

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:

657406 Alberta Ltd. – Complainant

- and -

Regional Municipality of Wood Buffalo (RMWB) – Respondent

BEFORE:

Members:

Jacqueline Biollo, Presiding Officer

Alex McKenzie, Member

Ross Carruthers, Member

Staff:

Sonia Soutter, Clerk

BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

[1] A hearing was convened on September 15, 2018 in the Regional Municipality of Wood Buffalo in the Province of Alberta to consider a complaint about the assessment of the following property:

Assessment Roll Number	30623010
Civic Address	505 Mackenzie Boulevard, Fort McMurray
Owner	657406 Alberta Ltd.
File Number	ARB 18-002

PROCEDURAL MATTERS

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

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

[3] The Board confirmed it had no bias in relation to the matters.

ISSUES

Issue identified on the complaint form	Assessment Amount	Requested Value
An Assessment Amount	\$7,635,280 (reassessed)	\$6,423,512

[4] Is the assessment value of the subject property excessive when compared to the market value of similar properties?

[5] Is the cost calculations (local area modifier calculation) of the improvements fair and equitable when compared to tables provided as calculated by Marshall & Swift?

[6] Is the effective zoning (Business Industrial (BI)) of the subject property a fair representation of the subject property?

MERIT MATTERS

Position of the Complainant

[7] The Complainant stated the objective was to argue that the 2018 assessment as revised does not reflect the market value of the property; that they find the cost calculations of the improvements to be flawed, stating that the Assessor has applied a ‘local area modifier’ twice; and that the land value does not reflect the recent sales activity in proximity to the subject.

[8] The Complainant stated they had no issue on the value of the improvement except with the introduction of the 2nd modifier (1.35 local: 1.35 user), and suggested the Assessor pick a manual and stick with it (referencing the municipality’s use of both Marshall & Swift and Cuthbert Smith cost guides), as it is difficult to decipher the information otherwise.

[9] The Complainant submitted that the municipality had assessed the subject property, an Auto Centre of 23,910 square feet, on 3.7955 acres of land on a cost approach to value and at a revised value of \$7,635,280. The improvements, as revised, are assessed at \$2,015,244 (\$84.28/sf). The land is assessed, as revised, at \$5,616,016 (\$1,479,661.70/acre (\$33.97/sm)).

[10] The Complainant submitted that other properties in the region have seen a year over

year change of <-5%> to <-7.5%> and that the subject has a change of 167%.

[11] In support of their position, the Complainant submitted third party documents outlining Marshall & Swift cost multipliers which indicate “If no multiplier is published for your city or if you desire a check on the published multipliers, we suggest that you send us your local data, and we will compute one for you.”

[12] The Complainant submitted a two market comparables located in close proximity to the subject, bracketing the subject in land size and assessed value. The Complainant’s comparables were:

- 460 MacAlpine Cres. Assessed value: \$7,832,170
 - 530 Mackenzie Boulevard (C4) Assessed value: \$25,882,110
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- 505 Mackenzie Boulevard (BI) Reassessed value: \$7,635,280 subject

[13] The Complainant submitted that as corrected, the value of the improvements is \$1,494,241.24 (\$62.49/sf). Further, the Complainant submitted that a correct land value of \$4,929,270 (\$1,298,701/acre). The Complainant requested that the 2018 assessment for the subject be revised to \$6,500,000 (\$6,423,512 rounded).

Position of the Respondent

[14] The Respondent introduced the property as a fully-serviced automotive service centre, paved, with lights standards and adequate drainage. The assessment recognizes a <-5%> adjustment for easement and a <-5%> adjustment for shape.

[15] The Respondent outlined the methodology used for valuing individual properties and reiterated that legislation requires the use of mass appraisal in establishing assessments. The cost approach to value was used to assess the subject property.

[16] The Respondent introduced third party documentation from the International Association of Assessing Officers (IAAO) and the Appraisal Institute of Canada to complement the municipality’s mass appraisal system change approach (2017: Income Approach; 2018: Cost Approach).

[17] The Respondent introduced the valuation model used for cost approach for industrial buildings using two cost guides (Marshall & Swift and Cuthbert Smith Group) and introduced the most common unit of comparison for undeveloped land stating that market value encompasses a range of values.

Assessment = 2017 Replacement cost new – all forms of depreciation + land value

[18] The Respondent introduced the market valuation model used for industrial warehouse cost approach stating the ‘constant’, under land valuation, is based on sales.

