

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01583

Assessment Roll Number: 1032812

Municipal Address: 5515 137 Avenue 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.

Background

[2] The subject property is a neighborhood shopping center known as the Klondyke Centre, located in the Belvedere area in northeast Edmonton. The building consists of office space, several Commercial Retail Units (CRUs) and a standalone retail unit. The complex is anchored by a Boston Pizza. The total area of the two buildings is approximately 16,211 square feet (sf) and is situated on 69,135 square feet of land. The property was assessed using the income approach and the assessment is \$4,314,000.

Issue(s)

- [3] Are the lease rates used to prepare the assessment correct?
- a) Is the lease rate used for CRU MED (CRU MED - Commercial Retail Unit Medium 1001-3000 square feet) correct?
 - b) Is the lease rate used for the office correct?

Legislation

[4] 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

[5] The Complainant took the position that the lease rates used by the City of Edmonton are too high for the office space and the CRU MED space when compared to actual lease rates in the subject property and in similar properties.

[6] The actual income of the subject property is much less than that predicted by the assessment. Based on the actual leases in the property, the value of the subject should be \$3,754,000. This is lower than the assessment of \$4,314,000. The assessment does not reflect the market value of the subject.

[7] The Complainant argued that the rate applied to the office space and the CRU MED is too high and provided the rent roll for the subject property indicating lease rates of \$17.00 to \$25.75 per square foot. The month to month gross rate for the office space is \$17.65 with an indicated triple net lease of \$12.15 per square foot (Exhibit C-1, page 17).

[8] In support of the argument, the Complainant provided CRU MED triple net lease rates for six properties ranging from \$12.00 to \$18.50 per square foot. The comparables indicated a median of \$14.00 and an average of \$14.92 per square foot. The Complainant has requested a lease rate of \$19.00 per square foot be applied to the CRU MED space (Exhibit C-1, page 19).

[9] The Complainant also provided lease rates for six office spaces indicating an average lease rate of \$14.37 and a median lease rate \$14.75 per square foot and requested a lease rate of \$14.75 per square foot (Exhibit C-1, page 19).

[10] Based on revised lease rates to the office area and to the CRU MED space the Complainant calculated a new pro forma and is requesting an assessment of \$4,185,000 (Exhibit C-1, page 13).

Position of the Respondent

[11] The Respondent took the position that the assessment is correct and that the assessment was prepared using typical lease rates and should not be prepared using actual lease rates as suggested by the Complainant.

[12] In support of their position, the Respondent provided a table of comparable CRU MED lease rates indicating an average of \$20.70 and a median of \$19.65 per square foot for the space type. The Respondent also provided a table of comparable office rents indicating a median of \$20.91 and an average of \$20.75 per square foot. (Exhibit R-1, pages 18-19)

[13] The Respondent provided equity lease rates used for the CRU MED space ranging from \$19.50 to \$21.75 per square foot and for office space ranging from \$19.25 to \$23.25 per square foot. (Exhibit R-1, page 21)

[14] The Respondent questioned the Complainant's tenant schedule (Exhibit C-1, page 18) which showed several annotations and discrepancies. The Respondent also questioned some of the size discrepancies where the sizes of the leases in the subject provided by the Complainant differed from the lease sizes presented by the Respondent. The Complainant suggested the Board accept the sizes or areas used by the Respondent.

[15] The Respondent noted that the requested change in assessment is less than 5% and that in similar board decisions, the assessments were confirmed.

[16] The Respondent requested the Board to confirm the assessment based on the typical lease rates used to prepare the assessment and not the actual rents.

Decision

[17] The decision of the Board is to confirm the assessment of \$4,314,000.

Reasons for the Decision

[18] The Board placed little weight on the evidence provided by the Complainant because it consisted of actual leases within the property while the Respondent used typical lease rates. The Board agreed with the Respondent that typical lease rates for both the retail and office areas should be used to calculate the assessment.

[19] The Board placed greatest weight on the Respondent's comparable CRU MED lease rates which indicated a median of \$19.65 of square foot and an average of \$20.70 per square foot and which supports the assessment. The Respondent's equity lease rates indicated a range of \$19.25 to 21.75 per square foot and also support the rates used by the assessor to prepare assessment.

[20] The Board also placed greater weight on the Respondent's comparable office space lease rates with a median of \$20.91 and an average of \$20.75 per square foot which supports the assessment. The Respondent's equity lease rates indicated a range of \$19.25 per square foot to \$23.25 per square foot and also support the rates used by the assessor to prepare the assessment.

[21] The Board has determined that the assessment of the subject property does not warrant a reduction and therefore confirms the assessment of \$4,314,000.


Heard September 16, 2013.

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

Appearances:

Adam Greenough
for the Complainant

Tim Dueck, Assessor
Steve Lutes, Legal Counsel
for the Respondent


Peter Irwin, 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.