB	(2) retail store - bank	Stand along	Income approach	Lease rate and cap rate