
RECORD OF DECISION

CITY OF PRINCE ALBERT, BOARD OF REVISION

APPEAL NO.: 2020-14
ROLL NO.: 221-000-028
Hearing Date: June 11, 2020
Location: Room 237, 2nd Floor Boardroom
City Hall, City of Prince Albert
Note: Appellant and Respondent joined the hearing by
teleconference call

Appellant Stockyards (Prince Albert) GP Ltd.
Respondent City of Prince Albert
Board of Revision Jackie Packet, Chair
Ralph Boychuk, Member
Dan Christakos, Member

Representation

Appellant Agent: MNP (Wesley Van Bruggen)
Respondent Assessor: Vanessa Vaughan (City Assessor)
Dale Braitenbach (Assessment Appraiser)

Property Appealed

Civic Address 903-943, 801 15th Street East
Prince Albert, Saskatchewan
Legal Description Lot: 15 Block: 102 Plan: 102223426
Assessed Value \$11,297,200
Tax Class Commercial (100% of value)
Taxable Assessment \$11,297,200

Role of the Board of Revision

[1] The Board of Revision (Board) is an appeal board that rules on the assessment valuations for both land and buildings that are under appeal. The basic principle to be applied by the Board in all cases is set out in *The Cities Act*, which states the dominant and controlling factor in the assessment of property is equity. The Board's priority is to ensure that all parties to an appeal receive a fair hearing and that the rules of natural justice come into play.

[2] The Board may also hear appeals pertaining to the tax classification of property or the tax status of property (exempt or taxable). This does not mean the Board can hear issues relating to the taxes owed on property.

[3] Upon hearing an appeal the Board is empowered to:

- (a) confirm the assessment; or,
- (b) change the assessment and direct a revision of the assessment roll by:
 - a. increasing or decreasing the assessment;
 - b. changing the liability to taxation or the classification of the subject; or,
 - c. changing both the assessment and the liability to taxation and the classification of the subject.

Legislation

[4] Property assessments in Saskatchewan are governed by *The Cities Act*, *The Cities Act Regulations* and/or by board order of the Saskatchewan Assessment Management Agency (SAMA).

[5] The dominant and controlling factor in assessment is equity. (*The Cities Act*, 165(3))

[6] Equity is achieved by applying the market valuation standard. (*The Cities Act*, 165(5))

[7] The market valuation standard is achieved when the assessed value of property:

- (a) is prepared using mass appraisal;
- (b) is an estimate of the market value of the estate in fee simple in the property;
- (c) reflects typical market conditions for similar properties; and,
- (d) meets quality assurance standards established by order of the agency.

(*The Cities Act*, 163(f.1))

[8] Mass appraisal means preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing. (*The Cities Act*, 163(f.3))

Exhibits

[9] The following material was filed with the Secretary of the Board of Revision:

- a) Exhibit A-1 — Notice of appeal
- b) Exhibit A-2 — Letters of authorization (MNP to represent Appellant)
- c) Exhibit A-3 — Appellant's 20 day written submission
- d) Exhibit A-4 — Appellant's Rebuttal
- e) Exhibit R-1 — Respondent's 10 day written submission

Preliminary Matters

[10] At the request of the Board and in agreement with the Agent and the Respondent, this hearing will be recorded for use of the Board in rendering its decision.

[11] The Agent asked that appeal (A-2020-12) to be the lead appeal and all evidence and testimony be carried forward to appeal A-2020-14. The Respondent agreed.

[12] The Board ruled appeal A-2020-12 to be the lead appeal and all evidence and testimony from the Agent and Respondent will be carried forward and applied to appeal A-2020-14.

[13] In light of there being a lead appeal, the Board will render a decision on the lead appeal (A-2020-12) and apply that decision to appeal A-2020-14.

Appeal

[14] Pursuant to *The Cities Act*, section 197(1), an appeal has been filed against the property valuation of the subject property. The subject properties are newer retail centres located in the Municipality of Prince Albert, Cornerstone Development. The properties were constructed starting in 2002 until 2017 and the quality of these buildings is average. The cost approach, with market adjustment factor (MAF), was used to derive the 2020 assessment.

[15] The Appellant's ground state:

Ground 1: The market value standard requires the use of comparable properties to determine the value of the subject property. In reviewing the sales used by the City of Prince Albert, none of these properties are comparable in terms of size, location, year of construction, or potential purchaser. As such to use properties which are so different than the subject property in the analysis does not lead to a reasonable market value conclusion and as such the use of a MAF of 1.43 is flawed.

Ground 2: The cost approach is based on the principle of substitution. It asserts that a property would not sell for more than the cost to build a replacement. It is unreasonable to have a MAF of 1.43 to calculate the value of the subject property.

