

July 20, 2011

NOTICE OF DECISION
CARB 0302 – 16/2011

Altus Group Ltd.
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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 21, 2011 regarding a complaint for:

Hearing #	Appellant/Owner	Property Description	Roll #	Assessed Value
C2011-21	50 Brentwood Blvd Investments Inc.	Lot C, Block 76, Plan 5010RS SW 26-52-23-W4 (Maplewood) 48 Brentwood Boulevard (Normed/Brentwood Professional)	7076077002	3,504,000

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 is comprised of 1.50 acres of land and two office buildings constructed in 1971 and 1978 (37,660 ft² building area) known as the Normed/Brentwood Centre.

ISSUES

1. What is the market value of the upper office lease rate?
2. What is the upper office vacancy rate?
3. What is the market value of the basement lease area?

ISSUE #1

What is the market value of the upper office lease rate?

POSITION OF THE COMPLAINANT

The Complainant argues that due to the unique nature of the subject property, the best indication of market rental rates for the subject are the newest signed leases in the subject itself.

The Complainant submitted four recent lease rates ranging from \$6.00 to \$9.20 psf with an average of \$7.80 psf and a median of \$8.16 psf.

The Complainant further argues that the most recent lease at \$6.00 and \$7.00 psf indicate a downward trend, and suggests that \$7.00 psf should apply to the upper office portion.

POSITION OF THE RESPONDENT

The Respondent argues that the lease rate of \$6.00 psf was an interim lease which expired May 1, 2010. A new three year lease for this same space was at \$10.00 psf. The Respondent agrees that this is post facto, however it supports the trend that rates are increasing not as the Complainant states as decreasing.

Further, the Respondent argues that leases signed in 2009 range from \$7.00 to \$9.20 psf. Typically, these leases range in value due to location and tenant improvements.

DECISION

The decision of the Board is to confirm the upper office lease rate at \$9.00 psf.

REASONS FOR THE DECISION

The Board is of the view that the lease rates signed in 2009 ranged from \$7.00 to \$9.20 psf. The Board agrees that lease rates will vary within a property dependent on location and improvements.

The subject is at \$9.00 psf which falls to the upper portion of the range, however it is evident from trends that the lease rates were increasing over the assessment period up to July 1, 2010.

ISSUE #2

What is the upper office vacancy rate?

POSITION OF THE COMPLAINANT

The Complainant argues that the actual vacancy rate for the upper space is 28.40% and should be adjusted to 10% from the current 5% to better reflect the actual performance of the subject.

POSITION OF THE RESPONDENT

The Respondent argues that analysis of vacancy rates is completed on a three year period to determine vacancy. The analysis of the subject indicates vacancy in 2008 at 8%; 2009 at 0%; and 2010 at 28%. From the property's past performance it would appear that 2010 was an abnormal year. Vacancy rates are based on typical performance over a three year period.

DECISION

The decision of the Board is to confirm the vacancy rate at 5%.

REASON

The Board is of the opinion that vacancy rates may vary from year to year or month to month. The recognized method of measuring vacancy is a stabilized method produced over a three year record.

ISSUE #3

What is the market value of the basement lease area?

POSITION OF COMPLAINANT

The Complainant argues that typically basement space is significantly less in terms of the lease rate value. The assessment for this space is \$6.50 psf.

The indicated value is approximately \$1.50 psf based on four leases within the subject which range from .88 to \$8.02 psf.

POSITION OF RESPONDENT

The Respondent argues that the Complainant has not provided sufficient evidence to support operating costs used in their calculation.

Further, the Respondent argues that weighted average rents provide a more accurate measure of rent as it weights each rent in proportion to the area it occupies to determine the actual income each space generates. Then the total basement income is divided by the total basement area resulting in a weighted average.

Typical basement rental rates range from \$6.41 psf to \$6.76 psf which supports the \$6.50 psf as per the assessment.

DECISION

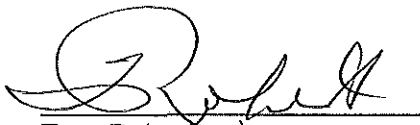
The decision of the Board is to confirm the basement rental rate at \$6.50 psf.

REASONS

The Board is of the opinion that rental rates for the subject's basement leasable area range from \$3.26 to \$9.00 psf. The largest area lease is 2846 ft² at \$8.00 psf. The Board is persuaded that the lease rate on the largest portion of the 5686 ft² total area is representative and supports the current rate of \$6.50 psf.

The Assessment for the subject property is confirmed at \$3,504,000.

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



Tom Robert
Presiding Officer

Documents Received and Considered by the Board

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