



CENTRAL ALBERTA REGIONAL  
**Assessment  
Review Board**

Complaint ID 0262 2082  
Roll No. 30001943125

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: JULY 28, 2025

PRESIDING OFFICER: B. HISEY  
BOARD MEMBER: S. DUSHANEK  
BOARD MEMBER: A. TARNOCZI

BETWEEN:

L – 7 Inc. (as represented by Deloitte LLP)

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: 30001943125  
MUNICIPAL ADDRESS: 6833 66 Street  
ASSESSMENT AMOUNT: \$3,547,900

The complaint was heard by the Composite Assessment Review Board on the 28th day of July 2025, via video conferencing.

The Board derives its authority from the Municipal Government Act, R.S.A 2000, Chapter M-26 (the MGA) and related legislation as set out in Appendix "B".

Appeared on behalf of the Complainant: K. GOERTZEN, Agent, DELOITTE LLP

Appeared on behalf of the Respondent: D. STEBNER, Assessor, City of Red Deer  
J. MILLER, Assessor, City of Red Deer

**DECISION:** The assessed value of the subject property is confirmed at \$3,547,900.

**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 classified as a small box retail store, in Oriole Park West with a major arterial commercial zone (C4). The building was constructed in 2002 and has 22,050 square feet (sf) of main floor area, with an upper mezzanine of 917 sf. The building covers 21% of the 2.4 acre site.
- [3] The assessment has been calculated using the Income Approach to value with a Net Operating Income (NOI) of \$230,616, a capitalization (CAP) rate of 6.5%, a vacancy allowance of 5.0%, a rental rate of \$11.50 per sf for the gross main floor area and \$1.00 per sf for the upper area.

**PRELIMINARY MATTERS**

- [4] The Presiding Officer confirmed that no Board Member raised any conflicts of interest regarding matters before them. Neither party raised any objection to composition of the Board.
- [5] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaint.

**ISSUES**

- [6] Should the assessed rental rate for the subject be reduced from \$11.50 to \$11.00/sf?
- [7] Is the assessed \$161.00/sf value for the subject excessive when compared to similar property sales?
- [8] Should the Vacancy Rate be increased from 5.0% to 7.0%, based on a third-party vacancy report?
- [9] Should the Capitalization Rate of 6.5% be increased to 8.0% when compared to similar property sales?

**COMPLAINANT’S POSITION****Rental Rate**

- [10] The subject property is a warehouse-style development that is industrial in nature and although the current tenant does have a retail component, it should not be assessed with a retail classification.

- [11] To support the Warehouse classification a real estate listing was provided that identified the subject as a 22,050 sf High Exposure Warehouse Industrial lease. The asking lease rate was \$11.00 per sf, which was agreed upon by Lordco Auto Parts starting in March 2023. The lease area was listed as  $\pm 22,050$  sf providing an annual rent of \$242,550. This is less than the assessed rate of \$11.50/sf.
- [12] The Complainant provided nine comparable leases of industrial and retail properties from the City of Red Deer (City) with areas ranging from 17,000 to 25,505 sf. The average rental rate was \$9.38/sf, and the median value was \$10.00/sf. As the subject is on the newer end of the age range, the asking market rate, and actual lease rate of \$11.00/sf would be appropriate and reflective of market value.
- [13] Additionally, the city is assessing almost \$1,000 in additional income for a mezzanine area, that was not part of the asking price, the listing size or the area in the lease. This “bonus” area was basically increasing the assessed rental rate to \$11.55/sf.
- [14] Applying the market and actual lease rate of \$11.00/sf to the leasable area of 22,050 sf indicates an overall value of \$3,377,000 (rounded).

### **Sales Comparison**

- [15] A chart of seven commercial properties of similar square footage in the City provides an average value of \$113.85/sf and a median value of \$125.02/sf. During questioning the Complainant stated the comparables were classified as Industrial but weresimilar to the subject.
- [16] The assessed value of the subject is \$161.00/sf, which is much higher than the median value of the comparables at \$125/sf. Using the median value of the comparables provides a reduced market value of \$2,757,000 (rounded) for the subject.

