

Central Alberta

Regional Assessment Review Board

CARB 0262 1181 2019

Complaint ID 1181

Roll No. 30008800595

COMPOSITE ASSESSMENT REVIEW BOARD DECISION

HEARING DATE: July 11, 2019

PRESIDING OFFICER: J. DAWSON

BOARD MEMBER: M. CHILLIBECK

BOARD MEMBER: D. DEY

BETWEEN:

1726275 ALBERTA LTD.

Complainant

-and-

THE CITY OF RED DEER

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by the Assessor for The City of Red Deer as follows:

ROLL NUMBER:	30008800595
MUNICIPAL ADDRESS:	99 Quinn Avenue, Red Deer, AB
ASSESSMENT AMOUNT:	\$ 4,039,200

The complaint was heard by the Composite Assessment Review Board on the 11th day of July 2019, in Council Chamber of Red Deer City Hall within the city of Red Deer, in the province of Alberta.

Appeared on behalf of the Complainant:

B. PEACOCK	Agent, Avison Young
C. FARLEY	Agent, Avison Young

Appeared on behalf of the Respondent:

C. GREEN	Assessor, The City of Red Deer
J. MILLER	Assessor, The City of Red Deer

DECISION:

1. The complaint is accepted with a rental rate of **\$10.61** on the entire area and the subject property assessment is changed to **\$3,748,000**.

JURISDICTION:

2. 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"], and The City of Red Deer bylaw.

PROPERTY DESCRIPTION AND BACKGROUND:

3. The subject property is a single-tenant industrial warehouse built in 2013 on 2.92 acres of land located in the Queens Industrial Park at 99 Quinn Avenue, Red Deer, AB.
4. The income approach to valuation was utilized with the following parameters:

Description	Area (Square Feet)	Rate	Potential Gross Income
Warehouse 3	24,988	\$12.50	\$312,350
Office Mezzanine	4,300	\$5.00	\$21,500

5. A non-recoverable allowance of two percent (2%) was applied to the potential gross income. An operating cost allowance of \$4.00 per square foot and a vacancy allowance of ten percent (10%) was applied to the potential gross income.

PRELIMINARY MATTERS:

6. The Board Chair confirmed that no Board Member raised any conflicts of interest regarding matters before them. The Presiding Officer acknowledged that based on the name of the business on the complaint form that he believed he knew the owners but did not have a bias.
7. Neither party raised any objection to the panel hearing the complaint.
8. The Complainant and Respondent confirmed the complaint information before the board is solely regarding the overall assessment amount.
9. No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.
10. The Board confirmed the submissions of the parties and entered the Exhibits into the record. See Appendix for details.

ISSUES:

11. The Board considered the parties' positions and determined the following question is to be addressed within this decision:

What is the correct applied lease rate to calculate an assessment of the subject property on July 1, 2018?

POSITION OF THE PARTIES:

Position of the Complainant

12. The Complainant reviewed the subject property including; its location, photographs, land area and assessed rental rate of each space. The Complainant argued that the building is purpose built for the owner with less than typical overhead door count and not easily comparable to a typical industrial warehouse.
13. The Complainant provided eight leases of comparable industrial warehouse properties with lease commencement dates between March 2016 and January 2018. The leases have varying terms shown between one and five years. Leases that contained prescribed increases during the term were averaged. The median was calculated at \$10.10 per square foot and the average was \$9.73 per square foot.
14. The Complainant included four additional leases it obtained from a disclosure package on a different property in 2018. The lease commencement dates are between January 2016 and August 2017. No terms are provided. The median was calculated at \$10.67 per square foot and the average was \$10.62 per square foot.
15. The Complainant explained that the best evidence was a combination of both groups of leases that contained more than 15,000 square feet. Six leases remained with lease commencement dates of January 2016 through January 2018. The median was calculated at \$10.50 per square foot and the average was \$10.13 per square foot.
16. The Complainant reviewed a sale comparable adjacent to the subject property. The sale at 158 Queens Drive occurred on July 13, 2017 involving 4.67 acres and a total square footage of 32,920. The indicated value per square foot is \$136.70. The Complainant argued that the value per square foot is similar to the assessment of the subject property; however, the sale property has additional development potential and has superior access, which needs to be adjusted.
17. The Complainant argued that, based on the developer's (the Respondent's) raw land sales guide, the superior corner lot attribution must be adjusted by 10%. Additionally, based on a typical site coverage of 20%, the value of the extra land must be adjusted.
18. The Complainant explained its calculations resulting in a value per square foot of \$116, which calculated a final request of \$3,397,400.

