

## **Edmonton Composite Assessment Review Board**

**Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of  
Edmonton, ECARB 2012-002302**

**Assessment Roll Number:** 8768251  
**Municipal Address:** 8940 82 AVENUE NW  
**Assessment Year:** 2012  
**Assessment Type:** Annual New

Between:

**COLLIERS INTERNATIONAL REALTY ADVISORS INC**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF**  
**Robert Mowbrey, Presiding Officer**  
**Dale Doan, Board Member**  
**Petra Hagemann, Board Member**

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### **Preliminary Matters**

[1] Upon questioning by the Presiding Officer, the parties indicated they had no objection to the composition of the Board. In addition, each of the Board Members declared no bias on this matter.

### **Background**

[2] The subject property, consisting of two buildings was built in 1958 and 1961, is a 24,853 square foot (sq. ft.) one-storey retail/wholesale community Shopping Strip Centre with three tenants dominated by a Value Village discount retail store. It is located at 8940 82 Avenue in the Bonnie Doon neighborhood on a 64,888 sq. ft. lot with site coverage of 40%. The subject is assessed as a quality 5 building, at \$4,269,000 or \$170.76 per sq. ft. based on the Income Approach to Value.

### **Issue(s)**

[3] Is the assessment of the subject property at a lease rate of \$13.75 per sq. ft. in excess of its market value based on its age, location and limited parking spaces?

## **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] The Complainant filed the complaint on the basis that the subject property assessment of \$4,269,000 was inequitable and in excess of market value. In support of this position, the Complainant presented an 18 page evidence package to the Board marked as Exhibit C-1.

[6] The Complainant advised the Board that the assessment had increased by 6.3% over the previous year. The Complainant surmised that the increase in the assessment from the previous year was partly due to the reduction in the capitalization rate from 8.5% to 8.0%. The Complainant suggested that there was no evidence in the marketplace to support this increase especially since the subject is an older structure and leased to a discount store which is not a prime anchor tenant. The risk to a potential investor considering the age and quality of the building would indicate that an 8.5% cap rate would be more appropriate.

[7] The Complainant noted that although there is some parking at the side of the building, it is insufficient and therefore patrons need to make use of parking behind and across the alley from the subject. The limited parking would negatively affect the market value of the subject.

[8] The Complainant advised the Board that they are challenging the \$13.75 rental rate applied to the Value Village tenant, however, not the other two tenants of the second building. To that effect the Complainant had reviewed four other Value Village locations in Edmonton with specific information only on the property located at Fort Road. The Complainant noted that this property was constructed in 1982 and 2000 with a total building size of 39,433 sq. ft. on a lot area of 248,008 sq. ft. (site coverage of 16%) and was assessed at \$134.82 per sq. ft. This low site coverage would typically result in a higher value per sq. ft. This newer property, although located at an inferior location than the subject with lower site coverage would support a reduction in the assessment of the subject.

[9] The Complainant submitted the rent roll of the subject property (Exhibit C-1, page- 15) indicating a lease commencing May 2009 with an expiry date of August 2011 in the amount of

\$12.00 per sq. ft. The Complainant indicated that the assessment based on a rental rate of \$13.75 for the Value Village retail store is excessive and should be reduced to \$12.00 per sq. ft. To further support this reduced rental rate, the Complainant presented an equity comparable of a Goodwill discount store located at 8745/69 51 Avenue with an assessed lease rate of \$11.50. Although this lease originated in December of 2007, the Complainant reminded the Board that this was at the peak of the Edmonton Real Estate market and that current rental rates would be typically lower.

[10] During argument and summation the Complainant suggested that the subject is inferior in quality to the comparables provided by the Respondent which are assessed as quality 4 compared to the subject's quality 5.

[11] The Complainant submitted a rebuttal evidence package showing pictures and locations of the Respondent's equity comparables. The Complainant stated these were newer and in superior buildings with more favorable locations, which in the opinion of the Complainant were not comparable to the subject.

[12] The Complainant requested the Board reduce the 2012 assessment of the subject taking into account a capitalization rate of 8.5% and a rental rate of \$12.00 for the building leased to Value Village. This would result in a new value of \$3,661,000 (\$148.90 per sq. ft.).

### **Position of the Respondent**

[13] The Respondent defended the City's position in presenting a 25-page assessment brief to the Board marked as Exhibit R-1 and an 83-page law and legislation evidence package marked as Exhibit R-2. The brief included an Income Detail Report, showing the derivation of the assessment of the subject. The retail store (Value Village) was assessed as quality 5 at \$13.75 per sq. ft. and the second building as quality 4 at \$19.00 per sq. ft. applying a 5% vacancy rate, 3% structural repair and an 8% capitalization rate for a total assessment of \$4,269,000.

