



CENTRAL ALBERTA REGIONAL
**Assessment
Review Board**

Complaint ID 0262 1849
Roll No. 3000920090

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: 3000920090
MUNICIPAL ADDRESS: 3010 50 AV, Red Deer, AB
ASSESSMENT AMOUNT: \$22,308,900

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.

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 MGM Ford Lincoln dealership is a 46,281 square foot (“sf”) building constructed in 2012 and situated on 8.97 acres. The subject is located in South Hill, also known as South Gaetz, subdivision and has C4 COM, MAJOR ARTER zoning. The assessment is based on building value using Marshall & Swift costing technology using occupancy codes: 303 – Automobile Showroom, Rank 3, Class D, height 26’; and 528 Service Repair Garage, Rank 3, Class C, Height 24’ for a total building assessment of \$8,232,036. The land assessment is based on the sales comparison approach and is assessed at \$14,076,900. The total assessment is \$22,308,900.

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.

DECISION

- [6] 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.
- [7] 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 the characteristics or market factors considered in assessment of those properties must be similar to those of the subject.

ISSUE:

1. Is the assessment of the subject property too high based on equity comparables?

POSITION OF THE PARTIES**Position of the Complainant**

- [8] The Complainant argued that the subject was assessed at a much higher rate per square foot (“psf”) when compared to other competing dealerships in the city. The subject is assessed at \$482 per sf versus four comparable properties with a median assessed rate of \$238.49 psf. The subject property has 46,281 sf multiplied by the median assessed value \$238.49 psf which calculated to the truncated requested value of \$11,037,500.
- [9] The four comparables outlined in the chart below are: Acura, Chevrolet, Chrysler, and Honda and demonstrate the range of equitable value between \$202.72 psf to \$398.38 psf. The median of the four is \$238.49. The subject is much higher which is not fair nor equitable, nor reasonable when considered against the comparable dealerships within Red Deer.

Dealerships - Equity Comparables												
Name	Address	Dealer Type	Subdivision	Zoning	Roll	YOC	Land Area	Coverage	SQFT	Asmt	ASMT	\$PSF
Red Deer Acura	1808 49 Ave	Acura Dealer	Westerner Park	C4, Com, Arter	30001410165	2008	1.00	26.97%	11,748	\$4,680,200		\$398.38
Wheaton Chevrolet Red Deer	3110 Gaetz Ave #100	Chevy Dealer	South Hill	C4, Com, Arter	30000920070	1965	2.38	20.69%	21,450	\$5,277,600		\$246.04
Southside Dodge Chrysler Jeep Ram	2804 50 Ave	Dodge Dealer	South Hill	C4, Com, Arter	30000920025	1988	5.57	23.90%	57,994	\$13,393,000		\$230.94
Honda Red Deer	1824 49 Ave	Honda Dealer	Westerner Park	C4, Com, Arter	30001410160	2003	1.50	31.45%	20,550	\$4,165,900		\$202.72
											Mean	\$269.52
											Median	\$238.49

- [10] 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.
- [11] 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 dealerships should have assessments lower than primary markets because there is a limited market space based on the number of buyers compared to primary markets.
- [12] 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.

- [13] 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.

Position of the Respondent

- [14] 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.
- [15] 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).
- [16] The Complainant does not address the separate cost and coded additions components in their equity request. The chart below demonstrates that by isolating the building value from the costed additions and site improvements the subject is one of the lowest building values on a per square foot basis. The newer the age of the building equates to an increased 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	Size (sqft)	Building Value	Value per sqft	Additions Value	Total Assessment of Imp and Additions	Total Asmt Imp Additions per sqft
Wheaton Chevrolet	3110 50 AV	1965	21,450	\$602,301	\$28.06	\$284,946	\$887,247	\$41.36
Southside Dodge	2804 50 AV	1976	57,994	\$3,200,258	\$55.18	\$489,989	\$3,690,247	\$63.63
Kipp Scott	6841 50 AV	1979/2016	39,236	\$2,197,579	\$55.01	\$313,427	\$2,511,006	\$64.00
Honda Red Deer	1824 49 AV	2003	20,550	\$1,981,368	\$96.42	\$208,155	\$2,189,523	\$106.55
Mgm Ford	3010 50 AV	2012	46,281	\$6,876,727	\$148.59	\$1,355,309	\$8,232,036	\$177.87
Scott Subaru	6863 50 AV	2018	14,070	\$2,828,599	\$201.04	\$559,911	\$3,388,610	\$240.84

- [17] With regard to depreciation, the Respondent stated that the Complainant does not account for age. An analysis of the subject when compared to five other dealerships, indicates 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 constructed in 2012 has a 13% depreciation applied.

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- [18] 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.
- [19] The Respondent argued that land values are dependent on location, and sales have shown that in Red Deer, the South Gaetz area demands a higher price. The subject is located in the South Gaetz location and is assessed at \$1,569,331 per acre. 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.
- [20] Based on land alone, the requested assessment for building and land of \$11,037,500 is less than the current land assessment of \$14,076,900.
- [21] Regarding the statement that special purpose buildings have limited value, the Respondent stated that it is unlikely because it does not make sense that a property with an improvement should be assessed similarly to vacant land.

BOARD FINDINGS and DECISION

- [22] The Panel agrees with the findings by the LARB panel that taking an average per square foot value of neighboring properties and applying 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.
- [23] The Panel finds the subject to be substantially larger land size, and also in a different market area. The Panel puts weight on the Respondent's land sales by location which identify that South Gaetz location has higher value than Westerner Park.
- [24] The Board finds the value of the requested assessment is lower than the current land assessment. The Board is not persuaded that there is no value to the improvement and finds the requested below market land value is unreasonable without supporting evidence to show land value is not assessed correctly. The Board is not persuaded that there is no value to the improvement and the theory that it is a special purpose property with limited to no value is unreasonable.
- [25] 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.
- [26] 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.

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- [27] 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.
- [28] 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. 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.
- [29] Although the Complainant argued that Covid-19 had an effect on market values, no evidence was included that showed an increase or decrease, as the case may be.
- [30] The Board finds the use of a five-year window acceptable when there are limited sales.
- [31] 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.

DECISION SUMMARY

- [32] The Board finds that the current assessment is a reasonable estimate of market value for the subject and declines to change it.
- [33] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 9th 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.



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)	208
3. C.2	Complainant rebuttal submission(s)	46
4. R.1	Respondent submission(s)	65
5. R.2	Respondent Legal Brief	68
6. R.3	Respondent Global Appendix	193