



Complaint ID 0262 1883  
Roll No. 30002820105

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: SEPTEMBER 17, 2024

PRESIDING OFFICER: J. DAWSON  
BOARD MEMBER: R. IRWIN  
BOARD MEMBER: J. GRAU

BETWEEN:

PEACOCK INN LTD.  
Represented by NORTHERN PROPERTY TAX ADVISORS INC.

Complainant

-and-

REVENUE & ASSESSMENT SERVICES  
For the City of Red Deer

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: 30002820105  
MUNICIPAL ADDRESS: 6889 50 AV, RED DEER, AB  
ASSESSMENT AMOUNT: \$2,577,700

The complaint was heard by the Central Alberta Assessment Review Board on the 17<sup>th</sup> day of September 2024, via videoconference.

Appeared on behalf of the Complainant: A. Izard, Agent, Northern Property Tax Advisors Inc.

Appeared on behalf of the Respondent: C. Green, Senior Property Assessor for City of Red Deer  
S. Gill, Senior Property Assessor for City of Red Deer

**DECISION:** The assessed value of the subject property is changed to \$2,475,500.

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## **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 is 44,431 square feet, improved with a stand-alone fast-food restaurant and a retail strip consisting of two units. It is located Gaetz Avenue at Phelan Street. The buildings occupy 7,731 square feet, which translates into a site coverage ratio of 17%.
- [3] The subject property is assessed using the income approach to value with a stratification of Restaurant – Fast food Stand Alone and a quality range 8. The assessed area of 7,731 square feet has three separate areas; 1) 3,127 square foot Restaurant – Fast food Stand Alone, quality range 4 with a rental rate of \$18 per square foot, 2) 2,090 square foot Retail – CRU, quality range 5 with a rental rate of \$18 per square foot, and 3) 2,514 square foot Retail – CRU, quality range 5. The assessed market income is \$195,444. The assessment has an 8.0% vacancy allowance, a \$14.00 per square foot operating costs adjustment, and a 2.0% non-recoverable allowance. The net operating income calculated is \$167,533. Utilizing a capitalization rate of 6.5% derives a rounded assessment value of \$2,577,700.

## **PRELIMINARY MATTERS**

- [4] The Presiding Officer confirmed that no Board Member raised any conflicts of interest regarding matters before them.
- [5] Neither party raised any objection to the panel hearing the complaint.
- [6] The Complainant and Respondent requested that all verbal testimony, questions and answers pertained to common disclosed evidence from hearing 0262 1873 be carried forward and entered into evidence as if heard during this hearing. The panel agreed.
- [7] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.

## **POSITION OF THE PARTIES**

### **Position of the Complainant**

- [8] The Complainant reviewed the grounds for complaint, assessment summary, assessment notice and other site-specific documentation relative to the subject property.
- [9] The Complainant argued that the Respondent has incorrectly categorized the subject property. The subject property consists of 3 retail units and should be assessed within the Strip Retail category of property. Currently the site has been incorrectly assessed as a Stand Alone Restaurant space.
- [10] The Complainant provided information that even where stand alone fast food restaurants exist within the municipality, if they are part of a larger development they are assessed in that way.

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- [11] The Complainant provided examples of where if a fast food restaurant is a single titled parcel, located within a single tenant building, within a shopping centre (power centre, neighbourhood centre, or strip retail) it is assessed as part of that centre, or with those valuation parameters; which in this case would include; 12% vacancy rate, like all other strip retail within the municipality, \$10 per square foot operating cost allowance based on the quality of the centre.
- [12] The Complainant explained that a \$36 per square foot rental rate applied has been applied regardless of the centre the fast food restaurant is situated within. Providing examples of stand alone restaurants within centres being assessed to demonstrate an inequity applied in the valuation of the subject property.
- [13] The Complainant argued that the subject property is not a single titled parcel with only a fast food restaurant, but a multi-tenanted parcel, and should be assessed with the strip retail valuation model, as is the case with other multi-tenant parcels not anchored by a drug store, supermarket or big box store.
- [14] The Complainant presented that when this correction is made the valuation of the subject property, would be \$2,450,400.
- [15] The Complainant introduced an issue with the area associated with the commercial retail unit (CRU) building at the backside of the property.
- [16] The Complainant provided architectural site plan from 2019 indicating the correct areas that should be applied to these spaces.
- [17] The Complainant included email correspondence from the landlord of the property, outlining the nature of the space, the total area, and the time that it has been vacant.
- [18] The Complainant argued that there is no basis for the area to be incorrectly applied by the Respondent and with this correction the valuation of the property would be \$2,353,400.
- [19] The Complainant also argued that the space has been marketed by a premier brokerage house in Red Deer, and despite their continued efforts were unable to lease the property. Explaining that the marketed rental rate was reduced to \$15 per square foot and it still took another year, beyond the valuation date, to secure a tenant.
- [20] The Complainant explained that the subject property has locational challenges with the building being recessed from Gaetz Ave, has experienced increased competition, and higher strip centre vacancy rates in 2023, making it impossible to lease the space at \$18 per square foot.
- [21] The Complainant requested that the assessed rental rate for the CRU Space be revised to \$15 per square foot.
- [22] The Complainant submitted that revising the rental rate to \$15 per square foot, prior to the consideration of chronic vacancy issues would reduce the valuation of the subject property to \$2,122,300.

