

Central Alberta

Regional Assessment Review Board

Complaint ID#: 0089 1268

November 21, 2019

Complainant

Daniel Knudtson
Box 217
Donalda, AB T0B 1H0

Email: djknudts@telus.net
(paper copy to follow)

Respondent

Town of Donalda c/o Municipal Property Consultants
A2 83 Burnt Park Drive
Red Deer, AB T4P 0J7

Email: t.willoughby@telus.net
(paper copy to follow)

RE: NOTICE OF HEARING DECISION - ROLL 277

Dear Sir/Madam:

Further to the hearing held on Wednesday, October 23, 2019, the Board issues the attached Decision. Paper copies will follow where indicated.

Section 481(2) of the *Municipal Government Act* states:

"If the assessment review board makes a decision in favour of the complainant, the fees paid by the complainant under subsection (1) must be refunded."

Any refunds owed will be sent under separate cover. If you have any questions concerning these matters or for clarification, please contact the Board Clerk at (403) 342-8132.

Regards,



Lori Stubbard
Regional Assessment Review Board Clerk

Att.

xc: J. Olson (via email only): cao@village.donalda.ab.ca
Complainant is Owner (via mail only)
mgbmail@gov.ab.ca

Central Alberta

Regional Assessment Review Board

Complaint ID 0089 1268

Roll No. 277

LOCAL ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: OCTOBER 23, 2019

PRESIDING OFFICER: W. J. Kline

BOARD MEMBER: M. Chilibeck

BOARD MEMBER: V. Keeler

BETWEEN:

DANIEL KNUDTSON

Complainant

-and-

MUNICIPAL PROPERTY CONSULTANTS

OBO THE VILLAGE OF DONALDA

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 Village of Donalda as follows:

ROLL NUMBER: 277

MUNICIPAL ADDRESS: 3219 Olson Street, Donalda, AB

ASSESSMENT AMOUNT: \$168,520

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 23rd day of October 2019, at The Village of Donalda, in the province of Alberta.

Appeared on behalf of the Complainant: Daniel Knudtson

Appeared on behalf of the Respondent: Terry Willoughby – Assessor (Municipal Property Consultants)

DECISION:

The assessed value of the subject property is varied to \$140,000.00

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"].
- [2] This complaint was heard by a Local Assessment Review Board pursuant to section 460.1(1)(a) of the *MGA*.

PROPERTY DESCRIPTION AND BACKGROUND

- [3] The subject property is a 2,166 sq ft two story single family residential home (full basement) with 437 sq ft one story addition (no basement) and 749 sq ft attached garage on a 14,000 sq ft parcel of land located in the south east of the Village of Donalda.
- [4] The two story portion of the home was built in 1978. The one story addition and garage were built sometime subsequent, no definite year was specified.
- [5] The subject assessment is based on market value as of July 01, 2018 and used for the 2019 taxation year.
- [6] The subject property is assessed at \$168,520 of which the house (2603 sq ft) is assessed at \$54.25 per sq ft.

PRELIMINARY MATTERS

- [7] The Presiding Officer confirmed that no Board Member raised any conflicts of interest with regard to matters before them.
- [8] Neither party raised any objection to any member of the panel hearing the complaint.
- [9] No additional preliminary or procedural matters were raised by either party. Both parties indicated that they were prepared to proceed with the complaint.
- [10] The Board confirmed the submissions of the parties and entered the following Exhibits into the record:
- A.1 – Hearing Materials provided by Clerk (4 pages)
 - C.1 - Complainants Evidentiary Submission (20 pages)
 - R.1 - Respondents Evidentiary Submission (28 pages)
 - C.2 - Complainants Rebuttal Submission (5 pages)

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

- [11] The Complainant expressed his concern about the significant increase in the assessment from \$130,430 for 2017 to \$164,930 for 2018 to \$168,520 for 2019 taxation years.
- [12] The subject property was purchased by the Complainants daughter in 2015 for \$125,000 which was listed for sale with a realtor using the Multiple Listing Service (MLS).
- [13] The Complainant provided the financing for the purchase.
- [14] The subject property was on the market for more than a year.
- [15] The property was originally listed for sale at \$169,000 but sold for \$125,000.
- [16] The purchaser and the seller were not known to each other therefore the sale is an "arms-length" transaction.
- [17] The house interior was in very good condition and therefore acceptable for occupancy.
- [18] When the property was purchased there were several deficiencies, which still currently exist.
- [19] The attached garage, den, and verandas were built some time after the house was constructed.
- [20] There are no proper footings under these additions. The garage is constructed on railway ties as a foundation, the floor of the veranda has significant deterioration, and the underside of the veranda roof has no ceiling (soffit) and shows significant water damage.
- [21] The basement under the two story portion has no windows making development impractical.
- [22] The staircases are quite narrow and terminate close to a wall that makes moving furniture very difficult.
- [23] The one story addition is poorly finished, unheated, and used for storage.
- [24] The garage is partially insulated with plastic sheathing on the walls and ceiling. The old furnace does not appear usable.
- [25] After the 2015 purchase the kitchen cupboards were changed, the rugs/carpeting was replaced with vinyl laminate and the cedar siding was replaced with economy vinyl siding. The Complainant asserted that these changes were not an upgrade in quality but made to personalize the home.

