

July 20, 2011

NOTICE OF DECISION
CARB 0302 – 15/2011

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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 20, 2011 regarding a complaint for:

Hearing #	Appellant/Owner	Property Description	Roll #	Assessed Value
C2011-20	Nottingham GP Ltd	Lot 2, Block 216, Plan 9722176 SE 26-52-23-W4 664 Wye Road (Nottingham Green)	7216002007	7,135,000

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 a Community Centre, known as Nottingham Centre. The subject was constructed in 2000 and consists of four buildings with a gross area of 29,856 ft². The Blockbuster Video space consists of 6,186 ft².

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 Blockbuster Video space 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 capitalization rate of 8.50%.

The Complainant further argues that if Edmonton comparable sales used in developing capitalization 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 capitalization rates comparables used by the Respondent in developing his 7.75% capitalization 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 for the subject property at 7.75%.

REASONS

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 Blockbuster Video space fair and equitable?

POSITION OF THE COMPLAINANT

The Complainant argues that the lease rate of \$20.00 for assessment purposes is too high, when consideration is given in regard to economies of scale and location. The subject space is 6,186 ft² and is assessed at \$20.00 per square foot. Leased space within the same centre at 4,330 ft², 1,200 ft² and 1,380 ft² are also assessed at \$20.00 per square foot, typically the market place would recognize that a larger space would attract a lower lease rate within the same location. Further, leases fronting directly on Wye Road are assessed at \$20.00, with better visibility from this main arterial road. The subject is set back in the centre and does not have the same visibility and therefore should be valued at a lower rate. The Complainant argues that \$18.00 per square foot would be a more appropriate rate for the subject, based on other comparable lease rates within the same centre.

POSITION OF THE RESPONDENT

The Respondent argues that the subject lease rate is correct, fair and equitable with other comparable video base spaces within the area. The Respondent put forward three comparables ranging in size from 4,193 to 5,515 ft² indicating arterial lease rentals of \$19.00 to \$24.00 per square foot. The subject is located directly north of the main entrance to the Centre. The Complainants comparables on Wye Road have restricted visibility due to a berm located on the southwest portion of the centre.

DECISION


The decision of the Board is to confirm the lease rate for the Blockbuster space at \$20 psf.

REASONS

The Board has determined that the subject is located in a prime area of the subject centre, directly north of the main entrance. The lease rate of \$20.00 per square foot is supported by similar comparable space both in regard to the assessed value and market lease rate per square foot.

The Board is of the opinion that the location of the subject is superior to comparables within the centre that abut Wye Road. The Wye Road comparables have restricted exposure in terms of visibility due to a berm located directly in front of these spaces.

Dated this 20th day of July, 2011 at Strathcona County, in the Province of Alberta.



Tom Robert
Presiding Officer

1. Exhibit 1-C Complainant Disclosure filed May 6, 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