

# Central Alberta

Regional Assessment Review Board

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Decision No. 0262 548/2013

Complaint ID 548

Roll 1940050

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## 2013 ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: 23 July 2013

PRESIDING OFFICER: M. CHILIBECK

BOARD MEMBER: R. SCHALLER

BOARD MEMBER: D. MOORE

BOARD CLERK: S. PARSONS

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### BETWEEN:

8113947 Canada Inc.

Complainant

-and-

The City of Red Deer

Respondent

[1] This is a complaint to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by the City of Red Deer and entered in the 2013 Assessment Roll as follows:

ROLL NUMBER:	1940050
MUNICIPAL ADDRESS:	6517 – 67 Street
ASSESSMENT:	\$6,166,900.

[2] The complaint was heard by the Central Alberta Regional Composite Assessment Review Board (Board) on the 23rd day of July, 2013, in the Crimson Star Meeting Room, in City Hall, at the City of Red Deer.

Appeared on behalf of the Complainant: S. Cook, Representing Colliers International, Valuation & Advisory Services

Appeared on behalf of the Respondent: R. Kotchon, Representing the City of Red Deer, Revenue & Assessment Services

## **JURISDICTION**

[3] 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*.

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

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

## **PRELIMINARY MATTER**

[6] No Preliminary Matter was brought forth.

## **BACKGROUND**

[7] The subject property is a single-tenant, owner-occupied, one storey, industrial warehouse/office/retail building located on the south side of 67<sup>th</sup> Street; a main east/west roadway that connects with QE II and Highway 11 to the east. The subject is located in the Golden West Industrial District of northwest Red Deer.

[8] The subject property is comprised of a building with 79,500 sq. ft of leasable area located on a parcel of land with 4.99 acres. The building is constructed in five sections; 7,714 SQ.FT. in 1973, 3,596 SQ.FT. in 1975, 8,190 SQ.FT. in 1981, 30,000 SQ.FT. in 1991 and 30,000 SQ.FT. in 2008.

[9] The subject property is occupied by Westward Parts Services Ltd., "Canada's leading wholesale distributor of "all makes" agricultural parts and small sprayer, grounds maintenance and recreational equipment to assist farmers, ranchers, manufacturers, industrial shops, acreage owners, mills, and others through a network of Equipment Dealers and Service Repair Centers throughout North America."

## **ISSUES AND FINDINGS**

[10] The Complainant identified one matter on the Assessment Review Board Complaint form; an assessment amount, which applies to the complaint and on an attachment outlined several reasons for the complaint.

[11] At the hearing, the Complainant confirmed that the matter of the assessment amount is under complaint and advised that the issue of the rental rate is under contention, specifically:

1. The market rental rate should be \$5 per SQ.FT. of leasable area rather than the blended assessed market rental rate of \$7.38 per SQ.FT.

### **Complainant's Requested Value**

[12] As per disclosure of evidence: \$4,197,600.

#### **1. Rental Rate**

##### **Complainant:**

[13] The Complainant agreed with the Respondent in the use of the capitalized income method to value the subject property however, argued that the market rental rate should be \$5 per SQ.FT. of leasable area.

[14] The Complainant asserted that the subject building of 79,500 SQ.FT. is unusually large and therefore makes it difficult to find similar comparables in the City of Red Deer. As a result only one comparable from The City of Red Deer was provided together with seven comparables from outside the City.

[15] The comparable from the City has a net rentable area of 153,052 SQ.FT. and a rental rate of \$4.75 per SQ.FT. which was corrected by the complainant to \$5.80 upon realizing that this comparable is under a 25 year step-up lease that commenced in the year 2000.

[16] The other comparables range in area from 78,000 to 142,200 SQ.FT. and the rental rates range from \$3.56 to \$7.40 per SQ.FT.

[17] The average rental rate of the eight comparables is \$5.58 per SQ.FT. (adjusted to \$5.72 when corrected rental rate is used). The Complainant asserted that in their professional opinion, the market rental rate as of July 1, 2012 is \$5 per SQ.FT.

##### **Respondent:**

[18] The assessment of the subject property is based on a rental rate of \$7 per SQ.FT. on 49,500 SQ.FT. and \$8 per SQ.FT. on 30,000 SQ.FT. (blended rate of \$7.38 per SQ.FT.) for an assessment of \$6,166,900 or \$78 per SQ.FT. of building area.