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- [23] The Complainant explained there are chronic vacancy issues at the subject property since 2018, and arguably since 2016 as the space was taken off the market briefly with a tenant, signing a lease but never occupied the space or paid rent.
- [24] The Complainant presented that the long term vacancy requires that a chronic vacancy rate of 15% should be applied to the subject property. Explaining the actual vacancy rate was 28%, well in excess of the typical vacancy rate applied by the municipality.
- [25] The Complainant included information on the City of Edmonton's chronic vacancy allowance showing that at these levels the Vacancy Allowance would be applied at 15%.
- [26] The Complainant argued that once the chronic vacancy rate of 15% is applied to the subject property, the new assessment value would be revised to \$2,074,800.

### **Position of the Respondent**

- [27] Respondent presented that the Complainant's disclosure raises the issue of whether the subject property is assessed equitably in terms of operating cost adjustment and the vacancy allowance applied to the subject property. The Respondent explained that the subject property is assessed with \$14 per square foot operating cost adjustment and an 8% vacancy allowance.
- [28] The Respondent charged that the Complainant would have the subject property category changed from a fast food restaurant with retail CRU to a retail strip, which would lower the operating cost allowance from \$14 per square foot to \$8.50 per square foot and increase vacancy allowance from 8% to 12%.
- [29] The Respondent argued that the subject property is primarily a fast-food restaurant with two retail CRU units in the back. With most of the value at the subject property coming from the fast-food restaurant, the property is correctly identified as a fast-food restaurant with a retail CRU in the back.
- [30] The Respondent explained that the Complainant's information raises the issue of whether the vacancy allowance should be increased from current 8% to 15% based on City of Edmonton methodology for vacancy allowance. It is The Respondent's position that the City of Edmonton's vacancy methodology does not apply to City of Red Deer and applying it to the subject property is not appropriate.
- [31] The Respondent demonstrated how vacancy allowance is determined and how it is applied to the subject property.
- [32] The Respondent reviewed it's position on the issue of chronic vacancy and included the history of actual vacancy at the subject property versus the history of assessment vacancy.
- [33] The Respondent presented that the Complainant requested that the rental rate applied to the CRU space should be reduced from \$18 to \$15 per square foot. The Respondent explained that the rental rate applied to the CRU space is determined according to mass appraisal and reflects the market rent that would be achieved by retail units similar to the subject property.
- [34] The Respondent provided a market rental rate analysis of quality 5 CRU spaces which are like the CRU space at the subject property and supports the assessed \$18 per square foot.

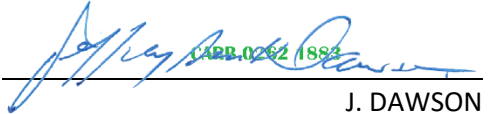
- [35] The Respondent argued that the Complainant raised the issue of whether the CRU area at the subject property is correct. The Respondent has accepted the change in area from 4,604 square feet to 4,164 square feet. The building diagrams provided support the request.
- [36] The Respondent recommended the area for the CRU space be changed from 4,604 square feet to 4,164 square feet resulting in a reduction of 440 square feet and an assessment value reduction from \$2,577,700 to \$2,475,500.

### **BOARD FINDINGS and DECISION**

- [37] The Board finds that the area for the CRU space be changed from 4,604 square feet to 4,164 square feet resulting in a reduction of 440 square feet.
- [38] The Board finds the information on chronic vacancy from The City of Edmonton is rejected because there is no supporting information to understand their rationale for their policy and no information on how it applies to the City of Red Deer.
- [39] The Board finds the explanation from the Respondent regarding the predominate value derived from the free standing fast food restaurant is sound and finds the overall classification of the subject property is a free standing fast food restaurant.
- [40] Additionally, the Board finds that the Respondent's explanation of blending the vacancy rate accounted for the unique characteristics of the subject property.
- [41] The Board finds the evidence from the Respondent regarding the rental rate of \$18 per square foot convincing with one sample property at \$15 per square foot, demonstrating that the subject property too is represented within the study.
- [42] The Board finds the use of typical rates in all parameters of the income approach value to be sound policy to derive assessment values within the mass appraisal process.

### **DECISION SUMMARY**

- [43] The assessed value of the subject property is changed to \$2,475,500.
- [44] Dated at the Central Alberta Regional Assessment Review Board, in the City of Red Deer, in the Province of Alberta this 18<sup>th</sup> day of October 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.

  
J. DAWSON  
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 A**

Documents presented at the Hearing and considered by the Board.

| <u>NO.</u> | <u>ITEM</u>                  | <u>PAGES</u> |
|------------|------------------------------|--------------|
| A.1        | Hearing Materials            | 35           |
| C.1        | Complainant Submissions      | 286          |
| C.2        | Complainant Rebuttal         | 149          |
| R.1        | Respondent Submissions       | 82           |
| R.2        | Respondent Legal Brief       | 68           |
| R.3        | Respondent – Chronic Vacancy | 131          |