

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01581

Assessment Roll Number: 2157055

Municipal Address: 10710 142 Street NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

**Peter Irwin, Presiding Officer
Lillian Lundgren, Board Member
Darryl Menzak, Board Member**

Procedural Matters

[1] When asked by the Presiding Officer, the parties did not object to the composition of the Board. In addition, the Board Members indicated no bias in the matter before them.

Preliminary Matters

[2] The Respondent recommended the assessment be reduced to \$3,802,000 based on a space allocation and a change to the rate applied to the upper area. The Complainant declined the Respondent's recommendation and decided to proceed with the complaint.

Background

[3] The subject property is a small neighborhood shopping center in the McQueen neighborhood anchored by a World Health Centre. The building's area is approximately 30,215 square feet (sf) situated on a 133,221 square foot lot. The subject property was assessed on the income approach and the assessment is \$4,119,500.

Issue(s)

- [4] Is the subject property assessed correctly when compared to similar properties and is the subject property equitable assessed with other properties?
- a) Is the CRU EXT (CRU EXT - Commercial Retail Unit large >10,000 sf) lease rate too high when compared to comparable properties?

- b) Is space allocation correct?
- c) Is the upper mezzanine lease rate correct?

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] The Complainant took the position that lease rates used by the City of Edmonton are too high for the World Health Centre (CRU EXT) space. The current lease for the World Health Centre is a recent long term lease for 14 years with a lease rate of \$7.00/sf. The Complainant presented four lease comparables with an average and median lease rate of \$7.75/sf (Exhibit C-1, page 22).

[7] The Complainant also presented five comparable assessment equity lease rates from the west end with a median of \$9.00 per sf. The comparables range in size from 17,099 to 32,342 sf (Exhibit C-1, page 22).

[8] The space allocation is incorrect because the lease for a portion of the restaurant space was forfeited and vacant as of December 31, 2012. The space was then leased in March of 2013 with a consignment store as the new tenant. The area and lease rate for this space should be amended and included with the CRU MED space and not with the restaurant.

[9] The Complainant stated that the upper space of 4300 square feet includes a lease of approximately 1,000 square feet at a rate of \$7.00/sf. The Complainant is requesting that a rate of \$1.50/sf be applied to the entire upper area. The Complainant also provided twelve assessment comparables with the lease rates applied to the upper areas (C-1, page 23).

[10] The Complainant requested the Board to reduce the assessment to \$3,017,000.

Position of the Respondent

[11] The Respondent recommended the assessment be reduced to \$3,802,000 based on a change in the space allocation to CRU MED from a restaurant rate and a change to the rate applied to the upper area of a \$1.00/sf. In light of these changes, the Respondent submitted that the recommended assessment is correct.

[12] The Respondent provided a table of CRU EXT lease rates for similar types of properties. The median lease rate was \$10.99 and the average lease rate was \$13.23/sf (R-1 page 24).

[13] The Respondent also provided five assessment equity rents for the CRU EXT space which ranged from \$11.00 to \$12.75/sf (R-1 page 25).

[14] The Respondent provided a new proforma with the amendments to the CRU MED area and the upper area (Exhibit R-1, p11).

[15] In summary, the Respondent requested the Board to reduce the assessment to the amount of \$3,802,000 based on the recommendation.

Decision

[16] The decision of the Board is to reduce the assessment from \$4,119,500 to \$3,295,500.

Reasons for the Decision

[17] The Board finds that the actual lease rate of the World Health Centre is not a typical lease because of the length of the term. Instead, the Board placed greatest weight on the comparable equity lease rates provided by the Complainant which indicated lease rates of \$9.00/sf and finds this rate to be more appropriate. The Board created a new proforma based on \$9.00/sf lease rate for the CRUEXT area.

[18] While the Complainant's comparables were in the NW quadrant, the Respondent's comparables were city wide. The Board noted that the Respondent submitted lease rates which range from \$2.08/sf to \$29.50/sf indicating that many of the comparables may not be similar to the subject property.

[19] The Board accepts the Respondent's recommendation for a change to the lease rate used for the upper area and the change to the CRU MED and restaurant allocation.

[20] The recommended changes provided by the Respondent combined with the Board's decision to amend the CRU EXT lease rate results in a revised assessment of \$3,295,500.

Heard September 16, 2013.

Dated this 16th day of October, 2013, at the City of Edmonton, Alberta.

for



Peter Irwin, Presiding Officer

Appearances:

Adam Greenough
for the Complainant

Tim Dueck, Assessor
Steve Lutes, Legal Counsel
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.