Ground 3: The City of Prince Albert significantly changed the calculated replacement value and slightly increased the area for building 10040134 increasing the replacement value from \$116.24 per sq. ft. to \$189.76 per sq. ft. As the only change in the building has been two new tenants moving in, this change in replacement value is unwarranted and the value should remain assessed at \$116.24 per sq. ft.

Agent

Ground 1: Land

[16] In the Agent's written submission and testimony to the Board, the Agent states:

- When considering the sales used to calculate replacement values, MNP has determined that several of the properties have been assessed with replacement values which are too high.
- The City properties are much older, single units rather than multiple, and much smaller in size and are, therefore, not comparable to subject property.
- The subject properties are more "National" or "International" in nature, whereas the replacement properties the City has used are more private enterprises.
- As properties are so different than subject property, the use of a MAF of 1.43 is an error. A MAF of 1 would be more accurate.

Ground 2: MAF

[17] In the Agent's written submission and testimony to the Board, the Agent states:

- When considering sales used to calculate the MAF, MNP has determined that the sales used are not comparable to the subject properties and as such as not appropriate to use when calculating the MAF for the property.
- Construction style/materials, condition of improvements, building configuration, site size, and location are the main variables or characteristics that make the subject properties non-comparable to sales used by the city to determine MAF.
- Harvard vs Saskatoon, Weyburn vs Walmart, SAMA Market Value Assessment Strip Commercial and Shopping Centre Guides, and Alberta Principles of Assessment for Assessment Review Board Members were referenced to support definition of comparability.
- By the principle of substitution, cost approach, affirms that a knowledgeable buyer would pay no more for a property than the cost to replace said building.

Ground 3: Replacement Value

[18] In the Agent's written submission and testimony to the Board, the Agent states:

- It is MNP's position that the 2020 assessment is high. The Land Market Valuation by the City for site area 4.95 acres (Dollarama/Bulk Barn/Prairie Mobile/Carters/Sherwin, Starbucks/Easy Financial/ Mucho Burrito, Popeyes, Prairie Dental/Edo Japan, Sea Cans) is \$11,297,200 Requested assessments by MNP is \$7,941,918
- The building originally contained a Popeye restaurant and the remaining space was vacant. Recently, the rest of the building has been rented to a dental office and another restaurant.
- For this property, the replacement value of the improvements increased by \$424,828 even though the total cost to build out the space was \$102,150 (\$40,0505 for Edo Japan and \$62,100 for Prairie Pines Dental)
- The 2019 assessment received a 16% adjustment for the lack of a tenant. Considering the property improvements and removing the adjustment, the replacement value of the building increased from \$769,104 to \$1,060,721 which equates to a \$291,617 increase in value.
- MNP position is that a cost per sq. ft. of \$116.24 is more indicative of the space than the City's use of \$189.76 per sq. ft.

Assessor

Ground 1: Land

[19] In the Assessor's written submission and testimony to the Board, the Assessor states:

- The City created the most comparable group of sales with the evidence available.
- Statistical testing is not solely used to form a comparable group.
- According to *The Cities Act* when determining the Market Valuation Standard four criteria must be met – use mass appraisal, estimate market value of property, reflects typical market conditions for similar properties and meets quality assurance standards.
- The City provided a chart with ten comparable properties resulting in a MAF of 1.43.

Ground 2: MAF

[20] In the Assessor's written submission and testimony to the Board, the Assessor states:

- Market Valuation Standard and the Regulated Property Assessment Valuation Standard as set out in *The Cities Act* was used to determine MAF of 1.43.

- Emphasis that is Saskatchewan site improvements are not costed out and generally are included in MAF calculations.
- Steps taken by assessors to determine MAF – determine site value and calculate the cost to construct the buildings which combined give an estimated cost if the property were new. Depreciation calculations come in at this point. Lastly, assessors must look at values of site improvements- driveways, parking lots, sewer systems etc.
- Random application of a MAF of 1.00 or no MAF does not follow mass appraisal guidelines as set by SAMA.
- Cost Approach may be accepted outside of Saskatchewan for non-regulated properties, but is not the normal assessment practice in Saskatchewan. 2017 Board of Revision decision of a MAF of 1.00 was overturned at the SMB level of appeal and a MAF of 1.43 was established for the 2018 and 2019 tax years

Ground 3: Replacement Value

[21] In the Assessor's written submission and testimony to the Board, the Assessor states:

- Replacement value prior to the tenants moving into the two units was based on unfinished interior walls and retail rates. Costing rates for a dental clinic (PA Dental Clinic and a fast food restaurant (Edo Japan) were applied once tenants occupied the space.
- Four permits were taken out to develop the space: \$1,107,000 for the main building, \$250,000 for Popeye's, \$250,000 for Edo Japan and \$250,000 for the PA Dental Clinic.
- Total permit value to develop the build is \$1,857,000 and the current value assessed to the building is \$1,668,500 which includes a MAF of 1.43.
- Changing a retail space into a dental office complete with reception and waiting areas, five operatory patient areas, sterilization room etc and changing a retail space into a fast food restaurant complete with coolers, freezers, cook lines etc, and, mainly a new HVAC system for both means that the classification for each needed to be changed.