[14] The brief also included a 2011 rent roll for the Value Village building of the subject (Exhibit R-1, pg 15) showing a lease dated May 1, 1990 expiring August 31, 2011 in the amount of \$12.00 per sq. ft. The 2012 rent roll (Exhibit R-1, page 16) showed a \$14.00 per sq. ft. lease rate expiring August 31, 2012. The Respondent agreed that the second rent roll was past the valuation date and it suggested an upward trend in the market.

[15] The Respondent further included a map (Exhibit R-1, page 17) detailing all the retail properties in the immediate vicinity of the subject on 82 Avenue having a capitalization rate of 8%.

[16] The Respondent referred the Board to three retail equity comparables located in the City of Edmonton, similar in size and cap rates showing an average rental rate of \$14.58 per sq. ft. indicating the assessment of the subject is fair and equitable.

[17] The Respondent referred the Board to a previous CARB decision on the subject property which suggested that the most compelling evidence in confirming the assessment of the subject were "*the rent equity comparables*".

[18] The Respondent requested the Board confirm the 2012 assessment of the subject property at \$4,269,000.

## **Decision**

[19] The decision of the Board is to confirm the 2012 assessment at \$4,269,000.

## **Reasons for the Decision**

[20] The Board examined the evidence provided by the Complainant. In response to the Complainant's suggestion that "*the limited parking would negatively affect the value of the subject property*", the Board was not provided with evidence as to the parking requirements stipulated in the City's bylaws. As there appears to be parking along the side and behind the building the Board is not convinced that this issue would adversely affect the market value of the subject property.

[21] The Board reviewed the Complainant's request for a reduction in the rental rate of the Value Village space from \$13.75 to \$12.00 per sq. ft. The Complainant provided one equity comparable of a Goodwill store located on 51<sup>st</sup> Avenue leased at \$11.50 per sq. ft. Although this lease commenced in 2007, it was suggested that this was at the height of the real estate boom in Edmonton and it would stand to reason that leases in 2011 would be typically lower. The Board was not provided with specifics of this lease for adequate evaluation. Furthermore, as assessments are based on typical and not actual rental rates, the Board would have preferred more equity comparables to ascertain typical lease rates and therefore placed little weight on this limited evidence.

[22] The Complainant presented the Board with a comparable Value Village property located at 13530 Fort Road assessed at \$134.82 per sq. ft. The Board noted that the two buildings on site were newer than the subject and the property has a 16% site coverage which typically would result in a higher value per sq. ft. The Complainant suggested that based on this comparable; the subject's assessment at \$170.76 per sq. ft. is excessive. The Board placed little weight on this evidence as one property is not indicative of the market. Furthermore retail properties are assessed on the income approach to value and no income information was provided for the Fort Road property.

[23] The Board heard the Complainant's comment that the assessment likely increased due to the change in capitalization rate from 8.5% to 8.0%. The Board was not provided with any evidence from the market place that an 8.0% capitalization rate is atypical and therefore placed little weight on this comment.

[24] The Board was not persuaded by the three equity comparables provided by the Respondent. These properties were of newer construction, two were in superior locations and one had lower site coverage than the subject and therefore was deemed not to be comparable to the subject.

[25] The Board was not convinced by the evidence provided by the Respondent to support an 8% cap rate. A map of Whyte Avenue was provided outlining some properties in the immediate vicinity of the subject all assessed with an 8% cap rate. No additional information was provided to the Board to allow comparability of these properties to the subject.

[26] The Board noted that the Complainant requested a change in the quality of the subject from 5 to 4, however this was not outlined in the issues and no evidence was provided to support this request.

[27] Jurisprudence has established the onus of showing an assessment is incorrect rests with the Complainant. The Board is satisfied that the Complainant did not provide sufficient and compelling evidence to enable the Board to form an opinion as to the incorrectness of the assessment.

### **Dissenting Opinion**

[28] There was no dissenting decision.

Heard commencing September 24, 2012.

Dated this 2<sup>nd</sup> day of October, 2012, at the City of Edmonton, Alberta.

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Robert Mowbrey, Presiding Officer

### **Appearances:**

Greg Jobagy, Colliers International Realty Advisors Inc.

Stephen Cook, Colliers International Realty Advisors Inc.

for the Complainant

Gail Rookes, Assessor

for the Respondent