

Edmonton Composite Assessment Review Board

Citation: ADL Management Inc. v The City of Edmonton, 2013 ECARB 01179

Assessment Roll Number: 4350906

Municipal Address: 11524 80 STREET NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

ADL Management Inc.

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Dean Sanduga, Presiding Officer
Brian Hetherington, Board Member
Dale Doan, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties indicated that there was no objection to the composition of the Board. In addition, the Board members indicated that they had no bias in the matter before the hearing.

Background

[2] The subject property is an 11, 984 square foot lot, located at 11524 80 Street NW in the Edmonton Parkdale area, with a retail space of 1,800 square feet and 1,200 square feet of storage on the main floor. It was built in 1964.

Issues

- [3] Is the subject assessed in excess of its market value?
- [4] Should the assessment of the subject be reduced based on last year's assessment?

Legislation

[5] The *Municipal Government Act*, RSA 2000, c M-26, reads:

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

[6] To support a reduction in the 2013 assessment, the Complainant provided the Board with 11 comparable rental offerings (C-1, pg 9). The comparable warehouse properties ranged in size from 5,000 to 24,172 square feet, compared to the subject property's size of 3,000 square feet.

[7] The Complainant hired the services of Graham Downey of Downey and Associates, an accredited Appraiser and Real Estate Broker to review rental rates for the 11 comparable warehouse properties. The rental rates offered for those properties, according to Downey, ranged from \$6.25 to \$9.25 per square foot, which produced an average of \$7.76 per square foot.

[8] The Complainant advised the Board that neighbourhood of the subject property is very old and undesirable and that property values in the area are decreasing. The subject property is adjacent to an old house with a wired fence, unmaintained and ready to be demolished. The subject property is also surrounded by rundown garages, driveways, garbage cans and junk, an old ugly building, railway tracks and Northland barns. There has not been any improvement in this area for many years.

[9] The Complainant stated that the rental rates of \$13.75 per square foot attributed to the subject is excessive. He indicated that the current actual rental achieved is \$8.00 per square foot.

[10] The Complainant requested the 2013 assessment value to be reduced from \$337,500 to \$317,000.

Position of the Respondent

[11] The Respondent presented the Board with a 56 page brief (Exhibit R-1) in support of the City's assessment of \$337,500.

[12] To support the value of the property assessment, the Respondent presented the Board with a chart of three retail rentals of similar sized properties located in the northeast quadrant of Edmonton, zoned similar to the subject property (R-1 page 12). The properties, ranging in size from 1,739 to 3,473 square feet, had an average rental value of \$11.19 per square foot.

[13] A chart of four equity comparables was presented on retail stores in the Northeast part of the city (R-1 page 13); the cap rate of three of those comparable properties were at 7.5 %, while the fourth was at 8% and the subject's capitalization rate is 8%.

[14] The Respondent presented a chart of sales comparables of retail stores on the popular 118 Avenue, indicating stabilized capitalization rates ranging from 6.05% to 7.44% whereas the subject's stabilized capitalization rate is 8% (R-1 page 19).

[15] In response to questions from the Complainant, the Respondent acknowledged that the City's comparable rental assessment are on retail store properties located on 118 Avenue and because of the undesirable location of the subject property an adjustment was made by increasing the capitalization rate to 8% which is higher than capitalization rate on similar retail store locations at 7.5% .

[16] The Respondent further advised that the typical rents applied to the area are derived through the nearby neighborhood in which the subject property is located; therefore the subject property has also been given a higher capitalization rate than the rest of the neighborhood due to the undesirable location of the subject property.

[17] In summary the Respondent requested the 2013 assessment of the subject property be confirmed at \$337,500.

Decision

[18] The decision of the Board is to confirm the 2013 assessment at \$337,500.

Reasons for the Decision

[19] The Board was not impressed by the presentations of either party, which had a direct relationship to the City of Edmonton's zoning and classification of the subject property as Retail.

[20] The Complainant, while acknowledging the Retail classification, told the Board that the building had been designed for storage/office use and was inappropriate for retail. From this perspective, he had compared the subject property's use as a warehouse and presented a set of 11 comparable properties which were all industrial warehouse properties. The warehouse locations were from across the city of Edmonton with none in the subject property's neighborhood.

[21] The comparable warehouse properties ranged in size from 5,000 square feet to 24,172 square feet, compared to the subject property's size of 3,000 square feet. The rental rates charged for those properties, according to the Downey report, ranged from \$6.25 to \$9.25 per square foot, which produced an average of \$7.76 per square foot.

[22] The Complainant acknowledged that he had offered space in his building for lease at a rental rate of \$9.00 and had so far had one offer at a price of \$6.75. Responding to a question from the Chair, he acknowledged that this was a marketing ploy and he would likely settle for a lease rate of between \$6.50 and \$9.00 per square foot.

[23] The Respondent, in recognizing the apparent difficulty of operating the warehouse building in a predominantly residential area, had demonstrated an understanding by implementing a cap rate of 8% on the subject property, which compared to 7.5% for the business properties presented by the Respondent as comparables.

[24] On the other hand, the Board did not feel that the Respondent's list of comparables was appropriate for Board consideration. Of the four equity comparables, one was owned by the Complainant and was the subject of a hearing to be held later in the day. Five sales comparables were popular retail properties on the much busier 118 Avenue. The Board was of the opinion that these properties were too dissimilar for effective consideration.

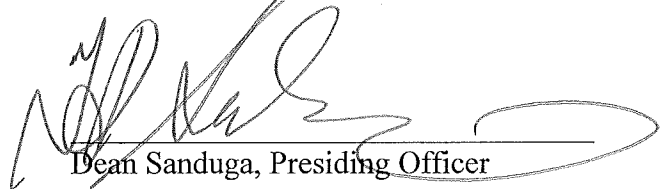
[25] The Board did not feel that the Complainant had presented satisfactory and compelling evidence to support a reduction in the assessment.

Dissenting Opinion

[26] There was no dissenting opinion.

Heard on July 23, 2013.

Dated this 8th day of August, 2013, at the City of Edmonton, Alberta.



Dean Sanduga, Presiding Officer

Appearances:

Aldo De Luca, ADL Management Inc.
for the Complainant

Alana Hempel, City of Edmonton
Chelsea Bradshaw, City of Edmonton
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.