[22] Under cross-examination by the Assessor and the Board, the Agent testified:

- 2020 assessment all ten sale properties should be removed as none are comparable to subject property. In the 2018 assessment 7 of 10 sales were fine and in 2019 assessment 8 of 10 sales were fine in the comparison grouping.
- Harvard Case is important as statistics rather than comparability were used.
- Cost approach, land value and building market value were used to determine a MAF of 1.00 rather than 1.43.
- Use of the Alberta Assessment Document was intended for theory rather than applied as Agent did know that said document was not used in Saskatchewan.

- Improvements of properties including sidewalks, parking lots, sewer etc. need to be calculated by comparable properties rather than being a part of MAF calculation.
- Agent believes that a MAF of 1.00 can include improvements to properties.
- Tenants provided Agent with renovation costs, but no documentation of costs.
- Agent not sure if tenant paid for renovations or if owner paid.
- Agent disagreed with new classification and feels that dollar amount of renovations is more accurate than use of Marshall & Swift.

[23] Under cross-examination by the Agent and the Board, the Assessor testified:

- MAF is determined for each comparable property and medium determines the applied MAF.
- Whether a business is a National or International one is not a factor when determining MAF.
- A MAF is required by law in Saskatchewan and steps to determine are clearly set out in SAMA.
- 2017 and 2018 MAF assessments were upheld at the SMA level using ten properties and Board of 2019 assessments approved the use of ten said comparable properties.
- Best assessments were done at the time of sales in order to have confidence in the comparable grouping.
- Permit values, as presented must be considered, especially when value of permit is over four times higher than cost mentioned, but not supported.
- Once reclassification of a building occurs, Marshall & Swift tables are used based on sq. footage and MAF is applied.

[24] Rebuttal (Agent)

- Challenge to the board to fully consider the meaning of comparability between properties.
- If MAFs have property improvement factors embedded into them it is difficult to determine comparable groupings.
- Size, year of build, type of business, land location should all come into play when determining comparability prior to sales.
- When evaluating a building Assessors must rely on tenant information and not just Marshall & Swift.

[25] Rebuttal (Assessor)

- Permits for renovations are essential to consider.
- Reclassification from retail to dental and retail to fast food changes assessment.

Board Analysis

Ground 1: Land

[26] Assessors followed *The Cities Act* guidelines in determining a comparable group to the subject property.

[27] Comparable group of properties were used in previous assessment years and supported by Board and Saskatchewan Municipal Assessment (SMA) levels of appeal.

Ground 2: MAF

[28] The Agent's assertion that properties are not comparable due to such things as age, size, location, tenant type etc. thus creating an incorrect MAF is interesting, but Agent not willing to accept that Assessors follow clearly established guidelines in determining comparable groupings to establish a MAF.

[29] Prince Albert may have fewer sales than other centres, but ten comparable properties were used in determining MAF.

[30] Board of Revision and SMA up held Assessor's MAF of 1.43 in previous years.

Ground 3: Replacement Value

[31] Assessors followed guidelines for reclassification of properties.

[32] Assessors' use of Marshall & Swift to determine cost per sq. ft. for assessment purposes is common practice.

Decision

[33] The Board dismisses the appeal on all grounds.

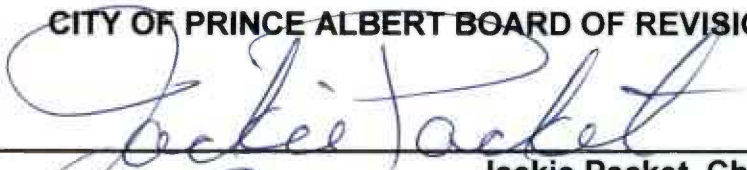
[34] The total assessed value will remain at \$11,297,200.

[35] The taxable assessment will remain at \$11,297,200.

[36] The filing fee shall be retained.

DATED AT PRINCE ALBERT, SASKATCHEWAN THIS 22nd DAY OF July,
2020.

CITY OF PRINCE ALBERT BOARD OF REVISION



Jackie Packet, Chair

I concur:



Ralph Boychuk, Member

I concur:



Dan Christakos, Member