Position of the Respondent

19. The Respondent reviewed the subject property including; interior, street level and aerial photographs, depicting its condition and location.
20. The Respondent provided three equity comparable properties to show the consistent application of the rental rates.
21. The Respondent included seven lease comparable properties showing an average for main level area of \$13.43 per square foot, a median of \$12.95 per square foot and a weighted average of \$13.22 per square foot. The lease commencement dates are between July 2015 and January 2018. No terms were provided.
22. The Respondent provided eleven sales comparable properties of different classes of industrial warehouses to illustrate that the sales do not support the requested assessment with a median of \$155.20 per square foot compared to the subject's property assessment of \$137.91 per square foot.
23. The Respondent requested the Board to concentrate its attention on two of the sale comparable properties, both of which are near the subject property, and are similar in age and size.
24. During the hearing, the Respondent pointed out errors of photographs and area within the Complainant's disclosure documents.
25. In summation, the Respondent reviewed its concerns and explained some information on quality attributes (building height and superior loading dock). The Respondent requested that the assessment be confirmed with no changes at its original assessment of \$4,039,200.

BOARD FINDINGS and DECISION

26. The Board finds the appropriate method of calculating lease rental rates is using information that is consistently applied and verifiable.
27. The Board considered the adjustments provided by the Respondent and was unable to confidently accept that mezzanine finished area is worth \$5.00 per square foot and unfinished mezzanine space has zero value.
28. The Board finds the evidence supplied by both parties indicated a value per square foot for the entire leased area, regardless if it is main floor warehouse or mezzanine office space.
29. The Board is not aware of the mind of each purchaser or lessee; however, the lease information supplied revealed a single rate for the entire floor area (main floor and mezzanine). Additionally, the evidence did not indicate that partially developed space on the mezzanine with windows, walls, stairways and doors was of no value, as suggested by the Respondent, because it was not finished to an office standard.
30. The Board considered lease start date in comparison to the valuation date and finds that a value of \$10.61 per square foot is supported by market information for the entire area of the subject property.

31. The Board finds the following leases as comparable properties for the subject property:

Address Provided	Total Area	Lease Date	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Average Lease Rate	
30 Belich	47,756	Jan-18	\$ 9.00	\$ 9.00	\$ 10.00	\$ 11.00	\$ 11.00	\$ 10.00	
Edgar	26,440	Mar-16	\$ 11.20					\$ 11.20	
Edgar	16,440	Jan-16	\$ 9.15					\$ 9.15	
7739 Edgar	30,800	Mar-16	\$ 10.50	\$ 10.50	\$ 11.00	\$ 12.00	\$ 13.00	\$ 11.40	
Edgar	20,138	Jan-18	\$ 10.33					\$ 10.33	
Edgar	23,910	Aug-17	\$ 12.04					\$ 12.04	
Edgar	22,526	Oct-17	\$ 11.46					\$ 11.46	
Burnt	27,200	Jul-15	\$ 9.27					\$ 9.27	
								Median	\$ 10.77
								Average	\$ 10.61

DECISION SUMMARY

32. The complaint regarding the subject property is accepted and a rental rate of \$10.61 has been applied to the entire area of 29,488 square feet to calculate an overall assessment value of \$3,748,000.
33. Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 9th day of August, 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.


 FOR: J. DAWSON
 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 (7 pages)
2.	C.1	- Complainant Disclosure (80 pages)
3.	R.1	- Respondent Disclosure (18 pages)
4.	C.2	- Complainant Rebuttal Disclosure (12 pages)