

November 2, 2011

REVISED
NOTICE OF DECISION - CARB 0302 - 11/2011

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Strathcona County
Assessment and Taxation
2001 Sherwood Drive
Sherwood Park, AB T8A 3W7

This is a **REVISED** decision of the Composite Assessment Review Board from a hearing held on June 20, 2011 regarding a complaint for:

Hearing #	Appellant/Owner	Property Description	Roll #	Assessed Value
C2011-16	South Wye Properties Ltd.	Lot 3, Block 2, Plan 0828605 NW 22-52-23-W4 (Salisbury Village)	9402003000	28,040,000

This revised decision corrects a typographical error in the Decision of Issue #1. The confirmed capitalization rate should read 7.50 % and not 7.75%.

Before:

Tom Robert, Presiding Officer
Susan Paul, Board Member
Ryan Bosch, 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 Community Shopping Centre located at 301 Wye Road. The property consists of 483,516 ft² (11.1 acres) of land and 94,729 ft² of building. The subject is known as Wye Road Crossing.

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 Bank space fair and equitable?
3. Is the lease rate on the anchor (Rona) fair and equitably assessed?
4. Is the lease rate on CRU (10,000 ft²) Rexall fair and equitable?

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 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 **7.50%**.

REASON

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 Bank space fair and equitable?

POSITION OF COMPLAINANT

The Complainant submitted five comparable assessment rates on bank space within Sherwood Park. The assessed rates range from \$26.00 to \$30.00 psf.

The Complainant argues that for the purposes of equity, the banks on the subject property should be assessed using a rate of \$27.50 psf.

POSITION OF RESPONDENT

The Respondent argues that the comparables as presented by the Complainant are older banks, some are 1.50 times larger and located in Multi-Tenant CRU buildings which the lease rates do not account for additional land value costs for additional land required for drive thru and canopies. Further the Respondent provided two comparables and the subject all indicating a 2010 assessment rate of \$40.00. These are newly constructed freestanding banks with drive thru service. The rental rates indicate \$40 to \$46 psf, which supports the assessment of the subject at \$40.00.

DECISION

The decision of the Board is to confirm the lease rate of the bank space at \$40 psf.

REASON

The Board is of the view that the subject properties (banks) are freestanding, modern buildings recently leased at rates which support this newer type of facility.

The Board further supports that the question of equity only exists when comparables have all similar attributes.

ISSUE #3

Is the lease rate on the anchor (Rona) fair and equitably assessed?

POSITION OF COMPLAINANT

The Complainant presented six comparable assessment rates in support of the requested valued rate of \$12.50 psf. The range of comparables were \$10.50 to \$14.00 psf.

The Complainant further argues that comparables with lower finish, such as the subject should be assessed similarly. The Totem comparable is deemed to be the best comparable to the subject with similar finish and location. The Totem comparable is assessed at \$12.50 psf, as compared to the subject at \$14.00.

POSITION OF RESPONDENT

The Respondent presented an analysis of the Complainant's comparables, with the addition of one comparable. The comparables range from \$10.50 to \$16.00.

The Respondent argues that the Complainant's Totem comparable is older (2001) and does not have a garden storage centre.

DECISION

The decision of the Board is to confirm the lease rate on the anchor (Rona) space at \$14 psf.

REASON

The Board is of the view that the comparables presented by the Complainant were older and in the case of the Totem comparable did not have a garden centre.

The Board looked at the Totem comparable as did the Complainant, however the age and additional features of a garden centre would appear to support the different assessment rates.

ISSUE #4

Is the lease rate on CRU (10,000 ft²) Rexall fair and equitable?

POSITION OF COMPLAINANT

The Complainant presented nine assessment comparable rates ranging from \$11.00 to \$24.00 with an average of \$14.61 and median of \$14.00 psf.

The Complainant argues that the subject assessed at \$33.00 psf is significantly higher than the average comparable space at \$14.00.

POSITION OF RESPONDENT

The Respondent argues that similar comparables such as drugstores are assessed fair and equitably with the subject. The Respondent provided three drugstore comparables ranging from \$18.50 to \$25.00 psf.

The Respondent further advises that the subject is the only drugstore with a drive thru service and canopy, therefore additional land value is included in the \$33.00 psf rate.

DECISION

The decision of the Board is to confirm the lease rate on the CRU (Rexall) space at \$33 psf.

REASON

The Board is of the opinion that the best comparables are those presented by the Respondent. The additional feature of a drive thru and canopy appear to support an added value, when compared to other 2009 constructed stores with other similar features and locations assessed at \$25.00 psf.

The Board confirms the total assessment of the subject property at \$28,040,000.

Dated this 2nd day of November, 2011 at Strathcona County, in the Province of Alberta.



Tom Robert
Presiding Officer

Documents Received and Considered by the Board

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| 1. | Exhibit 1-C | Complainant Disclosure filed May 9, 2011 |
| 2. | Exhibit 2-R | Respondents Disclosure filed June 6, 2011 |
| 3. | Exhibit 3-C | Complainant Rebuttal filed June 10, 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