

**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:**

Riocan Holdings Inc. as represented by Altus Group Ltd. – Complainant

- and -

Regional Municipality of Wood Buffalo (RMWB) – Respondent

**BEFORE:**

Members:

G. Sokolan, Presiding Officer

A. Green, Member

N. Mahgoub, Member

Staff:

A. Hawkins, Clerk

**BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT**

[1] A hearing was convened on October 1, 2024, via video conference, in the Regional Municipality of Wood Buffalo (RMWB) in the Province of Alberta to consider a complaint about the assessment of the following property:

<b>Assessment Roll Number</b>	50513000
<b>Civic Address</b>	339 Powder Drive Fort McMurray, AB
<b>Owner</b>	Riocan Holdings Inc.
<b>File Number</b>	ARB 24-017

[2] The property under complaint (subject), known as Timberlea Landing, is an 8.4 acre mixed-use parcel located at the intersection of Confederation Way and Millennium Drive in the Timberlea area of Fort McMurray. It is improved with nine buildings constructed between 2007 and 2010 including four banks, a lube shop, a one-storey retail building, two two-storey retail/office buildings and a three-storey building with retail on the main floor and two storeys of apartments above. This complaint is limited to the assessment of the multi-residential portion of this latter building as well as a two-storey single tenant office building. Due to its age and superior location, this property is assessed as one of 34 Strata 3 properties which were constructed from 2000 onward.

[3] This portion of the subject has been assessed at \$33,571,810 using the Income Approach to valuation.

#### Multi-Residential Improvement

[4] The 18,559,000 square foot (sf) multi-residential improvement comprises the upper two storeys of a three-storey wood framed walk-up apartment building housing 18 one-bedroom and 16 two-bedroom units. Constructed in 2007, it is of average quality and condition with no major exterior or interior renovations having taken place since its construction. It has an effective age equal to its actual age of 17 years.

[5] It has been assessed on the Income Approach to valuation for \$2,671,255, based on monthly market typical rental rates of \$1,200 and \$1,350 for 18 one and 15 two-bedroom units, respectively. As of the condition date, one two-bedroom unit was considered unrentable due to damage. Other typical parameters in the income calculation were a 25% vacancy allowance, a 55% expense ratio, and a 6.5% capitalization rate.

#### Office

[6] The office improvement is a 20,396 sf two-storey standalone, single tenant office building constructed in 2008, which has been vacant since September 2023. It has been assessed for \$7,756,146 using the Income Approach, with typical market rents for Office space at \$31.25/sf and Office other spaces at \$20.62/sf. Allowance parameters include vacancy at 20%, structural at 5%, and recoverable expenses at \$13/sf. The typical capitalization rate was set at 9%.

### **PROCEDURAL MATTERS**

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

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

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

### **PRELIMINARY MATTERS**

[9] No preliminary matters were raised by either party. The Board proceeded to hear the merit arguments of the complaint.

### **ISSUES**

Issue identified on the complaint form	Assessment Amount	Requested Value
An Assessment Amount	\$33,571,810	\$31,574,350

Issue 1: Should the assessed residential expense ratio be adjusted to 70% from 55% to better reflect market conditions?

Issue 2: Would an assessed value of \$163/sf based on a Sales Comparison approach more fairly reflect the market value of the office building at issue in this appeal?

### **MERIT MATTERS**

**Issue 1:** Should the assessed residential expense ratio be adjusted to 70% from 55% to better reflect market conditions?

#### ***Issue 1: Position of the Complainant***

[10] The Complainant submits the multifamily improvement on the subject is over assessed as a result of a deficient expense ratio being applied in the Income Approach calculation. The Complainant did not question the monthly rent rates, the vacancy allowance, or the capitalization rate.