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- [26] More recently, new roof shingles were installed in May, 2019 as a result of hail damage and new garage door was installed in June, 2019.
- [27] The Complainant stated his daughter and her husband separated in 2017 and the subject property was transferred into his name showing a value of \$175,000 on the Land Title Certificate. This transfer was made to clear up prior money transactions between himself, and Amanda and Brad Clark. This change in ownership is a transfer of ownership between family members and is not an "arms-length" transaction.
- [28] The Complainant asserted that the 2017 transfer value of \$175,000 influenced the Assessor to significantly increase the value of the subject property.
- [29] The Complainant provided a letter of opinion and real estate listing and sale information from a realtor for five properties showing the listed prices, sold price, number of days on the market and other related information.
- [30] The Realtor opined that ten sales in the past four years show that prices have gone down considerably and that ten MLS sales show that average sale prices are 49.9% less than the average listing price. The listing information shows that property values "established in 2015 would, at best, still be appropriate today" in Donald.
- [31] The Complainant argued that the replacement of the kitchen cabinets, flooring and exterior siding do not add any significant value to the property. The transfer of the property in 2017 for \$175,000 cannot be used as a market value indicator because it is not an arms-length transaction and the MLS sale information shows the market is depressed and Realtors letter indicate that 2018 market values have not increased since 2015.
- [32] The Complainant requested the assessment be reduced to the 2017 value of \$130,430.

Position of the Respondent

- [33] The Respondent stated that the subject residence (two story portion and one story portion) was assessed as an average quality house (quality 04), considered to be in average condition and discounted 25% to recognize some features that are classified as fair quality (quality 03).
- [34] The garage was assessed as a poor quality structure (quality 02) because of the lack of a concrete foundation and inferior construction and considered to be in poor condition. The garage interior is insulated, lined and heated and because of the poor construction no value was placed on these features.
- [35] The assessment was increased for 2018 to \$164,930 from \$130,430 based on an exterior inspection in December 2017 and the Land Title Certificate from 2017 which shows a value of \$175,000.

- [36] Upon checking the 2017 Transfer of Land document it was found that the consideration paid is comprised of two parts; \$125,000 by cancellation of purchase loan owed by the Transferors (Amanda and Brad Clark) to the Transferee (Daniel Knudtson) and \$50,000 by cancellation of the home improvement loan owed by the Transferors to the Transferee.
- [37] On inspection it was observed that the exterior cedar siding was replaced with vinyl siding and because an interior inspection could not be done it was assumed, knowing there was a home improvement loan, that there were changes and renovations made to the interior.
- [38] Upon receiving the complaint, the Complainant was contacted and an interior inspection was done in June, 2019. This inspection confirmed that the assessment was reasonable and did not justify reducing it to \$140,000 as requested by the Complainant; however an offer was made to reduce it to \$150,000 which was refused by the Complainant.
- [39] The Respondent took issue with the five MLS sales provided by the Complainant claiming that they are not comparable to the subject property; neither of the sales are two story homes, or similar in floor area. Comments were provided on four of the sales.
- [40] Sale of 2209 Haviland Street is of a 1,590 sq ft double-wide mobile home (with basement) built in 1976 with attached garage which was repossessed by a financial institution and sold at a significant discount. Property was originally listed at \$118,000 and 342 days later sold for \$50,000 (02.07.18).
- [41] Sale of 1220 Bond Street is of a 1,150 sq ft double-wide mobile home (no basement) built in 1979 and detached garage. This property was originally listed at \$99,000 and 801 days later sold for \$68,000 (06.05.19).
- [42] Sale of 3110 Olson Street is of a 1,092 sq ft one story modular bungalow built in 1999 with detached garage and shed and sold by an estate. This property was originally listed at 94,500 and 280 days later sold for \$78,500 (10.24.15).
- [43] Sale of 3001 Olson Street is of a 930 sq ft one story bungalow (no basement) built in 1981 with detached garage and shed. This property was originally listed at \$135,000 and sold 463 days later for \$110,000 (07.17.18).
- [44] The Respondent stated that in the absence of sales of property with a house classified as the subject (003-04-09), the "Assessment to Sales Comparison Approach" shows that the subject property is assessed fair and equitable when compared with different property classifications.
- [45] The Respondent provided four comparable sales, one of which is of a two story house with one story addition and three of which are of one story houses.
- [46] Sale of 3113 Olson Street is of a 2,099 sq ft two story house, built in 1990, with 1,063 sq ft garage that sold in June, 2018 for \$275,000 which included a parcel of land valued at \$15,000. The total assessment is \$254,670 of which the house is assessed at \$87.25 per sq ft.

