

Assessment Bulletin

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REVISED CRIB-STYLE GRAIN ELEVATOR ASSESSMENT GUIDELINE

The Assessment Services Branch of Alberta Municipal Affairs has concluded that the previous crib-style grain elevator assessment guideline, which was developed in the early 1990s, does not reflect the current economic realities of Alberta's grain handling industry. Consequently, the branch has revised its guideline to assist Alberta's property assessors in the valuation of traditional elevators.

NOTE: This guideline is not intended for the assessment of high-throughput grain elevators, and rescinds any other department guideline previously associated with crib-style grain elevators.

Normal Physical And Functional Depreciation

The previous guideline considered traditional grain elevators to have an estimated age-life of 50 years. However, many of these elevators are demolished long before they reach 50 years of age. There have been instances where assessments on crib-type grain elevators have exceeded \$1,000,000 at the time of demolition.

To arrive at the depreciated replacement cost new (DRCN), the branch recommends that crib-style grain elevators be assessed at a 40-year age-life of replacement cost new (RCN), preferably using the table located in the 1984 Alberta Assessment Manual. The 40-year age-life is applicable to all grain handling buildings, regardless of age, and includes elevator annexes, and steel grain bins. It is recommended that a 40-year age-life be applied to all crib-style elevators, even those that have been delicensed.

Abnormal Depreciation – Delicensed Elevators

A maximum of 80 percent abnormal physical and functional depreciation should be applied to the normal physical and functional DRCN of delicensed traditional grain elevators. However, delicensed elevators that are used for special commodities (for example, peas, grass seed, lentils, mustard, etc.) should not receive this abnormal physical and functional depreciation.

Abnormal Functional Depreciation

Functional depreciation should be used as a measure of loss of value of a structure that cannot perform the function to make it competitive in the marketplace. When a property can no longer operate at industry standards, the owner must choose to upgrade, find an alternative use for the property, or suffer the loss of value.

Crib-style grain elevators can be examined using a number of characteristics in the determination of abnormal functional depreciation. For this purpose, car spots, scale platform size, storage capacity, and site characteristics are used.

In some cases, a crib-style elevator may meet the criteria for up to 60 percent in abnormal functional depreciation. However, the branch recommends that the total functional depreciation not exceed 40 percent of normal physical and functional DRCN.

Car Spots

Traditional elevators generally have three categories of car spots: those with less than 25 car spots available, those with 25 to 50 car spots, and those with more than 50 car spots.

The following is a suggested loss in value that should be applied to the normal physical and functional DRCN of a traditional grain elevator:

Less than 25 car spots.....	25%
25 – 50 car spots.....	5%
50 or more car spots.....	0%

Scale Platform Size

Many B-Train trucks that deliver grain in today's marketplace require a scale platform that is at least 85 feet long. However, traditional grain elevators generally have three categories of scale platforms: those less than 60 feet long, those between 60 feet and 85 feet long, and those 85 feet or longer.

The following is a suggested loss in value that should be applied to the normal physical and functional DRCN of a traditional grain elevator:

Less than 60 feet.....	15%
60 feet to 85 feet.....	5%
85 feet or larger.....	0%

Storage Capacity

Storage capacity can place limitations on a traditional elevator's ability to qualify for freight subsidies. Traditional elevators generally fall into one of four categories of storage capacity: those with less than 3000 tonnes, between 3001 and 4000 tonnes, between 4001 and 5500 tonnes, and those over 5500 tonnes.

The following is a suggested loss in value that should be applied to the normal physical and functional DRCN of a traditional grain elevator:

Up to 3000 tonnes.....	10%
3001 – 4000 tonnes.....	6%
4001 – 5500 tonnes.....	3%
5501 tonnes or more.....	0%

Site Characteristics

The attributes of a traditional grain elevator site can have a significant impact on the utility of the structure and the clientele that the company can accommodate. The degree of limitation is up to the assessor to determine. For example, an assessor may determine that a major limitation adjustment may be necessary if no trucks can access the site.

The following is a suggested loss in value that should be applied to the normal physical and functional DRCN of a traditional grain elevator:

Major Limitation.....	10%
Minor Limitation.....	1-5%
No Limitation.....	0%

Abnormal Economic (Locational) Depreciation

Modern grain terminal facilities may offer freight and grade incentives to their customers. Consequently, traditional grain handlers may experience the impact of this competition due to their proximity to a modern terminal.

The branch recommends that the following depreciation be applied to the normal physical and functional DRCN of traditional grain elevators:

0 to 51 km.....	20%
52 to 81 km.....	15%
82 to 121 km.....	10%
122 to 161 km.....	5%
More than 162 km.....	0%

If a traditional elevator is within 161 km of more than one high-throughput terminal, then the adjustment should be made based on the closest terminal.

The following two examples should clarify the application of this guideline.

Example #1

A crib-style elevator, built in 1983, is located in sunny downtown Onetown, Alberta. Some functional attributes have hampered the elevator's ability to accommodate its customers. Moreover, the elevator's proximity to a couple of high-throughput terminals has caused a number of customers to go "down the road" for their grain handling services. Here are the assessment details of this traditional grain elevator.

For the purpose of this example, the normal physical and functional depreciation is calculated using the 40-year age-life table located in the 1984 Alberta Assessment Manual.

RCN:

\$ 1,645,200

Normal physical and functional depreciation:

Age (Years)	18	29%	of RCN	\$ (477,110)
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DRCN:

\$ 1,168,090

Abnormal functional depreciation:

Car spots	20	25%		
Scale platform size (feet)	50	15%		
Storage capacity (tonnes)	4500	3%		
Site characteristics	Minor	<u>2%</u>		
Total		45%		
Maximum		40%	of DRCN	\$ (467,235)

Abnormal economic (locational) depreciation:

Distance to closest Modern Terminal (kilometres)	75	15%	of DRCN	\$ (175,215)
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Improvement assessment:

\$ 525,640

Example #2

Another traditional elevator, also built in 1983, is located on the outskirts of Anotherville, Alberta. This elevator has succumbed to a high-throughput terminal just out of town and is now closed. Here are the assessment details of this crib-style grain elevator.

For the purpose of this example, the normal physical and functional depreciation is calculated using the 40-year age-life table located in the 1984 Alberta Assessment Manual.

RCN:

\$ 1,645,200

Normal physical and functional depreciation:

Age (years)	18	29%	of RCN	\$ (477,110)
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DRCN:

\$ 1,168,090

Assessment status:

Closed	80%	of DRCN	\$ (934,475)
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Improvement assessment:

\$ 233,615

For more information regarding this guideline, please contact Ms. Karen Wronko, Manager, Procedural Policy, at (780) 422-8420.