

July 18, 2011

NOTICE OF DECISION
CARB 0302 - 03/2011

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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 16, 2011 regarding a complaint for:

Hearing #	Appellant/Owner	Property Description	Roll #	Assessed Value
C2011-7	First Capital (CANHOLDINGS) Corporation	Lot 5 & 6, Block D, Plan 8121605 SE 28-52-23-W4 985-999 Fir Street, Village Market	7000722004	28,394,000

Before:

Tom Robert, Presiding Officer
Susan Paul, Board Member
Cindy MacGowan, 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 property is a Community Shopping Centre known as Village Market. The land area is 506,603 ft² or 11.630 acres. The improvements are leased area of 130,737 ft² comprised of a Safeway Store, London Drugs, Scotia Bank and several CRU tenants.

ISSUES

1. What is the typical capitalization rate for the subject property for the assessment period as of July 1, 2010?
2. What is the correct equitable lease rate on the Bank space?
3. What is the correct and equitable lease rate on (London Drug) space?

ISSUE #1

What is the typical capitalization rate for the subject property for the assessment period as of July 1, 2010?

POSITION OF THE COMPLAINANT

The Complainant argued that capitalization rates should be developed from sales comparables within the same municipality. The Complainant presented five sales comparables within Sherwood Park, similar to the subject property sales dates 2008/2009.

The capitalization rates range from 7.60 to 9.83% with an indicated average rate of 8.64% and a requested capitalization rate of 8.50%.

The Complainant further argues that if Edmonton comparable sales used in developing capitalization rates in Sherwood Park are used, then all sales of similar properties must be included in the analysis. It was noted that the four City of Edmonton capitalization rates comparables used by the Respondent in developing his 7.75% capitalization rate, range from 8 to 8.5% for assessment purposes by the City of Edmonton Assessment Department.

The Complainant indicated that they had removed two of the Sherwood Park sales as they were part of a portfolio sales transaction. It is the Complainant's opinion that multiple property sales without detailed analysis may be suspect.

POSITION OF THE RESPONDENT

The Respondent provided nine sales comparables in development of the 7.75% capitalization rate. Two of these same sales comparables were used by the Complainant. Due to the limited number of sales in Sherwood Park, the assessor included several Edmonton Metropolitan Region sales that occurred within 6 months prior to the valuation date of July 1, 2010. The average of the nine sales indicated a 7.54% average and a 7.50% medium capitalization rate.

The Respondent indicated through expert witness (Mr. Brian Gettel) that the capitalization rates applied are correct and consistent throughout Sherwood Park. Gettel Appraisals Ltd. prepared short narrative appraisals on 8 properties for assessment review purposes that support these findings.

Mr. Gettel concluded that sales utilized by the Respondent were realistic indicators of market capitalization rates for properties under analysis. Mr. Gettel indicated that two of the sales selected by the Complainant to be anomalies which clearly yielded rates well beyond what would be considered within a typical range for good quality retail projects.

DECISION

The decision of the Board is to confirm the capitalization rate for the subject property at 7.75%.

REASONS FOR THE DECISION

The Board is of the view, as are both parties, that the best comparables are those within the same municipality. In regard to the subject, there is insufficient similar sales comparables to establish a typical capitalization rate within Sherwood Park.

The Complainant put forward five comparables, two of which indicate capitalization rates much higher than is typical within the metropolitan area as well as other Sherwood Park sales. The remaining sales of 7.79 (actual), 7.60 and 8.03% appear to fall within the range of comparables put forward by both parties.

The Respondent presented nine sales within Sherwood Park as well as surrounding municipalities indicating a typical capitalization rate of 7.50%. The Board is persuaded by the three Complainant sales as well as the Respondent's nine sales, that the typical capitalization is best represented by the 7.75% established by the Respondent.

ISSUE #2

What is the correct equitable lease rate on the bank space?

POSITION OF THE COMPLAINANT

The Complainant presented assessment rates (banks) indicating \$27.00 psf on CIBC at Sherwood Centre (1020 Sherwood Drive); \$26.00 psf on Bank of Montreal at Baseline Village (Baseline Road); and \$27.50 on Scotia Bank at Baseline Village (Baseline Road). The subject is assessed at \$30.00 psf. The Complainant argues this is not fair or equitable.

POSITION OF THE RESPONDENT

The Respondent argues that the subject, like similar banks with drive thru ATM's, are assessed at \$30.00 psf. The comparables as presented by the Complainant do not provide a canopy covered drive through access to the bank's ATM.

The Respondent listed all banks within Sherwood Park indicating those with ATM and canopies and those without.

DECISION

The decision of the Board is to confirm the lease rate for the bank space at \$30.

REASONS FOR THE DECISION

The Board is of the opinion that the evidence as shown by the Respondent indicates banks with ATM and canopies lease for more than those without. None of the comparable banks with ATM/canopies are assessed above the subject.

ISSUE #3

What is the correct and equitable lease rate on the (London Drug) space?

POSITION OF THE COMPLAINANT

The Complainant argues that the subject property assessed at \$18.50 psf is overvalued when compared to other similar space.

The Complainant presented assessment comparable lease rates (Staples) of \$13.00, HomeSense, Marks Warehouse, and Michaels all at \$14.00 psf. The complainant argues further that tenancy should not be considered in arriving at value, and instead a comparison of similar space leased on the open market must be considered.

POSITION OF THE RESPONDENT

The Respondent argues that similar space, finish and location must be the measure of comparability. The Respondent provided a listing of three comparable drugstores similar to the subject, the values per square foot range from \$18.50 (subject) to \$33.00 psf.

DECISION

The decision of the Board is to confirm the lease rate for London Drugs at \$18.50.

REASONS FOR THE DECISION

The Board is of the opinion that a better degree of comparability lies in comparison to other drugstore property, in regard to finish and location. The subject being considerably larger than the other comparable drugstores is assessed at a lower rate, per square foot (due to economies of scale). The Board is not convinced that large box retail is similar in terms of finish to the subject.

Dated this 18th day of July, 2011 at Strathcona County, in the Province of Alberta.

Tom Robert
Presiding Officer

1. Exhibit 1-C Complainant Disclosure filed May 4, 2011
2. Exhibit 2-R Respondents Disclosure filed June 2, 2011
3. Exhibit 3-C Complainant Rebuttal filed June 8, 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