[11] The assessed expense ratio is 55%. The Complainant provided an Expense Ratio Analysis illustrating the building's actual expense ratios for the three most recent years; 95.02% in 2022, 61.62% in 2021, and 36.20% in 2020. These ratios were then stabilized over the three-year period by applying a weight of 50% to the most recent year (2022) and weights of 30% and 20% to 2021 and 2020 years respectively, concluding a stabilized rate of 73.24%. This analysis was supported by Income Statements for the building for the periods ending December 31, 2021 and December 31, 2022. No data was provided for 2020.

[12] Additionally, the Complainant provided RMWB Income (SPSS) Detail reports for six comparables to illustrate a ratio of 70% ratio would be equitable.

[13] In questioning, the Complainant confirmed the expense ratios used in its Expense Ratio Analysis represented the total expenses incurred in each year.

[14] In Rebuttal, the Complainant provided a recalculation of its Expense Ratio Analysis that eliminated a “Shared Costs” expense entry in the 2022 Income Statement that was questioned by the Respondent. The recalculation produced a 2022 expense ratio of 82.67% and a stabilized ratio of 67.06%. The Complainant indicated it did not consider this difference sufficient to reduce its requested stabilized expense ratio of 70%.

***Issue 1: Position of the Respondent***

[15] The Respondent’s submission explained that, to determine comparability between multifamily properties, it relies on returns to completed request for information (RFI) responses from all multifamily buildings on an annual basis. These responses are used to sort multifamily development into strata which informs the mass appraisal of this land use throughout the municipality. Based on that analysis, typical or market value income assessment parameters are derived and are subsequently used to calculate assessments of individual properties. Three strata were identified in 2024, primarily based on the year of construction. Strata 1 represents the oldest multifamily developments, having been constructed prior to 1981, which are primarily located within the Downtown. Strata 2 represents those properties constructed between 1981 and 1999 and in Strata 3, properties were constructed after 2000.

[16] The Respondent explained the typical expense ratios derived using mass appraisal techniques reflect “proper” expenses such as repair, utilities, property insurance and tax, garbage/snow removal, etc., rather than the total expenses incurred by a property each year. These are analyzed from the returned RFIs on a strata basis. The market expense ratios determined as a result of this process were 65% for Strata 1 and 55% for both Strata 2 and 3 for 2024.

[17] In reviewing the completed 2022 RFI returned by the Complainant, the Respondent questioned why the “repairs, maintenance” expense category more than doubled from the previous year, as well as what expenses were included in a “shared costs” category which was not included in the previous year’s RFI. The Respondent testified it had requested additional information from the Complainant but received no response.

[18] The Respondent reviewed the equity comparables provided by the Complainant to support its requested ratio of 70%, finding they are not similar to the subject. All of them are located in Strata 1 and were built between 1964 and 1978, reflecting inefficient design which results in higher maintenance costs. Accordingly, these comparables command the lowest rent in the entire region, as well as the highest vacancy rates. In contrast, the subject was built in 2007 and is a Strata 3 property.

[19] The Respondent compared the subject’s assessed expense ratios to the ratios calculated from its returned RFIs for the previous five years, noting the Complainant had failed to submit a completed RFI for 2020. As calculated, the subject’s calculated expense

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ratios for the remaining four years were below the median rates in Strata 3 and below the typical ratio used by the Respondent, indicating the assessed expense ratio of 55% is fair and equitable. It cannot fairly be compared to the stabilized ratio the Complainant derived using actual expenses incurred by the subject.

[20] In questioning, the Respondent identified the evidence it provided to support the calculation of a 49.95% expense ratio from the Complainant's 2022 RFI return was incomplete; mistakenly, only a portion of the information used in the calculation was included. Based on the information that was included, it was not possible to demonstrate the entire calculation.

[21] In summary, the Complainant requested the residential portion of the assessment be reduced from \$2,671,255 to \$1,780,837 (\$48/sf), resulting from the operating ratio being increased from 55% to 70%.

***Issue 1: Decision***

[22] The Board finds a 55% expense ratio in the subject's assessment reflects market value. Accordingly, the assessment of the residential component of the subject assessment remains unchanged.

