



**Composite Assessment Review Boards**

**REGIONAL MUNICIPALITY OF WOOD BUFFALO BOARD ORDER CARB 2015-023**

**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 45 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>	50600000
<b>Civic Address</b>	262 Powder Drive, Fort McMurray, AB
<b>Owner</b>	LREIT Holdings 45 Corporation
<b>Assessment Value</b>	\$21,772,500
<b>File Number</b>	15-014

[2] The subject property is a 4.60 acre parcel of land improved with 18, four-unit townhomes with paved parking areas. Each townhome consists of two upper level units and two lower level units, comprising 72 two/three bedroom units with a total area of 7,212 m<sup>2</sup>. The improvements were constructed in 2007, and are in average condition. This complex, commonly known as Millennium Village, is located in the Timberlea subdivision. The land is zoned R3 - Medium Density Residential.

[3] The subject property was assessed based on the income approach to value. The issues before the Board pertain to the assessed rental rate and stabilized expense ratio applied to the subject property. The remaining variables used in the income approach to value were not challenged by the Complainant.

### **PROCEDURAL MATTERS**

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

[5] The parties confirmed that they had no objection to the composition of the Board.

[6] The parties submitted that their evidence and argument pertaining to the assessed rental rates was similar to the previous hearing (file 15-013) and requested to carry it forward to the case at hand. The Board agreed to do so.

**COMPLAINANT'S REQUESTED VALUE: \$15,966,720**

### **ISSUES**

[7] What is the market rent rate of the two/three bedroom townhomes?

[8] Is the stabilized expense ratio applied to the subject property correct and equitable?

### **MERIT MATTERS**

#### ***Position of the Complainant***

[9] The Complainant submitted that the assessment for the subject property had increased substantially shortly after inquiries were made about its assessment details. On February 9, 2015, the original assessment was \$16,731,960 based on the cost approach to

value. On April 14, 2015, the Complainant requested assessment details for several properties including the subject property via email. On April 20, 2015, a revised assessment was issued for the subject property in the amount of \$21,772,500 based on the income approach to value. The Complainant argued that a \$5,000,000 increase is unsubstantiated.

[10] The Complainant submitted that the current assessed rental rate of \$2,800/month for 72 two/three bedroom townhomes is incorrect. The Complainant submitted that the current assessed rental rate does 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.

[11] The Complainant submitted that Wood Buffalo had reported rents of \$2,118/month for two bedroom apartments and \$2,391/month for three bedroom apartments as of October 2014. The Complainant argued that this differs significantly to the current assessed rental rate applied to the subject property and requested a revised rental rate of \$2,200/month be applied to the subject’s 72 two/three bedroom townhome units.

[12] The Complainant submitted that the stabilized expense ratio of 25% is incorrect since the actual expense ratio for the subject property is 33% (Exhibit C1 pages 11 - 12). The Complainant indicated that the stabilized expense ratio should be revised to 30% as applied to similar properties including the property located at 230 Wilson Drive that was also before the Board (Exhibit C1 page 13). The Complainant indicated that the assessor recognized an error in this instance and would be submitting a correction to the Board to adjust the stabilized expense ratio from 25% to 30% for the subject property.

[13] Based on the foregoing, this would result in a change to the overall assessment for the subject property from \$21,772,500 or \$302,396 per unit, to \$15,966,720 or \$221,760 per unit.

***Position of the Respondent***

[14] The Respondent submitted that a correction was required for the subject property. On February 9, 2015, the original assessment for the subject property was \$16,731,960. However, as a result of a change in valuation, a revised assessment for \$21,772,500 was

sent on April 20, 2015. The Respondent stated that it was due to an oversight or error that this income producing property was valued based on the cost approach, as opposed to the income approach. The revised assessment was issued to correct that error. The Respondent noted that this change occurred before the complaint was filed.

[15] 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.

[16] The Respondent submitted that the market rent applied to multi-residential properties was based on data received from property owners in response to the municipality's Request for Information (RFIs) issued in advance of preparing the assessments. He submitted that the typical market rent of \$2,800/month applied to the subject property's 72 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. The Respondent also submitted that the subject's rental rate is equitable with several similar properties in the vicinity (Exhibit R1 page 17).

[17] 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 two/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.

[18] The Respondent submitted that a correction is warranted to the stabilized expense ratio of 25%. The Respondent submitted that the Complainant provided three years of income statements for the subject property which indicate the actual expense ratio for the subject property is 33%. In addition, the expense ratio of 25% is inequitable with similar properties. The Respondent submitted four comparable properties in which a 30% expense ratio was applied (Exhibit R1 page 18). In fairness, a similar expense ratio should be applied to the subject property. This would result in a revised assessment for the subject property from \$21,772,500 to \$20,321,280.

### **FINDINGS**

[19] The Board finds that there was insufficient market evidence submitted by the Complainant to change the current assessed rental rate for the subject property.

[20] The Board accepts the assessor's recommendation to correct the stabilized expense ratio from 25% to 30% for the subject property.

### **DECISION**

[21] It is the Decision of the Composite Assessment Review Board to revise the assessment for the subject property from \$21,772,500 to \$20,321,280.

### **REASON FOR DECISION**

[22] The Board was persuaded by the Complainant's argument that the stabilized expense ratio applied to the subject property required an adjustment from 25% to 30% based on correctness and fairness, and notes the Respondent submitted a recommendation to correct the stabilized expense ratio from 25% to 30%. The correction was supported by the subject property's actual expense ratio of 33% and four equity comparables presented to the Board which had received the same rate. A change to the current assessment from \$21,772,500 to \$20,321,280 is warranted, based on the Respondent's recommendation.

[23] However, the Board was not convinced by the Complainant's argument that the assessed rental rate should be revised. There was no market evidence submitted to the Board to illustrate typical market rents of similar two/three bedroom townhomes in the market area of Fort McMurray.

[24] 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 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. In the Board's view, these are two distinct types of rental properties, and it is reasonable to expect that a two/three bedroom townhome would achieve a higher market rental rate than a two bedroom apartment within the same market area.

[25] Moreover, the income information provided for the subject property indicates that the subject's potential gross revenues significantly exceed the Complainant's requested \$2,200 per month rent rate. (Exhibit C1, Pg.44)

[26] Based on equity, the Board was convinced that the rental rate applied to the subject property is fair in relation to similar properties in the area. The Board placed weight on the chart submitted by the Respondent of several two/three bedroom townhomes located in the immediate vicinity that were assessed at the same rental rate of \$2,800/month.

[27] With respect to the revised assessment issued by the Respondent, the Board was satisfied that the revision from a cost approach valuation, to one based on the income approach is appropriate in this instance as this is an income producing property. It is reasonable to the Board that a multi-residential property located in the Fort McMurray market area could achieve a potential income stream that may result in a higher market value based on the income approach to value than the cost of the land and replacement of existing structures as per the cost approach to value. Moreover, the equity evidence provided by the Respondent indicates that the subject's original assessment was clearly inequitable with the assessments of similar multi-residential properties.

[28] 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").

[29] It is so ordered.

**DISSENTING OPINION**

[30] There was no dissenting opinion.

[31] 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  
13<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
CI	Complainant's Brief (file 15-013)
R1	Respondent's Brief
R1	Respondent's Brief (file 15-013)

**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