Constant + (rate* land size) – (adjustments) = Total value

[19] The Respondent introduced three sales comparables within the urban service area; although one is over 14 km out of the urban service area, two of which are much closer to the valuation date than the complainants. All three comparables are zoned Business Industrial Land (BI).

- 241 Royer Way, Rickards Landing sale price (2016) \$1,000,420/acre
- 262 MacKay Crescent sale price (2017) \$1,272,727/acre
- 260 MacKay Crescent sale price (2017) \$1,833,333/acre

[20] The Respondent requested that the subject assessment be confirmed at \$7,635,280.

REBUTTAL

[21] The Complainant stated that the three market comparables provided by the Respondent are dissimilar to the subject and support a reduction of the assessment. In particular, the Respondent’s market comparables:

- Indicate an average sale price of \$1,368,827/acre
- Indicate a weighted average sales price of \$1,239,735/acre

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- The subject of the appeal is assessed after all site adjustments at a value of \$1,456,366/acre

[24] The Complainant rebutted the assessment rate applied by the assessor in the subject area (stated as \$1,533,022/acre) stating the assessment comparables support a reduction of the assessment. In particular:

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- a. A comparable parcel, 560 Memorial Drive, is assessed at a rate of \$1,075,615/acre inclusive of 25,580 sf of improvements
 - b. The sales comparables provided by the assessor are assessed at an average assessment of \$1,013,072/acre
 - c. The sales comparables provided by the assessor area assessed at a weighted average assessment of \$965,335/acre
 - d. All of these assessment comparables are assessed at an average assessment of \$1,028,708/acre
 - e. All of these assessment comparables are assessed at a weighted average assessment of \$1,021,010/acre

[25] The Complainant rebutted that the assessor has added a value of \$1,149,948 to the land assessment, calling it a 'constant'. In rebuttal:

- a. There is no explanation, definition, or justification for 'constant'
- b. Removal of the 'constant' results in a land assessment of \$1,177,202/acre
- c. Removal of the 'constant' results in a land assessment that is both more in line with the assessment comparables and the sales comparables.

[26] The Complainant stated that the Cuthbert Smith Group Construction Cost Guide relied on by the Respondent as support for the 'user modifier' applied to the cost calculations is not consistent with the guidelines on C3 page 14 which state: "Fort McMurray and the Regional Municipality of Wood Buffalo construction data, as with previous years, needs to be read in conjunction with oil sands construction data." The Complainant argued that there is no indication that the Assessor has followed the guidelines as outlined above.

- Further, the updated 2018 guide clearly shows that the 1.35 adjustment is excessive (when considered for trending) and incorrect for the valuation date.

SURREBUTTAL

[27] Although the Respondent asserts that the Complainant's comparables are similar to the subject, the Respondent argued that the sales from Rickards Landing are more similar and account for the differing characteristics, such as economies of scale.

DECISION

[28] It is the Decision of the CARB to confirm the assessment at \$7,635,280.

REASON FOR DECISION

[29] The Board carefully reviewed the comparables provided by both parties.

[30] The Board is more satisfied that the Respondent's sales comparables are more comparable to the subject than those presented by the Complainant, as they too require adjustments to support the subject's assessment (based on zoning, methodology used, similar use, variables and adjustments).

[31] The Board placed more weight on all three comparables zoned Business Industrial (BI) as a fair representation of the subject property.

[32] The Board notes there was some ambiguity in the subject property assessment based on the municipalities 2017 versus 2018 mass appraisal approach (2017: Income Approach; 2018: Cost Approach) and that more sufficient evidence could have assisted the Complainant and the Board in understanding the reasons and rationale for the change.

[33] Further, although there is ambiguity on how the Assessor applied Marshall & Swift and Cuthbert Smith Group cost guides to calculate local and special modifier adjustments, the Board was not satisfied there was sufficient evidence to draw the conclusion that the assessment is too high.

[34] 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").

[35] It is so ordered.

DISSENTING OPINION

[36] There was no dissenting opinion.

[37] 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
15th day of **October** 2018.

FOIP s.17(1)

Jacqueline Biollo, Presiding Officer

APPENDIX A

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

Exhibit Number	Description
C-1	Complainants Submission (69 pages)
C-2	Complainants Rebuttal (49 pages)
C-3	Construction Cost Guide (31 pages)
R-1	Respondents Submission (18 pages)
R-2	Respondents Appendix of supporting documentation (42 pages)
R-3	Sales valuation

APPENDIX B

REPRESENTATIONS

Person Appearing	Capacity
Jan Goresht	Cushman & Wakefield Property Tax Services
Sam Bosgra	Regional Municipality of Wood Buffalo