

IN THE MATTER OF A COMPLAINT filed with the City of Leduc Composite Assessment Review Board (CARB) pursuant to Part 11 of the *Municipal Government Act* being Chapter M-26 of the Revised Statutes of Alberta 2000 (Act).

BETWEEN:

CU Real Property (4) Ltd., represented by Altus Group Ltd., Agent - Complainant

- a n d -

The City of Leduc - Respondent

BEFORE:

Members:

R. Reimer, Presiding Officer

G. Thomas, Member

L. Majeski, Member

A hearing was held on October 29, 2010 in the City of Leduc in the Province of Alberta to consider complaints about the assessments of the following property tax roll numbers:

Roll Number: 012045 Assessment: \$6,972,000

PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

The subject property is a multi-tenant warehouse, located at 3921 81 Ave, consisting of a 50,400 sq. ft. building on a 4 acre site. The building was constructed in 2006.

PART B: PROCEDURAL or JURISDICTIONAL MATTERS

The CARB derives its authority to make this decision under Part 11 of the Act. There were no objections to the composition of the CARB and no other specific jurisdictional or procedural matters were raised.

PART C: ISSUES

The sole issue identified on the Assessment Review Board Complaint Form was number 3, the assessment amount. The requested assessment was \$6,318,500. During the course of the hearing, the Complainant further defined the issue as being whether or not the correct capitalization (cap) rate had been applied.

Position of the Parties:

The subject property was assessed using the income approach to property valuation. The Complainant submitted exhibit C1. On page 7 of exhibit C1 the Complainant states that all elements of the income approach which have been used in the valuation of the subject property are reasonable and consistent with elements used in the valuation of similar properties within the City of Leduc, with the exception of the cap rate. The Complainant states that it is his position that a cap rate of 8.0% would be appropriate. The subject property has been assessed using a cap rate of 7.25%.

In support of this position, the Complainant submitted five comparable properties on pages 19 through 23 of exhibit C1. These comparables consisted of warehouses, with areas ranging from 1,914 sq. ft. to 30,353 sq. ft., all assessed using a cap rate of 8.0%.

The Respondent countered with five comparable properties on page 40 and pages 45 through 48 of exhibit R1. These comparables consist of warehouses, with areas ranging from 23,000 sq. ft. to 98,000 sq. ft., all assessed using a cap rate of 7.25%.

The Respondent stated, on page 39 of exhibit R1, that the Complainant's comparables are all single tenant warehouses, whereas the subject property is a multi-tenant warehouse. The Respondent provided pictures on pages 43 and 44 of exhibit R1 which appear to support this statement.

The Complainant argued that dividing a building into multiple bays does not change the building and should have no bearing on the cap rate.

The Respondent argued that a building with multiple tenants carries a lower risk than a building with a single tenant, due to the fact that a building with a single tenant has a greater possibility of becoming 100% vacant than a building with multiple tenants. He stated that the cap rate reflects the level of risk inherent in a building, as that level of risk is assessed by investors. It was, therefore, his position that a building with a single tenant should be assessed using a higher cap rate.

PART D: FINAL DECISION

The Complainant failed to convince the CARB that his comparables are sufficiently comparable to the subject property. The Complainant's comparables appear to be single tenant warehouses as opposed to the multi-tenant subject property. The CARB also notes that all of the Complainant's comparables are considerably smaller than the subject property, with three having areas of less than 10,000 sq. ft. The CARB prefers the Respondent's comparables.

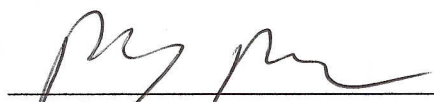
The Respondent asserted that a single tenant warehouse carries a higher degree of risk, which is reflected in a higher cap rate. The Complainant failed to convince the CARB that this is not the case.

The assessment is confirmed as follows.

Roll No./Property identifier	Value as set by the CARB	Owner
012045	\$6,972,000	CU Real Property (4) Ltd.

It is so ordered.

Dated at the City of Leduc in the Province of Alberta, this 12th day of November 2010.



R. Reimer
Presiding Officer

APPENDIX "A"

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB:

NO.	ITEM
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1. C1 Appellant Disclosure
2. R1 Respondent's Disclosure

APPENDIX 'B'

ORAL REPRESENTATIONS

PERSON APPEARING	CAPACITY
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1. Wallid Melhem, Altus Group Ltd., Agent for the Complainant
2. Chris Buchanan, Altus Group Ltd., Agent for the Complainant
3. Warren Powers, Assessor
4. Anthony Hendrata, Assistant Assessor