



Complaint ID 0262 1843
Roll No. 30000430785

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: 30000430785
MUNICIPAL ADDRESS: 2235 50 Avenue, Red Deer, AB
ASSESSMENT AMOUNT: \$6,521,600.00

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

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
T. Johnson, 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 Big Box freestanding structure in the 20,000-60,000 square feet (sf) and quality 3 range. The year of construction was 1979. The subject has an assessable building area of 29,243 sf and an assessable land area of 3.39 acres. The property type is Store-Retail Box with Commercial C-4 zoning and located in the Bower subdivision.
- [3] The current assessment of the subject is \$6,521,600.00 calculated pursuant to the income approach to value.

PRELIMINARY MATTERS

- [4] Neither party raised any objection to the panel hearing the complaint.
- [5] The Respondent requested that a surrebuttal document and the Freedom of Information and Protection of Privacy (“FOIP”) Act, which was sent via email by the Respondent to the Board Clerk and the Complainant on Friday July 25, 2024, at 4:36 p.m. be allowed to be entered into the record as evidence. The Complainant argued that the surrebuttal should not be accepted into evidence as it speaks to issues that were not raised by the Complainant and they did not have time to review the document. After hearing submissions from both parties, the Board finds that the surrebuttal and FOIP Act were considered proper rebuttal except for pages 121 – 125 which pertain to other hearings being heard this week.
- [6] The Board also decided to accept into evidence the Complainant’s case law, in response to the surrebuttal document and FOIP Act, which was sent via email from the Complainant to the Board Clerk and the Respondent on Monday July 29, 2024, at 8:47 a.m.
- [7] The Board noted it would consider all evidence entered into the record and apply the weight to it as it deems appropriate.

ISSUE

- [8] Should the subject assessed CRU rental rate be reduced from \$16.00 per square foot (psf) to \$15.00 psf?

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

- [9] The Complainant presented a box store rent rate analysis including North and South Red Deer. The median lease rate for the six comparable properties, including the subject, is \$12.47 psf.

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- [10] A box store rent rate analysis for the South only used three properties including the subject. The median lease rate is \$15.00 psf. The Complainant noted that box stores in the South tend to attain higher rental rates than box stores in the North. Further, the subject is assessed at a higher rental rate than the other two comparables even though it has inferior interior features. The comparables are located in a shopping/power centre while the subject is a standalone building.
- [11] The Complainant asserted that the subject assessment of \$16.00 psf is higher than the assessed rate applied to the same two comparables from their box store rent rate analysis for the South that were assessed at \$15.50 psf.
- [12] The Complainant presented a sale of a newly constructed RONA with an estimated total assessed value of \$173.00 psf and a sale price of \$115.00 psf compared to the subject's assessment at \$223.00 psf. The Complainant's requested value for the subject would bring its assessed value to \$205.00 psf which is still higher than the RONA assessed value.
- [13] The Complainant argued that their evidence supports that the subject assessment is more than market value, and it is inequitably assessed when compared to similar competing properties.
- [14] The Complainant stated the Respondent failed to provide sufficient detail to allow the Complainant to respond to or rebut their evidence.
- [15] The Complainant requested that the Board reduce the assessment of the subject to \$6,102,700.00.

Position of the Respondent

- [16] 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).
- [17] The Respondent critiqued the Complainant's comparables. The Respondent noted that the Complainant's two lease comparables are for commercial retail unit (CRU) spaces located in a power centre while the subject is a free-standing building. CRU space and a free-standing building achieve different rents in the market. The Complainant failed to include the step-ups for their comparables. When the lease rates are adjusted for the step-ups and difference between a power centre and a free-standing building, the median rent rate is \$16.40 psf and supports the subject assessed lease rate of \$16.00 psf.
- [18] The Respondent pointed out that the Complainant's equity comparables are not similar to the subject because they are for CRU spaces located within a power centre compared to the subject as a free-standing building.
- [19] The Respondent argued, little weight should be given to the Complainant's RONA sales comparable as it was part of portfolio sale, and it cannot be considered a valid sale for assessment purposes. The Respondent referred to a sale document from The Network for this sale at 15 Signet CI with a sale price of \$12,800,000.00. The sale terms were cash. The comments box stated, "entails a Lowe's hardware store. Part of a cross Canada portfolio acquisition to be rebranded to Rona. The reported cost to construct was \$23,000,000.00."

