

Macbain Properties Ltd.
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Calgary, AB T2P 1N8

City of Red Deer Assessment Department
4914 48 Avenue
Red Deer, AB T4N 3T4

Attention: B. Lutz, Assessor

Via email: brian.lutz@reddeer.ca
(paper copy to follow)

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

Hearing: 23 September, 2010

Panel: Presiding Officer M. Chilibeck; M. Peterson; D. Trottier

Decision# CARB0262-123/2010

Roll 3312260
4100 77 Street
Red Deer, Alberta
Assessment \$16,500,500

For the Complainant:
A. Izard, Agent – Altus Group

For the Respondent:
A. Meckling, Assessor
R. Kotchon, Assessor

At the outset of the hearing the Complainant stated that of the two assessment matters identified on the complaint form, he would be pursuing one matter – assessment amount. Also, that some of the reasons / issues identified on the form had been resolved and would be pursuing three issues only; the land value is not fair and equitable, the office / shop building value is not correctly valued in using the Marshall & Swift Valuation Service, and the floor area of the office / shop building is not correct.

The subject property consists of a parcel of land with 16.63 acres on which are the following improvements: an office / shop building with a floor area of 39,284 square feet, a wash building with a floor area of 16,263 square feet, chain link fence, asphalt paving and parking lot improvements. The Respondent assessed the value of the subject by using the depreciated replacement cost method.

ISSUE 1: LAND VALUE – FAIRNESS AND EQUITY

The base land rate used by the Respondent when assessing land in the City of Red Deer is \$280,962 per acre. The Respondent made three adjustments specific to the subject property:

- a. +10% for commercial / industrial topography;
- b. +20% for landscaping;
- c. -10% for size.

The Complainant accepts the base land rate and the -10% adjustment for size and disputes the topography and landscaping adjustments.

The Complainant provided information on two comparable properties located in Riverside Industrial. The first comparable property (Burnco) was given a -15% 'miscellaneous' adjustment and the second comparable (Olymel) was not given any adjustments. Based on this, the Complainant concluded that the 30% adjustment applied to the subject property for topography and landscaping is unfair and is requesting that the land value be reduced by removing the topography and landscaping adjustment to make it comparable with Burnco and Olymel.

The Respondent argued against the comparables provided by the Complainant stating that they are not comparable due to size differences – the subject property is 16.63 acres, Burnco is 8.22 acres and Olymel is 27.09 acres. The Respondent explained that the -15% miscellaneous adjustment made to the Burnco comparable was given to recognize that the property is below grade and would require additional fill to bring it up to grade level. The Respondent argued that the only comparable property to the subject would be Quinn Energy which is adjacent to the subject and of similar size (11.76 acres).

The Respondent stated that the topography and landscaping adjustments were made on the subject property to recognize it being a superior site. The Respondent provided the Board with a detailed development cost breakdown for the land showing purchase price and costs for demolition, site grading and site / development for a total adjusted purchase price of \$5,998,353 to support the current assessed value of \$5,606,900.

The Board agrees the subject land as developed is superior to the two comparables provided by the Complainant. However, the Board is not convinced that the application of the adjustments for landscaping and topography are fair and equitable.

The Board understands from the Respondent that the landscaping adjustment represents things like fences and parking and finds that those are accounted for in the value of the improvements. The Board notes that office / shop building valuation includes a value for chain link fence, asphalt paving and parking lot improvements.

The Board understands that the 'base rate value' for land \$280,962 per acre is for land 'at grade'. The subject land has a higher grade than the comparables which the Respondent addressed by making a positive adjustment of 10% to the base value 'for topography'.

The Complainant provided a letter from the owner of the subject property saying the reason the subject building has a thicker concrete slab is due to the higher water table; rather than using more pit run, more concrete was used.

This demonstrates to the Board that the higher grade (considered by the Respondent to be superior to the comparables) exists to support the building. Therefore the Board agrees with the Complainant that it is not reasonable to assess the subject land for the additional costs of having the grade level higher than typical.

In the replacement cost valuation method, land value is based on market value and on the basis as if it is vacant. While the additional grading of the subject property appears to be excessive (over and above what is necessary), the Board does not have sufficient evidence to link the value of the additional grading to the marketplace. The Board finds that the subject may be overbuilt, but is not convinced that the additional elevation adds any value to the land - or that the cost to improve the land above grade level would be realized in the market place.

