



CENTRAL ALBERTA REGIONAL  
**Assessment  
Review Board**

Complaint ID 0262 1839  
Roll No. 30003210121

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: JULY 22, 2024

PRESIDING OFFICER: D. MULLEN  
BOARD MEMBER: J. GRAU  
BOARD MEMBER: K. SHANNON

BETWEEN:

Altus Group Limited

Complainant

-and-

Revenue & Assessment Services  
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: 30003210121

MUNICIPAL ADDRESS: 7620 50 AV, Red Deer, AB

ASSESSMENT AMOUNT: \$8,229,400

The complaint was heard by the Central Alberta Assessment Review Board on the 22 day of July 2024, via videoconference.

Appeared on behalf of the Complainant: S. Roth, Agent, Altus Group Limited

Appeared on behalf of the Respondent: T. Johnson, Assessor, City of Red Deer

**DECISION:** The assessed value of the subject property is confirmed.

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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, the Gary Moe Hyundai dealership, is a 18,969 square foot (“sf”) building constructed in 2012 and situated on 2.82 acres. The subject is located in the Normandeau, also known as North Gaetz, subdivision and has C4 Com, MAJOR ARTER zoning. The assessment is based on building value using Marshall & Swift costing technology using occupancy codes for both buildings: 303 - Automobile Showroom, Rank 3, Class D, height 14’ and 28’; and 528 – Service Repair Garage, Rank 3, Class B, height 24.5’ for a total building assessment of \$5,335,371. The land assessment is based on the sales comparison approach and is assessed at \$2,894,000. The total assessment is \$8,229,400.

## **PRELIMINARY MATTERS**

- [3] The Presiding Officer confirmed that no Board Member raised any conflicts of interest with regard to matters before them.
- [4] The Respondent requested that C2 rebuttal pages 32 to 44 be excluded from the evidence because it introduced a sales brochure from a property not in evidence in the initial submissions of either party and presented the income approach method based on the information in the brochure marketing figures. The Respondent argued that the income approach method was not presented in the initial submission and that the Complainant is splitting its case. Neither allow for the Respondent to respond to the evidence.
- [5] The Complainant stated that he focused his argument on equity alone and it was the Respondent who introduced “market value” into the hearing, therefore, he should be allowed to answer using any method to determine market value, including the income approach. The Complainant requested that if the sales brochure and income approach method were excluded, then the Respondent’s market value information on pages 39, 40 and 43 be excluded.
- [6] Both the Complainant and Respondent requested that those portions of their presentations that were replicated from hearing file no. 0262 1849 be carried forward to this hearing.

## **DECISION**

- [7] The Board finds that the sales brochure and income approach method is new information and excludes the C2 pages 32 to 44 because it finds the sales brochure and income approach methodology were not in evidence in the initial submission by the Complainant.
- [8] The Board will allow the Respondent’s pages 39, 40 and 43 to remain in evidence. The Board finds that equity does not operate separately from market value. The courts have established that assessments being compared for equitable treatment must first reflect the market value of each property. Second, the comparable properties must be similar to the subject property, meaning that



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- [15] The Complainant included a CAP rate report Q1 2024, Colliers Canada and suggested that the correlation between inflation and CAP rates would be a downward adjustment based on the interest rate rise.
- [16] An example of inequity is evident with the premier dealership in the city – Kip Scott Cadillac. The square footage of all buildings is 10,558 and it is assessed at \$5,444,500, or \$515.86 psf. This dealership has three components situated on 2.59 acres with the main portion originally constructed in 2002 but renovated in 2021, a car wash area with the original construction date of 2002. It also has a newer building also constructed in 2021. The Complainant opined that the premier dealership be assessed only slightly more than the subject property.
- [17] To further prove the point that Red Deer is over assessed, the Complainant included a chart entitled “Calgary Dealerships 2024 Assessments”. It was argued that Calgary was a primary market with the ability to house multiple brands and many duplicated brands, but that the assessments per square foot were substantially less with the highest at \$425.83 psf and the lowest a mere \$143.93 psf. The median of all 17 assessments was \$287.52. Secondary or tertiary markets like Red Deer which can only accommodate a limited number of brands and dealership should have assessments lower than primary markets because there is a limited market space based on the number of buyers compared to primary markets.
- [18] In its rebuttal, the Complainant argued that the Respondent’s land sales were ‘pre-facto’, meaning prior to a traditional three year window and should be weighted less. The Complainant suggested that sales that took place during the 2020 and 2021 period were affected by Covid-19 and this had significant impact on their value.
- [19] The Complainant stated that there are no resales of dealerships because they are ‘special purpose’ properties without a market and the cost to repurpose them could be exceptional leading to a market without buyers. In the Highest and best use analysis within “The Appraisal of Real Estate” manual 14th edition: “Using the cost approach to value a special-use property where no market exists will usually overstate the market value of the property unless a deduction is made to reflect the lack of a market.” The Complainant argued that the subject property has a limited value based on the above analysis. For this reason, the Complainant argued that the assessment of the subject is overstated.
- [20] In questioning, the Complainant asked that an error be corrected in the coded additions life of 600-700-100 SITEWORK /700-PAVING shows as 60 year life and should be only 20 year. This affects the total assessed value and is an error done by the Respondent and should be corrected this assessment year.

