

Taylor Plaza Ltd
c/o Ron More Holdings
5920-1A St SW
Calgary, AB T2H 0G3

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# CARB0262-33/2010

Roll 3012295 6730 Taylor Drive (north)
Roll 3012300 6730 Taylor Drive (south)

Assessment: \$1,684,400
Assessment: \$8,197,000

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

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

The two subject properties are located in the City of Red Deer at the northwest corner of Taylor Drive and 67th street; these roads are major arterial roadways in the northwest quadrant. Roll 3012300 (the south property) comprises 3.43 acres and adjoins the northwest corner and Roll 3012295 (the north property) comprises 0.69 acres and adjoins the north boundary of the south property. The south property has access at 67 Street (east – west roadway) and shared access with the north property at Taylor Drive (north – south roadway). There are five stand alone buildings and two multi-tenant buildings on the two properties that were constructed in 2006, 2007 and 2008. Both properties are operated by the owner as one entity and are commonly known as Taylor Plaza.

At the outset of the hearing the Complainant and the Respondent agreed that both properties be heard as one hearing.

At the time the complaints were filed, the Complainant identified seven matters on each complaint form and listed 15 grounds or reasons for the complaints. At the outset of the merit hearing the Complainant confirmed that the only matter to be decided by the Board is assessed value for each of the properties and the reason for the complaint is the assessment is in excess

of market value because the assessed rent rate per square foot (sq. ft.) is overstated and the operating costs are understated.

MARKET RENTS

The Complainant argued that the assessed rent rates on the subject properties are too high and incorrectly assessed. To support this argument, the Complainant referred to a table of six lease comparables ranging in rates from \$13.50 to \$21.00 per sq. ft. and a table of two lease comparables ranging in value from \$18.00 to \$19.00 per sq. ft. in support for the requested rate of \$18.50 per sq. ft. When describing the comparables, the Complainant stated that they are in close proximity to the subject properties, are newer in age and have direct exposure to Taylor Drive or Gaetz Avenue.

The Respondent argued that the Complainant was unfamiliar with the comparable properties and when questioned, was unable to state whether or not the comparables he presented were shell rates only or shell rates plus interior finishing and tenant improvements. The Respondent asserted that some of the complainant's comparable rates are shell rates only and the Complainant asserted that there is no indication that these are shell rates and that the Respondent has no evidence to support their assertion.

The Respondent also argued that the rent roll, supplied by the Complainant, for the subject properties support the assessed rent rates and asserted that three tenants lease a pad site; that is land only, does not include the building constructed on the pad (land).

To support the assessed rent rates that range from \$21.00 to \$30.00 per sq. ft. for the various types of tenancies, the Respondent provided a table of twelve comparable leases in north Red Deer ranging from \$21.00 per sq. ft. to \$34.60 per sq. ft. Of the twelve comparables, four are adjacent to the subject properties, four are on 67 Street and four are on Gaetz Avenue.

Neither the Complainant nor the Respondent precisely identified the location or the tenant type of the comparables they provided. Also the location description provided by both parties did not include the addresses for the comparables. Both parties provided a general description of the tenant type except that the Respondent was more descriptive. The Board notes that the age was provided for four of the six comparables and of the four ages provided, three are the same age as the subject and one is significantly older. While it appears that these three comparables, at an average of \$19.00 per sq. ft., support the Complainant's request, the Board considered the assertion made by the Respondent that these are shell rates. The Board also compared these comparable rates to the Respondents' comparables, at an average of \$26.00 per sq. ft., and the actual rents from the subject's rent roll, at an average of \$23.00 per sq. ft., and finds that the Complainant's comparables are the lowest of the three rates. This appears to support the Respondents assertion that the Complainant's comparable rates are shell rates.

Also, the Board finds the rent roll for the subject properties supports the Respondent's lease rate comparables and the assessed rent rates. The rent roll, except for the pad leases, shows that the lease rates range from \$21.00 per sq. ft. to \$27.50 per sq. ft. for an average of \$23.00 per sq. ft. The Complainant, by his own admission, stated that the subject properties are leased to third parties at market rates and the evidence supplied, the master rent roll, indicates the actual lease rates of the subject properties support the current assessed rental rate.

Based on the information provided, the Board placed more weight on the Respondent's comparables and finds them to support the assessed rent rates.

On the matter of disclosure, and as indicated above where the parties did not provide more specific information on the comparables, the Board finds both parties were less than forthright. The Board believes that it is in the best interests of both parties to be open and transparent with the information they exchange with each other and provide at Assessment Review Board hearings. This matter was dealt with by the Court in Nortel versus City of Calgary where the Judge decided that more specific information, such as property addresses, should be provided.

OPERATING COSTS

The Complainant presented a table of operating costs for each subject property, taken from the master rent roll for the subject properties, demonstrating average operating costs of \$10.05 per sq. ft. and \$10.06 per sq. ft. supporting a change from \$6.00 per sq. ft. The Respondent spoke in opposition of the master rent roll and operating costs presented by the Complainant noting that they are based on rates as of 01 July 2010 and argued that assessed values must reflect the market as of 01 July 2009.

The Respondent provided a table of nine operating costs for comparable properties ranging from \$5.00 per sq. ft. to \$9.45 sq. ft. with an average at \$6.33 per sq. ft. and median at \$6.00 per sq. ft. to support the operating costs of \$6.00 per sq. ft. used to calculate the assessed values. The Complainant opposed this information, stating that the table of operating costs provided by the Respondent did not provide the size (area) of the properties.

The Board notes that the subject properties were constructed in 2006, 2007 and 2008. They are relatively new and at an early stage of their lease agreements, therefore the Board finds relevance in the rent roll information provided by the Complainant even though it is dated July 2010. The Board notes that the Respondent shows the operating cost for the subject properties at \$9.45 per sq. ft. in their chart of comparable operating costs versus the request by the Complainant at \$10.00 per sq. ft.

However, the Complainant did not provide the Board with any information why the subject operating costs are atypical when compared to those provided by the Respondent and no

comparables were provided to support their requested change to \$10.00 per sq. ft. 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.

DECISION

Based on the foregoing the Board confirms the assessment for Roll 3012295 at \$1,684,400 and Roll 3012300 at \$8,197,000.

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.

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Decision No.0262-33/2010		Roll No.3012295, 3012300		
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Retail	Strip Plaza	Income Approach	Net Market Rent
				Expenses