

July 18, 2011

NOTICE OF DECISION
CARB 0302 – 06/2011

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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
C2011-10	Northland Properties Corporation	Lot 8, Block 10, Plan 9620764 NE 33-52-23-W4 (Broadmoor Centre)	700375800	1,526,000 REVISED: \$1,470,000

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 located at 44, 975 Broadmoor Boulevard, known as Denny's Restaurant. The land consists of 43,560 ft² with improvements at 4,830 ft², built in 1996.

ISSUES

1. What is the typical capitalization rate for the subject property for the assessment period as of July 1, 2010?
2. Is the lease rate applied to the subject equitable with similar property?

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. 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

Is the lease rate applied to the subject equitable with similar property?

POSITION OF THE COMPLAINANT

The Complainant argues that other similar property (Restaurants) are assessed at a rate of \$25.00 psf. The subject assessed at \$26.00 is not fair or equitable.

POSITION OF THE RESPONDENT

The Respondent argues that all free standing restaurants are assessed at \$26.00 psf because titled lots such as the subject have lower site coverage than pad sites found in shopping centre locations where there is shared parking between tenants. The higher land cost is reflected in the elevated rental rates of freestanding restaurants.

DECISION

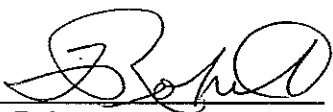
The decision of the Board is to reduce the rental rate value from \$26.00 to \$25.00.

REASONS FOR THE DECISION

The Board is of the view that there is little evidence to support the value differences for very similar properties. These type of properties compete directly and the issue of parking is transparent in regard to freestanding vs. shopping centre sites.

The Board reduces the assessment from \$1,526,000 to \$1,470,000.

Dated this 18th 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