

LACOMBE COUNTY

COMPOSITE ASSESSMENT REVIEW BOARD ORDER

IN THE MATTER OF A COMPLAINT filed with the Lacombe County Composite Assessment Review Board pursuant to Part 11 of the *Municipal Government Act*, c. M-26 RSA 2000 (*Act*).

BETWEEN:

Baja Holdings BCS Inc. as represented by MNP LLP

Complainant

AND:

Lacombe County

Respondent

BEFORE:

H. Kim, Presiding Officer
D. Crout, Member
L. McLevin, Member

Secretariat:
M. Minchin, Board Secretary

This is a complaint to the Lacombe County Composite Assessment Review Board (CARB) in respect of a complaint of a property assessment prepared by the Assessor of Lacombe County and entered in the 2021 assessment roll as follows:

Name: Baja Holdings BCS Inc.
Roll Number: 3927281301
Civic Address: 27312 – 253 TWP RD 394
Legal Description: Lot 1B Block 3 Plan 1722762
Assessment: \$6,626,860

This complaint was heard on the 1st day of December, 2021, via Zoom videoconference.

Appeared on behalf of the Complainant: R. Bloom, MNP LLP

Appeared on behalf of the Respondent: L. Riep, Assessor, Lacombe County

PROPERTY DESCRIPTION AND BACKGROUND

[1] The subject property is an industrial warehouse in the Aspelund Industrial Park on the west side of Highway 2. It was constructed in 2009 and consists of 13,120 square feet (sf) of finished office space with 12 industrial bays totalling 30,600 sf, three on the south and nine on the north sides of the office. It is assessed using the cost approach based on 7.73 acres of fully serviced land at market value with a +20% influence adjustment for access/exposure to Hwy 2, for a land assessment of \$2,315,380 and improvements valued using Marshall and Swift (M&S) with the 43,720 sf office/warehouse at \$4,176,320, a frame and fabric building at \$39,890 and site improvements at \$95,270 for the improvement assessment of \$4,311,480 which, added to the land assessment, results in the \$6,626,860 assessment under complaint.

ISSUE

[2] The only issue in this complaint is whether the assessment reflects market value.

REQUEST

[3] The Complainant requested that the assessment be reduced to \$5,000,000.

COMPLAINANT'S POSITION

[4] The Complainant presented photographs of the property, which has been vacant since December 2019. A listing brochure from Re/Max Commercial Properties was submitted, which offered the property for \$4,999,000. The brochure was undated, but an email from the owner dated June 12, 2021 stated that the assessment at \$6,626,860 was too high as they had a deal last year at \$4.8 million that fell through. The listing price supports the requested assessment.

[5] A half interest in the property was purchased on December 21, 2012 for \$4,500,000 which represents a total value of \$9,000,000. Adjusted for inflation, this results in a present value of \$10,015,247. The property was subdivided into two parcels in 2017, and the north portion sold in 2019 for \$4,950,000 leaving a residual value of \$5,059,010 for the subject south portion. This also supports the requested assessment.

[6] With respect to the M&S calculation, the Complainant noted that for the subject building type, the M&S tables list 40 to 50 year age life depending on quality. In comparison, the Respondent used 70 year age life to calculate depreciation for the subject assessment. The Complainant presented photographs and assessments of other properties to argue that the applied rank is also overstated. The Complainant concluded that the value based on a reconciled replacement cost is \$5,188,702.

[7] Based on the analysis of listing price, residual value and reconciled replacement cost, the Complainant requested the assessment be reduced to \$5,000,000.

RESPONDENT'S POSITION

[8] The Respondent stated that lack of income data in the County results in valuation methods based on cost and sales comparison. He noted that while the Complainant raised the issue of assessment of the property as a whole, the primary concern is centred on the improvement component of the assessment, as there was no evidence to support a lower land assessment.

[9] The Respondent defended the use of a 70 year age life table from the Alberta Assessment

Manuals, and explained that M&S applies costs for different regions, but does not adjust for local market conditions, which must be made at the local level as determined by the local market. The applied rank was based on conversations with local builders while the project was developed and was assigned to the subject so as to have the M&S calculator achieve values representative of the actual construction costs.

[10] The Respondent presented a table of neighbouring properties and their assessments to show that the subject was assessed equitably, as well as sales from Nov 2018 to October 2019. The Assessment to Sales Ratio (ASR) of the sales were 85.8% to 110.3% and, overall, are within the required quality standards for assessment. The best comparable to the subject property is the August 2019 sale of the subdivided north portion of the original parcel, for \$4,950,000. At the time of sale, the assessment of that property was \$4,146,750. The Respondent noted that the building on the north subdivision was built in late 2013, after the 2012 sale for \$9,000,000. The assessment of that building was \$2,669,636 which must be added to derive a residual value for the subject. On that basis, the value of the subject is \$7,728,646.

[11] The Respondent agreed that there were signs on the property in 2020 advertising that it was for sale, but argued that other than the listing, the Complainant presented no evidence to support the claim that the assessment is too high. The market evidence, specifically the sale of the subdivided north property, supports the assessment and it should be confirmed.

DECISION

[12] The assessment is reduced to \$5,000,000

REASONS

[13] The CARB finds that asking price in the listing, the sale in 2020 that did not close, and the fact that the property has been vacant since December 2019 suggest that there is functional obsolescence in the improvement. All of the sales presented by the Respondent were significantly smaller than the subject, including the property to the north that was subdivided from the subject property. Under such circumstances, the CARB finds it apparent that there is little demand for a very large warehouse and office such as the subject, and its construction cost does not accurately reflect its market value. Additional depreciation over normal physical depreciation is appropriate.

[14] The asking price of an unsold listing does not provide an indication of market value; however, under the circumstances where a deal for slightly less was accepted but did not close, the CARB is persuaded that it represents the upper limit of market value during the valuation period. Accordingly, the assessment is reduced to the asking price of the listing.

Dated at Lacombe County, in the Province of Alberta, this 21st day of December, 2021.

For 

For H. Kim, Presiding Officer

APPENDIX “A”

DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE CARB:

NO.	ITEM
C1	Complainant Disclosure
R1	Respondent Disclosure
C2	Complainant Rebuttal

An application for judicial review of this decision may be made in accordance with the Municipal Government Act as follows:

- 470 (1) *Where a decision of an assessment review board is the subject of an application for judicial review, the application must be filed with the Court of Queen’s Bench and served not more than 60 days after the date of the decision.*
- (2) *Notice of an application for judicial review must be given to*
- (a) the assessment review board that made the decision,*
 - (b) the complainant, other than an applicant for the judicial review,*
 - (c) an assessed person who is directly affected by the decision, other than the complainant,*
 - (d) a municipality, if the decision that is the subject of the judicial review relates to property that is within the boundaries of that municipality, and*
 - (e) the Minister.*