***Issue 1: Reasons***

[23] The appropriate expense ratio for this building seems central to this complaint. The Respondent calculated a 49.95% expense ratio from the 2022 RFI return filed by the Complainant. While the Respondent could not reproduce the entire calculation, as portions of the data used in this calculation were mistakenly excluded from its evidence, the Board is persuaded it is a better reflection of market value than the ratio provided by the Complainant. The Complainant confirmed its ratio reflected the total expenses incurred in that year and the Respondent indicated it derived typical expense ratios using mass appraisal techniques that reflect only "proper" expenses.

[24] The Board is not persuaded the Complainant's equity comparables are similar to the subject and finds they do not support the Complainant's request for a 70% expense ratio. The Respondent explained the basis on which multifamily properties are sorted into three different strata, reflecting the similarity of property characteristics. The fact that the Complainant's comparables were located in Strata 1 while the subject is located in Strata 3 indicates a lack of similarity. The comparables are approximately 30 years older than the subject and it seems reasonable that maintenance and repair costs would be higher when a property is older.

[25] The Board noted that while the Complainant provided a revised Expense Ratio Analysis discounting the contribution that "shared expenses" made to this analysis, other points raised by the Respondent in relation to increased costs between the 2021 and 2022 income statements submitted for the multi-residential building were not adequately

explained, despite a request by the Respondent for clarification.

[26] The Board finds the Complainant's requested 70% ratio to be based on actual costs rather than on typical costs. An assessed value created using a combination of actual and typical costs is unlikely to reflect market value and the Board's role in this complaint is to determine a reasonable estimate of market value for the subject.

[27] Accordingly, the Board makes no change to the assessment of the residential component of the subject

**Issue 2:** Would an assessed value of \$163/sf based on a sales comparison approach more fairly reflect the market value of the office building at issue in this appeal?

[28] To recap, the office building under complaint is a 20,396 sf, single tenant, two storey, office building in the Timberlea area of the municipality which was largely developed post 2000. Until it became vacant in October 2023, it had provided office space for the Planning Department of the Regional Municipality of Wood Buffalo.

***Issue2: Position of the Complainant***

[29] The Complainant noted it will be very challenging to find a tenant to occupy this size of office space, contending it is over assessed at a value of \$212/sf. This is demonstrated when examined from a Sales Comparison rather than an Income approach to valuation.

[30] The Complainant provided a sample of eight comparable office building sales. There have been two sales in Fort McMurray in the past five years and these sales serve as comparables; however, the Complainant introduced six sales from other municipalities in Alberta to produce a reasonable sized sample of valid sales.

[31] Three of these sales occurred in Calgary, and one occurred in each of Lethbridge, Nisku, and Strathmore. Within the sample, year of construction ranged from 1976 and 2020 with a median of 2006; size ranged from 4,702 sf to 90,000 sf with a median of 14,600 sf; and the sale price/sf ranged from \$151 - \$266, with a median of \$163/sf. In comparison, the subject was constructed in 2008, is 40,793 sf in size and is assessed at \$212/sf.

[32] Based on this sample of comparables, the Complainant is asking for an assessed value of \$163/sf – the median of the sale price of the comparables, for a total value of \$29,793,504, representing a reduction of \$1,107,050 or 3.5%.

***Issue 2: Position of the Respondent***

[33] The Respondent characterizes the RMWB as a unique place with a relatively small real estate market and very few sales of office buildings. In fact, there have not been any valid office sales in the Timberlea area in the past five years.

[34] As a result, and because an office building is an income producing property, the best estimation of market value is obtained by using the Income Approach to valuation. The subject has been assessed using this approach for a total value of \$7,756,146 or \$212/sf.

