



**Composite Assessment Review Boards**

**REGIONAL MUNICIPALITY OF WOOD BUFFALO BOARD ORDER CARB 2015-019**

**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.

**BETWEEN:**

LREIT Holdings 34 Corporation – Complainant

- and -

Regional Municipality of Wood Buffalo (RMWB) – Respondent

**BEFORE:**

Members:

L. Wood, Presiding Officer

I. Dewan, Member

S. Odemuyiwa, Member

Staff:

J. Wall, Clerk

**BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT**

[1] A hearing was convened on December 12, 2015 in the Regional Municipality of Wood Buffalo in the Province of Alberta to consider a complaint about the assessment of the following property:

<b>Assessment Roll Number</b>	40577840
<b>Civic Address</b>	230 Wilson Drive, Fort McMurray, AB
<b>Owner</b>	LREIT Holdings 34 Corporation
<b>Assessment Value</b>	\$25,184,500
<b>File Number</b>	15-013

[2] The subject property is a 2.25 acre parcel of land improved with a multi-residential apartment building and 32 two/three bedroom townhomes. The apartment suite mix consists of 64 two bedroom units and 11 three bedroom units; all of which are fully furnished. The subject property is commonly known as Woodland Park. It is located in the Thickwood Heights subdivision adjacent to a parkland reserve. The land is zoned R3 - Medium Density Residential.

[3] The square footage of the improvements, quality rating, and year of construction were not provided to the Board.

[4] The subject property was de-condominiumized, and it is currently assessed on the income approach to value. The only issue before the Board pertains to the assessed rental rates applied to the subject property. The remaining variables used in the income approach to value were not challenged by the Complainant.

### **PROCEDURAL MATTERS**

[5] The CARB derives its authority to make decision under Part 11 of the Municipal Government Act, R.S.A. 2000, c. M-26.

[6] The parties confirmed that they had no objections to the composition of the Board

**COMPLAINANT'S REQUESTED VALUES: \$23,834,700 or \$24,419,500**

### **ISSUES**

[7] What are the market rent rates of the two/three bedroom apartment units, and of the two/three bedroom townhomes?

[8] Is the assessed rent rate of the two/three bedroom townhomes equitable in relation to those of similar units?

**MERIT MATTERS**

*Position of the Complainant*

[9] The Complainant submitted that the current assessed rental rates applied to the subject property are incorrect. The subject property is assessed at \$2,000/month for 64 two bedroom apartments, \$2,350/month for 11 three bedroom apartments, and \$3,000/month for 32 two/three bedroom townhomes. The Complainant does not dispute the remaining income variables used in the income approach, specifically, the 10% vacancy and bad debt allowance, the 30% stabilized expense ratio, and the 7.5% capitalization rate.

[10] The Complainant submitted that the current assessed rental rates do not reflect the market rental rates as reported by Canadian Mortgage and Housing Corporation (“CMHC”) (Exhibit C1 page 8). The Complainant provided the Fall 2014 report from CMHC which sets out the rental rates for 17 market areas throughout Alberta including the Regional Municipality of Wood Buffalo. The report took into account those market areas that had a population of at least 10,000 residents. The Complainant submitted that Wood Buffalo reported rents of \$2,118/month for two bedroom apartments and \$2,391/month for three bedroom apartments as of October 2014.

[11] The Complainant argued that this differs significantly to the current assessed rental rates applied to the subject property and requested a revised rental rate of \$2,200/month be applied to the subject’s 96 two bedroom apartments and two/three bedroom townhomes; and \$2,400/month to the subject’s 11 three bedroom apartments. This would result in a change to the overall assessment for the subject property from \$25,184,500 or \$235,369 per unit, to \$23,834,700 or \$222,754 per unit.

[12] Alternatively, the Complainant suggested that should the Board not find in its favor, the assessed rental rate applied to the townhomes be revised from \$3,000/month to \$2,800/month based on equity. The Complainant referred to the property located at 262 Powder Drive which has 72 two/three bedroom townhomes assessed at \$2,800/month (Exhibit C1 page 10). The Complainant argued that a differential of \$200/month for each townhome between these two properties is inequitable. The Complainant noted that the stabilized expense ratio of 25% applied in that property’s assessment is subject to an assessor’s correction to 30%, and would be addressed in the next case scheduled before the Board. The Complainant submitted that, based on equity, the alternative request before the Board is \$24,419,500 or \$228,219 per suite.

***Position of the Respondent***

[13] The Respondent submitted that multi-residential properties like the subject property are assessed based on their income potential using 2014 market information. The income approach to value best reflects the typical actions of buyers and sellers in the marketplace when purchasing income producing properties. This approach estimates the value of a property by determining the present value of the projected income stream (Exhibit R1 page 5). The income approach incorporates a number of factors that typically affect the value of an investment property such as market rent, collection loss, stabilized vacancy, and capitalization rates. The Respondent submitted that in their analysis of market rent, several factors were considered when developing the potential rent applicable to individual properties, such as the number of bedrooms, condition, quality, age and location.

