
RECORD OF DECISION

CITY OF PRINCE ALBERT – BOARD OF REVISION

Appeal No.: 2024-05
Roll No.: 203007310
Hearing Date: May 23, 2024, at 1:00 p.m.
Location: 2nd Floor, Main Boardroom, City Hall
1084 Central Avenue, Prince Albert, SK

Appellant Glennlaine Properties Ltd. (Howard Kirby)

Respondent City of Prince Albert

Board of Revision Jackie Packet, Chair
Ralph Boychuk, Vice-Chair
Dan Christakos, Member

Terri Mercier, Secretary

Representation

Appellant Grace Muzyka, Brunsdon Lawrek & Associates, Agent
Howard Kirby, President, Glennlaine Properties Ltd.

Respondent Vanessa Vaughan, City Assessor
Dale Braitenbach, Assessment Appraiser
Darcy Lees, Assessment Appraiser

Property Appealed

Civic Address 4120 5th Avenue East
Prince Albert, Saskatchewan

Legal Description Parcel GG, Plan 101912149 Ext 0

Assessed Value \$3,643,100

Tax Class Commercial – Improved-T (85% of value)

Taxable Assessment \$3.096,600

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))

Preliminary Matters

[9] With respect to the Board's internal process, this hearing will be recorded for use of the Board only in rendering its decision.

[10] The Agent and Respondent indicated that there were no preliminary matters.

Exhibits

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

- a. Exhibit A-1 – Notice of Appeal received February 27, 2024
- b. Exhibit A-2 – Appellant's 20 day written submission received May 2, 2024
- c. Exhibit R-1 – Respondent's 10 day written submission received May 13, 2024
- d. Exhibit B-1 - Acknowledgement Letter dated March 8, 2024
- e. Exhibit B-2 – Notice of Hearing Letter dated April 4, 2024

Appeal

[12] Pursuant to *The Cities Act*, section 197(1), an Appeal has been filed against the property valuation of the subject property. The property is a non-regulated property with a total land size of 86,998 sq. ft with two buildings, a one storey building size of 9,813 sq.ft. known as the discount warehouse store and a one storey building size of 7,020 sq. ft, known as the 2nd building.

[13] The Appellant's grounds state:

The Market Valuation Standard has not been met in the subject's case as the assessed value assigned to this property exceeds the value at which similar properties are assessed as at the valuation base date of January 1, 2019.

The overstated and inequitable value results from errors in the calculation of replacement cost new and in the development of the market adjustment factor, and due to the application of the wrong market adjustment factor in the calculation of this assessment.

Appellant

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

1. Mr Howard designed and had the main building built in 2008/2009; additions to this building were made in 2019. A north warehouse was built in 2013 with additions added to in 2022. The main building is a wood frame building (2X8 construction), is lined with painted plywood, equipped with good lighting, and has radiant heat.
2. Originally this business was Anderson Pump House and since 2021 is Aquifer Distribution Ltd. From the onset the focus has been wholesale distribution of pumps, water systems, wastewater disposal equipment, irrigation equipment, fire suppression, plumbing and mechanical supplies etc. Municipalities, golf courses, parks, plumbers, cities/towns etc are main customers.
3. Both buildings are warehouse in design, rectangular shape, with no storefront windows or ornamentation, single metal door for entrance on the main building, minimal signage, industrial signs on gate leading to the yard, and gravel-only parking and on site.
4. Interior of main building has a small retail display/showroom, office space, and a large warehouse area with pallet display or bins. No customers are allowed in the pallet/bin area. It operates as a distribution warehouse.
5. Retail would be roughly 5% of the business and 95% of business is wholesale.
6. The plywood interior and radiant heat were done for energy efficiency and practicality – poly-only-lined walls get damaged when moving pallets and equipment. Good lighting makes for a pleasant to work environment. The north building has no interior finishings and is not heated.
7. The developed area of the main building, showroom, parts desk, offices, bathroom, lunchroom etc is 2,748 sq. ft or 22% of the building. There is a side door which leads to an order/pick up desk to accommodate contractors/wholesale customers. Beside this order desk is a 100 sq. ft of display area.
8. The combined "retail" areas, those areas accessible to the public is 1,192 – slightly less than 10% of 12,405 - the sq. footage of main building.
9. Based on the size of both buildings, this property is classified as a Discount Warehouse Store. This retail classification brings with it two issues: replacement cost new and depreciation factors are determined on basis of retail costs and retail life cycles and a retail MAF. 2024 MAF on retail buildings this year is 1.70.

