

IN THE MATTER OF A COMPLAINT filed with the Flagstaff County Inter-Municipal Composite Assessment Review Board (CARB) pursuant to Part 11 of the *Municipal Government Act* being Chapter M-26 of the Revised Statutes of Alberta 2000 (Act).

BETWEEN:

WMJ Metals Ltd. represented by Bill Moure, president- Complainant

- a n d -

Town of Hardisty - Respondent, represented by Gary Barber, assessor.

BEFORE:

Members:

D Trueman, Presiding Officer

L Simpson, Public Member

H Haugen, Public Member

A hearing was held on October 31, 2012 in the Flagstaff County offices, 12435 Township Road 442, Sedgewick, Alberta. Flagstaff County, Special Projects Coordinator, Leslie Heck was present to assist with management of the official documents record and electronic recording equipment. The hearing was for the purpose of considering complaints about the assessment of the following property:

Roll number: 590000

Civic address: 4639 49 Street, Hardisty, Alberta

2012 assessment: \$424,260

PART A: PROCEDURAL or JURISDICTIONAL MATTERS

The CARB derives its authority to make procedural decisions under Part 11 of the Act and accordingly placed the parties under oath. Upon questioning by the Presiding Officer there was no objection to either the hearing procedures or the composition of the panel.

PART B: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

The property under complaint is described for assessment purposes as a warehouse demonstrating an effective year built of 1994 and containing 6000 ft.² on a land base of 0.76 acres. The building is in agreed average condition and is leased, generating net rents of \$26,251 per year.

PART C: ISSUES

The Complainant specifically itemized number 3 on his complaint form, which is *assessment amount*. He said that in his opinion, which was based upon two, year over year, assessment increases of 38% and 25%, the assessment of the subject property should be **\$359,810**.

The issue to be decided is whether or not the respondent's comparable sales and analysis supported his, mandated, mass appraisal assessment process.

PART D: COMPLAINANT POSITION

The complainant testified that his assessment notice indicated that his July 1, 2011 valuation date assessment for 2012 tax purposes indicated a market value of \$424,260. The panel were advised that his assessment had increased 38% from his 2009 assessment for tax purposes and that this latest increase represented a further 25% increase. He said that in his opinion the first increase was justified but that the second increase was not. Exhibit C1, was presented to support this argument as the complainant testified that he had met with the assessor on August 24, 2012 and that he had been provided with sales comparables, three of which he said were relevant. He cited these comparables, which ranged in sale amounts from \$53.07 a square foot to \$58.00 a square foot, once considerations for second-floor space had been accounted for. The complainant testified that a cost approach to value of \$578,680 and using Canada Revenue Agency depreciation allowances, plus land value, revealed a current property value of \$307,640. The complainant presented a chart of his annual operating income for 2011 which depicted \$38,895 in gross rents yielding \$26,251 after expenses, to which he proposed a capitalization rate of 8%. Based upon the foregoing an income approach suggests a current market value for the subject property of \$328,140. Finally, the Board were directed to a letter from a local Realty Executives, Broker/Owner who in written testimony indicated that the best comparable for the subject property sold in June 2011 for \$375,000. Under these circumstances the letter went on to say that the subject property should be valued in the range of \$350,000-\$375,000.

PART E: RESPONDENT POSITION

On page 4 of exhibit R1 the respondent outlined assessments for the subject property for previous assessment years and they are as follows: 2009 at \$260,440, 2010 at \$359,810 and 2011

at \$424,260. The assessor presented comparable sales which occurred through the 2010 to 2011 time frame. These sales ranged in value from \$53.11 per square foot to \$67.75 per square foot, once the assessor had abstracted out land value. The assessor then went on to adjust these sales amounts, accounting for building age, thus resulting in unit amounts of \$53.90 a square foot to \$69.85 a square foot. . He said that once the subject land value was added back in, this represented good support for his assessment for the subject property of \$70.71 per square foot overall. He also provided assessment amounts for the above sales and pointed out that his assessment to sales ratios were consistent at 97% and 98%. He presented evidence of additional assessment comparables which he said were similar to the subject property and which supported the fact that assessments in the town of Hardisty were similar on similar buildings.

PART F: DECISION

The complaint is allowed and the assessment is set at **\$359,810..**

It is so ordered.

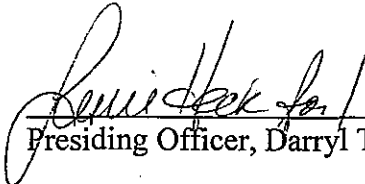
PART F: REASONS

The panel notes *Matters Relating to Assessment and Taxation Regulation Alberta Regulation 220/2004 Part 1, Standards of Assessment Sec 3 any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year and in Definitions Sec 1 (f) "assessment year" means the year prior to the taxation year.* Therefore, the assessment years as referenced by the respondent on page 4 of his document R1 should have in fact been expressions of market value for July 1 of the preceding year.

The panel noted that the subject assessment was at the high end of the range of un-abstracted unit sales values, once the sale of the smallest 1800 ft.² property had been removed. It is an axiom that smaller properties tend to sell for higher unit values. Given that the subject property was in agreed average condition and on a smaller land base relative to two of the remaining comparables it was decided that an overall market value at the lower end of the overall (un-abstracted) range or \$57-\$59 a square foot was appropriate. The panel further noted that the complainant's requested assessment amount represented \$59.96 a square foot. Given that the panel were unable to find support for the respondent's method of adjustment and also in consideration of the complainant's cost and income approach to value methods, the CARB decided that there was indeed evidence that the assessment was high. At hearing the respondent testified that the real estate market generally, in "East Central Alberta", had been flat or very little increase in property values had been demonstrated through the relative time period. Finally the panel agreed that the Realty Executives letter provided additional support for the complaint. In view of the foregoing, the preponderance of evidence favored the complainant and the CARB decided that an assessment of \$359,810 was fair and reasonable.

BOARD ORDER File #2012-02

Dated at the town of Sedgewick in the Province of Alberta, this 19th day of November 2012.


Presiding Officer, Darryl Trueman

APPENDIX "A"

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB:

| NO. | ITEM |
|----------------|----------------------|
| 1. Exhibit.C-1 | complainant evidence |
| 2. Exhibit R-1 | respondent evidence |

FOR ADMINISTRATIVE USE

| Subject | Property Type | Property Sub-Type | Issue | Sub-Issue |
|---------|---------------|-------------------|-------|-----------|
| CARB | Warehouse | Single tenant | | |