



Complaint ID 0262 1838
Roll No. 30000422130

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: July 29, 2024

PRESIDING OFFICER: M. WEATHERALL
BOARD MEMBER: D. DEY
BOARD MEMBER: A. TARNOCZI

BETWEEN:

Altus Group Limited

Complainant

-and-

City of Red Deer
Revenue & Assessment Services

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by an Assessor of The City of Red Deer as follows:

ROLL NUMBER: 30000422130
MUNICIPAL ADDRESS: 2085 50 Avenue, Red Deer, AB
ASSESSMENT AMOUNT: \$5,746,600.00

The complaint was heard by the Composite Assessment Review Board on the 29th day of July 2024, via teleconference.

Appeared on behalf of the Complainant: B. Robinson, Agent, Altus Group Limited

Appeared on behalf of the Respondent: S. Gill, Assessor, The City of Red Deer
A. Minhas, Assessor, The City of Red Deer

DECISION: The assessed value of the subject property is confirmed.

JURISDICTION

- [1] The Central Alberta Regional Assessment Review Board [“the Board”] has been established in accordance with section 455 of the *Municipal Government Act*, RSA 2000, c M-26 [“MGA”].

PROPERTY DESCRIPTION AND BACKGROUND

- [2] The subject property (subject) is a retail strip mall with two buildings and a quality 7 rating. The main building has an assessable area of 16,265 square feet (sf), the rear building has an assessable area of 8,612 sf on an assessable land area of 2.32 acres. The property type is Shopping Centre – Strip with Commercial C-4 zoning and located in the Bower subdivision. The site coverage is 24.6%.
- [3] The current assessment of the subject is \$5,746,600.00 calculated pursuant to the income approach to value.

PRELIMINARY MATTERS

- [4] Neither party raised any objection to the panel hearing the complaint.

ISSUE

- [5] Should the rental rates for the subject’s four assessed CRU/7-range spaces be reduced from \$21.00 per square foot (psf) to \$17.00 psf?

POSITION OF THE PARTIES**Position of the Complainant**

- [6] The Complainant referred to the only new valid lease for the subject for the spaces assessed at \$21.00 pf. This lease rate is \$17.00 psf. The lease has a start date of September 1, 2021, and should be considered the best indicator of market value for the CRU spaces in question.
- [7] The Complainant pointed out that the subject’s property record shows one CRU/7-range space in the subject is assessed at \$20.00 psf while the other CRU/7-range spaces are assessed at \$21.00 psf.
- [8] The Complainant argued that their evidence supports that the subject assessment is more than market value.
- [9] The Complainant requested that the Board reduce the assessment of the subject to \$5,201,800.00.

Position of the Respondent

- [10] The Respondent provided a brief outline of the assessment methodology as it relates to the collection of information utilized in mass appraisal to establish reasonable inputs for the income approach to valuation. A key part of this process is an annual review of assessment request for information (RFI’s).
- [11] The Respondent critiqued the Complainant’s comparable subject lease. The Respondent noted that the Complainant failed to include the step-up for this lease or the other lease renewals at the

subject. Applying a weighted average for leases with step-up rent and including the renewals results in a median lease rate of \$21.50 psf for the four lease comparables. These leases were signed or renewed within the last three years at the subject property. The Respondent asserted that one lease comparable is not sufficient to determine market value for the subject assessment.

- [12] The Respondent argued, little weight should be given to the Complainant's submission of inequity with respect to the quality 7 CRU space at the subject property that is assessed at \$20.50 psf rather than \$21.00 psf. The Respondent noted that this unit is the largest unit at the subject with 6,000 sf. The Respondent referred to their analysis of retail strip malls with a quality 7 rating and asserted that units larger than the threshold of 5,000 sf require an economies of scale adjustment. The Respondent presented examples of equity comparables within the subject stratification that entail CRU spaces greater than 5,000 sf. An economies of scale adjustment of \$0.50 psf was applied to these comparables.
- [13] The Respondent provided a chart of the details of 15 properties in the Retail Strip Mall classification within the quality 7 range. The leases were signed within a year of the subject valuation date. The median lease rate is \$22.73 and supports the subject assessment at 21.00 psf. The Respondent stated that a three-year lease analysis including 46 leases show an average lease rate of \$22.30 psf and a median lease rate of \$22.00 psf.
- [14] The Respondent provided a 2023 Lease Rate Equity chart for retail strip mall properties. The chart shows 11 equity comparables with a quality 7 rating, all with an assessed lease rate of \$20.50 psf.
- [15] In support of the subject assessment, the Respondent also reviewed the subject's 2023 RFI to show that the actual income received at the subject property is \$467,328.16. This actual income is significantly higher than the assessed net operating incomes (NOI) of \$373,532.00. The Respondent argued that this further supports their position that adjustments to rent or overall assessment value are not required.
- [16] The Respondent requested that the Board confirm the current assessment of the subject at \$5,746,600.00.

BOARD FINDINGS and DECISION

- [17] The Board acknowledges that prior CARB and Court decisions were referred to by both parties and taken into consideration. The Board understands that those decisions reflected on issues and evidence considered in those hearings and are not binding on this Board. The Board's decision on this merit hearing was based solely on the evidence before this Board.
- [18] The Board places less weight on the Complainant's one subject lease comparable. The Board finds that one lease comparable is not sufficient to determine the subject's market value.
- [19] The Board places little weight on the Complainant's submission of inequity with respect to the quality 7 CRU space at the subject property that is assessed at \$20.50 psf rather than \$21.00 psf. The Board finds that this lease, as the largest unit, is not similar to the subject, having 6,000 sf size compared to the subject CRU sizes under 5,000 sf. The Board is persuaded that units larger than the threshold of 5,000 sf require an economies of scale adjustment. The Board finds it would be reasonable to apply an economies of scale adjustment of \$0.50 psf to this comparable which would then support the subject assessment at \$21.00 psf.

- [20] The Board is satisfied that the assessment methodology, as it relates to the collection of information utilized in mass appraisal, was used to establish reasonable inputs for the income approach to valuation for the subject.
- [21] In the Board's view, the Respondent's market rental rate evidence for the 15 properties in the Retail Strip Mall classification is persuasive. The Board places significant weight on these leases because they were signed within a year of the subject valuation date. The Board finds that the 15 lease comparables with a median lease rate of \$22.73 supports the subject assessment at 21.00 psf because they are similar to the subject with the same quality 7 range. The Board finds further support for the analysis of the 15 Retail Strip Mall comparables in the three-year lease analysis including 46 leases which show an average lease rate of \$22.30 psf and a median lease rate of \$22.00 psf.
- [22] The Board does not find on the Respondent's equity analysis particularly helpful because the Board was not able to sufficiently assess the similarities between the lease rate comparables. The Board notes that the evidence did not include assessment detail reports for these lease rate comparables.
- [23] The Board confirms the current assessment of the subject at \$5,746,600.00.

DECISION SUMMARY

- [24] The Board makes no change to the current assessment of the subject.
- [25] Dated at the Central Alberta Regional Assessment Review Board, in the City of Red Deer, in the Province of Alberta this 16th day of August 2024 and signed by the Presiding Officer on behalf of all the panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.

Miles Weatherall

Miles Weatherall
Presiding Officer

MGA Section 470(1) Where a decision of an assessment review board is the subject of an application for judicial review, the application must be filed with the Court of King's Bench and served not more than 60 days after the date of the decision.

APPENDIX

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>	<u>PAGES</u>
1. A.1	Hearing Materials provided by Clerk	47
2. C.1	Complainant submission	157
3. R.1	Respondent submission	41
4. R.2	Respondent law brief	68