

IN THE MATTER OF A COMPLAINT filed with the Regional Municipality of Wood Buffalo Composite Assessment Review Board pursuant to Part 11 of the *Municipal Government Act* being chapter M-26 of the revised statutes of Alberta 2000 (*Act*).

BETWEEN:

Morgan Construction and Environmental Ltd. – Complainant

- and -

Regional Municipality of Wood Buffalo (RMWB) – Respondent

BEFORE:

Members:

H. Kim, Presiding Officer

N. Mahgoub, Member

A. McKenzie, Member

Staff:

A. Hawkins, Clerk

This is a complaint to the Regional Municipality of Wood Buffalo Composite Assessment Review Board (CARB) in respect of a property assessment prepared by the Assessor of the Regional Municipality of Wood Buffalo and entered in the 2023 Assessment Roll as follows:

Assessment Roll Number	8209104060
Legal Description	4-10-092-17-SW; DML 160012
Assessed Person	Morgan Construction and Environmental Ltd.
File Number	23-013
Assessment	\$790,200

This complaint was heard on October 31, 2023 via videoconference.

BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

[1] The subject property consists of a number of modular structures on land that is a disposition from the Crown. It is assessed on the cost approach with land at \$325,159 and five buildings costed using Marshall and Swift (M&S) with normal depreciation applied for a total improvement assessment \$465,044. The total of the two is rounded to result in the assessment under complaint.

ISSUES

[2] The only issue is whether the improvement assessment should be reduced to reflect the actual depreciated cost of the structures being assessed based on their purchase price and age. The land component of the assessment is not at issue.

SUMMARY OF COMPLAINANT'S POSITION

[3] The Complainant provided an analysis of the improvements existing on the site, indicating assessment values before depreciation compared to their value based on actual cost and taking into account their age and depreciation:

- Building 1 is assessed at \$108,011 before adjustments. This structure is no longer on the property - it was a temporary mobile building that was only stored on the property until it was moved to site. Its value for assessment purposes should be \$0.
- Building 2 is assessed at \$328,891 before adjustments. This structure was in poor condition and purchased for \$1 five years ago. It cost approximately \$50,000 at that time to make it usable; therefore, the value should be less than \$50,000.
- Building 3 is assessed at \$52,561 before adjustments. This structure was purchased over a decade ago for \$75,000 and has depreciated accordingly. In an accounting and real sense, this building is worth approximately \$5,000.
- Building 4 is assessed at \$30,298 before adjustments. This structure was purchased fifteen years ago for \$9,500. It would be almost worthless at this time and certainly not worth almost triple its purchase price fifteen years ago.
- Building 1A is not included on the assessment but is on the site; therefore, it was added to the analysis. Its Net Book Value is \$31,253.88; therefore, the assessed value after adjustments should be \$27,429.

[4] This analysis results in a more accurate total improvement value of \$91,107. The Complainant requested that value, with land added, for a total assessment of \$416,266.

SUMMARY OF RESPONDENT'S POSITION

[5] The Respondent stated that the subject disposition is like a lease without full rights. The subject is assessed similarly as other leased property in RMWB - valued only on land size and total improvements to the land. An assessment is set when a new lease or building is constructed, at which time it is inspected, and the property is reviewed every five to seven years to make any necessary revisions to reflect changes on site. The subject improvements were not assessed in the first six years of leasing this site as the buildings were moved onto the site in 2018, the year after the assessment was first set.

[6] All property in a municipality must be assessed fairly and equitably in accordance with the legislation, which requires the use of mass appraisal. While it may be acceptable in single property appraisal to consider the actual costs of buildings and structures, if actual cost were used in assessment it would be impossible to achieve equity between similar properties due to difference in actual costs. The Respondent noted many prior CARB decisions concerning actual vs typical find that for mass appraisal valuation, the use of typical results in more reliable, fair, and equitable assessments than actual. While these decisions focus on income parameters for assessing commercial properties the principle is applicable to construction costs.

[7] All buildings in the rural area of the RMWB are assessed based on the M&S commercial cost manual, which has costs for all types of commercial construction with modifiers for the exchange rate, location and changes in building materials cost which are updated regularly. It has the most accurate and up to date values for materials used in different types of construction and has depreciation tables that are applied to all structures based on their construction method. The Respondent obtained pricing from Atco Structures for self-contained skid offices to confirm that the M&S Replacement Cost New estimates accurately reflect the cost of a modular structure in the RMWB.

