

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1626

Assessment Roll Number: 9946840
Municipal Address: 9977 178 STREET NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Dean Sanduga, Presiding Officer
Petra Hagermann, Board Member
Dale Doan, Board Member

Preliminary Matters

[1] The parties indicated they had no objection to the composition of the panel, and the Board members indicated that they had no bias to declare with regard to this matter.

Background

[2] The subject property is assessed as a Power Centre Retail Complex known as West Point Centre located at 9977–178 Street. The shopping centre is composed of three buildings, one with several CRU spaces and two separate pads leased to restaurant tenants. The buildings were constructed in 1998 and have a total leasable area of 30,897 square feet (sq. ft.). The subject property was assessed on the income approach to value at \$8,986,000.

Issue(s)

[2] Although several issues were identified on the complaint form, the only issue addressed by the Complainant is the capitalization (cap) rate.

[3] Is the 7.50 % capitalization rate applied by the City correct when compared to capitalization rates of similar properties?

Legislation

[4] The Municipal Government Act reads:

Municipal Government Act, RSA 2000, c M-26

s 1(1)(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;

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

[5] In support of the Complainant’s position that the assessment of the subject is in excess of its market value, the Complainant presented the Board with a brief (C-1) and a rebuttal document (C-2). The brief included nine sales comparables (C-1, pages 1, 10-18) located throughout the City. The building sizes ranged from 8,830 to 88,820 sq. ft., date of construction from 1971 to 2008 and their capitalization rates ranged from 7.43% to 8.88%. The Complainant suggested that based on their average cap rate of 8.14% and the median cap rate of 8.02%, the assessment of the subject at 7.50% is unrealistic.

[6] The Complainant stated that, considering the age, condition and location of the subject property, sale #2 located at 7455- 101 Avenue and sale #6 located at 2804/50 Calgary Trail are the best comparables and indicators of a more appropriate cap rate for the subject property.

Complainant’s Rebuttal

[7] The Complainant’s rebuttal (C-2), emphasized that the subject property should not be assessed as a Power Centre. A Power Centre usually features mega stores such as Wal-Mart, London Drugs or Superstore. However as per the rent roll (C-2, page 2) the two largest tenants of the West Point Centre (on a separate roll number) are pads occupied by Shanks (22,141 sq. ft.) and Marks Work Warehouse (19,982 sq. ft.) which in the opinion of the Complainant are not comparable to a mega store.

[8] In summary, applying a cap rate of 8.5% to the \$673,966 net income of the subject, results in a value of \$7,929,012. The Complainant requested that the Board reduce the 2012 assessment of the subject to \$7,929,000.

Position of the Respondent

[9] To support the 2012 assessment of the subject property, the Respondent submitted a brief (R-1) including three sales comparables (R-1, page 16), equity comparables (R-1, page 15), and third party reports (R-1, pages 25-35) suggesting the cap rate applied in the assessment of the subject is fair, correct and equitable.

[10] The three sales comparables presented by the Respondent are all located in power centers with stabilized cap rates ranging from 6.97% to 7.30% supporting the 7.5% cap rate applied to the subject. The Respondent pointed to the sale located at 9204 Ellerslie Rd with a 7.14% cap rate. This sale was also used by the Complainant and supports the cap rate applied in the assessment of the subject.

[11] In argument, the Respondent advised the Board that the nine sales provided by the Complainant are neighborhood shopping centers. Furthermore, they stated that the Complainant used un-stabilized cap rates to determine the requested 8.50% cap rate for the subject, whereas the City used stabilized cap rates.

[12] To illustrate that the assessment of the subject is equitable, the Respondent submitted a chart of seven properties located in West Point Centre (R-1, page 15) all of which were assessed using the same parameters such as vacancy rates and 7.50% cap rates.

[13] The Respondent advised the Board that the subject property is located within the Power Centre known as West Point. Power Centers are defined as “ *large community centres with more than 250,000 square feet of space anchored by at least three, but often four or more, anchor tenants that occupy approximately 75% (60% - 90%) of the Gross Leasable Area*” (R-1, page 44). The Respondent pointed out that Marks Work Warehouse, Canadian Tire and Shanks are all part of West Point Centre (R-1, page 8).

[14] The Respondent submitted to the Board third party Market Reports from Cushman and Wakefield and Colliers International (R-1, pages 25-35) showing retail cap rates in Edmonton for Power Centers for Q2, 2011 ranging from 6.25% to 6.75% suggesting the cap rate of the subject at 7.50% was fair.

[15] The Respondent requested the Board confirm the 2012 assessment of \$8,986,000.

Decision

[16] The decision of the Board is to confirm the 2012 assessment of the subject at \$8,986,000.

Reasons for the Decision

[12] The Board reviewed the location of the subject property and found that the three pads occupied by Canadian Tire, Shanks and Work Warehouse which are part of West Point Centre and in light of the proximity of Home Depot, should be assessed as a Power Centre (R-1, page 44).

[13] The Board noted that the comparable sales provided by the Complainant with the exception of the property located on 9204 Ellerslie Road are neighbourhood shopping centers not power centers and therefore placed less weight on these comparables. The comparable property located on Ellerslie Road supports the assessment of the subject.

[14] The Board accepts that the income approach using cap rate is an accepted methodology for valuation. However, the Board was not persuaded by the Complainant's method of averaging the cap rates of the sales comparables to arrive at an appropriate cap rate for the subject property (C-1, page 1). The Board is of the opinion that one cannot simply take an average of cap rates from sales because a cap rate is reflective of different attributes of a property such as location, size, condition, age, revenue etc all of which affect the level of risk to a potential investor. These attributes vary in each property. The Board therefore places less weight on the Complainants methodology.

[15] The Board accepts the Respondent's equity comparables illustrating the typical cap rate of 7.50% as applied to properties located within West Point Center (R-1, page15).

[16] While the Board notes that the Respondent does not solely rely on third party market reports, the Q2, 2011 Cap Rate Report for Edmonton illustrated by Colliers International (R-1, page 35) is further support that the applied cap rate of 7.50% to the assessment of the subject is fair.

Dissenting Opinion

[16] There was no dissenting opinion.

Heard commencing October 12, 2012.

Dated this 13th day of November, 2012, at the City of Edmonton, Alberta.

Dean Sanduga, Presiding Officer

Appearances:

Tom Janzen

for the Complainant

Bozena Andersen

for the Respondent

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.