[35] Based on the foregoing, the Respondent did not consider any of the Complainant's comparables from outside the RMWB as being comparable to the subject. When the RMWB comparables are considered in relation to the subject, the Respondent notes both are located within the downtown area (Strata 1). RFI returns indicate achieved rents from downtown properties are much lower than properties located in Timberlea, attributable to the age of downtown properties. This results in decreased demand and increased repair requirements. Additionally, physical attributes of the properties are not similar to the subject.

[36] The Complainant's first RMWB comparable at 9912 Manning Ave, is located in a residential area of the downtown, and is a residential townhouse that was converted to an office building, taking advantage of a zoning change which allowed property owners to use their buildings for commercial purposes. It is approximately one/tenth the size of the subject and was constructed in 1976, approximately 30 years before the subject.

[37] The Complainant's second RMWB comparable, at 9816 Hardin Street, is a three-storey building that is approximately 24 years older than the subject and twice as large.

[38] The market for office properties in the RMWB is based on information obtained from all annual RFI returns from office properties, providing both income and expense information for a property. This information is incorporated into a mass appraisal model which considered the physical characteristics and attributes of each office property within the RMWB. An assessment for an office property is calculated using typical values from this model.

[39] The Respondent submits the Complainant's comparables from municipalities outside of the RMWB cannot inform the mass appraisal model and cannot be considered in determining if the subject's assessment is reflective of the RMWB office market. The Respondent requested the Board to uphold its Income Approached assessment of the subject at \$7,756,146.

### ***Issue 2: Decision***

[40] The Board finds the Complainant did not establish a reasonable doubt that the Respondent's assessment of the office building under complaint is incorrect. Accordingly, the assessed value of \$7,756,146 is not changed.

### ***Issue2: Reasons***

[41] The Complainant chose to defend its submission that the subject is over assessed using the Sales Comparison valuation approach, rather than the Income Approach used by

the Respondent. The Complainant presented eight properties to establish the subject was over-assessed. All but two of these comparables were located outside of the municipality.

[42] Section 467(3)(c) of the MGA directs that an assessment review board “must not alter any assessment that is fair and equitable, taking into consideration... the assessments of similar property or businesses in the same municipality”. Accordingly, the Board cannot reasonably consider any of the Complainant’s comparables that are not located within the RMWB.

[43] The Board finds the two RMWB comparables provided by the Complainant are not similar to the subject. They are located in Strata 1 - a different area of the municipality that is not comparable to the subject’s location. Constructed in 1976 and 1979, they are approximately 40 years older than the subject which was constructed in 2008. The Respondent submitted offices in this demographic command lower rents, affecting the resulting assessment.

[44] The onus of proving the incorrectness of an assessment is on the individual alleging it, and the onus rests with the Complainant to provide sufficiently compelling evidence on which a change to the assessment can be based.

[45] The standard of proof applicable in proceedings before an assessment review board is proof on a “balance of probabilities”, requiring that in order to find that a certain fact exists, the decision-maker must be more convinced of the existence of that fact than not. Accordingly, the Board finds the Complainant had not provided sufficient evidence to convince the Board the office building under complaint was incorrectly assessed.

### **DECISION**

[46] It is the Decision of the CARB to leave the residential portion of the subject’s assessment unchanged at \$2,671,255 and to leave the assessment of the single tenant, two storey office building unchanged at \$30,900,554. In total, the assessed value of the subject remains unchanged at \$33,571,810.

### **REASONS FOR DECISION:**

[47] In coming to its conclusion, the Board has carefully reviewed 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”).

[48] Relative to the Complainant’s assertion that the residential component of the subject property’s assessment was overvalued on the basis of a deficient expense ratio being applied, the Board found the Complainant’s evidence supporting a requested 70% expense ratio for the residential component of the subject property to be based on actual vs typical expenses. When actual values are combined with typical values derived from a mass



appraisal process to compute an assessed value, it is unlikely the resulting assessment will reflect market value. The Board notes the Complainant had no issue with the other typically derived values used in the calculation. The Board's obligation in conducting this review is to determine if the assessed value is a reasonable estimate of the market value of the subject property.

