

**COMPOSITE ASSESSMENT REVIEW BOARD
NOTICE OF DECISION****CARB 0302-02/2013**

July 19, 2013

Altus Group Ltd.
Suite 780, 10180 - 101 Street
Edmonton, AB
T5J 3S4Strathcona County
Assessment and Taxation
2001 Sherwood Drive
Sherwood Park, AB T8A 3W7

This is a decision of the Composite Assessment Review Board from a hearing held on Tuesday, June 25, 2013 regarding a complaint for:

Hearing #	Owner	Property Description	Roll #	Assessed Value
C2013-7	Costco Wholesale Canada Ltd. #544	Lot 6, Block 203, Plan 0525421 SW 3-53-23-W4 2201 Broadmoor Boulevard	8203006002	\$24,528,000

Before:Rick McDonald, Presiding Officer
Ryan Bosch, Board Member
Susan Paul, Board Member

Board Officer: Maureen Shaw

Persons Appearing: Complainant

Jordan Nichol, Altus Group Ltd.

Persons Appearing: RespondentTreena Malishewski, Assessment & Tax
Jeff McKinnon, Manager, Assessment & Tax**PROCEDURAL MATTERS**

There were no objections to the composition of the Board or the process to be followed as outlined by the Presiding Officer.

BACKGROUND

The subject property, a 617,680 square feet (14.18 acre) parcel, is zoned C-2 Arterial Commercial and improvements are referred to as a free standing large scale big box retail store and gas bar. The subject property contains two structures covering approximately 25% of the site; the first being the Costco store plus liquor store, auto/tire service and enclosed vestibule all under one roof at 152,580 square feet; the other being a stand-alone gas bar with eight (8) double sided pumps under a canopy of 3,840 square feet and a small kiosk of 75 square feet, taking up



approximately 43,560 square feet or approximately one (1) acre of the subject property. The Costco store was built in 2005 and the gas bar was added in 2011. The 2013 assessment totals \$24,528,000 with a capitalization rate of 6.75%.

The parties did not disagree with the income approach as the method in arriving at value for the subject property and appeared to support the process within this method of valuation other than the 2013 capitalization rate and land lease.

ISSUES

1. What is a fair and equitable capitalization rate?
2. Is the land lease assessed at \$60,000 for the occupied gas bar fair and equitable or should it have been captured in the income evaluation of the store?

POSITION OF THE COMPLAINANT

1. Capitalization Rate

The Complainant presented his submission, Exhibit C-1 and argued that the capitalization rate used by the Assessor to establish the 2013 assessed value is not fair and equitable. The Complainant requested a capitalization rate of 7.25% based on a submission of seven (7) comparable retail properties in the vicinity of the subject; four (4) with a capitalization rate of 7.25% and three (3) with a capitalization rate of 6.75%. All of these properties are located in Sherwood Park. The Complainant provided opinion that retail outlets in Sherwood Park located on or with access to East-West transportation corridors are more attractive than the subject property located on a North-South arterial road, being Broadmoor Boulevard.

2. Land Lease

The Complainant argued that the land lease should not be included as the land being used for the gas bar because it is the same land that was included in the assessment prior to construction of the gas bar in 2011. It was further submitted that the land lease area took away parking stalls and further devalued the land due to potential future land contamination.

POSITION OF THE RESPONDENT

1. Capitalization Rate

The Respondent presented their submission, Exhibit R-1, and argued that four (4) of the seven (7) assessment comparisons provided by the Complainant are not similar to the subject property. The three (3) properties that are similar provide a 2013 capitalization rate of 6.75%. The Respondent further submitted that the four (4) properties in the Complainant's submission were given a capitalization rate of 7.25% because they had physical attributes that required a higher capitalization rate, such as; fire damages, vacancy rates, redevelopment/demolition activities, and reconfiguration. The Respondent noted that all of the seven (7) comparators are located within the general vicinity of the commercial shopping area and argued



that the Costco store is located in a very accessible and visible location and draws retail customers from all over Sherwood Park and surrounding area. The Respondent provided a chart listing five (5) big box retail stores in Sherwood Park with capitalization rates of 6.75%. The five (5) box stores average square foot assessment is \$161 per square foot versus the subject property assessed value per square foot of \$150.

2. Land Lease

The Respondent explained that they have taken into consideration a previous Municipal Government Board decision (Board Order: MGB 083/10) in preparing the assessed value of the subject gas bar using the combined total of the land lease value and the depreciated cost of the improvements. The Respondent also noted that two (2) of the five (5) capitalization rates for big box retail stores listed in their brief have also been assessed for land lease value the same as the subject property.

REBUTTAL FROM COMPLAINANT

In his rebuttal, Exhibit C-2, the Complainant presented information regarding leased property referenced in the Respondent's submission (Emerald Hills) which is located in the northern part of Sherwood Park, suggesting that the property has better exposure. He further provided a map and 2011 assessment notices providing year over year capitalization rates comparison of the seven (7) properties he used as comparisons in his submission.

DECISION

The decision of the Board is to confirm the assessment at \$24,528,000.

REASONS FOR THE DECISION

The Board analyzed the information provided by the parties and were not sufficiently convinced that the capitalization rate for this large box retail store and gas bar should be adjusted. Upon review of both the Complainant and Respondent submissions, the Board found that four (4) of the (7) properties used for physical comparisons provided by the Complainant were generally unrelated to the subject property and three (3) of the seven (7) were at the same capitalization rate, therefore a fair and equitable comparison was not clearly evident. The Board believes that the five (5) comparisons provided by the Respondent more accurately compared the properties for purposes of determining a fair and equitable capitalization rate for the subject property.

With respect to the gas bar land lease, it is clear to the Board that the Respondent has been consistent in attaching a modest land lease value to gas bars on owner operated lands.



Dated this 19th day of July, 2013 at Strathcona County, in the Province of Alberta.


Rick McDonald, Presiding Officer

1. Exhibit C-1 Complainant Disclosure filed May 13, 2013
2. Exhibit R-1 Respondents Disclosure filed June 10, 2013
3. Exhibit C-2 Complainant Rebuttal filed June 17, 2013

Section 470(1) of the *Municipal Government Act*, RSA 2000, c.M-26 provides you the right to appeal this decision to the Court of Queens Bench on a question of law or jurisdiction. You must make your appeal within 30 days after you receive this notice of decision.

Copy to: Municipal Government Board