



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION      0098 890/11

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:
4895108	8306 118 AVENUE NW	Plan: RN76 Block: 2 Lot: 14	\$605,000	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 CB2 zoned lot of 7,408 sq. ft. along 118<sup>th</sup> Avenue, on which is constructed a 1965 built one-storey retail store that currently has three tenants. The building contains a total of 4,295 square feet of net leasable area. 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?
  - Should an additional allowance for roof repairs be applied in 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 argument that the lease rate used by the Respondent in its calculation of the income approach to value for the subject was too high, the Complainant produced a rent roll for the subject which showed actual rents for the three tenants as being \$10.12, \$7.80 and \$9.00 per square foot respectively. He also indicated that two of these leases were gross leases. He argued to the Board that this demonstrated that the lease rate of \$14.25 per square foot used in the assessment was too high.

In further support of his argument that the lease rate of \$14.25 per square foot was excessive, the Complainant produced a chart of five assessment lease rate comparables. The median of these lease comparables was \$7.50 per square foot. He argued that this supported his request that a lease rate of \$8.00 per square foot be used.

The Complainant presented to the CARB an appraisal of the subject dated December 2009. This appraisal noted that extensive repairs and upgrading were required for the heating system and roof of the subject and that the estimated cost of these repairs would be between \$50,000 and \$60,000.

The Complainant presented a requested pro forma for the subject to the Board. This requested pro forma used a lease value of \$8.00 per square foot and as well provided a deduction for roof and heating system repairs of \$55,000. The Complainant argued that these adjustments would result in a value for the subject of \$309,500.

The Complainant requested that the Board reduce the assessment of the subject to \$309,500.

### **POSITION OF THE RESPONDENT**

The Respondent argued that the Complainant failed to provide any market rent comparables.

The Respondent refuted the validity of the five equity rent comparables provided by the Complainant on the basis that the first three were taken from a neighbourhood shopping centre with a median rent of \$10.00 per square foot. The fourth comparable is rejected as it is a storage warehouse and the fifth is a former Safeway, now used as a flea market and therefore is not a good comparable at \$5.00 per square foot.

In support of the assessment of the subject property the Respondent presented six market lease rate comparables with the net rent ranging from \$13.00 to \$17.00 per square foot. Most are located in the area of the subject property.

In addition the Respondent offered a chart with five equity lease comparables. The Respondent acknowledged that there were errors in the chart. Comparables #2, #3 and #4 are in error. The remaining two comparables supported the assessment of the subject property.

The Respondent requested that the Board confirm the assessment of the subject property at \$605,000.

### **FINDINGS AND REASONS FOR THE DECISION**

The Complainant's requested rate of \$8.00 per square foot is not supported by the actual rates provided for the subject property. The lease identified at a rate of \$10.12 is a 10 year lease ending in February, 2013. The other two leases matured in June 2010 and June 2011 respectively and the renewal rates were unknown for the hearing.

The 2009 appraisal for the subject concluded a market lease rate of \$9.00 per square foot for the subject.

The CARB finds the equity comparable lease rates provided by the Complainant are not reflective of the subject's lease space as the comparable space is not similar to the subject. The legislation requires an assessment of property based on market value, and it must reflect typical market conditions for properties similar to that property.

The CARB considers it typical for a 1965 built improvement to likely need roof repairs, and notes that in the income approach methodology, a typical structure allowance of 3% has been considered.

### **DECISION**

The assessment for roll number 4895108 is confirmed at \$605,000.

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

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Don Marchand, 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: KOLMAR PROPERTIES LTD.

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

<i>Decision No.</i>		<i>Roll No. 4895108 Edmonton</i>		
<u>Subject</u>	<u>Type</u>	<u>Property Sub type</u>	<u>Issue</u>	<u>Sub Issue</u>
CARB	(2 ) retail store	Stand along	Income approach	Lease rate and additional abnormal depreciation