10. M&S states "Warehouses are designed primarily for storage. An amount of office space commensurate with the quality of the building is included in the costs. Typically, 3% - 12% of the total area." "Distribution warehouses will have larger areas, between 15% and 30% for office/sales and/or other subdivisions designed to accommodate breakdown and transshipment of small lots as well as increased plumbing, lighting, and compartmentation to accommodate a larger personnel load."
11. The main building is a distribution warehouse and the secondary or north building, is a warehouse. This is how the buildings were designed, this is how they were built, this is how they were originally used, and this is how they continue to be used.
12. Entire property is classified as retail in this assessment and assigned a 1.70 MAF. Looking at the sales in the retail outside of downtown used by the city to determine a MAF - C-stores, salon, dry cleaner, pet store, garden store, audio store, Tim Horton, Strip Centre. The subject building is not like any of these in nature, in purpose, or in use. Looking at the sales in the Prince Albert Warehouse one finds Sarcan, Distribution Warehouse, Water Store, Bolt supply. These are like the subject property.
13. The central function of the subject property is wholesale/distribution warehouse. The retail and administrative offices exist to serve this purpose. The City erred in their classification.
14. The City erred when stating that the retail space is 33% to 45% of the main building. Boardroom, office space, lunchrooms etc should not be considered as retail space. Less than 10% of main building is retail space and 6% if the sq. footage of both buildings is taken into consideration.
15. Location is also important. The subject property is in a warehouse district. It is not in a retail area, nor does it have frontage on a main artery such as Marquis Road or South Industrial. There are other similar warehouses near the subject property, and classified accordingly and yet the subject property is classified as retail.
16. References were made to Tiger Automotive BOR 3300-2017 and AAC 2017-0057 to support that market values are guided by property characteristics, namely property use, and building size/area. Use of the subject property is distribution warehouse.
17. Assessor discretion Regina (City) v Laing Property Corp. (1994), 128 Sask R (CA) and Harvard Property Management Inc. v Saskatoon (City), 2017 SKCA 34, and Affinity Holdings Ltd. V Shaunavon (Town), 2022 SKCA 83 (Affinity) all show that Assessor discretion is not absolute.

18. The design, use, and location of this property are warehouse and not retail. If properly classified as a warehouse the correction in MAF will change the subject's assessment from \$3,643,000 or \$187.55 per sq. ft to approximately \$2,700,000 or \$139.00 per sq. ft. Despite being near the top of the value range, this is more equitable and representative of the subject property.
19. Through questioning the Appellant confirmed that the actual request is to have the subject property classified as a distribution warehouse. The NOA requests it be classified as a warehouse. These are two different classifications, and each have a different MAF from a retail building.

Assessor

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

1. Classification of a property requires six steps:
 - a) Identify valuation parameters
 - i. Physical characteristics: property use, building size/area, construction style/materials, condition of improvements, building configuration, site size, location
 - ii. Supply and demand conditions in the marketplace
 - iii. Legal restrictions (i.e. zoning)
 - b) Collect appropriate data
 - i. Data collected from existing assessment records, property owners, property inspections, government and industry publications.
 - c) Analyse collected data
 - i. Various statistical technics are used to sort, classify data gathered.
 - d) Develop guidelines for applying valuation parameters
 - i. Assurance that similar properties are assessed similarly is crucial.
 - ii. Assurance that equity is maintained.
 - e) Apply valuation parameters
 - f) Test results
 - i. Tests are done against recent sales.
2. The objectives of the classification process:
 - a) Enable the assessment of several properties easily and efficiently
 - b) Stratify properties into classes so comparisons are meaningful
 - c) Provide a broad enough definition of classes so there are enough within groups to establish valuation parameters and assessments
 - d) Achieve large classes with similar characteristics to assess similar properties similarly using mass appraisal and resulting in equitable results

