



CENTRAL ALBERTA REGIONAL
**Assessment
Review Board**

Complaint ID 0262 1834
Roll No. 30000934310

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: July 29, 2024

PRESIDING OFFICER: M. WEATHERALL
BOARD MEMBER: D. DEY
BOARD MEMBER: A. TARNOCZI

BETWEEN:

Altus Group Limited

Complainant

-and-

City of Red Deer
Revenue & Assessment Services

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by an Assessor of The City of Red Deer as follows:

ROLL NUMBER: 30000934310

MUNICIPAL ADDRESS: 3215 49 Avenue, Red Deer, AB

ASSESSMENT AMOUNT: \$6,972,900.00

The complaint was heard by the Composite Assessment Review Board on the 29th day of July 2024, via videoconference.

Appeared on behalf of the Complainant: B. Robinson, Agent, Altus Group Limited

Appeared on behalf of the Respondent: S. Gill, Assessor, The City of Red Deer
A. Minhas, Assessor, The City of Red Deer

DECISION: The assessed value of the subject property is confirmed.

JURISDICTION

- [1] The Central Alberta Regional Assessment Review Board [“the Board”] has been established in accordance with section 455 of the *Municipal Government Act*, RSA 2000, c M-26 [“MGA”].

PROPERTY DESCRIPTION AND BACKGROUND

- [2] The subject property (subject) is a Retail Strip Centre in the quality 10 range. The year of construction was 2010. The subject has an improved size of 24,358 square feet (sf) and an assessable land area of 2.04 acres. The property type is Shopping Centre - Strip with Direct Control District zoning and located in the South Hill subdivision.
- [3] The current assessment of the subject is \$6,972,900.00 calculated pursuant to the income approach to value.

PRELIMINARY MATTERS

- [4] Neither party raised any objection to the panel hearing the complaint.

ISSUE

- [5] Should the subject assessed CRU rental rate for the main floor be reduced from \$26.00 per square foot (psf) to \$25.00 psf?
- [6] Should the subject assessed CRU rental rate for the upper floor be reduced from \$15.00 psf to \$13.00 psf?

POSITION OF THE PARTIES**Position of the Complainant**

- [7] In questioning by the Board and the Respondent, the Complainant acknowledged that the subject assessed vacancy rate is not an issue in this merit appeal. The Complainant simply wanted to express their view that the assessed vacancy rate is one more reason to suggest that the subject assessment may be incorrect in whole.
- [8] The Complainant presented the subject’s market leasing chart, based on the subject rent rolls, for the nine main floor leases. One CRU is vacant. The median lease rate of actual leases is \$25.00 psf.
- [9] The Complainant presented the subject’s market leasing chart for the two upper floor leases. One CRU is vacant. The lease rate for the one lease is \$13.00 psf.
- [10] The Complainant argued that their evidence supports that the subject assessment is more than market value when considering its actual leases.
- [11] The Complainant stated the Respondent failed to provide sufficient detail to allow the Complainant to respond to or rebut their evidence.
- [12] The Complainant requested that the Board reduce the assessment of the subject to \$6,572,900.00.

Position of the Respondent

- [13] The Respondent provided a brief outline of the assessment methodology as it relates to the collection of information utilized in mass appraisal to establish reasonable inputs for the income approach to valuation. A key part of this process is an annual review of assessment request for information (RFI's).
- [14] The Respondent critiqued the Complainant's comparables. The Respondent noted that the Complainant has used only leases from the subject to support its requested assessment of \$25.00 psf for the main floor leases. The Complainant has not provided any market evidence to support their request.
- [15] The Respondent pointed out that the Complainant has used one single lease from the subject property to support its requested assessment of \$13.00 psf for the upper floor leases. The Complainant failed to consider step-ups in this lease and has not provided any market evidence to support their request.
- [16] Even though the Complainant acknowledged that the assessed vacancy rate is not an issue in this merit appeal, the Respondent argued the Complainant failed to provide any evidence on how a single year vacancy at the subject is reflective of the typical market vacancy for other similar properties. The Respondent noted that vacancy allowance is a stabilized input which is generally phased in to avoid potential swings in value.
- [17] The Respondent provided a chart containing the details of 20 properties in the Retail Strip Mall classification for main floor space within the quality 10 ranking. The actual rental rates were taken from the above-noted RFI process. The median reported lease rate for these comparable properties was \$27.25 psf and supports the subject assessment.
- [18] The Respondent provided a chart containing the details of 13 properties in the Retail Strip Mall classification for upper-level space within the quality 5 and 6 ranking. The actual rental rates were taken from the above-noted RFI process. The median reported lease rate for these comparable properties was \$16.50 psf and supports the subject assessment.
- [19] The Respondent stated the subject property last transacted in 2017 for \$8,500,000.00. While acknowledging this transaction is dated, the Respondent suggested that the subject's transaction is generally the best indication of its value around the time of the transaction and provides some insight into its value in the future.
- [20] The Respondent spoke about the discrepancy between the square footage reported by the subject's owner and the assessed square footage. According to the subject 2023 RFI, the leased area is 24,358 sf which means that there should be an additional 76 sf assessed at \$21 psf.
- [21] The Respondent requested that the Board confirm the current assessment of the subject at \$6,972,900.00.

