



Complaint ID 0262 1885  
Roll No. 30002921815

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: SEPTEMBER 17, 2024

PRESIDING OFFICER: J. DAWSON  
BOARD MEMBER: R. IRWIN  
BOARD MEMBER: J. GRAU

BETWEEN:

PEACOCK DEVELOPMENTS INC.  
Represented by NORTHERN PROPERTY TAX ADVISORS INC.

Complainant

-and-

REVENUE & ASSESSMENT SERVICES  
For the City of Red Deer

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: 30002921815  
MUNICIPAL ADDRESS: 6130 67 ST, RED DEER, AB  
ASSESSMENT AMOUNT: \$8,333,200

The complaint was heard by the Central Alberta Assessment Review Board on the 17<sup>th</sup> day of September 2024, via videoconference.

Appeared on behalf of the Complainant: A. Izard, Agent, Northern Property Tax Advisors Inc.

Appeared on behalf of the Respondent: C. Green, Senior Property Assessor for City of Red Deer  
S. Gill, Senior Property Assessor for City of Red Deer

**DECISION:** The assessed value of the subject property requires no change.

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**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 is a retail strip is located off 67 Street mid-block but close to 59<sup>th</sup> Avenue. The subject is improved with a total of 23,080 square feet on a 112,820 square foot parcel. This result in site coverage ratio of 20%.
- [3] The subject property is assessed using the income approach to value with a stratification of Retail Strip and a quality range 10. There are eight spaces in three buildings; six Commercial Retail Units (CRU) in one building are assessed with a rental rate of \$26 per square foot, a bank at \$37 per square foot in a second building, and a restaurant at \$30 per square foot in the third building. The resulting market income is \$669,830. The assessment has a 12.0% vacancy allowance, a \$13.00 per square foot operating costs adjustment, and a 2.0% non-recoverable allowance. The net operating income calculated is \$541,656. Utilizing a capitalization rate of 6.5% derives a rounded assessment value of \$8,333,200.

**PRELIMINARY MATTERS**

- [4] The Presiding Officer confirmed that no Board Member raised any conflicts of interest regarding matters before them.
- [5] Neither party raised any objection to the panel hearing the complaint.
- [6] The Complainant and Respondent requested that all verbal testimony, questions and answers pertained to common disclosed evidence from hearing 0262 1873, 0262 1883, 0262 1884 be carried forward and entered into evidence as if heard during this hearing. The panel agreed.
- [7] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.

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

- [8] The Complainant presented the grounds for the complaint, assessment summary, assessment notice and other site-specific documentation relative to the subject property.
- [9] The Complainant presented that several tenants breached their leases and withheld payment resulting in a progression of vacancy at the subject property. Resulting in the vacancy of the property increasing from 0% in December 2021 to 16.19% in July 2022, and 25.81% by December 31, 2022, where it has remained into 2024.
- [10] The Complainant explained that the subject property has experienced collection losses of \$289,327.23 from the beginning of 2022 to the end of 2023. The amount of collection loss during

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the valuation period is \$205,058, amounting to nearly 30% of the annual income (measured at December 31, 2021 prior to default by these tenancies).

- [11] The Complainant suggested that when amortized over a 5 year period, this amounts to roughly 6% of the income annually at the property.
- [12] The Complainant argued that as a result of the defaults, one-third of the rental income from these tenants over the course of their leases were collection losses.
- [13] The Complainant explained that it tried to collect the income, via statements of account, and statements of claim – where possible.
- [14] The Complainant presented that the spaces as a result were vacant as of July 1, 2022, and certainly prior to the end of the year 2022, and for 2023.
- [15] The Complainant explained that methodology for Collection Loss via an adjustment to the physical vacancy calculation. As a result, it argued that a conservative estimate of collection loss at the property would be between 4.59% and 6%, based on the calculations it provided.
- [16] The Complainant suggested that with an adjustment to the vacancy allowance to include the collection loss, the adjusted allowance would be no less than 16.60% arriving at a value of \$7,656,300.
- [17] The Complainant argued that a further adjustment is required on the rental rate of the CRU spaces because the property does not command \$26 per square foot as of the valuation date.
- [18] The Complainant presented that the vacant CRU spaces are being marketed for lease by at \$18 per square foot and were on the market for a significant amount time with no interest in the spaces until early 2024.
- [19] The Complainant suggested that the market value of the three vacant units should be revised to \$17.50 per square foot for units, 210, 250, and 260, making the revised value for the subject property \$2,661,400.
- [20] The Complainant spent considerable time on previous decisions with a focus on Costco Wholesale Canada Ltd. v. City of Medicine Hat [2022] ABQB 129 (“Costco”).
- [21] The Complainant argued that the Respondent is not requesting information on collection losses, therefore it is not accounted for in the assessment typical non-recoverable or vacancy rate. Explaining that, based on the Costco decision, the Board would be in error not to correct the Respondent’s error.
- [22] In Rebuttal the Complainant explained that the Respondent’s position that the City of Red Deer does not collect information about non-payment of rent or collection loss goes against recognized measurement of vacancy by the International Association of Assessing Officers (IAAO), Appraisal Institute of Canada (AIC), other municipalities, and the Appraisal of Real Estate.

