

# Central Alberta

Regional Assessment Review Board

CARB 0262 901  
Roll No. 30003010455

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COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: AUGUST 31, 2017

PRESIDING OFFICER: J. SINGH  
BOARD MEMBER: A. GAMBLE  
BOARD MEMBER: A. KNIGHT

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BETWEEN:

AVISON YOUNG  
(ON BEHALF OF PARKLAND PROPERTIES LTD.)

Complainant

-and-

THE CITY OF RED DEER  
REVENUE AND ASSESSMENT

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: 30003010455  
MUNICIPAL ADDRESS: 6705 Golden West Avenue, Red Deer AB  
ASSESSMENT AMOUNT: \$4,995,900

The complaint was heard by the Composite Assessment Review Board on the 31<sup>st</sup> day of August, 2017, at The City of Red Deer, in the province of Alberta.

Appeared on behalf of the Complainant: Joel Mayer, Avison Young, Agent

Appeared on behalf of the Respondent: Jason Miller, Assessor  
Maureen Cleary, Assessor

**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 456 of the *Municipal Government Act*, RSA 2000, c M-26 [“MGA”], and City of Red Deer Bylaw No. 3474/2011, *Regional Assessment Review Board Bylaw*.

## **PROPERTY DESCRIPTION AND BACKGROUND**

- [2] The subject property includes a high exposure industrial warehouse facility located along 67 Street – a major vehicular thoroughfare. Comprised of a warehouse building measuring 39,025 sq. ft., built in 1983, the subject property is in use as a farm equipment dealership. Located on a 4.52 acre parcel of land at 6705 – Golden West Avenue, the area is in the midst of an ongoing transition from industrial to commercial/retail use.
- [3] Assessed on income approach with a warehouse rental rate of \$11.75 per sq. ft. and office/mezzanine rate of \$8.50 per sq. ft., the 2017 assessment is \$4,995,900.
- [4] The Complainant is requesting that the assessment be reduced to \$3,952,000, on the grounds that the income approach utilized for the assessment is not equitable with other similar farm equipment dealerships in the municipality and a 40% increase over previous year assessment is not reflective of the market conditions.

## **PRELIMINARY MATTERS**

- [5] Upon questioning by the Presiding Officer, the parties indicated they did not object to the Board’s composition. In addition, the Board members stated they had no bias with respect to this file.
- [6] The Presiding Officer confirmed the submissions of the parties and entered the following Exhibits into the record:
- A-1 Hearing Materials (12 pages)
  - C-1 Complainant’s Brief (44 pages)
  - R-1 Respondent’s Brief (19 pages)

## **ISSUES**

- [7] Is the subject assessment fair and equitable considering the valuation approach used and considering the extent of increase over previous year assessment?

## **POSITION OF THE COMPLAINANT**

- [8] The Complainant stated that the subject is a Mechanical Repair Shop and Showroom facility that repairs and sells farm equipment and ATVs. Complainant stressed that the

subject property should be assessed using the cost approach as applied to other Mechanical repair Shops/Dealerships and Showroom facilities.

- [9] The Complainant argued that the subject, assessed on income approach, has not been treated in an equitable manner relative to other similar businesses and quoted the example of Woody's RV World, located at 1702, 1720 and 1780 - 49 Avenue, as an equity comparable property.
- [10] According to the Complainant, other sites that are used in a similar manner to the subject and whose assessments are likely to have been based on cost approach are; 101 Burnt Park Drive and 4766 62 Street. During questioning, the Complainant agreed that 101 Burnt Park Drive had been assessed on income approach; same as the subject property.
- [11] The Complainant provided three land sales comparables and argued that based on the median selling price of these three comparables, the land value of the subject should be set at \$1,439,204.
- [12] The Complainant also provided a Summary Report showing a depreciated value of \$2,513,164, for all improvements on the subject property.
- [13] Based on these two cost components, the Complainant concluded that the correct 2017 assessment value should be \$3,952,000 (rounded).
- [14] The Complainant argued that the market value (sales) comparable presented by the Respondent did not have a showroom and thus, not comparable to the subject. On the other hand, the subject, with a showroom, mechanical repair shop, operating as a dealership, is a special use property and should be assessed on cost approach.
- [15] The Complainant concluded by requesting the Board to reduce the 2017 assessment to \$3,952,000.

### **POSITION OF THE RESPONDENT**

- [16] The Respondent stated that the cost approach for estimating the market value is used for unique or special purpose properties, when sales information is unavailable or scarce. The subject property is not special use in nature and there is nothing unique about the existing improvements that may require use of cost approach.
- [17] In response to the Complainant's reliance on Woody's RV World's assessment on cost approach, the Respondent argued as follows.
- [18] This equity comparable is comprised of three separate legal properties.
- [19] All three of these properties plus an additional RV parking lot property, are collectively utilized as one large RV dealership business.

