

July 18, 2011

**NOTICE OF DECISION**  
**CARB 0302 - 05/2011**

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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
C2011-9	First Capital (SHERWOOD) Corporation	Lot 1, Block 208, Plan 9421907 (Sherwood Towne Square) 390 Baseline Road	8208001008	24,655,000  <b>REVISED:</b> <b>24,653,000</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  
Treena Malishewski, Assessor  
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 (power centre) located at 390 Baseline Road, Sherwood Park, known as Sherwood Town Square. The property consists of box stores, retail units, bank and restaurants. The gross building area is 121,349 square feet, situated on 12.260 acres of land.

**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 to be applied to the subject property?
3. What is the vacancy shortfall rate to be applied to the bank lease area of 9,200 ft².

### 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 cap. rate.

The Respondent indicated through expert witness (Mr. Brian Gettel) that the cap. rates applied are correct and consistent throughout Sherwood Park as per (appendix 4) R2 pg. 37. Gettel Appraisals Ltd. prepared short narrative appraisals on 8 properties for assessment review purposes (R2.pgs. 45-49).

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 to be applied to the subject property?

#### POSITION OF THE COMPLAINANT

The Complainant provided two bank rate lease assessment comparables at \$26.00 and \$27.50 both located in Shopping centers on Baseline Road, similar to the subject property. The Complainant argued that the subject property should be valued at \$26.00 psf similar to these comparable properties.

#### POSITION OF THE RESPONDENT

The Respondent provided a table indicating banks with ATM's and canopies and those without. The Respondent indicated that the seven comparables with ATM's and canopies, like the subject, were assessed between \$28.26 to \$30.00 psf. The two banks with no ATM's or canopies were assessed at \$26.00 to \$27.50 psf.

#### DECISION

The decision of the Board is to confirm the assessment lease rate of the subject at \$29.00 psf.

#### REASONS FOR THE DECISION

The Board is of the opinion that the subject is assessed similar to comparable properties with ATM's and canopies. The Complainant's issue is one of equity with similar properties. The Board is satisfied that the subject is treated the same as other comparable bank assessment leases.

### ISSUE#3

What is the vacancy shortfall rate to be applied to the bank lease area of 9,200 ft<sup>2</sup>.

#### POSITION OF THE COMPLAINANT

The Complainant argues that the vacancy shortfall rate should be \$7.75 similar to shortfall allowance rates applied to other bank pad property assessments. The bank rate applied to the subject of \$6.00 is not fair or equitable.

#### POSITION OF THE RESPONDENT


The Respondent argues that the impact to the net income for the change being requested of 0.60% or \$161.00 is a frivolous request that does not affect the equity of the assessment.

#### DECISION

The Board is of the view that this is a matter of equity and correctness and therefore should be changed from 3,333,000 to \$3,330,800

The Board reduces the overall assessment from 24,655,000 to 24,653,000.

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.

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