



CENTRAL ALBERTA REGIONAL  
**Assessment  
Review Board**

Complaint ID 0262 1852  
Roll No. 300003214635

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: 300003214635

MUNICIPAL ADDRESS: 7730 50 Avenue, Red Deer, AB

ASSESSMENT AMOUNT: \$6,284,200.00

The complaint was heard by the Composite Assessment Review Board on the 29<sup>th</sup> 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 improved with 40,442 square feet (sf) building and a 10,200 sf storage warehouse on a 5.05-acre lot. The site coverage is 23% and it is classified as quality 2. The year of construction was 1978 with additions to the main building in 1995 (12,600 sf) and in 1999 (7,660 sf). The storage warehouse was built in 1995 and consists of 10,200 sf. The property type is Store-Small Box with Commercial C-4 zoning and located in the Kentwood East subdivision.
- [3] The current assessment of the subject is \$6,284,200.00 calculated pursuant to the income approach to value.

**PRELIMINARY MATTERS**

- [4] Neither party raised any objection to the panel hearing the complaint.
- [5] The Respondent requested that a surrebuttal document and the Freedom of Information and Protection of Privacy (“FOIP”) Act, which was sent via email by the Respondent to the Board Clerk and the Complainant on Friday July 25, 2024, at 4:36 p.m. be allowed to be entered into the record as evidence. The Complainant argued that the surrebuttal should not be accepted into evidence as it speaks to issues that were not raised by the Complainant and they did not have time to review the document. After hearing submissions from both parties, the Board finds that the surrebuttal and FOIP Act were considered proper rebuttal except for pages 123 – 125 which pertain to other hearings being heard this week.
- [6] The Board also decided to accept into evidence the Complainant’s case law, in response to the surrebuttal document and FOIP Act, which was sent via email from the Complainant to the Board Clerk and the Respondent on Monday July 29, 2024, at 8:47 a.m.
- [7] The Board noted it would consider all evidence entered into the record and apply the weight to it as it deems appropriate.

**ISSUE**

- [8] Should the subject assessed rental rate for the retail store be reduced from \$11.00 per square foot (psf) to \$10.00 psf?
- [9] Should the subject assessed rental rate for the storage warehouse be reduced from \$1.00 psf to \$0.50 psf?

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

- [10] The Complainant presented a box store rent rate analysis for North Red Deer. The median lease rate for the three comparable properties, including the subject, is \$10.00 psf.
- [11] The Complainant asserted that the subject assessment of \$11.00 psf is higher than the assessed rate applied to the same two comparables from their box store rent rate analysis for the North that were assessed at \$8.50 psf.
- [12] The Complainant suggested the utility warehouse rent rate should be reduced from \$1.00 psf to \$0.50 psf because it is more like a metal garage/shed than a warehouse. Most utility warehouses would be assessed in the range of \$20,000.00 to \$30,000.00 compared to the subject utility warehouse assessment of \$99,000.00. The Complainant presented advertised estimates, from a business in Ontario, to support this suggested assessment range for 24 x 30 metal sheds.
- [13] The Complainant presented a sale of a newly constructed RONA with an estimated total assessed value of \$173.00 psf and a sale price of \$115.00 psf compared to the subject's assessment at \$153.00 psf. The Complainant's requested value for the subject would bring its assessed value to \$138.00 psf which is still higher than the RONA assessed value.
- [14] The Complainant argued that their evidence supports that the subject assessment is more than market value, and it is inequitably assessed when compared to similar competing properties.
- [15] The Complainant stated the Respondent failed to provide sufficient detail to allow the Complainant to respond to or rebut their evidence.
- [16] The Complainant requested that the Board reduce the assessment of the subject to \$5,631,000.00.

**Position of the Respondent**

- [17] 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).
- [18] The Respondent critiqued the Complainant's market comparables. The Respondent noted that one of the comparables is a small box property that is inferior to the subject with its quality 1 rating compared to the subject's quality 2 rating. It is inferior to the subject in quality of improvements, site coverage and location. The second lease is a retail store rather than a small box property. The rental rate for this comparable also has a step-up to \$10.50 psf effective 2023. The Respondent noted that this property was sub-leased in September 2023 for \$10.50 psf.
- [19] The Respondent pointed out that the Complainant's equity comparables (same as their market comparables) are not similar to the subject for the same reasons as noted above.
- [20] The Respondent argued, little weight should be given to the Complainant's RONA sales comparable as it was part of portfolio sale, and it cannot be considered a valid sale for assessment purposes.

The Respondent referred to a sale document from The Network for this sale at 15 Signet CI with a sale price of \$12,800,000.00, the sale terms were cash. The comments box stated, "entails a Lowe's hardware store. Part of a cross Canada portfolio acquisition to be rebranded to Rona. The reported cost to construct was \$23,000,000.00."