### **Vacancy Rate**

- [17] The Salomons Commercial Quarterly Report was used to request a 7.0% vacancy rate for the subject. The Complainant highlighted a Historical Retail Vacancy 2022 Chart that indicated a 7.22% vacancy rate in Q2 for 2024.
- [18] Based on the requested \$11.00/sf rental rate (confirmed via the Salomons report for Industrial properties) and a 7.0% vacancy rate, the Complainant suggested a \$3,265,000 market value.
- [19] During questioning the Respondent suggested that many of the properties in the report were from the County of Red Deer.

### **CAP Rate**

- [20] A chart of four sales (three of smaller retail stores and one industrial property) was provided to argue for a higher CAP rate for the subject. All these properties trade on the ability to produce income, which is how the subject is assessed.
- [21] The overall average and median of these sales indicate a CAP rate in the 8.5% range. However, the warehouse under contract does indicate a lower rate for the most similar property type, with a larger lease area. Therefore, a rate slightly lower than the median of 8.0% would be appropriate.

## Conclusion

- [22] Applying a rental rate of \$11.00/sf, a vacancy rate of 7.0%, and a CAP rate of 8.0% indicates a value of \$2,653,000 (rounded) for the subject. This \$120/sf value is supported by the sales comparison analysis (average of \$113/sf and median of \$125/sf).

## RESPONDENT'S POSITION

- [23] The Complainant has taken an incorrect position that the subject is best described as an industrial property. This is an erroneous assumption as the subject is zoned C4 - Major Arterial Commercial and operates as a retail outlet. Industrial and commercial lands transact very differently and are not comparable for assessment purposes. To support this argument the Respondent provided a comparison chart of Industrial Land (I1) and Commercial Land (C4). The median value for Industrial land was \$217,300 per acre, while the Commercial land was \$1,639,103 per acre.
- [24] The subject is an income-producing property, which are typically assessed using the Income Approach Methodology. Where an investor establishes a property's capacity to generate income and capitalizes the income into an indication of present value; CAP rates are derived from the sale price versus NOI.
- [25] To determine variables for the assessment calculation, information surveys or assessment requests for information (ARFIs) are obtained from owners of non-residential properties. The return rate for these surveys has exceeded 78% over the past four years. Therefore, the City is confident that the current valuation process inputs are drawn from a larger percentage of the population compared to that of the Complainant.

## Rental Rate

- [26] Although the assessment must be based on typical rates, the Complainant has argued that the subject can only achieve the \$11.00/sf rate it has recently negotiated. However, the recent ten-year lease includes step-ups that make the details of the lease agreement less transparent.
- [27] The nine lease comparables provided by the Complainant were also critiqued:
- I. 7948 Edgar Industrial Way – Industrial Warehouse (should not be compared to a Small Box Retail Store stratification).
  - II. 8014 Edgar Industrial Crescent – sublease for an Industrial Warehouse.
  - III. 6751 Avenue – is an older 1983 retail strip property (should not be compared to a Small Box Retail Store stratification).
  - IV. 4329 – 78 Street Crescent – Industrial Warehouse built in 1997 (should not be compared to a Small Box Retail Store stratification).
  - V. 6833 – 66 Stret – Subject property (small box retail store stratification) step up lease
  - VI. 7651 – 49 Avenue – smaller Industrial Warehouse built in 1977, 12,000 sf (should not be compared to a Small Box Retail Store stratification).
  - VII. 7651 – 49 Avenue – smaller Industrial Warehouse asking lease includes mezzanine and cold storage 12,000 sf (should not be compared to a Small Box Retail Store stratification).
  - VIII. 8045 Edgar Industrial Crescent – Industrial Warehouse – step up lease (should not be compared to a Small Box Retail Store stratification).