- [23] The Complainant commented on the definitions provided, and how the Respondent has failed to address this issue, by simply saying “We don’t do that”, despite the Courts position in both Concorde and Costco on this matter.

### **Position of the Respondent**

- [24] The Respondent explained that the Complainant wishes to raise the current vacancy allowance from 12% to 16.60% to allow for collection loss. It is the Respondent’s position that the subject property does not require an increased vacancy allowance. The Respondent does not apply a separate allowance for collection loss.
- [25] The Respondent argued that the Complainant’s analysis is over a small period of time for a historically fully occupied, strong performing subject property.
- [26] The Respondent demonstrated how the 12% vacancy allowance is determined and how it is applied to the subject property and all quality 10 properties.
- [27] The Respondent provided a historical vacancy information showing the actual vacancy at the subject property versus the assessed vacancy to illustrate that in mass appraisal, it is typical values that matter and the Complainant has benefited for many years when it was provided a healthy 4-15% vacancy allowance when the property was fully leased, and currently they are at a slight disadvantage, but the mass appraisal process cannot make site specific adjustments.
- [28] The Respondent presented that the Complainant has raised the issue of whether the rental rate of \$26 per square foot applied to the subject property’s CRU spaces should be reduced to \$17.50 per square foot. It is The Respondent’s position that the rental rate applied to the subject property is calculated using market analysis of quality 10 retail strips’ CRU spaces which includes the subject property leases and the properties in the immediate vicinity of the Subject.
- [29] The Respondent explained that the Complainant is using post facto evidence within the subject property while ignoring comparable properties.
- [30] The Respondent included several analyses, including; 1) market rents for quality 10 CRU spaces used in arriving at \$26 per square foot as the market rental rate, 2) market lease information of retail CRU space within 200 meters of the subject.
- [31] The Respondent argued that its evidence demonstrates the fairness of the assessed value and asks that the Board confirm the assessment as being fair and equitable.


### **BOARD FINDINGS and DECISION**

- [32] The Board finds that the evidence provided by the Complainant from several reliable assessment textbooks and training materials clearly identifies that collection loss is a consideration in the formation of a vacancy rate.
- [33] The Board finds that the Respondent admitted that it does not collect information on collection loss information, and it is not considered in the formation of their vacancy rate.

- [34] The Board finds that the Respondent has failed to collect information on collection loss, and therefore failed to account for it in the vacancy rate, which is explicitly contrary to recognized measurement of vacancy by the IAAO, AIC, and the Appraisal of Real Estate.
- [35] The Board finds that the Complainant provided site specific information of collection loss but failed to demonstrate how that should be applied in a mass appraisal assessment.
- [36] The Board finds that the Complainant, over the course of the last ten years, has enjoyed the benefits of typical vacancy rates, an average of 9.3% per annum, versus its actual vacancy rates with an average of 4.1% per annum. Adding in reported collection loss, the Complainant's overall vacancy and collection loss rate is estimated 8.3% per annum (based on total collection loss of \$289,327.23).
- [37] The Board finds that it would be an error for the Board to apply actual collection loss information with typical vacancy information.
- [38] The Board acknowledges that the applied vacancy rate will likely be different when the Respondent collects collection loss data and includes the results in their vacancy rate. It would be speculative for the Board to suggest that the vacancy rate needs to be adjusted to account for collection loss.
- [39] The Board finds that the rental rates suggested by the Complainant for CRU are not reliable because it uses site specific and post facto information and no analysis is provided to demonstrate a change is required in the typical applied rental rates, this is further demonstrated when considering the Complainant is only requesting the change be applied to the vacant spaces and not all CRU spaces within the subject property.
- [40] The Board finds that it would be an error for the Board to apply actual collection loss with typical vacancy information or site specific, post facto rental information on a portion of CRU spaces.
- [41] The Board finds that the assessment is fair and equitable, with no adjustments required.

#### **DECISION SUMMARY**

- [42] The assessed value of the subject property requires no change.
- [43] Dated at the Central Alberta Regional Assessment Review Board, in the City of Red Deer, in the Province of Alberta this 18<sup>th</sup> day of October 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.

  
J. DAWSON

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 A**

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>	<u>PAGES</u>
A.1	Hearing Materials	35
C.1	Complainant Submissions	246
C.2	Complainant Rebuttal	131
R.1	Respondent Submissions	65
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