### **Position of the Respondent**

- [21] The Respondent argued the Complainant’s evidence is unreliable because the Complainant relies on a requested value that is derived based on equity without supporting market evidence and not in the same market area. This equity example fails to observe the subject property land size is over double their nearest equity example. Dividing the building square footage into the assessment, which is comprised both of land and building value, the Complainant is incorrectly suggesting their property is over assessed.

- [22] The Respondent's position is similar to that of *Tony Prsa v The City of Edmonton*, 2013 ELARB 00099, the Board held that it was unacceptable to "simply take an average per square foot value of neighboring properties and apply that average to the subject without taking into account differing characteristics of the properties" (at para 20).
- [23] The Complainant does not address the separate cost and coded additions components in their equity request. By isolating the building value from the costed additions and site improvements the cost reports shows that the subject is one of the lowest building values on a per square foot basis. The newer the building equals a higher the assessed value for that building. Marshall & Swift inherently adjusts buildings based on size, shape, age, components to determine a final cost number.

Name	Address	Improvement Age	Sort Size	Size (sqft)	Building Value	Value per sqft	Additions Value	Total Assessment of Imp and Additions	Total Asmt Imp Additions per sqft	Comments
Wheaton Chevrolet	3110 50 AV	1965	1965	21450	\$602,301	\$28.08	\$284,946	\$887,247	\$41.36	
Southside Dodge	2804 50 AV	1976 / 2000	1976	57,994	\$3,164,952	\$54.57	\$496,796	\$3,661,747	\$63.14	
Kipp Scott	6841 50 AV	1979/2016	1979	39,236	\$2,197,579	\$56.01	\$313,417	\$2,510,996	\$64.00	
Red Deer Mitsubishi	6444 67 ST	1993 / 2017	1993	29,690	\$2,347,137	\$79.05	\$660,463	<b>\$3,007,599</b>	\$101.30	With Warehouse
Red Deer Nissan	7130 50 AV	1976	1976	30,056	\$2,894,955	\$96.32	\$488,801	<b>\$3,383,756</b>	\$112.58	W/O Restaurant
Honda Red Deer	1824 49 AV	2003	2003	20,550	\$1,981,368	\$96.42	\$208,155	\$2,189,523	\$106.55	
Wheaton Chevrolet	3120 50 AV	1980 / 2019	1980	23350	\$3,020,998	\$129.38	\$1,175,404	\$4,196,402	\$179.72	Second portion
MGM Ford	3010 50 AV	2012	2012	46,281	\$6,876,727	\$148.59	\$1,355,309	\$8,232,036	\$177.87	
Scott Subaru	6863 50 AV	2018	2018	14,070	\$2,828,699	\$201.04	\$559,911	\$3,388,610	\$240.84	
Kia Red Deer	7652 50 AV	2003	2003	6,150	\$1,260,348	\$204.93	\$144,634	\$1,404,982	\$228.45	
Gary Moe Hyundai	7620 50 AV	2012	2012	18,969	\$4,667,863	\$246.08	\$667,508	\$5,335,371	\$281.27	
Red Deer Acura	1808 49 AV	2008	2008	11,748	\$3,150,096	\$268.14	\$139,290	\$3,289,385	\$280.00	

- [24] The Respondent stated that the Complainant does not account for age and size and construction type. An analysis of the subject when compared to other dealerships, indicate that the applied depreciation is a direct correlation to age. In this example, the oldest dealership constructed in 1976 had 76% depreciation applied and the newest dealership – Scott Subaru – constructed in 2018, had only 5% depreciation applied. The subject property was constructed in 2012 and had 11% depreciation applied.
- [25] The Respondent opined that the Western RV Country is not comparable because it is an area zoned industrial land use and is itself I-1 while the subject is C4-COM. It is also more similar to industrial warehouse than the subject because its 22' ceiling for the entire building is not typical of a car dealership. It has a different rank of 2 and the land value is not comparable to C4 land.
- [26] The Respondent argued that land values are dependant on location, and sales have shown that in Red Deer, the South Gaetz area demands a higher price. For this reason, the comparables located in Westerner Park are inferior because the access to this district is limited to one access point from the City off 19 St. The southern access is through the County to the South, and this district is comprised of a total of 13 parcels are not comparable \$1,317,600 per acre. Comparables in South Gaetz are assessed at a higher rate starting at \$1,569,331 per acre. The area of Gaetz North where the subject is located is inferior to the south, and Westerner, and based on the limited sales data, better than 67 West. The City has assessed these areas differently, and the Complainant has failed to account for these in their equity argument.

