

October 27, 2010

NOTICE OF DECISION CARB 0302-05/2010

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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 September 27, 2010 regarding a complaint for:

Hearing #	Appellant/Owner	Property Description	Roll #	Assessed Value
C2010-41	SOUTH WYE PROPERTIES LTD	Lot 3, Block 2, Plan 0828605 NW22-52-23-W4 301 Wye Road Wye Road Crossing Shopping Centre	9402003000	22,825,000

Before:

Lana Wood, Presiding Officer
Susan Paul, Board Member
Cindy MacGowan, Board Member

Persons Appearing: Complainant

Chris Buchanan, Altus Group
Stephen Cook, Altus Group

Persons Appearing: Respondent

George Cosens, Assessment Coordinator
Wayne Minke, Manager, Assessment & Tax
Brian Gettel, Gettel Appraisals Ltd. (witness)

PRELIMINARY MATTERS:

At the commencement of the hearing, the parties requested that the evidence and argument that was submitted on the previous complaint, **roll number 8201004005**, be carried forward to this complaint as well. The previous complaint was based on the former location for Rona Home & Garden Centre before it relocated to the Wye Road in 2010. This complaint addresses the rental rate for Rona Home & Garden Centre in their new location. The Board agreed with the parties' request.

PROPERTY DESCRIPTION:

The subject property is a newly completed open concept shopping centre, known as Wye Road Crossing. It is comprised of 6 buildings, 2 storage buildings and a greenhouse. The buildings were constructed in 2008/2009. The total square footage for the buildings is 95,561 sq ft, and they are located on 11.10 acres of land. The site coverage ratio is 19%. The land is zoned DC1, Direct Control District. This shopping centre is comprised of various national tenants such as Rona, Royal Bank of Canada, and Rexall Drugstore.

This complaint is based only on the rental rate applied to the Rona Home & Garden Centre which is comprised of 52,668 sq ft ("Rona Building").

COMPLAINANT'S REQUESTED VALUE: \$18,481,000

ISSUE (as indicated on the complaint form):

The Board notes that there were several statements on the appendix to the complaint form; however, it will only address those issues that were raised at the hearing.

1. The assessed rental lease rates applied to the subject property are incorrect and inequitable, and result in an inflated potential gross income.

LEGISLATION:

MUNICIPAL GOVERNMENT ACT, R.S.A. 2000, Chapter M-26

1(1) (n) "market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

285 Each municipality must prepare annually an assessment for each property in the municipality, except linear property and the property listed in section 298.

(2) Each assessment must reflect

- (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and*
- (b) the valuation and other standards set out in the regulations for that property.*

293(1) In preparing an assessment, the assessor must, in a fair and equitable manner,

- (a) apply the valuation and other standards set out in the regulations, and*
- (b) follow the procedures set out in the regulations.*

(2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

(2) An assessment review board must dismiss a complaint that was not made within the proper time or that does not comply with section 460(7).

(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- (a) the valuation and other standards set out in the regulations,*
- (b) the procedures set out in the regulations, and*
- (c) the assessments of similar property or businesses in the same municipality.*

MATTERS RELATING TO ASSESSMENT AND TAXATION REGULATION 220/2004 (with amendments up to and including Alberta Regulation 330/2009)

2 *An assessment of property based on market value*

- (a) must be prepared using mass appraisal,*
- (b) must be an estimate of the value of the fee simple estate in the property, and*
- (c) must reflect typical market conditions for properties similar to that property.*

3 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.

4(1) The valuation standard for a parcel of land is
a) market value,

6(1) When an assessor is preparing an assessment for a parcel of land and the improvements to it, the valuation standard for the land and improvements is market value unless subsection (2) or (3) applies.

POSITION OF THE COMPLAINANT:

The Complainant submitted that the rental rate used in the income approach to value for the subject property should be reduced from \$13.50 psf to \$9.00 psf. He indicated that the rental rate used by Strathcona County is the only issue before the Board.

He presented six assessment comparables from the City of Edmonton comprised of various Rona, Revy and Totem retail box stores. The assessed lease rates that were applied by the City of Edmonton ranged from \$9.00 psf- \$10.00 psf (for an average of \$9.50 psf) for buildings that have an assessed net leased area of 29,072 sq ft - 130,905 sq ft (Exhibit C1 page 36). The Complainant asked the Board to place more weight on the first three comparables that ranged from 29,072 sq ft- 41,452 sq ft which have an assessed lease rate of \$9.00 psf as these comparables are more similar in size as the subject property at 52,668 sq ft.

The Complainant referenced the actual lease rate for Rona in its new location that was in place on July 31, 2009 at \$7.78 psf which is significantly less than the assessed rental rate of \$13.50 psf applied to the subject property; however, the Complainant advised the Board to disregard it as it was a land lease only.

The Complainant indicated that the rate of \$9.00 psf is more indicative of market rent for the Rona building and requested that the total assessment for the subject property be reduced to \$20,094,000 (Exhibit C1 page 33).

POSITION OF THE RESPONDENT:

The Respondent indicated that the subject property was assessed based on the income approach to value and a rental rate of \$13.50 psf was applied in this instance (Exhibit R1, Appendix 1, page 8).

The Respondent submitted that little weight should be applied to the Complainant's assessment comparables because there was no market lease information provided to support the rental rates used by the City of Edmonton (Exhibit R1 page 9). The Respondent submitted that a \$9.00 psf rental rate would significantly under value the subject property. The Respondent was in agreement with the Complainant to disregard the Rona lease at \$7.78 psf as it was a land lease only (Exhibit R1 Appendix 2).

The Respondent submitted a cost approach for the subject property which indicated a value of \$8,482,000 in support of the subject property's 2010 assessment (Exhibit R1 Appendix 3).

The Respondent also submitted an appraisal for the subject property dated on September 1, 2010 from Mr. Brian Gettel in support of the assessment for the subject property (Exhibit R1 Appendix 4). The appraisal included 14 lease rates taken throughout the City of Edmonton, Spruce Grove, Leduc and Drayton Valley (Exhibit R1 Appendix 4 pages 22- 24). Mr. Gettel placed the most weight on comparables 10, 11 & 13 that have areas between 52,074 sq ft to 90,908 sq ft and rental rates between \$11- \$17 psf (Exhibit R1 Appendix 4 page 23). Based on the age of the building and its location, Mr. Gettel suggested a \$14.00 psf rental rate for the Rona building and valued the subject property at \$29,860,000.

The Respondent requested that the 2010 assessment for the subject property of \$22,825,000 be confirmed.

DECISION:

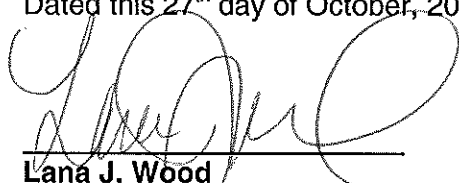
It is the decision of the Board to confirm the 2010 assessment for the subject property at \$22,825,000.

REASONS FOR THE DECISION:

The Board places little weight on the Complainant's assessment comparables because he failed to provide any market evidence to support the \$9.00- \$10.00 psf rental rates used by the City of Edmonton. The only market evidence that the Complainant provided was the lease dated July 31, 2009 of \$7.78 psf which he asked the Board to disregard as it was a land lease only.

The Board finds the Complainant failed to provide sufficient evidence to bring the subject property's assessment into question.

Dated this 27th day of October, 2010 at Strathcona County, in the Province of Alberta.



Lana J. Wood
Presiding Officer

1. Exhibit C1 Complainant Disclosure filed August 16, 2010
2. Exhibit R1 Respondents Disclosure filed September 14, 2010

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