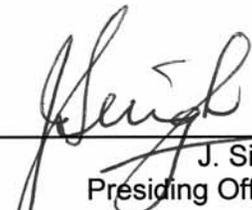
- [20] This arrangement of business operations across four properties creates a unique situation in which, income approach to individual components is difficult to apply in a fair and equitable manner; and hence, the City's resort to cost approach.
- [21] This equity comparable property is located at the most southern boundary of the City and cannot be compared with the subject location on a very busy traffic artery in the northwest quadrant of the City.
- [22] Commenting on the Complainant's table of three vacant land parcel sales, the Respondent argued that it is incorrect to value subject site as 'vacant' and using purely industrial parcels with minimum exposure and zero potential for land use change as comparable in value. Reliance on such land comparables, without significant location adjustment cannot help in establishing the true market value of the land component of the subject property.
- [23] Additionally, similar land parcels in the immediate vicinity of the subject are undergoing transition into C-4 commercial zoning which suggests that accurately estimating a market value for the subject land would be difficult.
- [24] The Respondent provided a map of the subject's area showing that all properties, with the exception of a bulk fuel station, had been assessed using income approach and the subject had not been treated inequitably.
- [25] All three of the properties included in the Complainant's disclosure have been assessed as 'Auto/RV Dealerships' whereas the subject is assessed as - Industrial Warehouse, a completely different property class. Clearly, it would be wrong to use one type of property as an example to prove that the assessment of another type of property is incorrect.
- [26] The Respondent offered the following critique of the Complainant's valuation of the subject's improvements using a cost approach.
- [27] The date of valuation was shown to be July 2017. The valuation date for the subject assessment was July 2016.
- [28] The effective age of the improvements was shown to be 33 years. This is the chronological age of the oldest part of the buildings. The Complainant has ignored the additions and improvements made in 1997 and 1998. Some buildings on the property are less than ten years old and the showroom part is only nine years old.
- [29] The Complainant's costing model shows the building to be 'A Class'. The Respondent, a certified Marshall & Swift valuations expert, provided evidence to show that the subject property is an 'S Class' structure and thus, the valuation sheet provided by the Complainant cannot be relied upon to establish the value of the subject.
- [30] The costing is based on building height of 18 feet whereas 88% of the building area has a height of 24 – 28 feet.

- [31] The value provided by the costing model has been inexplicably depreciated by 59.5%. No information was provided as to the source or rationale for such depreciation.
- [32] The Respondent requested the Board to not put any weight on the Complainant's cost calculations or the argument presented.
- [33] The Respondent argued that the Complainant had provided only one equity comparable and that too in a different property class. There is no evidence pertaining to the market value.
- [34] The Respondent provided a table of four equity comparables; all located in close proximity to the subject; and all assessed on income approach as industrial warehouses. The market rents applied and the resulting per sq. ft. assessment values were shown to support the subject assessment.
- [35] The Respondent provided a sale comparable of same class of property as the subject, with comparable street exposure and in the immediate vicinity of the subject. This property sold for a price of \$147.39 per sq. ft. whereas the subject property has been assessed at \$128.02 per sq. ft. This comparable was also assessed using the income approach.
- [36] In conclusion, the Respondent argued that the only equity comparable provide by the Complainant was of a different class of property and the cost valuation model had numerous errors that could not yield reliable or correct results to base the subject's assessment on. The Respondent requested the Board to confirm the assessment at \$4,995,900.

### **BOARD FINDINGS and DECISION**

- [37] The Board confirms the assessment at \$4,995,900.
- [38] The Board notes that the Complainant's reasons for complaint are that the assessment has been prepared using income approach to value which, in the Complainant's opinion, has resulted in excessive assessment value and also makes it inequitable because similar other properties have been assessed on the cost approach.
- [39] The Board acknowledges the Respondent's legislated obligation to assess all like properties in its jurisdiction in a predictable and consistent manner in keeping with the industry standards and professional practices. The City is legislated to prepare each year's assessment, anew, independent of previous years' assessments. A seemingly large variance from the previous year's assessment is not, by itself, an indicator of incorrectness of the subject assessment.
- [40] The Board accepts the Respondent's evidence and testimony that the subject property is not a special use or unique property as there are several farm equipment, auto and RV dealerships, showrooms and repair facilities in the City.

- [41] With reference to the Complainant's equity comparable (Woody's RV World), The Board accepts the Respondent's rationale for basing the assessment of this property on cost approach as this dealership spans four legally separate parcels of land, yet operates as an integrated business entity; making it a unique situation.
- [42] The Board accepts the Respondent's evidence and argument that nearly all other properties in the subject's area have been assessed on income approach and the subject property has not been treated inequitably.
- [43] The Board is not persuaded by the Complainant's vacant land sales comparables for valuation of the subject property because these land parcels are located in inferior locations; are not in the midst of an emerging commercial area; do not have the exposure to a very busy traffic artery; and there is little prospect of major development in the near future. The Board finds that the median selling price of these land parcels cannot be relied upon to establish the incorrectness of the subject assessment.
- [44] The Board accepts the Respondent's credentials to provide a critique of the cost valuation model analysis presented by the Complainant. The Board finds that the results obtained from erroneous date of valuation, building class, height of the structures, effective age of the improvements, use of inexplicable 59.5% depreciation without reference to quality and characteristics of the interiors or the upkeep; cannot be relied upon to establish the correct market value of the property on July 01, 2016, the date of valuation for the subject assessment.
- [45] No details were provided in respect of another equity comparable (4766 - 62 Street), mentioned in the Complainant's disclosure.
- [46] The Board finds that the Complainant has not provided sufficient or compelling evidence to support the contention that the methodology used to establish value or the outcome of the process is inequitable or incorrect.
- [47] In view of the above reasons, the Board confirms the subject assessment at \$4,995,900.
- [48] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 27 day of September, 2017 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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J. Singh  
Presiding Officer

*This decision can be appealed to the Court of Queen's Bench. If you wish to appeal this decision you must follow the procedure found in section 470 of the MGA which requires an application for judicial review to be filed and served within 60 days of being notified of the decision. Additional information may also be found at [www.albertacourts.ab.ca](http://www.albertacourts.ab.ca).*

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## **APPENDIX**

### Legislation

The Municipal Government Act, RSA 2000, c M-26, states:

*s. 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;*

*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.*

*s. 467(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.*

## **EXHIBITS**

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