



CENTRAL ALBERTA REGIONAL
**Assessment
Review Board**

Complaint ID 0262 1779
Roll No. 30009700160

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: September 5th, 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 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: 30009700160

MUNICIPAL ADDRESS: 8265 Chiles Industrial Avenue

ASSESSMENT AMOUNT: \$1,900,300

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 5th 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 of the subject property is confirmed at \$1,900,300.

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 is an industrial warehouse in the Chiles Industrial Park. The building was constructed in 1979 and has 24,000 square feet (sf) of gross leasable area. It is an older multi-tenant industrial warehouse in fair condition that has been assessed with a \$7.00/sf rental rate.
- [3] The assessment utilizes the income approach to value with an exempt machinery and equipment value of \$168,100. The warehouse land and improvements assessment is \$1,732,200.

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.

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

- [5] There was insufficient evidence provided by the City of Red Deer (The City) to justify a year over year increase to the assessment. The current assessment of \$1,900,300 is \$137,600 more than the previous year at \$1,762, 700, which is the requested revised assessment.
- [6] The assessment 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. There is insufficient evidence to justify an increase in this depressed market.
- [7] To support a reduction to the assessment, the Complainant provided a sale comparable at 4940 81 Street. This property is a 8,245 sf commercial/industrial building located at the corner of Gaetz Avenue and Highway 11. The sale price was \$600,000 and the assessment was \$1,324,000, which confirms the claim that industrial properties are over assessed.
- [8] The assessment of a similar property was also provided, roll number 30009700265 at 8350 Chiles Industrial Avenue on the same street as the subject. This property was assessed at \$1,024,400 but was reduced to \$904,500; a decrease of \$119,900.
- [9] There have been no improvements to the land or the building of the subject property, which is on its own septic and water systems. The only services provided by The City are road maintenance and snow removal. Furthermore, the older age of the structure at 42 years has not been recognized in the valuation.
- [10] The requested assessment is \$1,762,700, which was the previous year's valuation.

Summary

- [11] The Complainant suggested there was insufficient evidence to justify a tax increase in a depressed economic market.

Position of the Respondent

- [12] A review of the subject 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.
- [13] It was noted that historic information reported to The City indicated that items falling under the definition of Machinery & Equipment (M&E) were present on the subject property at the time the property was annexed. The M&E represents an exempt component of the property assessment which is not subject to a tax levy. The Respondent confirmed that the current application of M&E has no impact on the taxes levied on the subject property.
- [14] The subject has 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 the assessment. Three of the properties were from the Chiles Industrial Park and one was from the Northlands area. These properties sold 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. This supports the assessed value of \$72/sf, which recognizes the age of the subject property.
- [16] The Respondent acknowledged that the subject has its 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 the subject property. 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 of improved properties.
- [18] The Complainant's single market comparable 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 for comparison purposes.

- [19] The Respondent addressed the assessment change referenced by the Complainant on 8350 Chiles Industrial Avenue. This change was undertaken in order to bring equity to the grouping of properties developed prior to 2000. These properties are now consistently assessed in the \$72/sf range. Furthermore, all properties with development after 2000 have been assessed at \$83/sf.
- [20] The Respondent also acknowledged that the property addressing request and garbage pick up were out of scope for the assessment department but could be discussed with The City departments responsible for these items.

Summary

- [21] The Respondent confirmed that assessments are prepared on an annual cycle, utilizing information available in the market. Based on the most recent market sales available, comparable transactions have ranged between \$80 to \$96 per sf. The subject has been assessed at \$72/sf.
- [22] The Chiles Industrial Park is assessed with a lower typical rate value than other industrial areas recognizing the lack of services.
- [23] The Respondent argued that the Complainant had provided insufficient evidence to support a change to the assessment and asked the Board to confirm the value.

Rebuttal

- [24] 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".
- [25] Additionally, the sale comparable from 8130 - 49 Avenue Close was not from the Chiles Industrial Park.

BOARD FINDINGS and DECISION

- [26] The Board was unable to rely on a year over year 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.
- [27] Although the Complainant stated that the market has declined, there was no information to support that claim. The Board understood the reference to post pandemic markets however, no evidence was provided to support this observation.
- [28] The Board relied upon four market sales provided by the Respondent to support the assessment. 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. This sale realized a value of \$96/sf, while the subject is assessed at \$72/sf, recognizing the older age of the building.

[29] The Board acknowledges the subject has a private septic and water service but finds the recent vacant land sale at 8343 Chiles Industrial Drive supports the general land value for this property.

[30] 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.

[31] The Board finds insufficient evidence that the assessment is not a reflection of market value.

DECISION SUMMARY

[32] The Board finds that the assessed value of \$1,900,300 is confirmed with the taxable component at \$1,732,200.

[33] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 03rd 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.

<u>NO.</u>	<u>ITEM</u>
1. A.1	Hearing Materials provided by Clerk - 26 pages
2. C.1	Complainant submission - 27 pages
3. C.3	Complainant Rebuttal - 7 pages
4. R.1	Respondent submission - 59 pages