- [20] The Respondent provided a chart of the details of 12 properties in the Small-Box classification within the 20,000 – 60,000 sq range. Three of the properties classified as quality 3 including the subject. The actual rental rates were taken from the above-noted RFI process. Little weight should be placed on one of the leases because it is owner-occupied.
- [21] The subject lease start date is 2017 and when considering its three step-ups, the weighted rental rate of \$17.25 psf. This weighted rental rate is supported by the subject 2023 RFI which includes the rent roll report showing the actual lease of the subject at \$17.25 psf. The actual lease rate supports the subject assessed rate of \$16.00 psf.
- [22] The Respondent provided a chart of six leases for small box properties, their ranking based on quality and their actual market lease rates. The two free-standing small box leases, including the subject, with a quality 3 ranking achieved a reported lease rates of \$17.25 psf and \$17.89 in support of the subject assessed lease rate.
- [23] The Respondent provided a 2023 Lease Rate Equity chart for small box properties. The chart shows three equity comparables, including the subject, all with an assessed rental rate of \$16.00 psf.
- [24] In support of the subject assessment, the Respondent also reviewed the cost methodology. When considering land and improvement value, the land value alone is \$6,117,525.00 of the total \$6,521,600.00 current assessment.
- [25] The Respondent requested that the Board confirm the current assessment of the subject at \$6,521,600.00.

Complainant's Rebuttal

- [26] Subsequent to the Respondent's presentation, the Complainant asserted in their rebuttal document that the Respondent's disclosure did not demonstrate the subject assessment was correct. The City failed to comply with the requirements set out in *MRAC, 2018, Section 9(2)(b)(i)* and did not provide sufficient detail to allow the Complainant to fully rebut their evidence.
- [27] The Complainant argued that little weight be given to the subject lease because its start date is six years from the July 1, 2023, valuation date. Without this lease included in the analysis, the subject median and mean lease rate would be \$15.20 psf.
- [28] The Complainant asserted that a free-standing building does not receive the same foot traffic as a power centre. City of Calgary data was presented to show that power centres command higher rental rates. The Complainant argued that the Respondent used lease rates from shopping centres which includes a power centre.

Respondent's Surrebuttal

- [29] Subsequent to the Complainant's rebuttal, the Respondent reviewed the legislation, case law and examples of commercial appraisal disclosures, in response to the Complainant's issue of sufficient information raised in the rebuttal.

BOARD FINDINGS and DECISION

- [30] 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.
- [31] The Board places little weight on the Complainant's RONA sales comparable. The Board finds that it is not a valid sale for assessment purposes because the evidence showed it was part of portfolio sale. The Complainant did not provide sufficient evidence as to how the sale prices, within the cross Canada portfolio acquisition, were allocated to individual properties.
- [32] The Board places less weight on the Complainant's sales and equity analyses which used the same comparables. The Board finds the Complainant's comparables were not similar to the subject because they are CRU spaces located in a power centre while the subject is a free-standing building. Based on a balance of probabilities, the Board finds it is more likely than not that CRU spaces achieve different lease rates than a free-standing building. The Board does not accept the Complainant's use of the City of Calgary data for power centres to support the argument that power centres would command higher rental rates in Red Deer because there was insufficient evidence to support that power centre rental rates in Red Deer behave in a similar manner to those in Calgary.
- [33] 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.
- [34] The Board places significant weight on the actual lease noted on the rent roll received with the subject's 2023 RFI showing an actual lease rate of \$17.25 psf. While the Board acknowledges the lease runs from 2017 to 2032, the Board is persuaded that, when considering the subject's three step-ups, the weighted lease rate is \$17.25 psf and supports the actual lease rate. The Board finds that the subject actual lease rate supports the rental rate applied in the subject assessment.
- [35] In the Board's view, the Respondent's market rental rate evidence for free-standing small box rental rates with a quality 3 ranking in the 20,000 to 60,000 sf range was persuasive. The Board finds that the two rental rate comparables with a quality 3 ranking, including the subject, with actual lease rates of \$17.25 psf and \$17.89 psf, support the subject assessed rental rate. The Board understands there are limited actual rental rates with this ranking and range. As noted above, the Board is satisfied that these actual rental rates were reported through the RFI process for assessment purposes.
- [36] 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.
- [37] The Board confirms the current assessment of the subject at \$6,521,600.00.

DECISION SUMMARY

- [38] The Board makes no change to the current assessment of the subject.

[39] 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	230
3. C.2	Complainant rebuttal	276
4. C.3	Complainant case law	14
5. R.1	Respondent submission	150
6. R.2	Respondent law brief	68
7. R.3	Respondent FOIP Act	88
8. R.4	Respondent surrebuttal	125