

Central Alberta

Regional Assessment Review Board

Decision #CARB 0262-470/2012

Complaint ID #470

Roll #1630435

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: 2012 AUGUST 30

PRESIDING OFFICER: M. CHILIBECK

BOARD MEMBER: R. SCHALLER

BOARD MEMBER: V. HIGHAM

BOARD CLERK: S. PARSONS

BETWEEN:

Gold Bar Investments Ltd
Represented by: Canadian Valuation Group Limited

Complainant

- and -

The City of Red Deer

Respondent

[1] This is a complaint to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by the Assessor of the City of Red and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	1630435
MUNICIPAL ADDRESS:	4808 – 50 STREET
ID Number:	470
ASSESSMENT:	\$5,793,200 Taxable
	\$1,199,900 Exempt
	\$6,993,100 Total

[2] This complaint was heard by the Composite Assessment Review Board (Board) on the 30th day of August, 2012 in the Council Chambers of City Hall in The City of Red Deer.

[3] Appeared on behalf of the Complainant:

- T. Janzen, representative of Canadian Valuation Group Ltd.

assessed rental rate. The onus is on the Complainant to provide sufficient compelling evidence to convince the Board the rental rate used is incorrect or not fair and equitable to other similar properties.

2. Vacancy Allowance

Complainant

[18] The Complainant argued the subject property suffers from long term vacancy and therefore requested the vacancy allowance be increased to 10% from the assessed vacancy allowance of 3%. For the previous three years the actual vacancy ranged from 4.4% (March, 2009) to 12.4% (December, 2010). The Complainant also stated that as of June, 2012, the subject property has 40.6% of vacant space.

Respondent

[19] The Respondent argued that their analysis of fifteen Red Deer office buildings resulted in a typical vacancy rate of 2.27% for the 2011 assessment year. From this analysis the Respondent decided to use a typical rate of 3% for the subject property.

[20] The Respondent argued that the subject property does not suffer from long term vacancy. In support of this argument the Respondent provided a copy of the rent rolls dated July, 2010 at 1.69% and April, 2011 at 12.87%. The Respondent asserted that an adjustment may be made when it is shown that a property has an unusually high or long term vacancy as of December 31, 2011. In this case, however, the Respondent maintained that no long term chronic vacancy exists. The Respondent further argued that the vacancy rate of 40.6% as of June, 2012 is post facto the assessment year of 2011 and may properly be considered in the 2012 assessment year.

Board Finding

[21] The Board finds the subject property does not suffer from long term chronic vacancy. The vacancy information provided by both parties indicates that a noticeable increase in vacancy was reflected in the rent rolls of December, 2010 at 12.4% and April, 2011 at 12.87% versus July, 2010 at 1.69%, May, 2010 at 5.6% and March, 2009 at 4.4%. The Board is not convinced that the vacancy shown for the duration of December, 2010 to April, 2011 is long term; this period of time is within the analysis period of one year prior to the valuation date of July 1 and the Board believes it is reasonable that vacant space may take time to lease out noting that leases are typically for a term of five years. The Board placed no weight on the vacancy advanced by the Complainant for June, 2012; this information is in the 2012 assessment year, not the 2011 assessment year. The Board accepts the Respondent's position that more than one year of vacancy history is required in order to consider granting a vacancy allowance greater than the typical assessed allowance.

3. Capitalization Rate

Complainant

[22] The Complainant argued that the capitalization rate for the subject property should be increased to 9% because a 2009 sale of an office building similar in age, location and rental rate to the subject indicates a rate of 9.27%.

Respondent

[23] The Respondent argued that the 2009 sale supports the assessed capitalization rate of 8.5%. As the City of Red Deer is the sole occupant of the sale property, the Respondent found that the gross annual income of the sale property was \$217,500 and determined the net operating income at \$206,513 which resulted in a capitalization rate of 8.75% which the Respondent asserted supports the assessed cap rate of 8.5%.

Board Finding

[24] The Board heard from both parties that the 2009 sale was the most recent sale of an office building in downtown Red Deer. The Board noted this sale included an adjacent parking lot which generates additional parking revenue, yet neither party provided a breakdown of the sale price into separate values for the office building property versus the parking lot property, .

[25] The Board did not accept the Respondent's calculation of the cap rate for this sale. The income amount used in the Respondent's calculation of the cap rate does not include income from the parking property, whereas the sale price is for both the office property and the parking property. Thus, the sale price should be adjusted by deducting the value for the parking property. In other words, income from the office property should be related to that portion of the sale price attributable to the office property or income from the office property and parking property should be related to the sale price of the office property and parking property.

[26] This sale, which both parties agree is the most recent sale of an office building in downtown Red Deer, is the only evidence before the Board on the issue of the cap rate for the subject property. The Respondent did not refute this sale, but used it to support the assessed cap rate, albeit in error. However, the Board finds that the Respondent's determination of net operating income (\$206,513) plus the parking income (\$11,700) is very close to the net operating income shown on the sale information sheet (\$218,662), as proffered in evidence. As this is the best information presented by both parties, the Board is persuaded to vary the cap rate from 8.5% to 9%.

SUMMARY

[27] The Board's decision is make NO CHANGE to the rental rate and the vacancy rate and make a CHANGE to the cap rate from 8.5% to 9%.

DECISION

[28] For the reasons noted above the assessed value of the subject property is CHANGED as follows:

Roll # 1630435	\$5,471,300.	Taxable
	\$1,133,200	Exempt
	\$6,604,500	Total

[29] Dated at The City of Red deer, in the Province of Alberta this 28 day of September, 2012 and signed by the Presiding Officer on behalf of all panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



M. Chilibeck,
Presiding Officer

This decision can be appealed to the Court of Queen's Bench on a question of law or jurisdiction. If you wish to appeal this decision you must follow the procedure found in section 470 of the Municipal Government Act which requires an application for leave to appeal to be filed and served within 30 days of being notified of the decision. Additional information may also be found at www.albertacourts.ab.ca.

APPENDIX "A"

Documents Presented at the Hearing
And considered by the Board

NO.

ITEM

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|-------|--------------------------------------|
| 1. C1 | Complainant's Disclosure of Evidence |
| 2. R1 | Respondent's Disclosure of Evidence |

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Decision No. 0262-470/2012		Roll No. 1630435		
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Office	High-Rise	Income Method	-Market Rent -Vacancy Allowance -Capitalization Rate