

July 18, 2011

**NOTICE OF DECISION**  
**CARB 0302 - 04/2011**

Altus Group Ltd.  
17327 – 106A Avenue  
Edmonton, AB  
T5S 1M7  
crystal.chase @altusgroup.com

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 June 16, 2011 regarding a complaint for:

Hearing #	Appellant/Owner	Property Description	Roll #	Assessed Value
C2011-8	Sherwood Plaza Inc.	Lot 16, Block 1, Plan 0024946	7001016004	19,563,000
				<b>REVISED</b> <b>19,346,000</b>

**Before:**

Tom Robert, Presiding Officer  
Susan Paul, Board Member  
Cindy MacGowan, Board Member

**Persons Appearing: Complainant**

Stephen Cook, Altus Group  
Walid Melhem, Altus Group

**Persons Appearing: Respondent**

George Cosens, Manager, Assessment  
Wayne Minke, Director, Assessment & Tax  
Brian Gettel, Gettel Appraisals Ltd. (witness)

**PRELIMINARY MATTERS**

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

The Respondent had requested that the respondent evidence before the Board be held in confidence due to the content of privileged information and as such the board has agreed to seal the evidence as requested.

**BACKGROUND**

The subject property is a Shopping Centre, known as Sherwood Centre located at 1020 Sherwood Drive. The land consists of 6.230 acres (271, 379 ft<sup>2</sup>). The improvements are leased areas of 78,198 ft<sup>2</sup>.

### ISSUES

1. What is the typical capitalization rate for the subject property for the assessment period as of July 1, 2010?
2. What is the correct lease rate on the (Dollarama) portion of the assessment?
3. What is the correct lease rate on the (Shoppers Drug Mart) portion of the assessment?
4. Should the ATM be assessed separately?

### ISSUE#1

What is the typical capitalization rate for the subject property for the assessment period as of July 1, 2010?

### POSITION OF THE COMPLAINANT

The Complainant argued that capitalization rates should be developed from sales comparables within the same municipality. The Complainant presented five sales comparables within Sherwood Park, similar to the subject property sales dates 2008/2009.

The capitalization rates range from 7.60 to 9.83% with an indicated average rate of 8.64% and a requested cap. rate of 8.50%.

The Complainant further argues that if Edmonton comparable sales used in developing cap. rates in Sherwood Park are used, then all sales of similar properties must be included in the analysis. It was noted that the four City of Edmonton cap. rates comparables used by the Respondent in developing his 7.75% cap. rate, range from 8 to 8.5% for assessment purposes by the City of Edmonton Assessment Department.

The Complainant indicated that they had removed two of the Sherwood Park sales as they were part of a portfolio sales transaction. It is the Complainant's opinion that multiple property sales without detailed analysis may be suspect.

### POSITION OF THE RESPONDENT

The Respondent provided nine sales comparables in development of the 7.75% capitalization rate. Two of these same sales comparables were used by the Complainant. Due to the limited number of sales in Sherwood Park, the assessor included several Edmonton Metropolitan Region sales that occurred within 6 months prior to the valuation date of July 1, 2010. The average of the nine sales indicated a 7.54% average and a 7.50% medium capitalization rate.

The Respondent indicated through expert witness (Mr. Brian Gettel) that the capitalization rates applied are correct and consistent throughout Sherwood Park. Gettel Appraisals Ltd. prepared short narrative appraisals on 8 properties for assessment review purposes that support these findings.

Mr. Gettel concluded that sales utilized by the Respondent were realistic indicators of market capitalization rates for properties under analysis. Mr. Gettel indicated that two of the sales selected by the Complainant to be anomalies which clearly yielded rates well beyond what would be considered within a typical range for good quality retail projects.

### DECISION

The decision of the Board is to confirm the capitalization rate at 7.75%.

