



Composite Assessment Review Board

REGIONAL MUNICIPALITY OF WOOD BUFFALO BOARD ORDER CARB 016-2011

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:

Roll Number	Address	Assessment	CARB File
71032990	8540 Manning Avenue	\$8,540,500	11-081

PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

The subject property comprises two buildings, a 25,762 sq.ft. big box retail store, Staples, and a 9639 sq.ft. Royal Bank, both built in 1999 on a 2.76 acre site. The assessment was prepared by the capitalized income approach, the bank portion of the property assessed at a market typical lease rate of \$38 with 3% deductions for vacancy and management/structural, and a 7.5% cap rate. The bank portion accounts for \$4,595,130 of the \$8,540,619 total assessment prior to rounding. That part of the assessment relating to the Staples store was at issue at the complaint form stage, but not at the hearing.

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, the rent rate for the Staples store should be no more than \$12, the rent rate for the bank should be no more than \$28, vacancy no less than 5%, vacancy shortfall should be no less than \$8 per sq.ft., and the cap rate should be no less than 8.5%.

The evidence and argument presented at the hearing dealt with a single issue, the appropriate annual rent rate for the bank, and if the Complainant's \$30 requested rate were applied, the requested assessed amount was \$7,573,233 prior to rounding, with the bank accounting for \$3,627,734.

Issue: Should the annual rent rate for the bank portion of the subject be reduced from \$38 to \$30?

Summary of the Complainant's Position:

The Complainant presented a list of 7 Fort McMurray bank leases, including the subject, 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 lowest rate was \$23.75, from a lease dating to 2001. The best comparables were a 2-storey property at 8553 Manning Avenue which had a recent December 2009 lease at \$27 per sq.ft., and a nearby smaller and older bank that leased for \$32 as of April 2008. These two comparables indicated a lease value range of \$27-\$32 per sq.ft. 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; two smaller parcel sales of 1 and 0.6 acres, building sizes of 12,735 and 8370 sq.ft., showed sales prices of \$455 and \$513 per sq.ft. In comparison, the subject's assessment is \$476 per sq.ft. for the bank portion. The 8370 sq.ft. sale at \$513 per sq.ft. is the best sales comparable, located on Franklin Avenue. Franklin Avenue properties command a premium in the local market, but the subject is located amid an array of commercial/retail development superior to the other 3 sales.

Addressing assessment equity, a table of 10 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. There were 6 examples presented, including the subject. 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%.

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.

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.

In another decision regarding roll number 71005900, the CARB expressed reservations about the \$27 lease rate of another bank, cited again by the Complainant as one of two good comparables to justify the \$30 requested lease rate. As mentioned in that decision, a lease rate of \$30 implies a value of \$376 per sq.ft. of improvement. This roll number includes another structure and makes comparison to sales values somewhat complicated. However, as the two buildings are separate, it is likely no great speculation to assume the property owner could apply for the parcel to be subdivided into its component parts. If such application were successful, the 9600 sq.ft. bank would probably sit on some .76 acres of the 2.76 acre site. The sales evidence shows that such a property would be worth significantly more than \$376 per sq.ft. of improvement.

PART D: DECISION

The complaint is denied and the assessment is confirmed.

It is so ordered.

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

FOIP Act s.17(1)

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

Person Appearing	Capacity
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