Complainant's Rebuttal

- [22] Subsequent to the Respondent's presentation, the Complainant asserted in their rebuttal document that the Respondent's disclosure did not demonstrate the subject assessment was correct. The City

failed comply with the requirements set out in *MRAC*, 2018, Section 9(2)(b)(i) and did not provide sufficient detail to allow the Complainant to fully rebut their evidence.

Respondent's Surrebuttal

- [23] Subsequent to the Complainant's rebuttal, the Respondent reviewed the legislation, case law and examples of commercial appraisal disclosures, in response to the Complainant's issue of sufficient information raised in the rebuttal.

BOARD FINDINGS and DECISION

- [24] The Board acknowledges that prior CARB and Court decisions were referred to by both parties and taken into consideration. The Board understands that those decisions reflected on issues and evidence considered in those hearings and are not binding on this Board. The Board's decision on this merit hearing was based solely on the evidence before this Board.
- [25] The Board understands from the Complainant that the subject assessed vacancy rate is not an issue in this merit appeal. The Board will not address the assessed vacancy rate in these findings and decision.
- [26] The Board places less weight on the Complainant's leases from the subject to support its requested assessment of \$25.00 psf for the main floor leases and \$13.00 psf for the upper floor lease. The Board finds that the Complainant has not provided any market evidence to support their request. The Board is of the view that, for assessment purposes, and for the purpose of mass appraisal within the confines of the MGA, typical rental rates are more appropriately used than the actual rents in place, the only exception being the assessment of a hotel, because its unique characteristic and qualities, where three years of financial information is used to prepare the assessment.
- [27] The Board is satisfied that the assessment methodology, as it relates to the collection of information utilized in mass appraisal, was used to establish reasonable inputs for the income approach to valuation for the subject.
- [28] The Board places significant weight on the Respondent's analysis of typical lease rates for 20 properties in the Retail Strip Mall classification for main floor space within the quality 10 ranking. The Board is satisfied that the actual rental rates were taken from the above-noted RFI process. The Board finds that the median reported lease rate for these comparable properties was \$27.25 psf and supports the subject assessment of \$26.00 psf because they represent typical market rates for leases comparable to the subject.
- [29] The Board places significant weight on the Respondent's analysis of typical lease rates for the 13 properties in the Retail Strip Mall classification for upper-level space within the quality 6 ranking. The Board is satisfied that the actual rental rates were taken from the above-noted RFI process. The Board finds that the median reported lease rate for these comparable properties was \$16.50 psf and supports the subject assessment of \$15.00 psf because they represent typical market rates for leases comparable to the subject.
- [30] The Board did not find the Respondent's submission of the 2017 sale of the subject property to be particularly helpful in determining market value for the subject.

[31] The Board confirms the current assessment of the subject at \$6,972,900.00.

DECISION SUMMARY

[32] The Board makes no change to the current assessment of the subject.

[33] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 16th day of August 2024 and signed by the Presiding Officer on behalf of all the panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.

Miles Weatherall

Miles Weatherall
Presiding Officer

MGA Section 470(1) Where a decision of an assessment review board is the subject of an application for judicial review, the application must be filed with the Court of King's Bench and served not more than 60 days after the date of the decision.

APPENDIX

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>	<u>PAGES</u>
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