On this issue, the Board finds in favour of the Complainant, the assessment is changed by the removal of the +20% adjustment for Landscaping and +10% adjustment for topography.

ISSUE 2: OFFICE / SHOP BUILDING VALUE – IS NOT CORRECT

During the course of the hearing the Complainant withdrew his argument with respect to the floor area of the subject improvements and accepted the calculations of the Respondent.

The subject improvement has been assessed at its depreciated replacement cost using the Marshall & Swift valuation service. The Complainant argues that the building classification / code used by the Respondent is not correct.

The Complainant believes that the subject building is overvalued because the Respondent has not used the correct building classification / code from Marshall & Swift. The Complainant argued that the correct code is 494 – Light Industrial Manufacturing rather than code 495 – Heavy Industrial Manufacturing. In support of this argument, the Complainant submitted information on two comparable properties – Halliburton, located in the same area as the subject and a 'sister' property of the subject located in Edgar Industrial Park. The Complainant

stated that the sister building is a similar structure and is used for the same purpose as the subject building but is assessed with 494 classification and ranking (quality) of 2.5. The Halliburton building is assessed with a 494 classification and ranking of 3.0.

The Respondent argued against the comparables used by the Complainant, stating that the subject building has a 10 tonne crane with a 50 foot span and the two comparables support lesser capacity cranes - 3 tonne with 40 foot span.

The Complainant argued that the subject property differs from the Marshall & Swift description of 495 in that the subject does not have thick masonry, concrete, heavy gauge metal siding, and heavy duty or spark proof lighting. The Complainant admitted the subject building is of better quality than the comparables but argued that the best way to reflect the better quality would be to increase the ranking (quality) to 3.5 within a 494 classification. Doing so, the Complainant contended, would also account for the 10 inch concrete slab.

The Respondent argued that the ten inch concrete slab, 12 drive in bays and higher wall height support a 495 classification. The Respondent supported the cost valuation of the building with building construction costs at a total of \$9,406,263 in support of the assessed value before depreciation of \$8,822,023. The Respondent defended the values produced by Marshall & Swift stating that they are indexed results of actual costs and asserting that the Complainant failed to identify specific attributes or provide building specifications in support of their request for a 494 classification.

The Respondent made reference to an appraisal for the subject property in the amount of \$19,000,000 used by the Complainant for financing purposes in support for the total assessed value of \$16,500,500. The appraisal was not in evidence before the Board and therefore the Board placed no weight on this oral evidence.

In the absence of additional evidence, the Board is unable to accurately determine the similarity of the comparables. The lack of detailed information regarding the characteristics of the comparables and the characteristics of the subject makes it impossible for the Board to evaluate their respective classifications. The Board could not conclude from the information provided that the 495 classification is inappropriate. The consensus of the parties that the building is better than the comparables seems to indicate that the classification of 495 is appropriate.

The Board was not presented with sufficient evidence to support a change in classification from 495 to 494. Based on the foregoing and the general description of the 495 classification and the pictures supplied by the Complainant, the Board finds that the subject building fits into the 495 classification.

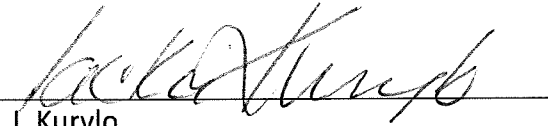
The Board changes the assessment of the subject property as follows:

\$ 4,205,200 Land
\$ 10,893,600 Improvements

\$ 15,098,800 Total

Dated at the City of Red Deer in the Province of Alberta this 14 day of October, 2010 and signed by the Appeals Coordinator for the Presiding Officer on behalf of all three panel members who agree with this decision.

Cordially,



J. Kurylo

for: Myron Chilibeck, Presiding Officer

xc: MGB (via email only: mgbmail@gov.ab.ca)
Altus Group (via email only: calgarytax@altusgroup.com)

The Municipal Government Act provides the right for you to appeal this decision to the Court of Queens Bench on a question of law or jurisdiction of the Board within 30 days of receiving this letter.

If you have any questions concerning these matters, please contact the Regional Assessment Review Board Clerk at 403.342.8132.