- [21] In response to the Complainant's assertion that the subject warehouse rent rate should be reduced from \$1.00 to \$0.50 psf, the Respondent stated the largest shed kit in the Ontario advertising is 800 sf for \$24,000.00 compared to the subject warehouse size of 10,200 sf. The Respondent noted that the advertising appears to be for the kit package only, without consideration of the costs for a concrete grade beam and/or slab, interior wiring, and any interior insulation or boarding. Little weight should be placed on this advertising material.
- [22] The Respondent provided a chart of the details of two quality 2 small properties in the Small-Box classification within the 20,000 – 60,000 sq range. Although the reported lease for the first comparable at \$11.00 psf has a post facto commencement date of November 2023, the Respondent asserted it provides a good indication of small box rental rates close to the subject valuation date. The second lease the 2019 subject lease with a reported lease rate of \$11.13 psf. The median lease rate for the two comparables is \$11.07 psf compared to the subject assessed lease rate of \$11.00 psf.
- [23] The Respondent provided a chart of six leases for small box properties, their ranking based on quality and their actual market lease rates. These leases provide an excellent indication and a compelling argument for assessed rental rate based on market lease rates for each of the four quality rankings.
- [24] The actual subject lease, reported in the subject 2023 RFI, is \$11.20 psf (adjusted as \$11.13 psf based on building diagrams) compared to the subject assessed lease rate of \$11.00 psf. start date is 2017 and when considering its three step-ups, the weighted rental rate of \$17.25 psf which supports the subject assessed rate of \$16.00 psf.
- [25] The Respondent presented a Marshall & Swift CoreLogic (M & S) depreciated cost valuation of the utility warehouse showing that the depreciated cost value would be \$168,545.00 at a minimum, assuming shell, no heat, low quality and maximum depreciation. The Respondent noted the utility warehouse is serviced with power at minimum and inspection notes indicate it may also have gas service and heating units. The utility warehouse should likely be assessed at a higher rent rate.
- [26] The Respondent provided a 2023 Lease Rate Equity chart for small box properties (20,000 to 60,000 sf/quality 2) in north Red Deer. The chart shows three equity comparables, including the subject, all with an assessed rental rate of \$11.00 psf.
- [27] The Respondent requested that the Board confirm the current assessment of the subject at \$6,284,200.00.

### **Complainant's Rebuttal**

- [28] 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.

[29] The Complainant noted that the subject's 2023 RFI reported the subject with 40,192 sf compared to the assessment of 40,442 sf.

### **Respondent's Surrebuttal**

[30] 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**

[31] 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.

[32] In the Board's view, the comparables provided by the parties did not provide many comparable properties for the Board to consider. However, the Board must consider and weight the evidence as it deems appropriate.

[33] The Board places little weight on the Complainant's RONA sales comparable. The Board finds that it is not a valid sale for assessment purposes because the evidence showed it was part of portfolio sale. The Complainant did not provide sufficient evidence as to how the sale prices, within the cross Canada portfolio acquisition, were allocated to individual properties.

[34] The Board places less weight on the Complainant's sales and equity analyses which used the same comparables. The Board finds the Complainant's comparables were not similar to the subject because one of the comparables was inferior to the subject with a quality 1 rating and the other comparable was not a small box store.

[35] The Board places little weight on the Complainant's evidence to support their request for the utility warehouse rent rate to be reduced from \$1.00 psf to \$0.50 psf because it was based on online advertised estimates for a metal/garage shed from a business in Ontario. The Board finds that the estimates are not similar to the subject utility warehouse because the advertising appears to be for the kit package only, without consideration of the costs for a concrete grade beam and/or slab, interior wiring, and any interior insulation or boarding.

[36] 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.

[37] The Board prefers the Respondent's market rental rate evidence for small box rental rates with a quality 2 ranking in the 20,000 to 60,000 sf range because they have the same quality rating as the subject. The Board places significant weight on the actual lease noted on the rent roll received with the subject's 2023 RFI showing an actual lease rate of \$11.20 psf. The Board finds that the subject actual lease rate supports the rental rate applied in the subject assessment. As noted above, the Board is satisfied that these actual rental rates were reported through the RFI process for assessment purposes.

[38] The Board does not find on the Respondent's equity analysis particularly helpful because the Board was not able to sufficiently assess the similarities between the lease rate comparables. The Board notes that the evidence did not include assessment detail reports for these lease rate comparables.

[39] The Board places more weight on the M & S depreciated cost valuation of the utility warehouse showing that the depreciated cost value would be \$168,545.00 because the estimate assumes a shell, no heat, low quality, and maximum depreciation. The Board accepts that the utility warehouse is serviced with power at a minimum. The Board finds that the M & S depreciated cost valuation, based on a balance of probabilities, is more likely than not to be a reasonable reflection of the subject utility warehouse assessment.

[40] The Board confirms the current assessment of the subject at \$6,284,200.00.

#### **DECISION SUMMARY**

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

[42] Dated at the Central Alberta Regional Assessment Review Board, in the City of Red Deer, in the Province of Alberta this 16<sup>th</sup> 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*

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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.*

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**APPENDIX**

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>	<u>PAGES</u>
1. A.1	Hearing Materials provided by Clerk	47
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3. C.2	Complainant rebuttal	263
4. C.3	Complainant case law	14
5. R.1	Respondent submission	58
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8. R.4	Respondent surrebuttal	125