



Complaint ID's: 0202 1777, 0262 1778,
0262 1780, 0262 1781 & 0262 1782
Roll No.'s: 30009700065, 30009700070,
30009700085, 30009700080 & 30009700075

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: September 6th, 2023

PRESIDING OFFICER: B Hisey
BOARD MEMBER: A Gamble
BOARD MEMBER: A Tarnoczi

BETWEEN:

CHILES DEVELOPMENT CORPORATION LTD.
As represented by B Chiles and M Chiles

Complainant

-and-

CITY OF RED DEER
Assessment Unit

Respondent

This decision pertains to complaints submitted to the Central Alberta Regional Assessment Review Board in respect of these properties assessment prepared by an Assessor of The City of Red Deer as follows:

ROLL NUMBER	MUNICIPAL ADDRESS	ASSESSMENT AMOUNT
30009700065	8376 CHILES INDUSTRIAL DR	\$1,068,300
30009700070	8346 CHILES INDUSTRIAL DR	\$1,068,300
30009700085	8343 CHILES INDUSTRIAL DR	\$1,068,300
30009700080	8321 CHILES INDUSTRIAL DR	\$1,491,300
30009700075	8324 CHILES INDUSTRIAL DR	\$1,068,300

The complaints were heard by the Central Alberta Regional Assessment Review Board on the 6th day of September 2023, at the City of Red Deer in the Province of Alberta.

Appeared on behalf of the Complainant: Brian and Margaret Chiles, for Chiles Development Corporation Ltd.

Appeared on behalf of the Respondent: Cale Green and Gail Bukva, for the City of Red Deer

DECISION:

The assessed value for roll numbers 30009700065 at \$1,068,300; 30009700070 at \$1,068,300; 30009700085 at \$1,068,300; 30009700080 at \$1,491,300; and 30009700075 at \$1,068,300 are 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 subject properties are industrial warehouses in the Chiles Industrial Park. These properties have lot sizes ranging from 2.29 to 2.99 acres, net leasable areas ranging from 12,840 to 17,924 square feet (sf) and were built in 2003 through to 2013. All of these adjacent properties are located along Chiles Industrial Drive.

[3] The assessments have been calculated utilizing the income approach to value at \$83/sf.

PRELIMINARY MATTERS

[4] No Board Member raised any conflicts of interest with regard to matters before them and neither party raised any objection to the composition of the Board.

[5] At the request of the Parties, the Board confirmed that a concurrent hearing would be held for roll numbers 30009700065, 30009700070, 30009700085, 30009700080 & 30009700075. The Parties advised that all evidence and argument would be identical, and a combined written decision would be appropriate for these complaints.

POSITION OF THE PARTIES

Position of the Complainant

- [6] These properties were assessed higher than market value based on the following issues:
- I. The year over year increase to the assessments was excessive and could not be justified.
 - II. All properties had their own septic system and water wells. The only service provided by the City of Red Deer (The City) was road maintenance and snow removal.
 - III. Market sales were down approximately 25%, with fewer buyers looking for investment properties.
- [7] All of these properties showed a significant increase in assessed value. However, there was insufficient evidence provided by The City to justify the year over year increase:

ROLL NUMBER	YEAR OVER YEAR DIFFERENCE	REQUESTED REVISED ASSESSMENT
30009700065	\$32,400	\$1,035,900
30009700070	\$32,400	\$1,035,900
30009700085	\$32,400	\$1,035,900
30009700080	\$61,300	\$1,430,000
30009700075	\$32,400	\$1,035.900

- [8] Any increase to the assessed values does not correlate with a market that has gone down approximately 25%. Although there are limited sales in the Chiles Industrial subdivision, the Complainant suggested a post pandemic market has contributed to the limited number of buyers and investors for these types of properties.
- [9] The Complainant provided a sale comparable at 4940 81 Street, located at the corner of Gaetz Avenue and Highway 11. This 8,245 sf commercial/industrial building was sold for \$600,000 and the assessment was \$1,324,000. Supporting the suggestion of a depressed market and over assessed industrial properties.
- [10] To further endorse a reduction to the assessments a similar industrial warehouse property at 8350 Chiles Industrial Avenue (roll number 3009700265) was presented to the Board. This equity comparable showed an original assessment of \$1,024,400 that was reduced to \$904,500. A \$119,900 difference which supports the argument that these similar industrial properties are over assessed.

- [11] Upon questioning the Complainant confirmed no rent rolls or appraisals to contradict the current assessments had been provided.

Summary

- [12] The Complainant suggested there was insufficient evidence to justify a tax increase in a depressed economic market and requested the assessments for these properties be revised to the previous year's valuations.