- [27] In questioning, the Respondent stated that although a 3-year window is most desirable for comparable sales, in cases where there are none or few, the Respondent will look back at older sales. In this case there is only one sale in January 2023, with a \$2 million per acre price. The Respondent opined that the median of 5 years sales is a more accurate market value.
- [28] The Respondent stated two sales used in the Complainant should not be considered by the Board because the Subaru sale is not arms-length transaction and the Nissan had no exposure to the market and was sold via an option to purchase, therefore an atypical sale. The Respondent included land titles caveats and title documentation to support the claim.
- [29] The Respondent stated that even the BOC does not recommend using the CPI to estimate increases to real estate because housing, which is an asset, not a good or service, is not part of the analysis. CPI is used to cost of living adjustments to wages and salaries, and to adjust income taxes and social benefits such as CPP and OAS.



The CPI doesn't capture every price or always reflect every Canadian's lived experience. For example, while property taxes and homeowner's insurance are included as part of shelter costs, house prices are not, because real estate is considered an asset, not a good or service. Depending on where you live in Canada, this can make a real difference in your cost of living.

- [30] In response to the error made to the age of the 700-PAVING, it is identified as 60 year and the Respondent acknowledged it should be 20 years. This correction will be made in the next assessment cycle.

### **BOARD FINDINGS and DECISION**

- [31] The Panel agrees with the findings by the LARB panel that taking an average per square foot value of neighboring properties and apply that average or median to the subject without taking into account differing characteristics of the properties is overly simple and incorrect. This method does not account for year of construction, effective age, remaining life, quantity, cost, physical depreciation or functional depreciation. Nor does it account for size of land, rank class or height.
- [32] The Panel puts weight on the Respondent's land sales by location which identify that North Gaetz location has lower value than the comparables located in South Gaetz and Westerner Park. The Complainant did not argue that the cost components were incorrect. The Panel put much weight on the Respondent's market comparables which determined that the subject property is assessed fairly when looking at all the components of the building and the market value of the land, It was demonstrated by the Respondent that the building is listed as "Class B" for poured concrete, has a higher unit cost than the other buildings of a different Class Code. Equity cannot be considered without comparing the equitable value range to the actual or market range and if no range of actual values is provided, it is not possible to see whether the equity range coincides with the market range.
- [33] The Board has been requested to consider equity alone as an indicator of market value. Equity is not a valuation methodology used to determine market value. It is a means through which it is possible to establish if a property has been treated in an equitable manner with similar properties to arrive at an estimate of market value.

- [34] The Board finds that equity does not operate separately from market value. The courts have established that assessments being compared for equitable treatment must first reflect the market value of each property. Second, the comparable properties must be similar to the subject property, meaning that the characteristics or market factors considered in assessment of those properties must be similar to those of the subject.
- [35] Simply put, to give the ratepayer the lesser of two values, there must be evidence of two values. The Board was provided no market evidence by the Complainant to determine whether or not the subject property was overvalued based on either market or equity.
- [36] Although the Complainant argued the Covid-19 had an effect on market values, no evidence was included that showed an increase or decrease, as the case may be.
- [37] With regard to the Complainant's use of Calgary as a 'primary market' and assessments of other dealerships. The Complainant did not support this claim with detailed information about any of the comparables in the chart nor did it support the claim that Red Deer is not a primary or secondary (or tertiary) market. The Board finds that economic conditions, locations, population differences, and taxation all play a roll in determining an assessment and must be specific to the market location of the subject.
- [38] The Board puts no weight on the Western RV Country comparable because it is zoned industrial and more similar to a warehouse then a dealership.
- [39] The Board puts no weight on the use of CPI to calculate market value. As stated by the BOC, CPI is used for goods and services, wages and salaries, and social benefits across Canada and is not market specific to location or housing/real property in general.
- [40] The Board finds the use of a five-year window acceptable when there are limited sales.
- [41] The Board can not change the 60-year age of 700-PAVING because it has no supporting information to make changes to inputs. The Panel finds it acceptable that the Respondent will correct this error in the following assessment year.

#### **DECISION SUMMARY**

- [42] The Board finds that the current assessment is a reasonable estimate of market value for the subject and declines to change it.

[43] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 9<sup>th</sup> day of August, 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.



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Dierdre Mullen  
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**

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>	<u>PAGES</u>
1. A.1	Hearing Materials provided by Clerk	32
2. C.1	Complainant submission(s)	286
3. C.2	Complainant rebuttal submission(s)	44
4. R.1	Respondent submission(s)	124
5. R.2	Respondent Legal Brief	68
6. R.3	Respondent Global Appendix	193