
Cold Lake Composite Assessment Review Board

Citation: Lake City Motor Products Ltd. v The City of Cold Lake

Assessment Roll Number: 4000031101
Municipal Address: 6905 Voyageur Way
Assessment Year: 2019
Assessment Type: Annual New
Assessment Amount: \$6,810,500

Between:

Lake City Motor Products Ltd.

Complainant

And

The City of Cold Lake , Assessment and Taxation Department

Respondent

DECISION OF

Jasbeer Singh, Presiding Officer

Bob Buckle, Public Member

, Public Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties indicated they did not object to the Board's composition. In addition, the Board members stated they had no bias with respect to this file.

[2] The Presiding Officer informed the parties at the hearing that the panel for the day's hearing comprised of two members which met the quorum requirements as stated in *Section 458(2) of the Municipal Government Act RSA 2000*.

Preliminary Matters

[3] At the outset, the Board was informed that the Complainant's disclosure documents were received late; after the date indicated on the Notice of Hearing sent by the administration in accordance with *Section 8(2) of Matters Relating to Assessment Complaints (MRAC)*.

[4] The Complainant stated that most of the disclosure evidence had been included in an email sent to the assessor on April 08, 2019 and the Complainant erred in not submitting the additional hard copies of the same evidence to the City; owing to ignorance of the correct procedures.

[5] When asked by the Presiding Officer, the Respondent agreed to the Complainant's disclosure documents, the hard copies of which were received late by the City as well as by the Board; being admitted at the hearing.

[6] Noting the parties' agreement and in the interest of fairness and natural justice; the Board deliberated and decided to abridge the time for filing of the Complainant's disclosure to the date of hearing; *as permitted by the provisions of Section 23(1) of MRAC*. The Board is satisfied that the Respondent did not suffer any prejudice, since it received the disclosure electronically.

Background

[7] The subject property – known as 'Lake City Motors', is centrally located at 6905 Voyageur Way, on a 4.99 acre parcel of land zoned C2 – Arterial Commercial, in the City of Cold Lake. The subject development includes a 32,135 square foot (sf) automotive dealership building constructed in 2015.

[8] The subject property has been assessed using Market Modified Cost Approach based on the Marshall & Swift calculation model. The 2019 assessment has been set at \$6,810,500.

Issues

[9] Does the subject assessment correctly reflect the market value of the property on valuation date of July 01, 2018?

Summary of the Complainant's Position

[10] The Complainant provided the following information and evidence in support of the contention that the subject assessment was excessive and not reflective of the market value.

- a. The property was purchased for \$1,266,000 and due to an economic downturn in Cold Lake; the value has declined.
- b. The actual building costs amounted to \$3,700,000 in 2015; and buildings depreciate with age.
- c. Based on actual costs; the assessment should not be more than \$4,966,000 (\$1,266,000 + \$3,700,000).
- d. Previous year's assessment value was \$6,643,300 and this year's assessment of \$6,810,500; represents an inexplicable increase of \$167,200.

[11] The Complainant stated that the actual building size is 25,800 sf whereas the assessment is based on an incorrect building size of 32,135 sf. In response to questions at the hearing, the Complainant suggested that the upper floor offices, built for future use and presently vacant, should be excluded from the current year assessment.

[12] The Complainant also alleged that the land measures 4.37 acres and not 4.99 acres, as assessed.

[13] In response to questions at the hearing, the Complainant confirmed the following:

- a. A family member of the owner was the general contractor for the project; and was able to save up to \$1,000,000 of costs.
- b. No appraisal has been done to establish the market value from the owner's perspective.

[14] The Complainant concluded by requesting the Board to reduce the current year assessment to \$4,966,000; which is the actual cost incurred for the project.

Summary of the Respondent's Position

[15] The Respondent broke down the current year assessment as follows:

Land	\$1,024,100
Dealership (Building)	<u>\$5,786,400</u>
Total Assessment Value	\$6,810,500

[16] The Respondent provided details of Marshall & Swift valuation of the subject improvements and stated that the land had been assessed on its market value.

[17] Since auto dealerships rarely sell; in the interest of equity, assessments of all similar buildings in the municipality are based on Marshall & Swift Cost manual. The Respondent stressed that the assessments are not based on actual costs as these are not available to the assessment department.

[18] The Respondent stated that the footprint of the building is indeed, 25,800 sf, as stated by the Complainant; but the assessment also includes the office space on the upper floor, which, the Complainant has overlooked.

[19] The Respondent stated that the correct land area, as stated in the land title for the subject property is 4.99 acres and the same has been used for the current year assessment.

[20] The Respondent further submitted that the subject assessment of \$6,810,500 translates into per sf value of \$211.93. When compared with the assessment of three other auto dealerships in the municipality; the subject assessment is well within the range of other auto dealership assessments and being the newest; the assessment is close to the upper end of the range.

[21] Using the market data in respect of sales of retail and auto dealership properties in Edmonton, Sherwood Park, Leduc, Nisku and Fort Saskatchewan; the Respondent showed that retail properties sell at around 60% of the per sf selling price of auto dealerships. Using this yardstick, the Respondent argued that when the average selling price of retail properties in the City of Cold Lake - \$134.36 per sf is used as a reference point; the subject auto dealership would have a value of \$223.93 per sf ($\$134.36/60\% = \223.93); compared with an assessment of \$211.93 per sf.

[22] The Respondent argued that the Complainant's contention that the subject assessment is excessive, is based on the stated costs – which are not available to the assessor; and the assessment, on the other hand, the assessment is based on the M&S Cost manual; which makes assessments of similar properties fair and equitable. There being no evidence to question the correctness of the subject assessment; the Respondent requested the Board to confirm the assessment at \$6,810,500.

Decision

[23] The Board confirms the subject assessment set at \$6,810,500.

Reasons for the Decision

[24] The Board accepts the Respondent's obligation to establish assessment values that are reflective of the market values on the valuation date of July 01, 2018.

[25] The Board notes that the Complainant's concern is based on the belief that the subject assessment of \$6,810,500 is excessive when compared with the actual value of the land and the actual cost of construction; which totaled \$4,966,000. The Board places little weight on this evidence and argument because the owner's family member acted as the general manager and was instrumental in saving a substantial amount of cash flow. A saving, indeed, for the owner; but not a reduction in the market value of the property.

[26] The Board accepts the Respondent's position that there being no market sales of similar properties; the M&S Cost manual provides an independent industry standard for determining equitable assessment values.

[27] The Board places little weight on the Respondent's market evidence as this approach was not shown to be supported by any textbook, industry standard or recognized assessment practices.

[28] In view of the above and in the absence of any evidence which proves the subject assessment to be incorrect or inequitable; the Board confirms the current year assessment set at \$6,810,500.

Heard September 05, 2019.

Dated this 27th day of September 2019, at the City of Cold Lake, Alberta.



Jasbeer Singh, Presiding Officer

Appearances:

Ms. Debbie Tercier, Owner

Ms. Jennifer Philip, Business Development Coordinator

For the Complainant

Mr. Troy Birtles, Assessment/Taxation, City of Cold Lake

Mr. Joshua McMillan, Assessor, Assessment/Taxation, City of Cold Lake

For the Respondent

This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, RSA 2000, c M-26.

Appendix

Legislation

The *Municipal Government Act*, RSA 2000, c M-26, reads:

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

s 467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s 467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(a) the valuation and other standards set out in the regulations,

(b) the procedures set out in the regulations, and

(c) the assessments of similar property or businesses in the same municipality.

Exhibits

C-1 Complainant’s Brief

R-1 Respondent’s Brief