3. The Cost Approach in assessment requires three major parts:
 - a) - part one is determining the value of land based on vacant land sales and applying a land size multiplier curve for larger parcels of land. In this case a BLR of \$6.51 (standard parcel size of 47,045 sq. ft) and a LSM of 180% was applied. The BLR applied to the Property is \$3.38
 - b) - part two RCNLD which is determined using the Cost Guide of *Marshall & Swift Manual*. Section 3.2 provides calculation procedures, Section 3.4 lists cost factors, and Section 3.8 on valuation procedures addresses physical deterioration. Following the steps outlined, a depreciation percentage is attained.
 - c) - part three is to determine a MAF. In this case a Retail/Outside Downtown MAF of 1.70 based on 16 retail sales comparable within the municipality. Properties are stratified by property use, district, and/or location. This 1.70 MAF calculated a median ASR of 1.0 with a COD of 75.093.

Issues from NOA: Subject Not a Discount Warehouse Store & Applied MAF

4. The amount of finished space in the subject property is 22% of the main floor and closer to 30% when offices/meeting rooms and bathrooms are added. A storage warehouse is allotted between 3 – 12% finished area.
5. The public not being able to access the back portion has no bearing. Assessments are based on how a building is built and its use. There are other businesses in Prince Albert, Ackland Grainger, NAPA, Sutherland Automotive, Eecol Electric, which operate as discount warehouse stores and do not allow customers into the warehouse portion of their buildings. These businesses also have offices, board rooms etc.
6. Assessment values are based on M&S Cost guide. Reference to National Building Code has no bearing on assessment. The permit of 2008, year of construction, indicates that the building is to be a retail/shop.
7. Upon examination of sales property 3865 5th Avenue East in the warehouse stratification, the Appellant is correct in that because of its 35% interior finishing it should be in 458 discount warehouse stores rather than warehouse. By moving it to the retail grouping, the Retail Outside Downtown MAF of 1.70 becomes 1.60 and the warehouse grouping MAF changes from 1.27 to 1.38.
8. Several properties in either warehouse grouping, or retail grouping were examined, and explanations provided re industrial flex buildings, tenant occupied warehouse buildings etc. Point in fact, the City does spend time reviewing properties, inspecting properties, prior to determining their stratification grouping. Characteristics and uses of a building are key factors.

Assessor discretion can also be a factor.

9. M&S is clear that MAF applications are determined based on occupancy of the predominate use of a building. In this case, the main building is the largest on site and its predominant use is that of a discount warehouse store which has a 458 Costing Code. The north building has a 406 Costing Code which is a storage warehouse code.
10. The Agent's insisting that the subject building is industrial location surrounded by industrial users is not correct. There are eleven properties not costed as industrial near the subject property. The zoning for this area is M3 which allows for a mixture of light industrial and commercial uses.
11. In reference to the subject property having one of the highest per sq. ft. ratings in comparison to other properties of its nature, the subject property is a newer build, has more recent additions, and less depreciation. The chart has a total of 12 buildings all similar in nature and use to the subject property. All are Discount Warehouse Stores, and the subject property is accurately placed in this grouping.
12. There was no weighted average on the subject property as any additions or renovations did not change to basic structure and/or purpose of the building.
13. If the Board agrees with the Agent and classifies the Property as a Distribution Warehouse, the costing would be based on a 407 and an assessment would be \$3,041,700. This is a reduction of \$601,300.
14. If the Board considers this property as a discount warehouse store and an extra sales property is added from the warehouse grouping, the assessment would be based on a 1.60 MAF instead of a 1.70 MAF and be \$3,449,200. This is a reduction of \$193,900.
15. When questioned, it was reaffirmed that all finished areas are considered when assessing percentages of use in a building. Retail – display areas – as well as offices, boardroom, washrooms are all finished in the subject property and fall within the range percentage of a discount warehouse store. M&S does not have an exact percentage of finished space allowed for a discount warehouse store; retail stores and distribution warehouses have a finished percentage in M&S.
16. The subject property has always been classified and assessed as a 458 a Discount Warehouse Store. Costing is associated with the building not the tenant using the building; a classification does not change if there is a new tenant. There must be a change to the structure for the classification to be changed. Permits are one indication that structures are changing and potentially costing changes, classification changes.

Final Questions, Comments, and Rebuttals

[16] Agent: The City assessors emphasize that costing is determined based on how a building is built and designed and not how it is used. Mr. Howard emphatically states, "I built and designed the building for exactly the purpose it is used for today – a distribution warehouse. In 2008 building permit, I should have written wholesale warehouse rather than sales and retail." The only change is the wholesale is bigger today than it was when built.