IX. 8113 – 49 Avenue Close – Industrial Warehouse (should not be compared to a Small Box Retail Store stratification).

- [28] These Industrial Warehouse Comparables are dissimilar to the subject and are not reliable for use in a market analysis for the Small Box Retail Store stratification. Additionally, indexes six and seven are duplicates, index two is a sublease and the values have not been verified but simply extracted from a third-party source (CoStar).
- [29] A review of the subject property suggests that after a weighted analysis is performed on the step-up rates, the actual rental rate for the subject equates to \$12.20/sf.
- [30] To support the assessed rate of \$11.50/sf the Respondent provided a lease analysis of five freestanding small box comparables with various quality ratings that ranged from \$8.50 to \$20.00/sf. The subject and one other comparable had quality 2 ratings, the lease rates for these properties were \$11.00/sf and \$11.68/sf respectively. It was also noted that the second comparable was much larger than the subject and therefore based on the economies of scale should have a lower lease rate, which was not the case.
- [31] The Respondent provided a secondary analysis to test “actual verses assessed verses requested net income performance”. This review suggested the requested NOI is proportionally lower than the owner was able to achieve on the open market.

#### **Sales Comparison**

- [32] The Respondent provided five Retail Store or Retail Strip Comparable properties located on either CCAP TD or C4 zoned parcels located within the City. These sales indicate an average value of \$180.45/sf and a median value of \$164.35/sf, which supports the assessed \$161/sf.
- [33] The Complainant’s seven sales transactions were critiqued. Evidence was provided to indicate all were different property types and not similar to the subject.

#### **Vacancy Rate**

- [34] The Complainant has relied on a third-party vacancy report that includes Power Centres, enclosed Malls, Shopping Centers, Retail Strip Malls as well as General Retail properties. The same Salomons Q3 of 2024 Vacancy Report shows the specific vacancy rates for General Retail (such as the subject) as 4.3% for that valuation period. This would suggest that the assessed stabilized rate of 5.0% aligns with this specific period.
- [35] The Respondent also argued that the use of third-party reports to determine market parameters are problematic due to:
- I. Lack of Transparency in Methodology,
  - II. Insufficient Verification of Data Sources,
  - III. Non-specific to the Subject Property,
  - IV. Potential for Bias or Advocacy,
  - V. Incompatible Purpose and Intended Use,
  - VI. Legal and Procedural Risks,
  - VII. Inability to Defend Conclusions under Cross-Examination,
  - VIII. Data May Be Outdated or Stale,

- IX. Lack of Adjustment Detail,
- X. Use of Averages May Obscure Specific Risk Factors,
- XI. Dilution of Independent Judgment, and
- XII. Secondary Use Only.

- [36] The actual vacancy for the subject is 0% as of the valuation date (and will be for the 10-year lease period).
- [37] The Respondent also provided a three-year stabilized vacancy review of nine Small Box Retail properties used to determine the 5.0% vacancy rate from the Income Approach calculation.

### **CAP Rate**

- [38] The Complainant's CAP rate information, derived from a third-party source was critiqued for accuracy and source verification. The Respondent provided the following comments regarding the properties:
- I. 4419 – 50 Avenue – Retail Strip (downtown) – older and smaller, dissimilar to subject stratification.
  - II. 140 Erickson Drive – Retail Strip (City wide) – older and smaller, dissimilar to subject stratification.
  - III. 6899 – 52 Avenue – Retail Store (city wide) – most similar but older and smaller. The CAP rate for this sale was recalculated to be 6.48% (supporting the assessed 6.5% CAP rate).
  - IV. 7896 – 49 Avenue – Industrial (listing) – larger and dissimilar to subject stratification.
- [39] The third-party information from CoStar used by the Complainant was not verified and several indicators appear to be incorrect.
- [40] The Respondent noted the lack of good comparables but provided four similar small freestanding retail store sales. The sale dates ranged from August 24, 2020, to April 20, 2023. The year built ranged from 1948 to 1985. All these comparables were smaller than the subject with 2,040, 2,400, 6,000 and 11,951 sf. The average CAP rate was 6.43% and the median was 6.21%.
- [41] Little weight should be given to any analysis that does not provide transparent and supportable information as to how values were derived.

