

Central Alberta

Regional Assessment Review Board

Decision # CARB 0262 501/2012

Complaint ID 501

Roll # 2012845

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: AUGUST 28, 2012

PRESIDING OFFICER: M. CHILIBECK

BOARD MEMBER: T. STEVENS

BOARD MEMBER: A. KNIGHT

BOARD CLERK: S. PARSONS

BETWEEN:

RIVER POINTE CROSSING LIMITED

Complainant

-and-

THE CITY OF RED DEER

Respondent

BACKGROUND

[1] This is a complaint to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by the Assessor of the City of Red Deer and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER	2012845
MUNICIPAL ADDRESS	5330 58A Street
ASSESSMENT	\$5,158,000

[2] This complaint was heard by the Composite Assessment Review Board (Board) on 28th day of August 2012 in the Council Chambers of the City Hall in the City of Red Deer

[3] Appeared on behalf of the Complainant

A. Lapante, River Pointe Crossing Limited

H. Wyatt, River Pointe Crossing Limited

[4] Appeared on behalf of the Respondent

M. Arnold, property assessor of The City of Red Deer
T. Larder, property assessor of The City of Red Deer

JURISDICTION

[5] The Central Alberta Regional Assessment Review Board (hereinafter, "the Board") has been established in accordance with section 456 of the *Municipal Government Act R.S.A. 2000, ch M-26* (hereinafter, "the MGA") and the *City of Red Deer Assessment Review Board Bylaw 3441/2009*.

[6] Neither party raised an objection to any Board member hearing the complaint.

[7] No procedural or jurisdictional matters were raised by either party.

PRELIMINARY MATTER

[8] During the Complainant's presentation of argument and evidence, the Complainant attempted to provide sales information which was objected to by the Respondent. The Board recessed the hearing to allow the Complainant to share the information with the Respondent and for the Respondent to determine whether it would be acceptable. Upon resuming the hearing the Respondent advised that the information was not acceptable because it is new information that was not exchanged by the Complainant 42 days prior to the hearing date, as required by s.9 MRAC (Matters Relating to Assessment Complaints Regulation).

[9] The Board decided the Complainant's sales information was not acceptable as evidence because it was not disclosed according to s.8(2) of MRAC, that is the Complainant must disclose to the Respondent the documentary evidence at least 42 days prior to the hearing date and s.9(2) MRAC directs that "A composite assessment review board must not hear any evidence that has not been disclosed in accordance with section 8".

PROPERTY DESCRIPTION

[10] The subject property is a 4.23 acre, irregular shaped multifamily parcel located in the Riverside Meadows subdivision adjacent to the Red Deer River in north Red Deer. As of December 31, 2011 there were 2 townhouse complexes of 6 units each, and one 10 unit apartment building all in various stages of completion. It is anticipated that eight additional townhouse complexes will be constructed on the subject parcel of land.

ISSUES

[11] The Complainant identified the matter of an assessment amount as under complaint on the Assessment Review Board Complaint Form. The Board identified the following issues:

1. Should entrepreneurial profit be included in the construction costs provided by the Complaint?,
2. What per cent of completion of construction were each of the complexes as of December 31, 2011?

COMPLAINANT'S REQUESTED VALUE

[12] The Complainant's requested value is \$4,417,043.

BOARD'S FINDINGS IN RESPECT OF EACH ISSUE

1. Entrepreneurial Profit

Complainant

[13] The Complainant stated that the assessment is too high and submitted a written statement concerning the value of the land and a list of building costs incurred for the subject improvements under construction as of December 31, 2011.

[14] The Complainant asserted the land value is \$2,400,000 as shown on the transfer from 1324888 AB Ltd. to River Pointe Crossing Ltd.

[15] The Complainant claimed that the three subject complexes were not 100% complete as of December 31 and that each complex was in a different state of completion. Upon being questioned by the Board, the Complainant stated that the apartment complex was 70% complete, one townhouse complex was 85% complete and the other townhouse complex was 35% complete. The list of costs incurred shows that \$2,017,043 was incurred as of December 31. This cost was not allocated between each of the three complexes.

[16] The Complainant argued that the construction cost of \$2,017,043 plus the land value of \$2,400,000 should be the 2012 assessed value (total of \$4,017,043) for the subject property.

Respondent

[17] The Respondent stated that the construction costs submitted by the Complainant do not include Entrepreneurial Profit (EP). The Complainant's methodology for determining the value of the property is flawed because construction cost must include direct costs, indirect costs, and EP. The Respondent made reference to text books wherein it is stated that EP should be included as part of the construction costs incurred. A sufficient amount of profit should be included in the construction cost to cover the risk associated with constructing the improvements and reward the efforts of the entrepreneur and/or developer.

