



Complaint ID 0262 1884
Roll No. 30002910040

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

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

BETWEEN:

JEB2 PROPERTIES INC.
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: 30002910040
MUNICIPAL ADDRESS: 6842 50 AV, RED DEER, AB
ASSESSMENT AMOUNT: \$4,172,200

The complaint was heard by the Central Alberta Assessment Review Board on the 17th 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 requires no change.

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 a retail strip is located off Gaetz Avenue mid-block between 68th and 71st Streets. The subject is improved with a total of 16,037 square feet on a 51,836 square foot parcel. This result in site coverage ratio of 31%.
- [3] The subject property is assessed using the income approach to value with a stratification of Retail Strip and a quality range 7. The nine Commercial Retail Units (CRU) are assessed with a rental rate of \$21 per square foot resulting in a market income of \$336,777. The assessment has a 12.0% vacancy allowance, a \$10.00 per square foot operating costs adjustment, and a 2.0% non-recoverable allowance. The net operating income calculated is \$271,193. Utilizing a capitalization rate of 6.5% derives a rounded assessment value of \$4,172,200.

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 and 0262 1883 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 presented the grounds for complaint, assessment summary, assessment notice and other site-specific documentation relative to the subject property.
- [9] The complainant requested an assessment of \$3,650,700 on the complaint form, an alternate value of \$3,375,200 based on vacancy of 20 percent and rental rate of \$20 dollars, and another alternate of \$2,957,700 based on vacancy of 20 percent and rental rates of \$17 and \$26 dollars.
- [10] The Complainant reviewed the recent leasing activity at the subject property indicating that recent leasing indicates a \$17 per square foot rental rate for the conventional CRU spaces, and \$26 per square foot when the fast food space is assessed.
- [11] The Complainant argued, that alternatively if all spaces are treated the same (as assessed) then the rent applied should be \$20 per square foot versus the \$21 per square foot assessed.

- [12] The Complainant also suggested that the leasing activity in the immediate area also supports a revision in the rental rate as the applied rate is higher than both within the centre and the immediate market area.
- [13] 4. The Complainant explained that the subject property experiences chronic vacancy, which needs to be addressed within the assessment. Vacancy rates for the past three years are in excess of 30%. Pointing to decisions related to chronic vacancy in Red Deer and Calgary, and information from the City of Edmonton and how they adjust for chronic vacancy. Using the Edmonton guide would indicate a 20% vacancy allowance should be applied in this case.
- [14] The Complainant reviewed rent rolls with occupancy summaries, as well as information related to the ongoing leasing efforts in support of its argument.
- [15] The Complainant presented that when this correction is made the valuation of the subject property, would be \$2,957,700.

Position of the Respondent

- [16] The Respondent explained that the Complainant raised the issue of chronic vacancy. It is the Respondent's position that City of Red Deer does not apply an allowance for chronic vacancy. Vacancy is calculated for all similar properties and applied equitably to all properties within a stratification.
- [17] In particular, the Respondent argued that the Complainant's request to increase the vacancy allowance is not appropriate because it's based on chronic vacancy allowance table from the City of Edmonton.
- [18] The Respondent continued, that the City of Edmonton and the City of Red Deer do not have similar retail base, absorption rates or rental markets.
- [19] The Respondent indicated that its their position that using another city's methodology and applying it to the subject property is not appropriate.
- [20] The Respondent presented a vacancy calculation for quality 7 retail strip centres, showing historical vacancy at the subject property versus other similar properties versus the assessed vacancy.
- [21] The Respondent demonstrated how vacancy allowance is determined and how it is applied to the subject property.
- [22] The Respondent explained that the Complainant has requested in current assessed rental rate of \$21 per square foot applied to \$17 per square foot for most space and \$26 per square foot for fast food restaurant or an overall change to \$20 per square foot to all space.
- [23] The Respondent argued that the \$21 per square foot rate applied to the Subject is correct and appropriate, given the rents received at the subject and other similar quality 7 properties.
- [24] The Respondent presented that the Complainant's evidence on this issue is unreliable because they are only using leases from within the subject property and have not considered any step-up's, weighted average rental rates or any market data in their analysis.

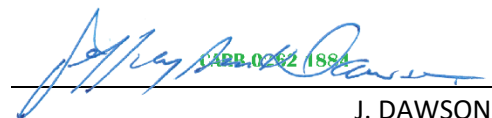
- [25] The Respondent provided rental rate analysis of quality 7 retail strip centres which includes the Subject property (and the additional parcel which makes up the whole retail strip).
- [26] The Respondent reviewed a recent transaction of a quality 7 retail strip which supports the assessment value of the Subject property at \$260 per square foot or \$4,172,200
- [27] The Respondent requested that the Board confirm the assessment as being fair and equitable.

BOARD FINDINGS and DECISION

- [28] 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.
- [29] Additionally, the Board finds the information from the Respondent of how the vacancy rate study is performed and how the subject property benefits from a vacancy allowance when the subject property is fully leased and how it may be a slight detriment at times, but overall the mass appraisal methodology is working, and providing a fair and equitable assessment.
- [30] The Board finds the evidence from the Respondent regarding the rental rate of \$21 per square foot convincing with one sample property at \$17 per square foot, demonstrating that the subject property too is represented within the study.

DECISION SUMMARY

- [31] The assessed value of the subject property requires no change.
- [32] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 17th 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.



CARB 0262 1884

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>
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R.2	Respondent Legal Brief	68
R.3	Respondent Submissions – Chronic Vacancy	131