[17] Agent: Industrial flex property, retail or warehouse, no finishing properties are considered. Section 14, assessed as warehouse regardless of whether they have a retail component. The subject property is warehouse is structure, but because it has a retail area it falls into Section 13 and is assessed with a retail component. There seems to be an inconsistency.

[18] Respondent: Reminder the north building is costed as a warehouse 406. The main building is costed as a 458 Discount Warehouse Store. The predominate building, the main building, determines the use and, therefore, the retail MAF of 1.70 is applied to the property.

[19] Respondent: Occupancy Costing is determined by design; location is not a factor. Zoning for this area allows for a variety of buildings of a variety of uses. M&S was followed in all aspects and meets the Market Valuation Standard set by SAMA.

[20] Agent: 6% of entire subject is retail and 94% is warehouse. This building was designed and built as an industrial property - wholesale warehouse. Purpose/use must be considered and not just structure and finishes.

Board Analysis

[21] After careful deliberation and reviewing *The Cities Act* and other referenced material, the Board considered:

1. The City is bound to follow guidelines when assessing properties using the Cost Approach. The SAMA Guide was repeatedly used and followed. Steps taken by the Assessor are documented and presented during this hearing.
2. The building classification is not correct. However, the Appellant in the NOA has requested the Subject have a Warehouse classification and this is not correct either.
3. The north building on the site is a warehouse and the Assessor has correctly used the Warehouse 406 Cost Code from the Guide.

4. The main building is a Distribution Warehouse and should be costed as such (407 distribution Warehouse) for the following reasons:
 - a. It is rectangular shaped, with no storefront windows or ornamentation, has a single metal door for entrance, minimal signage, industrial signs on gate leading to the yard, and gravel-only parking.
 - b. The primary focus, roughly 95%, of the business is wholesale - distribution of pumps, water systems, wastewater disposal equipment, irrigation equipment, fire suppression, plumbing and mechanical supplies etc Municipalities, golf courses, parks, plumbers, cities/towns etc are main customers.
 - c. The remaining 5% is retail. There is a small retail area. The combined finished area showroom, parts desk, offices, bathroom, lunchroom etc is 2,748 sq. ft or 22% of the building.
 - d. Mr. Howard acknowledged that he should have written wholesale warehouse on the 2008 building permit rather than sales and retail.
5. The Appellant referenced M & S - "Warehouses are designed primarily for storage. An amount of office space commensurate with the quality of the building is included in the costs. Typically, 3% - 12% of the total area."
6. The Appellant referenced M & S - "Distribution warehouses will have larger areas, between 15% and 30% for office/sales and/or other subdivisions designed to accommodate breakdown and transshipment of small lots as well as increased plumbing, lighting, and compartmentation to accommodate a larger personnel load."
7. The Assessor pointed out that M&S does not have an exact percentage of finished space allowed for a discount warehouse store; distribution warehouses have a finished percentage in M&S – between 15% and 30%.
8. Concerning the "finished interior" the Board accepts the Appellant's explanation of "The plywood interior and radiant heat were done for energy efficiency and practicality – poly-only-lined walls get damaged when moving pallets and equipment. Good lighting makes for a pleasant to work environment."

[22] After careful examination of the option of reclassification by the Assessor, the Board respectfully requests that the Appellant and the Assessor accept its ruling that the Main Building of the Property be classified as a Distribution Warehouse. This Classification requires a new costing based on a 407 Cost Code and the assessment would be \$3,041,700.

Decision

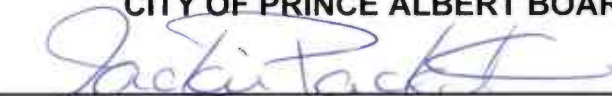
[23] The Board grants the Appeal on modified grounds.

[24] The assessment will be adjusted at \$3,041,700 total assessed value.

[25] The filing fee shall be refunded.


DATED AT PRINCE ALBERT, SASKATCHEWAN THIS 10TH DAY OF JULY, 2024.

CITY OF PRINCE ALBERT BOARD OF REVISION



Jackie Packet, Chair

I concur:



Ralph Boychuk, Member

I concur:



Dan Christakos, Member