[19] The Respondent drew the Board's attention to the fact that the subject property sold in April, 2012 for the consideration of \$7 million and provided a copy of the Affidavit Re Value of Land which shows the consideration paid is "By Cash - \$7,000,000.00" and "The current value\* of the land\*\*", in my opinion is \$7,000,000.00."

[20] The Respondent argued that there are similar comparable properties in the City of Red Deer and that the one comparable provided by the Complainant from the City of Red Deer is not similar to the subject because it is double the size of the subject at 153,052 SQ.FT. and is under a 25 year lease which commenced in the year 2000 at \$4.75 per SQ.FT.

[21] Five equity comparables from the City were provided which ranged in building area from 40,520 to 70,845 SQ.FT. (not including the complainant's comparable of 153,052 SQ.FT.) and assessed at rental rates that range from \$8 to \$9.67 per SQ.FT. in support for the subject's blended rental rate of \$7.38 per SQ.FT.

[22] Seven sale comparables from the City were provided which ranged from 13,808 to 33,454 SQ.FT. and sale prices ranged from \$70 to \$175 per SQ.FT. in support for the subject's assessment at \$78 per SQ.FT.

**Board Findings:**

[23] The Board finds the Complainant's comparables are not similar to the subject property to change the assessed rental rate to \$5 from \$7.38 (blended) per SQ.FT.

[24] Of the eight comparables, three are similar to the subject in area, which ranges from 78,000 to 79,500 SQ.FT., and range in rental rate from \$5.51 to \$7.40 per SQ.FT. One comparable is notably newer and no age was provided for the other two comparables. Two of the three comparables are multi tenant properties and one is single tenant. These comparables indicate that the rental rate could be higher than the complainant's requested rate of \$5 per SQ.FT.

[25] As with all of the Complainant's comparables, the Board finds that the Complainant did not provide sufficient information regarding the various property characteristics such as tenancy, year of construction or type of property to show similarity to the subject. Also, the characteristics provided varied significantly for the most part, such as building area, site coverage, year of construction and lease term. The Board was not provided with an analysis of the information provided to clearly understand how the comparables, which range in rental rate from \$3.56 to \$7.40 per SQ.FT. with an average of \$5.72 per SQ.FT., support the Complainant's request for a reduction in the assessed rental rate to \$5 per SQ.FT..

[26] The Board accepts the Respondent's argument that there are comparables of sufficient similarity in the City of Red Deer to determine the market rental rate for the subject property and therefore it is not necessary to use comparables from outside the City of Red Deer. The Board finds this is supported by the Respondent's equity comparables. However, this is not so evident in the Respondent's sale comparables which are significantly less in building area.

[27] The Board placed little weight on the sale price of the subject property. The Complainant advised that he became aware of the sale upon receiving the Respondent's disclosure and offered oral argument that the sale was one of three properties sold in one transaction and involved "business interest" and therefore considered the subject sale as not at arm's-length.

[28] The Respondent was not able to answer the Board's questions regarding the directors and shareholders of the transferor and transferee, both being numbered companies, to determine whether any of the directors and shareholders of both numbered companies are the same, and if so, an indication that the sale may not be an arms-length transaction.

[29] The Board concludes that the Complainant did not provide sufficient persuasive evidence to justify a variance of the rental rate and therefore confirms the assessed rental rate at \$7 and \$8 per SQ.FT. of building area (or the blended rate of \$7.38).

**SUMMARY**

[30] For the reasons noted above the assessed value of the subject property is **CONFIRMED** as follows:

Roll #1940050                      \$ 6,166,900.

Dated at the City of Red Deer, in the Province of Alberta this 22 day of August, 2013 and signed by the Presiding Officer on behalf of all three panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



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](http://www.albertacourts.ab.ca).**

**APPENDIX "A"**

Documents Presented at the Hearing  
and considered by the Board

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NO.

ITEM

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| 1. A1 | Agenda                   |
| 2. C1 | Complainant's Disclosure |
| 3. R1 | Respondent's Disclosure  |

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Decision No. 0262 548/2013			Roll No.1940050	
<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Industrial	Warehouse	Market Value	Rental Rate