[14] The Respondent submitted that the market rent applied to multi-residential properties was based on data received from property owners in response to the RMWB's Request for Information (RFIs) issued in advance of preparing the assessments. He submitted that the typical market rent of \$2,000/month applied to the subject property's 64 two bedroom apartments, \$2,350/month for 11 three bedroom apartments, and \$3,000/month for 32 two/three bedroom townhomes was based on those responses. The Respondent submitted that the owner of the subject property responded to the RFI as well. The Respondent submitted that the data collected in response to a RFI is kept confidential.

[15] The Respondent argued that less weight should be attributed to the Complainant's submission of the CMHC report for several reasons (Exhibit R1 page 17): it encompasses the entire region of Wood Buffalo of 63,637 kms, including smaller communities which could skew the results as opposed to looking just at the Fort McMurray market area; it reports income from one month only, October 2014, and as such does not reflect fluctuations that may occur throughout a twelve month period; and, it reflects rent reported for two bedroom apartments which is not similar to the subject's three bedroom townhomes to warrant the same rental rate. These are two completely different styles of rental properties with different characteristics, different rental rates, and different market values.

[16] The Respondent argued that the townhomes located at 262 Powder Drive are not similar to the subject property (Exhibit R1 page 17). The subject property has two storey townhomes with private driveways and garages, and is located adjacent to a parkland reserve, whereas the townhomes located at 262 Powder Drive are one storey, with no driveways or garages, and are located within a large residential area. The equity comparable is currently assessed less than the subject property at \$2,800/month or \$282,240/unit, as it is inferior to the subject property. The Respondent argued that if the Board accepts the Complainant's equity analysis, the subject property would be \$221,760/unit which would create a large inequity between these two properties. The Respondent requested that the Board confirm the subject property's assessment.

### **FINDINGS**

[17] The Board finds that there was insufficient evidence submitted by the Complainant, based on either market or equity, to change the current assessment for the subject property.

### **DECISION**

[18] It is the Decision of the Composite Assessment Review Board to confirm the assessment for the subject property at \$25,184,500.

### **REASONS FOR DECISION**

[19] The Board was not convinced by the Complainant's approach to combine 64 two bedroom apartments and 32 two/three bedroom townhomes, and value them as 96 two bedroom apartments. In the Board's view, these are two distinct types of rental properties, and it is reasonable to expect that a three bedroom townhome would achieve a higher market rental rate than a two bedroom apartment within the same market area.

[20] Moreover, no market evidence was submitted to the Board to illustrate market rents of similar townhomes in the market area of Fort McMurray, and no income information was provided to indicate what the subject's townhomes are achieving in actual rents.

[21] The third party report from CMHC provided little assistance in determining the current market rent for the subject's townhomes, as the market rent referenced in the CMHC report was limited to two and three bedroom apartments at \$2,118/month and

\$2,391/month respectively, and no townhome rental data was included. Although the CMHC report was issued after the valuation date, it supports the current assessed rates applied to the subject property's two and three bedroom apartments of \$2,000/month and \$2,350/month respectively.

[22] In regards to the Complainant's equity argument, the Board was not convinced that the property located at 262 Powder Drive is similar to the subject property, to warrant a reduction to the assessed rental rate from \$3,000/month to \$2,800/month based on equity. The Board finds the subject property is superior in terms of location and physical characteristics (private driveways and garages). Based on the foregoing, it is reasonable to the Board that a \$200/month differential exists between these two properties.

[23] No change to the current assessment is warranted.

[24] In coming to its conclusion, the Board has reviewed carefully the provisions of the *Municipal Government Act* ("MGA"), the *Matters Relating to Assessment Complaints Regulation* ("MRAC") and the *Matters Relating to Assessment and Taxation Regulation* ("MRAT").

[25] It is so ordered.

**DISSENTING OPINION**

[26] There was no dissenting opinion.

[27] The decision of the Composite Assessment Review Boards is final and binding on all parties, subject only to appeal to the Court of Queen's Bench on a question of law or jurisdiction with respect to the decision in accordance to section 470 of the *Municipal Government Act*, R.S.A 2000, c. M-26.

Dated at the Regional Municipality of Wood Buffalo in the Province of Alberta, this  
14<sup>th</sup> day of January 2016.

FOIP Act s.17(1)



---

For: Lana Wood, Presiding Officer

**APPENDIX A**

**DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB**

---

<b>Exhibit Number</b>	<b>Description</b>
C1	Complainant's Brief
R1	Respondent's Brief

**APPENDIX B**

**REPRESENTATIONS**

---

<b>Person Appearing</b>	<b>Capacity</b>
S. Cook	Agent, Colliers International Realty Advisors Inc.
J. Phelan	Agent, Colliers International Realty Advisors Inc.
D. Howatt	Assessor, Regional Municipality of Wood Buffalo
M. Kandola	Assessor, Regional Municipality of Wood Buffalo