

Assessment Review Board
403-938-8905

October 24, 2012

David Porteous
Altus Group
1200, 333 11th Avenue SW
CALGARY, AB T2R 1L9
E-mail: CalgaryTax@AltusGroup.com

Dear Mr. Porteous:

Re: Composite Assessment Review Board Hearing on Roll Number 0061300

Attached please find the Okotoks Composite Assessment Review Board Order for the hearing held regarding the above-noted roll number.

Please do not hesitate to contact me if you require any further information.

Sincerely,



Linda Turnbull
Assessment Review Board Clerk
lturnbull@okotoks.ca

c: Town of Okotoks Assessment Services
Minister of Municipal Affairs

OKOTOKS COMPOSITE ASSESSMENT REVIEW BOARD ORDER #0238/05/2012-M

IN THE MATTER OF A COMPLAINT filed with the Town of Okotoks Composite Assessment Review Board (CARB) pursuant to the Municipal Government Act, Chapter M-26.1, Section 460.

BETWEEN:

Prairie Fire (Okotoks) GP Ltd. - Complainant

- and -

The Town of Okotoks - Respondent

BEFORE:

M. Chilibeck, Presiding Officer

R. May, Member

D. Rasmussen, Member

This is a complaint to the Town of Okotoks Composite Assessment Review Board (CARB) in respect of property assessment prepared by the Assessor of the Town of Okotoks and entered in the 2011 Assessment Roll as follows:

Roll Number	Address	Assessment
0061300	700 201 Southridge Drive	\$16,206,600

This complaint was heard by the CARB on the 26th day of September, 2012 at the Town of Okotoks Council Chamber at 5 Elizabeth Street, Okotoks, Alberta.

Appearing on behalf of the Complainant:

- D. Porteous, Agent, Altus Group Limited

Appearing on behalf of the Respondent:

- P. Huskinson, Assessor, Town of Okotoks

Attending for the ARB:

- L. Turnbull, ARB Clerk
- D. Scott, Assistant

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Jurisdiction/Preliminary Matters

Neither party raised an objection to any Board member hearing the subject complaint. No procedural or jurisdictional matters were raised by either party. No preliminary matters were raised by either party.

Property Description:

The subject property is located at the northeast corner of Southridge Drive (Highway 2A) and Highway 7 which is at the southern boundary of the Town of Okotoks. Southridge Drive is a major north-south retail/commercial strip in south Okotoks. The subject parcel is one of four contiguous parcels located on the east side of Southridge Drive anchored by Canadian Tire, Sobeys and Wal-Mart. This commercial complex is commonly known as Cornerstone Centre. Across the road to the northeast is an adjacent commercial retail complex commonly known as Westmount Centre.

The subject property consists of three one storey commercial buildings constructed in 2003/2004 with a rentable area of 64,738 square feet (sq. ft.) which is comprised of 6,156 sq. ft. of retail bank space, 42,792 sq. ft. of grocery store space, 2,515 sq. ft. of grocery store mezzanine space, 3,394 sq. ft. of fast food restaurant space, 2,769 sq. ft. full service restaurant space and 7,112 sq. ft. of CRU (commercial retail unit) space.

Background:

The subject property is assessed using the capitalized income method wherein with other factors a rental rate of \$35 per sq. ft. is applied to the bank space, \$16 per sq. ft. is applied to the grocery store space, \$12 per sq. ft. is applied to the mezzanine space, \$32 per sq. ft. is applied to the fast food and full service restaurant space and \$31.02 is applied to the CRU Space.

The Complainant disputes the assessed rental rate of \$16 applied to the grocery store space and the rate of 31.02 applied to the CRU space.

Complainant's Requested Value:

As per complaint:	\$16,206,600
As per evidence disclosure:	\$13,660,900
Amended during the hearing:	\$14,100,000

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Issue:

The Complainant identified two matters under complaint on the Assessment Review Board Complaint and several reasons for the complaint. At the hearing the Complainant advised that only the matter of an assessment amount is under complaint and two reasons/issues will be addressed at this hearing.

1. The assessed rental rate for the CRU space of 7,112 sq. ft. should be decreased to \$24.50 per sq. ft. from \$31.
2. The assessed rental rate for the grocery store space of 42,792 sq. ft. should be decreased to \$13 per sq. ft. from \$16.

Board's Findings in Respect of each Issue:

1. CRU Rental Rate

Complainant's Position:

The Complainant argued that the assessed rental rate for 7,112 sq. ft. of CRU space should be reduced to \$24.50 per sq. ft. and supported this request by providing six comparable lease rates from two comparable properties in Okotoks, one from Cornerstone shopping centre and five from Cimarron shopping centre. The lease rate from Cornerstone is \$32 per sq. ft. and the lease rates from Cimarron range from \$16 to \$27 per sq. ft. The Complainant asserted the average of the six lease rates at \$24.58 and median at \$24.50 per sq. ft. supports the requested rate of \$24.50 per sq. ft.

Also, a rent roll for the subject was provided by the Complainant showing rental/lease rates that range from \$25 to \$32 per sq. ft. for four CRUs which are part of the 7,112 sq. ft. Three of these lease rates have a lease term of 10 years that commenced mostly in 2003/2004 when the construction of the shopping centre was completed. One lease at \$32 per sq. ft. commenced in 2010.

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Respondent's Position:

The Respondent provided a list of four equity comparables located on Southridge Drive which are assessed at \$32 per sq. ft. and asserted this is the typical 2011 market rental rate derived from an analysis of actual current rental rates.

