

**COMPOSITE ASSESSMENT REVIEW BOARD  
NOTICE OF DECISION****CARB 0302-03/2013**

July 19, 2013

Altus Group Ltd.  
Suite 780, 10180 - 101 Street  
Edmonton, AB  
T5J 3S4

Strathcona 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
C2013-10	SRF2 Baseline Road South Inc.	Lot 4A, Block 201, Plan 1120991 SW 3-53-23-W4 60 Broadway Boulevard (Baseline Village Save-On)	8201004104	\$23,631,000  <b>REVISED \$23,413,000</b>

**Before:**

Rick McDonald, Presiding Officer  
Ryan Bosch, Board Member  
Tom Robert, Board Member

Board Officer: Maureen Shaw

**Persons Appearing: Complainant**

Jordan Nichol, Altus Group Ltd.

**Persons Appearing: Respondent**

Treena 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 is a 7.34 acre parcel containing 2 buildings comprised of the Save On Foods building at 42,558 square feet and the multi-tenant shopping centre building at 54,400 square feet. The subject property is zoned DC1 - Direct Control and was constructed in 2011 and 2012.

## ISSUE

The CARB considered the Assessment Review Board Complaint ("the Complaint Form"), together with the representations and materials presented by the respective parties. The issues stated on the Complaint Form and presented to the CARB, can be summarized as follows:

- 1) The subject property is assessed in contravention of the Municipal Government Act and Alberta Regulations 220/2004, specifically in that the subject property is assessed in excess of its market value and such assessment is not fair and equitable considering the assessed value and assessment classification of comparable properties.
- 2) What is the correct value / cost to be applied in determining the cost to complete the unfinished space?

## LEGISLATION

The *Municipal Government Act*, R.S.A. 2000, c. M-26 ("MGA"):

- S. 289 (2) Each assessment must reflect
- (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and
  - (b) the valuation and other standards set out in the regulations for that property.
- S. 293 (1) In preparing an assessment, the assessor must, in a fair and equitable manner,
- (a) apply the valuation and other standards set out in the regulations;
  - and
  - (b) follow the procedures set out in the regulations.
- (2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

The *Matters Relating to Assessment and Taxation Regulation*, AR 220/2004 ("MRAT"):

- S. 2 An assessment of property based on market value
- (a) must be prepared using mass appraisal,
  - (b) must be an estimate of the value of the fee simple estate in the property, and
  - (c) must reflect typical market conditions for properties similar to that property.

- S. 3 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.
- S. 5 The valuation standard for improvements is  
(a) the valuation standard set out in sections 7, 8 or 9, for the improvements referred to in those sections, or  
(b) for other improvements, market value.
- S. 6 (1) When an assessor is preparing an assessment for a parcel of land and the improvements to it, the valuation standard for the land and improvements is market value, unless subsection (2) or (3) applies.

### **POSITION OF THE COMPLAINANT**

The Complainant did not challenge the assessed value of the Save On Foods building.

The Complainant provided several examples (C-1, pp.10-17) indicating the assessment value based on an income approach together with adjustments based on the shell space adjustment coupled with the Marshall & Swift Valuation Service Manual adjustments. The Complainant suggests that the Assessor underestimated the cost to complete each space by \$3.00 per square foot. In support of this position, the Complainant submitted a summary of tables for the Average Tenant Composition and Buildout costs (C-1, pp. 16).

The Complainant also submitted that the actual rental rates and market rates may differ. In particular to the multi-tenant shopping centre building, the rates to be used should be based on the characteristics and physical conditions of the property as of December 31, 2012. It was suggested by the Complainant that as of December 31, 2012, the multi-tenant shopping centre building should be assessed as a shell building since the property was substantially complete (95%) (C-1, pp. 21).

The Complainant requested that the assessment be reduced to \$21,874,000 (comprised of an agreed upon assessment of \$9,652,000 for the Save on Foods building and a requested reduced assessment of \$12,222,000 for the multi-tenant shopping centre building).

### **POSITION OF THE RESPONDENT**

The Respondent submitted that the Save On Foods building was assessed as completed as of December 31, 2012. The multi-tenant shopping centre building was at a shell stage on December 31, 2012, with some tenant improvements.



There were no actual leases entered into at the time of the valuation, however, the fair market value rental rates in the area were \$33.00 per square foot on a fully complete and occupied space. The Respondent acknowledged that there should be a shell rental rate applied for the multi-tenant shopping centre building. The table on p. 5, R-1 identifies the rental rates for each tenant in the multi-tenant shopping centre building.

In respect of the buildout costs used in the Assessor's calculations, the Respondent submitted that the Complainant failed to base the rental rates on the actual rental rates of the property. With considering the actual rental rates for each of the tenants together with a shell rental rate of \$20.00 per square foot, the Respondent argued that the adjustment accounts for an approximate \$10.00 / \$11.00 per square foot to complete the tenant improvements, which is greater than the requested adjustment of \$7.00 per square foot by the Complainant.

### **DECISION**

The Assessment is reduced to \$23,413,000 (comprised of an agreed upon assessment of \$9,652,000 for the Save on Foods building and an assessment of \$13,671,000 for the multi-tenant shopping centre building).

### **REASONS FOR THE DECISION**

The Board accepts the position of both the Complainant and Respondent in that the multi-tenant shopping centre building should be assessed at a shell rate. The subject property must reflect the "characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed" (MGA, s. 289(2)(a)). Based on the evidence submitted and the arguments presented by both parties, there was little evidence to support the market rental rates applied by both the Complainant and Respondent. Accordingly, based on the Respondent's own admission that the multi-tenant shopping centre building should be assessed at a shell rate, the Board imputed a \$20.00 per square foot rental rate for all tenant spaces. This resulted in a reduced assessment for the multi-tenant shopping centre building of \$13,671,000 based on the calculations provided on p.13, C-1, with substituting the rental rate of Everything Wine to \$20.00 per square foot.

In respect of the rental rates to be utilized in determining the costs to complete each tenant space, the Board finds that there was little evidence to support to the proposed rates submitted by the Complainant. As there were no leases entered into at the time, the Board accepts the Respondent's submissions that the fair market rental rates were determined based on verbal indications with the subject



property owner. Those fair market rental rates in the area were \$33.00 per square foot on a fully complete and occupied space. Based on the calculations provided by both the Complainant and the Respondent, the Board accepts that the subject property tenant improvement allowance utilized by the Respondent is greater than that being requested by the Complainant. Accordingly, there will be no adjustment for the tenant improvement or costs to complete as requested by the Complainant.

Dated this 19<sup>th</sup> 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  
(excluding page 11)
3. Exhibit C-2 Complainant Rebuttal filed June 17, 2013  
(excluded as per Board's decision)

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.

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