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## RECORD OF DECISION

### CITY OF PRINCE ALBERT, BOARD OF REVISION

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**APPEAL NO.:** 2020-12  
**ROLL NO.:** 220-011-400  
**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

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

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#### Representation

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

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#### Property Appealed

**Civic Address** 500-570, 800 15<sup>th</sup> Street East  
Prince Albert, Saskatchewan  
**Legal Description** Lot: 1 Block: 3 Plan: 01PA04265  
**Assessed Value** \$5,929,400  
**Tax Class** Commercial (100% of value)  
**Taxable Assessment** \$5,929,400

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## 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.

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## 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 for this appeal (A-2020-12) to be the lead appeal and that 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 Prince Albert assessment department increased the replacement value per sq. ft. of the subject property without any changes to the property. The only difference between 2019 and 2020 was the change of one tenant in the building.

## **Agent**

### **Ground 1: Market Value**

[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 acquire a similar site and construct something of equivalent desirability and utility.

### **Ground 3: Replacement Value**

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

- The City increased the replacement cost of the improvements on the site. In 2018 and 2019 assessment years the replacement costs were \$3,570,000 and for 2020 assessment the replacement value of the builds increased to \$3,690,000
- The only change in the property was Urban Planet space became Sleep Country. The store type has not changed and the area decreased from 8,192 sq. ft. of main floor space and 1,280 sq. ft. of storage mezzanine space to 7,952 sq. ft. of main floor space and 784 sq. ft. of storage mezzanine space.
- While the area decreased the overall replacement value of the property increased by \$123,424. It is MNP's position that there was no reason to change the replacement value of the building as there was no physical change in the space.

### **Assessor**

#### **Ground 1: Market Value**

[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 in 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:

- May 28, 2019 an interior inspection of properties was completed as a permit was taken out for alteration to one of the units.
- Two errors were found in the property which is now occupied by Sleep Country. First, the mezzanine area needed to be adjusted from 1,280 sq. ft. to 780 sq. ft. Secondly, the area was documented with package air heating when in fact it was determined to have warm and cooled air.
- The other three units were also corrected from packaged air to warm and cooled air.
- The tenant change is not the cause in a valuation increase, but rather the increase was a direct result of assessors following protocol and completing site visits, correcting errors.

[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.

[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 Saskatchewan Municipal Appeal (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.

[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.

## **Board Analysis**

### **Ground 1: Market Value**

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

[26] Comparable group of properties was used in previous assessment years and supported by Board and SMA levels of appeal.

### **Ground 2: MAF**

[27] 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.

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

[29] Board of Revision and SMA upheld Assessor's MAF of 1.43 in previous years.

### **Ground 3: Replacement Value**

[30] Agent challenged that value of property for 2020 assessment increased when the only change was one tenant and no interior work was done.

[31] Assessor explained site visits / inspections and discovery of errors in mezzanine area of one property and incorrect coding of heating system in all properties.

[32] City did inform property owners in 2019 that errors were discovered and would be corrected in 2020 assessments.

**Decision**

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

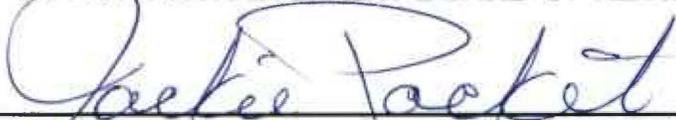
[34] The total assessed value will remain at \$5,929,400.

[35] The taxable assessment will remain at \$5,929,400.

[36] The filing fee shall be retained.

DATED AT PRINCE ALBERT, SASKATCHEWAN THIS 22<sup>nd</sup> DAY OF JULY, 2020.

**CITY OF PRINCE ALBERT BOARD OF REVISION**

  
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Jackie Packet, Chair

I concur:

  
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Ralph Boychuk, Member

I concur:

  
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Dan Christakos, Member