The Respondent explained that the Complainant's comparable lease rate from Cornerstone Centre is from the subject property and asserted it supports the assessed rate that is under contention. The five lease rates from Cimarron centre are inferior to the subject because they are located further to the east of the subject in a more recent development. It was argued by the Respondent that there are comparables in close proximity to the subject, such as Westmount Centre, as provided in the Respondent's evidence of four equity comparables.

Findings and Reasons:

The Board is not persuaded by the Complainant's argument and comparables to alter the assessed rental rate as requested. The Board agrees with the Respondent that the Cimarron comparables are inferior to the subject because of its location and the distance from the subject. The Board notes that the Cornerstone comparable located within the subject property supports the assessed rate of \$31 per sq. ft. for the subject 7,112 sq. ft. This together with the equity comparables provided by the Respondent convinced the Board not to alter the assessed rate of \$31 per sq. ft.

The Board notes the rent roll for the subject shows the lease commencement date for three of the four CRUs commenced in 2003/ 2004, some seven years prior to the 2011 assessment year applicable for the subject property assessment. The lease rates have changed considerably since 2003/2001 to 2011 as shown by the Respondent's equity comparables and the Complainant's lease comparable within the subject property at \$32 per sq. ft. This also shows that the Respondent has determined the typical market assessed rates in a fair and equitable manner. The Complainant provided no compelling evidence to refute the Respondent's assessed rental rate for the subject space or to refute the Respondent's equity comparables.

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2. Grocery Store Rental Rate

Complainant's Position:

The Complainant advised that the subject grocery store space (Sobeys) of 42,792 sq. ft should be assessed at \$13 per sq. ft. when compared to Safeway assessed at \$15 and No Frills assessed at \$14 per sq. ft. The Complainant claimed that these comparables and the subject are similar to each other.

A chart of comparable lease rates, Supermarket Leases-2012, in the City of Calgary was provided listing lease rate in three categories, A, B & C, and the Complainant indicated the subject property fits in the B category which shows a median rate of \$13 per sq. ft.; the Complainant asserted this supports the request to change the subject's assessed rate to \$13.

In summation, the Complainant asserted the subject store is very similar to the Safeway store and conceded the subject should be assessed at the same rate as the Safeway store (\$15) and accordingly provided an amended assessment request for the subject property at \$14,100,000.

Respondent's Position:

The Respondent indicated the assessed rate for the subject space is fair and equitable to other similar properties in Okotoks. AARFI (Assessment Request for Information) response was provided for the subject property and the Respondent drew the Board's attention to the actual lease rate of \$15.25 for the subject space versus the assessed rate of \$16 per square foot. The lease rate was effective as of March 2009; some two years prior to the valuation date of July 1 of the 2011 assessment year.

A chart of comparable properties in Okotoks was provided by the Respondent showing six properties that are significant in size. Of the six properties, four are grocery stores (No Frills, Safeway, Wal-Mart) that are assessed at \$14, \$15 and \$16 per sq. ft respectively and one is a dry goods store (Canadian Tire) that is assessed at \$16 per square foot. The Respondent argued the subject store is newer than No Frills and Safeway and has better finish than No Frills which makes the subject store superior and therefore assessed at a greater rate of \$16 per sq. ft. The Respondent indicated the Wal-Mart store which is newer than the subject and located in the same complex and assessed at \$16 per sq. ft supports the subject's assessed rate. These comparables show that the subject's assessment is fair and equitable.

The Respondent made reference to the same chart of comparable leases of stores in the City of Calgary, Supermarket Leases-2012, and drew the CARB's attention to the "A" category which shows stores constructed in similar years as the subject. The lease rates for those similar stores range from \$15 to \$18 per sq. ft.

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Board's Findings and Reasons:

The Board was not persuaded by the Complainant to alter the assessed rate for the grocery store space. The Complainant provided no evidence to support the claim that the No Frills and Safeway stores are similar in finish and that location is not a consideration. Even though the Complainant conceded that an assessed rate of \$15 per sq. ft would be more reasonable and equitable with the Safeway store, the Board finds the subject's rate of \$16 is justified because of the age differences; with Safeway year built at 1998 and subject year built at 2004. The Board finds the subject is more similar to the Wal-Mart store which is located in the same complex as the subject and closer in age at year built at 2007.

Regarding the comparable lease rates referenced by both parties, the Board is mindful of the legislative requirement that the Board must not alter any assessment that is fair and equitable, taking into consideration the assessments of similar property in the same municipality, therefore equity is only important within a municipality. The Board placed little weight on the chart of comparable lease rates (Supermarket Leases-2012) in the City of Calgary because the Respondent provided sufficient comparable information that convinced the Board that the subject is assessed fairly and equitably with similar property in Okotoks.

Board's Decision:

The Board's decision is to confirm the subject's assessed value at \$16,206,600.

It is so ordered.

Dated at the Town of Okotoks in the Province of Alberta, this 24th day of October, 2012.

For 

M. Chilibeck
Presiding Officer

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APPENDIX "A"

Documents Presented at the Hearing
And considered by the Board

<u>NO.</u>	<u>ITEM</u>
1. C1	Complainant's Disclosure of Evidence
2. R1	Respondent's Disclosure of Evidence
3. R2	Respondent's Addendum 1
4. R3	Respondent's Addendum 2
5. R4	Respondent's Addendum 3
6. R5	Respondent's Addendum 4
7. R6	Respondent's Addendum 5

An appeal may be made to the Court of Queen's Bench in accordance with the Municipal Government Act as follows:

470(1) An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.

470(2) Any of the following may appeal the decision of an assessment review board:

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

470(3) An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*

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Decision No. 0238/05/2012		Roll No. 0061300		
<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Retail	Regional Mall	Income Method	Net Market Rent