



**Composite Assessment Review Board**

**REGIONAL MUNICIPALITY OF WOOD BUFFALO BOARD ORDER CARB 017-2011**

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

**BETWEEN:**

Altus Group- Complainant

- a n d -

Regional Municipality of Wood Buffalo - Respondent

**BEFORE:**

Members:

J. Noonan, Presiding Officer

E. McRae, Member

Administration:

N. MacDonald, Clerk for the Assessment Review Boards

A. Rogers, Senior Legislative Officer

A hearing was held on August 26, 2011 in Fort McMurray in the Province of Alberta to consider a complaint about the assessment of the following property:

<b>Roll Number</b>	<b>Address</b>	<b>Assessment</b>	<b>CARB File</b>
40540910	331 Thickwood Boulevard	\$2,214,000	11-074

**PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT**

The subject property is a 5301 sq.ft. single-storey, free-standing bank building sited on 0.415 acres fronting on a major roadway in Fort McMurray. The original 4062 sq.ft. improvement was built in 1981, with renovations and a 1239 sq.ft. addition completed in 2006, bringing the effective year built to 2000. The assessment was prepared by the capitalized income approach, using a \$34 per sq.ft. annual lease rate, a 3% vacancy allowance, 5% management/structural allowance, and a 7.5% cap rate.

**PART B: PROCEDURAL or JURISDICTIONAL MATTERS**

The third member of the panel scheduled for the August 26 hearings was unable to attend. The parties raised no objection to a two-member panel. Section 458(2) of the Municipal Government Act specifies a quorum of the composite assessment review board as the provincial member and one other member. The requirements of a quorum being met, the hearing proceeded.

## **PART C: ISSUES**

The complaint form listed a number of grounds for appeal: assessment in excess of market value, unfair and inequitable considering comparable properties, incorrect property details, failure to consider the subject's age, condition and developing physical and functional obsolescence, over-estimation of income earning potential for the current assessment year and the four previous years, that a year-over-year 30% increase was unfair and inequitable, the rent rate should be no more than \$28, vacancy no less than 5%, management allowance should be no less than 5%, and the cap rate should be no less than 8.5%.

The evidence and argument presented at the hearing dealt with a single issue, annual rent rate, and if the Complainant's \$30 requested rate were applied, the requested assessed amount was \$1,953,949 prior to rounding.

Issue: Should the annual rent rate for the subject be reduced from \$34 to \$30?

### **Summary of the Complainant's Position:**

The Complainant presented a list of 7 Fort McMurray bank leases for space sizes ranging from 3053-9775 sq.ft. Two leases originated in 2009, 2 in 2008, and 1 each in 2004, 2001 and 1999. The rents ranged from \$23.75 to \$48 and produced an average of \$33.35 and median \$32. The \$48 rate was for a new building with a lease commencement date of Oct. 28, 2008. The subject had the lowest rate, \$23.75, with a lease dating to 2001. The Complainant conceded that that an older 1974-built comparable (\$35 lease – 2009) was in close proximity to the subject, sharing the same shopping centre, but it was the smallest at 3053 sq.ft. A 5200 sq.ft. property would be expected to rent for less per sq.ft. than a 3000 sq.ft. property. Closest in size to the subject were the Franklin and Manning Avenue examples, showing lease rates of \$27 and \$32. Given the size, age and location of the subject, it should properly be assessed at the bottom of the range, and a \$30 lease rate would be fair for the subject.

### **Summary of the Respondent's Position:**

The Respondent's evidence package addressed most of the issues originally raised on the complaint form. For the sake of brevity, highlighted here are the major points relating to the lease rate issue and market value.

A scarcity of land in Fort McMurray pressures both commercial sales prices and lease rates. Commercial property commands a value in the range of \$400-\$500 per sq.ft. and current lease rates for average to good retail space range from \$30-\$50 per sq.ft. In support of the market value range, 4 sales in the year prior to valuation date were presented: two larger properties of 2 and 8.4 acres sold for \$445 and \$393 per sq.ft. of improvement; closer in size to the subject were parcels of 1 and 0.6 acres, building sizes of 12,735 and 8370 sq.ft., with sales prices of \$455 and \$513 per sq.ft. In comparison, the subject's assessment is \$417.66 per sq.ft.

Addressing assessment equity, a table of 12 banks including the subject was presented. The newest banks in Fort McMurray with the best condition, and superior to the subject, are assessed at a typical lease rate of \$46 and allowances of 2% for vacancy and management/structural. With a cap rate of 7.25%, these properties are valued at \$609 per sq.ft. Four examples were listed, all

built in 2008. The majority of banks in Fort McMurray are assessed at a market rent rate of \$38. These properties are in good condition, were built relatively recently, and are assessed at \$476 per sq.ft. They receive 3% allowances for vacancy and management/structural, and a cap rate of 7.5%. The third and lowest category includes the subject and one other, older properties of average condition for their age. These are assessed at a market lease rate of \$34 with allowances of 3 and 5% for vacancy and management/structural, and a 7.5% cap rate yielding a value of \$417.66 per sq.ft.

The subject's lease dates to May of 2001. In preparing an assessment, current market lease rates must be used. The Respondent noted that if one only considered the Complainant's leases dated 2008 and 2009, the average lease rate is \$35.50. This is supportive of the assessed value, even before considering that rates have subsequently increased. As the evidence of both parties supports the lease rate used, confirmation of the assessment was requested.

**Findings and Reasons:**

1. The assessment is fair and equitable.
2. The lease rate should not be altered.

The Assessor in this case clearly had a data advantage. Market value was shown, as was equitable assessment. Section 467(3) of the Municipal Government Act mandates an assessment review board must not alter any assessment that is fair and equitable, taking into consideration...the assessments of similar property in the same municipality.

The Complainant requested a lease rate at the low end of the range shown by the leases of the subject and 6 other banks. The difficulty with the leasing information was its dated nature. Only 4 of the 7 leases were from the 2008 and 2009 timeframe, and even at that, one has to question the relevance of an April, 2008 lease in establishing an accurate value for July 1, 2010, two and a quarter years later in a market like Fort McMurray. The Complainant can take some measure of consolation in the knowledge that the value estimated by the Assessor is at the very bottom of the assessment range for local banks.

**PART D: DECISION**

The complaint is denied and the assessment confirmed.

It is so ordered.

Dated at the Regional Municipality of Wood Buffalo in the Province of Alberta, this 23<sup>rd</sup> day of September, 2011.

A handwritten signature in black ink, appearing to read 'J. Noonan', is written over a horizontal line.

J. Noonan, Presiding Officer

**APPENDIX "A"**

**DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB:**

1. Exhibit C1 Evidence Submission of the Complainant, 98 pages
2. Exhibit R2 Commercial Property 2011 Assessment Brief, 49 pages

**APPENDIX 'B'**

**ORAL REPRESENTATIONS**

<b>Person Appearing</b>	<b>Capacity</b>
1. Walid Melhem	Tax Consultant, Altus Group, Agent for the Complainant
2. Ryan Sweeney	Assessor, Regional Municipality of Wood Buffalo
3. Matthew Moore	Assessor, Regional Municipality of Wood Buffalo