

Hreit Holdings 48 Corporation
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Calgary, AB T2P 0S5

City of Red Deer Assessment Department
4914 48 Avenue
Red Deer, AB T4N 3T4

Attention: B. Lutz, Assessor
Via email: brian.lutz@reddeer.ca
(paper copy to follow)

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

Hearing: 16 November, 2010

Panel: Presiding Officer M. Chilibeck; J. Dawson; G. LaBuc
Decision# CARB0262-029/2010

Roll 1130705 69 Dunlop Street
Red Deer, AB

Assessment: \$12,706,800

For the Complainant:
D. Porteous, Agent, Colliers International

For the Respondent:
R. Kotchon, Assessor
A. Meckling, Assessor

The subject of this complaint is the Deer Park Coop Mall in the Deer Park Estates Neighbourhood which is located south east of the downtown core in the City of Red Deer. Roll 1130705 is a 5.19 acre parcel with a one storey strip mall, detached gas bar and car wash anchored by a COOP grocery store.

At the time the complaints were filed, the Complainant identified seven matters on the complaint form and listed 15 grounds or reasons for the complaint. The Complainant confirmed that the only matter to be decided by the Board is the assessed value and the reasons for the complaint are that the assessed rental rates are overstated and the operating cost is understated.

RENTAL RATE

The subject property is assessed by dividing the tenants into six categories at rent rates ranging from \$14.50 to \$26.00 per square foot (sq. ft.) for a blended rate of \$18.02 per sq. ft. The Complainant makes the requested reduction by listing each tenant at the respective lease rate ranging from \$11.00 to \$26.00 per sq. ft. for a blended rate of \$15.79 per sq. ft. Both blended rates do not include a value for the gas bar and related property.

The Complainant supplied a chart of six lease comparables from north Red Deer and the rent roll of 11 tenants for the subject property in support for the change of the assessed rental rates. The Complainant referred the Board to the subject rent roll where it indicated that several of the long term leases were nearing their end in 2009 and provided a lease summary showing the renewed lease rates, most of which were renewed in 2010, subsequent to the 2009 assessment year. The Complainant concluded that the rent roll rent rates are most relevant to the subject property and support the requested decrease in assessment to \$10,584,900.

The Respondent questioned the Complainant about the percentage rent payable by five of the eleven tenants on the subject property as noted on the rent roll under the column "Renewal Terms & Special Comments". The Complainant was not able to provide any information as to the amount of percentage rent paid by the tenants.

The Respondent referred to *Municipal Government Board Order #134/09* to support that the assessment must be based on typical rental rates opposed to the actual rates as requested by the Complainant. The Respondent advised that requests for lease / rent information (ARFI - Assessment Request for Information) are sent annually to property owners and this data is analyzed to determine typical rental rates and provided details regarding the methodology and calculations of the assessment. The assessed rental rates were supported with a table of eight comparable leases, from north and south Red Deer ranging from \$20.00 per sq ft to \$28.00 per sq. ft. with a median rate of \$24.50 per sq. ft. Five of the eight comparable leases are recent leases found in multi-tenant commercial developments with a grocery store as an anchor tenant, similar to the subject property. The rental rates range from \$23.00 to \$28.00 per sq. ft. with a median rate of \$26.00 per sq. ft.

The Respondent drew the Boards' attention to the fact that the gas bar, car wash and convenience store improvements were not included in the Complainants' requested valuation.

The Board is not persuaded by the Complainants' argument to change the assessed rental rates. The Complainants' comparable lease rates are for property in north Red Deer and insufficient

information was provided to determine their similarity to the subject, a neighbourhood shopping centre with a grocery store anchor tenant. The Complainant was not able to provide information regarding percentage rent paid, especially for the grocery store anchor that is assessed at \$14.50 versus the base rent, prior to percentage rent payable, of \$11.00 per sq. ft. The Board accepted the Respondents' assertion that the assessed rent rate includes an amount for percentage rent. The Board was persuaded by the Respondent's lease rate comparables where five of the eight comparables are retail tenants in a multi-tenant commercial development with a grocery store anchor, that the assessed rates are fair and reasonable.

OPERATING COST RATE

The Complainant supported the requested increase in operating cost from \$6.00 to \$10.05 per sq. ft. with one comparable property from northwest Red Deer and did not provide comparable evidence to support the stated rates.

The Respondent provided a chart with nine comparables that have a median rate of \$6.00 and average rate of \$6.33 per sq. ft. in support of the assessed rate of \$6.00 per sq. ft.

The Board is not persuaded to change the assessed operating cost rate. The Complainant did not provide the operating cost rate for the subject property and did not provide any other comparables to support their request. The Board was persuaded by the Respondent's comparables, where seven of the nine comparables range from \$5.00 per sq. ft. to \$6.00 per sq. ft., that the assessed operating cost rate is fair and reasonable.

ASSESSMENT INCREASE - SIGNAGE

The Respondent requested an increase in the assessed value by \$29,700 to account for signage revenue which was not included in the original assessment. This request was included as part of the disclosure with the Complainant prior to the hearing but was not specifically brought to the attention of the Complainant. The Complainant spoke against the requested increase based on the argument that an increase in assessed value by less than 1% would not be fair or equitable and therefore in contravention of the regulations.

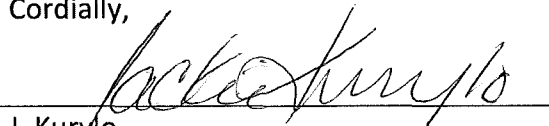
The Board is not persuaded to make the requested change to the assessment in the absence of a compelling argument and evidence. The amount of the requested increase is approximately 2/3 of 1% of the assessed value. The Board believes, in this case, that to make a change for such a minor amount is of minimal consequence and unreasonable. The Board believes it would be sensible to make the change in the following assessment year.

DECISION

Based on the foregoing the Board confirms the assessment for Roll 1130705 at \$12,706,800.

Dated at the City of Red Deer in the Province of Alberta this 15th day of December, 2010 and signed by the Appeals Coordinator for the Presiding Officer on behalf of all three panel members who agree with this decision.

Cordially,



J. Kurylo

for: Myron Chilibeck, Presiding Officer

xc: MGB (via email only: mgbmail@gov.ab.ca)

Colliers International (via email only: calgary.tax@colliers.com)

The Municipal Government Act provides the right for you to appeal this decision to the Court of Queens Bench on a question of law or jurisdiction of the Board within 30 days of receiving this letter.

If you have any questions concerning these matters, please contact the Regional Assessment Review Board Clerk at 403.342.8132.

For office use only:

HREIT Holdings (Deer Park COOP)				
Decision No.0262-029/2010		Roll No.1130705		
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Retail	Neighborhood Mall	Income Approach	Net Market Rent
				Expenses