[18] The Respondent stated that the assessed value of the subject land is \$2,520,400 which was determined from the sale of other large multi-family parcels in Red Deer. Also, the transfer referenced by the Complainant is between related parties and is considered a non-arms length sale. The Respondent stated that the assessed land value and the Complainant's transfer value are within 5% of each other and opined that the land is assessed fairly.

Board's Finding

[19] The Board is persuaded by the Respondent's argument and evidence that an amount for EP should be included with the construction cost of the subject improvements. The Board accepts the Respondent's reference to text books on assessment and appraisal of real estate and finds that the total construction costs should include EP. A building contractor would include

an amount for profit with the costs to cover the risk associated with the construction and to reward the entrepreneur for incurring the risk of constructing the improvements.

[20] Neither party identified what would be a reasonable amount to include with the construction costs and therefore the construction costs as submitted by the Complainant understates the construction value of the subject improvements as of December 31.

2. Per Cent Completion

Complainant's Position

[21] The Complainant stated that as of December 31, 2011, there were 22 units in three complexes under construction, all of which were considered to be a work in progress. No units were 100% completed as of December 31, 2011. Each complex was in a different state of completion and, upon being questioned, the Complainant identified that the apartment complex was 70% complete, one townhouse complex was 85% complete and the other townhouse complex was 35% complete.

Respondent's Position

[22] The percent completion used by the Respondent to determine the assessment of each complex was made in consultation with representatives of the Complainant in November, 2011 and it was estimated that as of December 31, 2011, the apartment complex would be 70% complete, the 100 block townhouse complex would be 100% complete and the 200 block townhouse complex would be 40% complete. The Respondent stated that it was not possible to follow up on completion percentages with the Complainant's staff in December nor was a visual inspection conducted on the properties in December, 2011.

Board's Finding

[23] The Board is persuaded by the Complainant's testimony and construction cost rendition that the subject complexes were not 100% complete as of December 31, 2011. The percent completion was estimated by the Respondent and the Complainant's representative. The Respondent did not follow up with the Complainant as to the state of construction as of December 31 nor did the Respondent follow up with an onsite inspection of the improvements. The Respondent has no evidence to support the percent complete was as assessed.

[24] The Board is persuaded by the Complainant's testimony that the apartment complex was 70% complete, one townhouse complex was 85% complete and the other townhouse complex was 35% complete.

Additional Information

[25] The Board found that in order to apply the percent complete to each complex, additional information was required to determine the final assessment of the improvements. The Board requested the Respondent to produce the following information:

1) A breakdown of the total assessed value of the property showing the amount attributable to land and each of the three complexes (improvements) (2 townhouse complexes and 1 apartment complex).

2) The value of each complex (not including land value) at full value (100% complete)

3) The percentage of completion applied to each complex at full value (not including land value).

[26] The Respondent provided the requested information and in response to the Respondent's information the Complainant provided a spread sheet showing the value of each complex, represented by individual unit actual sales as of May 15, 2012.

[27] The Respondent rebutted the Complainant's response arguing that the Complainant's spreadsheet should not be accepted by the Board because it is new evidence and is similar to the evidence that was not accepted as evidence at the outset of the hearing.

[28] The Board placed no weight on the Complainant's response and the Respondent's rebuttal. The information provided by the Respondent was sufficient for the Board to determine the final assessed value for each improvement complex based on the Board's findings above as to the percent complete for each complex.

SUMMARY

[29] Board finds that EP should be included with the construction costs; however no amount was identified by either party. The best information before the Board is the percent complete identified by the Complainant and the 100% value for each complex provided by the Respondent.

DECISION

[30] For the reasons set out above, the assessed value of the subject property is VARIED as follows:

Roll 2012845 \$4,996,200

Dated at the City of Red Deer, in the Province of Alberta this 18 day of October, 2012 and signed by the Presiding Officer on behalf of all panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



S. Parsons, Board Clerk on behalf of
M. Chilibeck, Presiding Officer

This decision can be appealed to the Court of Queen's Bench on a question of law or jurisdiction. If you wish to appeal this decision you must follow the procedure found in section 470 of the Municipal Government Act which requires an application for leave to appeal to be filed and served within 30 days of being notified of the decision. Additional information may also be found at www.albertacourts.ab.ca.

APPENDIX "A"

Documents Presented at the Hearing
And considered by the Board

NO.

ITEM

1. C1 Complainant's Disclosure of Evidence as attached to the Complaint form
2. R1 Respondent's Disclosure of Evidence
3. R2 Assessment Information Provided by Respondent

FOR MGB ADMINISTRATIVE USE ONLY

Decision No. 0262-501/2012			Roll No. 2012845	
<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Residential	-Walk-up apartment -Townhouses	Cost Method	Improvement Calculation