[8] The Respondent noted that while the asset value of an improvement may be acceptable for accounting purposes, it would not necessarily reflect market value for assessment purposes. The value of an improvement may be depreciated to essentially zero, but if it is being used it has utility and must be valued in the assessment. The Respondent noted that any improvements outside of the Urban Service Area or a hamlet are given a 22% reduction in the costed value to recognize the cost of providing private water, sewer and electric services to the site, as such services are typically not available in the RMWB outside the Urban Service Area or hamlet boundaries.

[9] When the Complainant contacted the Respondent with respect to the assessment, it was discovered that one of the buildings was inventory held on site and was removed from the assessment, and another structure was added to the site in 2022. After correcting the information with respect to the number, age, size, and condition of the structures, the

assessment changed from \$790,200 to \$618,620. The Complainant remained dissatisfied and pursued the complaint; therefore, the assessed value was not revised. The Respondent was satisfied that the revised value was correct.

[10] In summary, the Respondent requested the assessment be revised to \$618,620 to accurately reflect the value of the improvements existing on the site.

FINDINGS

1. Assessment must be based on typical value, not the actual cost to acquire or construct the improvements that are being assessed.
2. The Respondent's corrected values are reasonable and the assessment should be revised.

DECISION

[11] The assessment is reduced to \$618,620.

REASON FOR DECISION

[12] The purpose of assessment, as well articulated in *Strathcona (County) v. Alberta Assessment Appeal Board*, 1995 ABCA 165, is to fairly distribute the cost of municipal government among taxpayers in the municipality in proportion to the value of their properties, which must be determined in a fair and equitable manner with the level of value prescribed for use in determining the value of similar properties in the municipality. For this reason, property assessed on the income approach uses typical and not actual revenue for valuation.

[13] While an open market, arm's length sale of the subject is often considered to be compelling evidence of the market value of a property at the time of sale, this cannot be extrapolated to mean that the purchase price or construction cost of an improvement should set its assessed value in the absence of evidence that such purchase price or construction cost is typical.

[14] In the subject case, the Complainant provided evidence of the purchase price of the subject improvements but no compelling evidence that the amounts paid were typical. In the absence of such evidence, it would be contrary to the legislation, which requires mass appraisal, to set the improvement value at the price actually paid. Factors such as cost of transport could impact the sale price of a movable structure, and use of own labour could impact construction cost; however, an assessment should be based on similar values for structures of similar size, condition and utility.

[15] Accordingly, the CARB determined that there was insufficient evidence to show that the prices paid for the structures and depreciation for accounting purposes reflected a fair and equitable value for the structures on the subject property. The CARB determined that the revised amount requested by the Respondent represented a fair and equitable estimate of value for assessment purposes,

[16] It is so ordered.

[17] The decision of the Composite Assessment Review Board is final and binding on all parties. This decision may be judicially reviewed by the Court of King's Bench pursuant to Section 470(1) of the *Municipal Government Act, RSA 2000, c M-26*.

Dated at the Regional Municipality of Wood Buffalo, in the Province of Alberta, this _____ day of November, 2023.

FOIP s. 17(1)

H. Kim, Presiding Officer

APPENDIX A

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

Exhibit Number	Description
C1	Complaint Form with attachments
C2	Complainant Submission
R1	Respondent Submission

APPENDIX B

REPRESENTATIONS

Person Appearing	Capacity
T. Brewster	Morgan Construction and Environmental Ltd.
J. Jabs	Morgan Construction and Environmental Ltd.
S. Bosgra	Respondent Representative
S. Kim	Respondent Observer

APPENDIX C

LEGISLATION

Municipal Government Act

293(1) In preparing an assessment, an assessor must, in a fair and equitable manner,
(a) apply the valuation and other standards set out in the regulations, and
(b) follow the procedures set out in the regulations.

Matters Relating to Assessment and Taxation Regulation

5 An assessment of property based on market value
(a) must be prepared using mass appraisal,
(b) must be an estimate of the value of the fee simple estate in the property, and
(c) must reflect typical market conditions for properties similar to that property.

6 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.

7(1) The valuation standard for a parcel of land is
(a) market value, ...