### **Conclusion**

- [42] The Respondent concluded their presentation stating the subject was commercial and assessed with similar retail properties. Additionally, any use of third-party information must be validated for accuracy and reliability, or little weight should be given to them.

### **REBUTTAL**

- [43] The Complainant provided the City's zoning bylaw to confirm that warehouses are listed as discretionary uses within the Major Arterial Commercial Zone (C-4). Comparisons to other warehouses should be acceptable and the zoning doesn't determine the assessment classification.

- [44] The Complainant further noted that the Respondent had used a small subset of larger vacant industrial parcels for comparison purposes to vacant commercial properties suggesting a difference in these classifications. This is irrelevant, as vacant land is not under appeal.
- [45] The Complainant updated their rental information by adjusting the first lease and removing the sublease from the chart. The average and median rental rate of \$10.00/sf for similar spaces should continue to be applicable comparisons to the subject.
- [46] A critique was also made of the Respondent's five comparables for the sales comparison valuation. The Complainant emphasized that two of these properties were retail strip properties that were smaller than the subject and could therefore command a higher price based on the economies of scale principle.

### **BOARD FINDINGS and DECISION**

- [47] The Board finds that the use of third-party reports to request specific income variables to be problematic. There was no ability to cross-examine the authors to confirm research parameters or address any adjustments that may have been made within the reports. Additionally, there was no way of interpreting analytical techniques nor was there an ability to identify a potential for bias or advocacy.
- [48] The Board does not support the use of industrial properties for comparison to the subject, which is stratified and zoned for commercial use. The industrial comparables provided by the Complainant are dissimilar to the subject and no evidence was provided that would indicate the equitable marketability of these different property types. Conversely, the inequity for industrial and commercial vacant land sales was provided by the Respondent, and although our decision did not pivot on this point it was given some consideration.
- [49] The marketing information showing an industrial classification for the subject was from a third-party source. This information was given little weight by the Board as the Complainant did not refute the commercial use of the property or the land use designation.
- [50] The Board finds that mixing actual values with typical adjustment factors does not meet the legislative requirements as described in Matters Relating to Assessment and Taxation Regulation, Alta Reg 203/2017, section 5, where assessments based on market value must "reflect typical market conditions for properties similar to that property". The use of actual rental rates and typical income values does not produce reliable assessments.

### **Rental Rate**

- [51] The lease comparables provided by the Complainant were given no weight due to their industrial stratification or lease type (sub lease space continues in contract). The parties agreed that the subject has a commercial land use classification and retail component. Therefore, the Board did not accept industrial comparables as being similar to the subject.
- [52] The Board put little weight on the third-party listing information. There was no information or evidence provided that would explain why the subject had been listed as an industrial warehouse

or how the gross floor area values had been determined. Conversely, the floor plans for the subject were provided to confirm the assessed areas.

- [53] The parties also agreed that there was a 917-sf mezzanine area. Although the Complainant argued this space should be considered as a “bonus” area, there was no evidence to suggest it was not a useable space.
- [54] The Board finds there is insufficient evidence to support a change to the rental rate for the subject.

### **Sales Comparison**

- [55] The Board put little weight on the Complainant’s sales comparables provided to request a reduction to the assessment. The properties provided were from a different stratification and therefore not equitable to the subject.

### **Vacancy Rate**

- [56] The Board could not support the use of a third-party vacancy allowance to reduce the assessment. This report was specifically for a three-month period for industrial properties and included parcels from outside the municipality.
- [57] There was insufficient evidence presented to convince the Board that the subject, with a 0.0% actual vacancy required a higher stabilized rent over the assessed 5.0% rate.

### **CAP Rate**

- [58] The Board was not convinced that the CAP rate comparables provided by the Complainant were similar to the subject, or that the unsubstantiated NOI’s gathered by a third-party could be used to challenge the assessment. The most similar property (index #3) was incorrectly shown with a 10% rate, which was corrected to 6.48% and supported the assessed CAP rate of 6.5%.
- [59] Although there were inconsistencies to the information provided by both parties, the Board had insufficient evidence to make any change to the assessed CAP rate.