[49] Relative to the Complainant's assertion that the assessment of the single tenant, two-storey office building was over-assessed through comparison to a sample of sales office buildings in multiple Alberta municipalities, the Board found the Complainant failed to present evidence to establish the assessment of the office building under complaint was incorrect. The Board can only alter an assessment where evidence from the same municipality shows an inconsistency in the application of assessment parameters. In this case, the Complainant relied on comparable properties in several other Alberta jurisdictions to establish an inequitable assessment using a Sales Comparison approach to valuation. The Respondent relied on an assessment based on the Income Approach, given there were insufficient sales within the municipality to justify an assessment on the Sales Comparison approach, and on the fact that the subject was an income producing property.

[50] It is so ordered.

#### **DISSENTING OPINION**

[51] There was no dissenting opinion.

[52] The decision of the Composite Assessment Review Boards is final and binding on all parties. This decision may be judicially reviewed by the Court of King's Bench pursuant to Section 470(1) of the *Municipal Government Act, RSA 2000, c M-26*.

Dated at the Regional Municipality of Wood Buffalo, in the Province of Alberta, this 24<sup>th</sup> day of October, 2024.

**FOIP Section 17(1)**

G. Sokolan, Presiding Officer

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## APPENDIX A

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### DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

Exhibit Number	Description
C-1	Complaint Form(3 pages)
C-2	Complainant Submission (206 pages)
C-3	Complainant Rebuttal (18 pages)
R-1	RMWB Assessment Disclosure (48 pages)
R-2	RMWB Law & Legislation Brief (58 pages)

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## APPENDIX B

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### REPRESENTATIONS

Person Appearing	Capacity
B. Foden	Altus Group Limited - Representing the Complainant
A. Sivalingam	Altus Group Limited - Observing
J. Peyton	RMWB – Representing the Respondent
S. Kim	RMWB - Observing

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## APPENDIX C

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### LEGISLATION

#### ***Municipal Government Act, R.S.A. 2000, Chapter M-26 (the MGA)***

**s 1(1)(n)** In this Act,

(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

**s 289(2)** Each assessment must reflect

- (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and
- (a) the valuation and other standards set out in the regulations for that property.

**s 460.1(1)** A local assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on

- (a) an assessment notice for
  - (i) residential property with 3 or fewer dwelling units, or
  - (ii) farm land

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**s. 460.1(2)** Subject to section 460(14), a composite assessment review board has jurisdiction to hear complaints about

- (a) any matter referred to in section 460(5) that is shown on
  - (i) an assessment notice for property other than property described in subsection (1)(a)

**s. 467(1)** An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

**(1.1)** For greater certainty, the power to make a change under subsection (1) includes the power to increase or decrease an assessed value shown on an assessment roll or tax roll.

**(2)** An assessment review board must dismiss a complaint that was not made within the proper time or that does not comply with section 460(9).

**(3)** An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- (a) the valuation and other standards set out in the regulations,
- (b) the procedures set out in the regulations, and
- (c) the assessments of similar property or businesses in the same municipality.

***Matters Relating to Assessment and Taxation Regulation, 2018, AR 203/2017 (MRAT)***

**s. 5** An assessment of property based on market value

- (a) must be prepared using mass appraisal
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property.

**s. 6** Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.

**s. 7(1)** The valuation standard for a parcel of land is

- (a) market value, or
- (b) if the parcel is used for farming operations, agricultural use value.

**s. 9(1)** When an assessor is preparing an assessment for a parcel of land and the improvements to it, the valuation standard for the land and improvements is market value unless subsection (2) or (3) applies.

***Matters Relating to Assessment Complaints Regulation, 2018, AR 201/2017 (MRAC)***

**s. 19(1)** Parties to a hearing before a panel of an assessment review board may attend the hearing in person or may, instead of attending in person, file a written presentation with the clerk.

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