- [47] Sale of 3220 Olson street is of a 1,133 sq ft one story house, built in 1976, with a 770 sq ft garage and 1,350 sq ft Quonset that sold in July, 2017. The total assessment is \$170,360 of which the house is assessed at \$94.30 per sq ft.
- [48] Sale of 3001 Olson Street is of a 904 sq ft one story house, built in 1979, with a 424 sq ft garage that sold in August, 2018. The total assessment is \$103,650 of which the house is assessed at \$87.70 per sq ft.
- [49] Sale of 2414 Haviland Street is of a 1,211 sq ft one story house, built in 1954, with four garages totalling 860 sq. ft. that sold in November, 2018 for \$150,000. The total assessment is \$147,720 of which the house is assessed at \$60.00 per sq ft.
- [50] The Respondent argued that the subject property, assessed at \$168,520 of which the house is assessed at \$54.25 per sq ft and compared to the four comparables which range in house assessments from \$60 to \$94.30 per sq ft, is assessed fairly and equitably.

BOARD FINDINGS and DECISION


- [51] The Board acknowledges the depressed real estate market in the Village of Donalda as shown by the Complainants listing evidence. Notably the significant difference in the sale price and the listing price, as well as the length of time taken to effect a sale. Also, several of the sales would be considered non-arm's length transactions. Otherwise the Board placed very little weight on the MLS listing evidence.
- [52] The Board further considered that the subject was assessed using the assessment to sales comparison approach since there were no other sales similar to the subject property (003-04-09) in the Village. The Board then applied those same techniques to the comparable properties provided the parties.
- [53] The Board finds that of the nine sale comparables provided by the Complainant and Respondent only one comparable, is similar to the subject property, that being 3113 Olson Street. However there are several differences between the subject house and the comparable house.
- [54] The Board acknowledges that many attributes are significantly different than the subject, thus making it difficult to rationalize an inference of value to the subject.
- [55] The comparable is a two story house with a one story addition with a floor area of 2,099 sq ft built in 1990 and a 1,063 sq ft garage built in 2007 considered to be in average condition. This house is newer and in better condition than the subject. The one story addition appears to be built at the same time and is of the same quality and condition as the two story portion.

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- [56] The Board notes that the subject and comparable are classed as average quality homes, however the subject is given quality adjustment of minus 25% and the subject home is 12 years older than the comparable. Also there is a significant difference in the quality, age, condition and size of the garages.
- [57] The Board accepts the 2015 sale price of \$125,000 as a good indicator of value which was agreed to by both parties. However the Board does not accept that the \$50,000 home renovation loan increased the value of the subject property accordingly.
- [58] Both parties acknowledged that there were some changes made to the house, however the Complainant did not provide any detail as to specifically what amount was expended in making the changes and the Respondent inferred that the total amount of the renovation loan increased the property value accordingly.
- [59] It is a well-accepted fact that most changes/renovations do not increase the value of a property by the amount actually spent and in a depressed real estate market the Board believes the increase in value would be less than in a normal market.
- [60] Even though the Complainant requested the assessment be reduced to \$130,430 at the hearing, the Board accepts the offer of \$140,000 made to the Respondent accounts for the changes made to the house.
- [61] The Board believes the Respondents offer of an assessment at \$150,000 indicates that there was room for an additional adjustment to the subject assessment.
- [62] The Board accepts the Complainants description of the condition of the garage and notes the garage assessment has taken into account its poor construction and lack of interior finishing.
- [63] The Board believes the quality and condition of the addition should receive an increased discount together with lack of the basement utility.
- [64] The Board has determined that in consideration of the foregoing facts, changes made to the house and outstanding deficiencies, an increase in property value from \$130,430 is warranted.

DECISION SUMMARY

[65] The Board has determined that the assessment value is changed to \$140,000.00.

[66] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 21 day of November, 2019 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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W. J. Kline
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.

NO.

ITEM

1. A.1 – Hearing Materials provided by Clerk (4 pages)
2. C.1 - Complainants Evidentiary Submission (20 pages)
3. R.1 - Respondents Evidentiary Submission (28 pages)
4. C.2 - Complainants Rebuttal Submission (5 pages)