### **Conclusion**

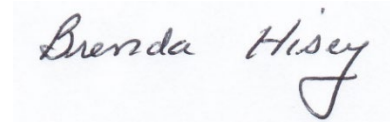
- [60] The Board notes that onus refers to which party must prove particular facts or issues. For a hearing to proceed, a Complainant must provide some evidence to call an assessment into question. If the Complainant provides enough evidence to call the assessment into question, then the Complainant has met their initial evidentiary burden. That burden then shifts to the Respondent, but that shift does not remove onus from the Complainant, who bears the ultimate responsibility of showing that an assessment is incorrect, on a balance of probabilities. A Complainant will only succeed if the evidence showing that the assessment is incorrect is stronger than the evidence showing the assessment is correct. In this case, there was insufficient evidence to show the assessment was incorrect and the Board confirms the assessment.



## **DECISION SUMMARY**

[61] The assessment is confirmed at \$3,547,900.

[62] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this \_\_\_ day of August 2025 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.



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B. HISEY  
Presiding Officer

*This decision may be judicially reviewed by the Court of King's Bench pursuant to section 470(1) of the Municipal Government Act, RSA 2000, c M-26.*

*MGA 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.*

**(2)** Notice of an application for judicial review must be given to

- (a) the assessment review board that made the decision,
- (b) the complainant, other than an applicant for the judicial review,
- (c) an assessed person who is directly affected by the decision, other than the complainant,
- (d) a municipality, if the decision that is the subject of the judicial review relates to property that is within the boundaries of that municipality, and
- (e) the Minister.

*Additional information may also be found at [www.albertacourts.ab.ca](http://www.albertacourts.ab.ca).*

**APPENDIX "A"****DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

| <u>EXHIBIT NO.</u> | <u>ITEM</u>                     | <u>PAGES</u> |
|--------------------|---------------------------------|--------------|
| A.1                | Hearing Materials               | 7 pages      |
| C.1                | Complainant Submission          | 56 pages     |
| C.2                | Complainant Rebuttal Submission | 23 pages     |
| R.1                | Respondent Submission           | 118 pages    |
| R.2                | Respondent Legal Brief          | 68 pages     |

**APPENDIX "B"****LEGISLATIVE AUTHORITIES CONSIDERED BY THE BOARD:*****Municipal Government Act, R.S.A. 2000, Chapter M-26 (the MGA)*****Interpretation**

**s 1(1)(n)** In this Act,

- (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;

**Assessments for property other than designated industrial property**

**s 289(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.

**Joint establishment of assessment review boards**

**s.455(1)** Two or more councils may agree to jointly establish the local assessment review board or the composite assessment review board, or both, to have jurisdiction in their municipalities.

**Jurisdiction of assessment review boards**

**s.460.1(1)** A local assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on

- (a) an assessment notice for
- (i) residential property with 3 or fewer dwelling units, or
- (ii) farm land

**s.460.1(2)** Subject to section 460(14) and (15), a composite assessment review board has jurisdiction to hear complaints about

- (a) any matter referred to in section 460(5) that is shown on
- (i) an assessment notice for property other than property described in subsection (1)(a)

**Decisions of assessment review board**

**s. 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.

- (1.1)** For greater certainty, the power to make a change under subsection (1) includes the power to increase or decrease an assessed value shown on an assessment roll or tax roll.

- (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(9).
- (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, 2018 A.R. 2003/2017 (MRAT)***

**Mass Appraisal**

**s. 5** 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.

**Valuation Date**

**s. 6** 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.

**Valuation standard for a parcel of land**

**s. 7(1)** The valuation standard for a parcel of land is

- (a) market value, or
- (b) if the parcel is used for farming operations, agricultural use value.

**Valuation standard for a parcel and improvements**

**s. 9(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.