#### REASONS FOR THE DECISION

The Board is of the view, as are both parties, that the best comparables are those within the same municipality. In regard to the subject, there is insufficient similar sales comparables to establish a typical capitalization rate within Sherwood Park.

The Complainant put forward five comparables, two of which indicate capitalization rates much higher than is typical within the metropolitan area as well as other Sherwood Park sales. The remaining sales of 7.79 (actual), 7.60 and 8.03% appear to fall within the range of comparables put forward by both parties.

The Respondent presented nine sales within Sherwood Park as well as surrounding municipalities indicating a typical capitalization rate of 7.50%. The Board is persuaded by the three Complainant sales as well as the Respondent's nine sales, that the typical capitalization is best represented by the 7.75% established by the Respondent.

#### ISSUE#2

What is the correct lease rate on the Dollarama portion of the assessment?

#### POSITION OF THE COMPLAINANT

The Complainant argues that the Dollarama portion of the assessment (9,984ft<sup>2</sup>) should reflect economics of scale as compared to other CRU space in the centre with much lower square footage (756 ft<sup>2</sup> to 4,708 ft<sup>2</sup>). The actual lease rate of this space is \$15.50 psf and should be reflected in the assessed values.

#### POSITION OF THE RESPONDENT

The Respondent argues that the \$17.50 psf lease rate represents an average of the market rents for the occupied retail spaces.

#### DECISION

The decision of the Board is to reduce the 9,984 ft<sup>2</sup> Dollarama lease rate from \$17.50 to \$15.50 psf or \$174,720 to \$154,752. The assessment is reduced from \$8,197,032 to \$7,980,000.

#### REASONS FOR THE DECISION

The Board recognizes that there are economies of scale within widely varied sizes of leaseable areas. Further the actual rent of this space supports the reduction requested.

#### ISSUE#3

What is the correct lease rate on the Shoppers Drug Mart portion of the assessment?

#### POSITION OF THE COMPLAINANT

The Complainant argues that when the assessments on other junior anchor spaces are reviewed it is determined that this space is assessed too high at \$25.00 psf when compared to other junior anchor spaces ranging from \$11.00 to \$14.00 psf.

POSITION OF THE RESPONDENT

The Respondent argues that the high level of finish found in drugstores bears no comparison to other minimal finish generally found in retail box stores, as presented by the Complainant.

The Respondent further points out that other similar finished comparable spaces are at lease rates ranging from \$18.50 to \$33.00 psf.

DECISION

The decision of the Board is to confirm the lease rate of the Shoppers Drug Mart at \$25.00 psf.

REASONS FOR THE DECISION

The Board is of the view that similar space with comparable finish is leased at approximately the same rate as the subject. Similar Shoppers Drug Mart stores on Clover Bar Road indicate lease rates of \$25.00 the same as the subject.

ISSUE #4

Should the ATM be assessed separately?

POSITION OF THE COMPLAINANT

The Complainant argues that the value of the ATM when capitalized indicates a value in excess of \$200,000. The Complainant put forward that this value is in excess of its value, and in fact should be removed from the assessment.

POSITION OF THE RESPONDENT

The Respondent argues that as determined from lease rate information, leases with canopies and ATM are typically achieving higher rates as contrasted to banks without these facilities.

DECISION

The decision of the Board is to confirm the assessment of the bank drive-thru ATM.

REASONS FOR THE DECISION

The Board is of the opinion that evidence presented indicates banks with ATM and Canopies lease at a higher value than those without, therefore it appears reasonable for the Respondent to value the ATM in this regard.

The total assessment of the subject property is reduced from \$19,563,000 to \$19,346,000.

Dated this 18<sup>th</sup> day of July, 2011 at Strathcona County, in the Province of Alberta.



Tom Robert  
Presiding Officer

1. Exhibit 1-C Complainant Disclosure filed May 4, 2011
2. Exhibit 2-R Respondents Disclosure filed June 1, 2011
3. Exhibit 3-C Complainant Rebuttal filed June 8, 2011

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