Position of the Respondent

- [13] A review of the subject properties was provided along with the methodology used by The City for assessments based on legislative requirements. The City is required to prepare assessments in accordance with the requirements of the *Municipal Government Act*, RSA 2000, c M-26 (MGA), and the *Matters Relating to Assessment and Taxation Regulation 2018*, AR 203/17 (MRAT). The legislation requires a municipality to prepare assessments that represent market value by application of the mass appraisal process using typical values.
- [14] The subject properties have been assessed using the income approach, which best reflects the typical actions of buyers and sellers when purchasing income-producing properties. The City requests financial information from owners during the annual Request for Information process. Typical values are established from this information to determine stabilized components for the income calculations such as vacancy or operating costs. For example, investment properties will benefit from a typical vacancy rate even if it has no vacancy. Conversely, a property may experience higher than typical vacancy but will be assessed with the stabilized rate. Typical values more accurately reflect income potential over an investment term.
- [15] Assessments are prepared on an annual cycle, utilizing information available in the market. A chart of four industrial sale comparables were provided to support these assessments. Three of the properties were from the Chiles Industrial Park and one was from the Northlands area. The sales occurred from April 7, 2017 to April 20th, 2022. They ranged from 0.96 to 2.36 acres, had leasable areas ranging from 3,000 to 14,400 sf and were built in 1980 through to 1999. The median price per sf was \$93 and the average was \$90 supporting the assessed value of \$83 for the subject properties.
- [16] The Respondent acknowledged that the subject properties have their own well and septic systems and explained this was not uncommon in the Chiles Industrial Park.
- [17] A recent vacant industrial land sale in the Chiles Industrial Park was provided to identify the underlying value of land for these industrial properties. This comparable at 8343 Chiles Industrial Drive was sold for \$217,300 per acre on February 01, 2021. The Respondent suggested that the value of land in the Chiles Industrial Park equates to approximately half of the assessed market value for these improved properties.

- [18] The Complainant's market sale was critiqued as being sold under duress. It was a post facto court ordered sale of a condominium property and not a valid market value transaction.
- [19] The Respondent addressed the assessment change referenced by the Complainant on 8350 Chiles Industrial Avenue. This change was undertaken to bring equity to the grouping of properties developed prior to 2000. These similar properties in the Chiles Industrial Park are now consistently assessed in the \$72/sf range. Furthermore, all properties with development after 2000 have been assessed at \$83/sf.

Summary

- [20] The Respondent argued that the Complainant had provided insufficient evidence to support a change to the assessments and asked the Board to confirm the values.

Rebuttal

- [21] The Complainant addressed the Respondent's sale comparables suggesting the transactions were prior to Covid and did not reflect the current market stating, "Pre-pandemic statistics have 0% relevance in today's economic reality".
- [22] Additionally, the sale comparable from 8130 - 49 Avenue Close was not from the Chiles Industrial Park.

BOARD FINDINGS and DECISION

- [23] The Board was unable to rely on a year over year assessment increase as sufficient evidence to reduce an assessment. Section 285 of the MGA requires a new assessment to be prepared each year, based on market conditions as of the new valuation date. An assessment from the prior year is not a relevant factor in the preparation of a subsequent assessment.
- [24] Although the Complainant stated that the market has declined, the Complainant provided no sales data to confirm that claim. The Board understood the reference to post pandemic markets however, no evidence was provided to support the suggested decline in sales.
- [25] The Board relied upon four market transactions provided by the Respondent to support the assessments for the subject properties. The median value for this group was \$93/sf. The Board recognized the most similar comparable from the Chiles Industrial Park, at 8339 Chiles Industrial Avenue, which had similar leasable area and lot size to the subject properties. This sale realized a value of \$96/sf, while the subject properties are assessed at \$83/sf.
- [26] Although the Complainant brought forward the varying levels of vacancy for the subject properties, the Board recognizes that investment properties are assessed with typical values as per MRAT section 5(c). No rent rolls were provided to address net operating incomes or vacancies, and this was not identified as an issue before the Board.

- [27] The Board acknowledges the subject properties have their own septic and water services but find the recent vacant land sale at 8343 Chiles Industrial Drive supports the general land value for these types of properties.
- [28] Although the Complainant stated that a similar industrial property in the same area at 4940 81 Street had sold for less than the assessed value, the Board finds this sale was court ordered and under duress. There was no willing seller to meet the definition of fair market value, "a willing buyer and a willing seller for a property sold on the open market". The Board cannot rely on this sale as an indication of market value as defined in section 1(n) of the MGA.
- [29] The Board finds insufficient evidence that the assessments do not reflect market value.

DECISION SUMMARY

- [30] The Board finds that the assessments are confirmed for roll numbers 30009700065 at \$1,068,300, 30009700070 at \$1,068,300, 30009700085 at \$1,068,300, 30009700080 at \$1,491,300, and 30009700075 at \$1,068,300.
- [31] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 3rd day of October 2023 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.



for: BRENDA HISEY
Presiding Officer

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 not more than 60 days after the date of the decision. Additional information may also be found at www.albertacourts.ab.ca.

APPENDIX

Documents presented at the Hearing and considered by the Board.

COMPLAINT NO. 0202 1777

ITEM

1. A.1 Hearing Materials provided by Clerk - 26 pages
2. C.1 Complainant submission - 28 pages
3. C.2 Complainant Rebuttal - 5 pages
4. R.1 Respondent submission - 57 pages

COMPLAINT NO. 0262 1778

ITEM

5. A.1 Hearing Materials provided by Clerk - 26 pages
6. C.1 Complainant submission - 31 pages
7. C.2 Complainant Rebuttal - 5 pages
8. R.1 Respondent submission - 57 pages

COMPLAINT NO. 0262 1780

ITEM

9. A.1 Hearing Materials provided by Clerk - 26 pages
10. C.1 Complainant submission - 28 pages
11. C.2 Complainant Rebuttal - 5 pages
12. R.1 Respondent submission - 57 pages

COMPLAINT NO. 0262 1781

ITEM

13. A.1 Hearing Materials provided by Clerk - 26 pages
14. C.1 Complainant submission - 28 pages
15. C.2 Complainant Rebuttal - 5 pages
16. R.1 Respondent submission - 57 pages

COMPLAINT NO. 0262 1782

ITEM

17. A.1 Hearing Materials provided by Clerk - 26 pages
18. C.1 Complainant submission - 28 pages
19. C.2 Complainant Rebuttal - 5 pages
20. R.1 Respondent submission - 57 pages