

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 (MGA)* being chapter M-26 of the revised statutes of Alberta 2000.

BETWEEN:

2316057 Alberta Ltd. represented by CVG Canadian Valuation Group Ltd. – Complainant

- and -

Regional Municipality of Wood Buffalo (RMWB) – Respondent

BEFORE:

Members:

Jack Jones, Presiding Officer

Joshua Gogo, Member

Dean Cleaver, Member

Staff:

Heather Fredeen, Clerk

- [1] A hearing was convened on Wednesday, September 25, 2024, 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	831089470
Civic Address	360 Falconer Crescent
Owner	2316057 Alberta Ltd.
File Number	ARB 24-023

PROCEDURAL MATTERS

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

- [3] The Board members confirmed they had no bias in relation to this matter.

BACKGROUND

- [4] The subject property is an industrial warehouse located in the Leo Roberts Industrial Park and has been assessed utilizing the income approach to valuation. The subject has an effective year built of 2015 and contains 14,580 square feet (sf) of warehouse space as well as 1,008 sf of office space, to which typical market rent rates have been applied as well as typical vacancy, collection loss and structural allowance rates to derive a net operating income (NOI). The NOI was then capitalized at a rate of 7.25% to determine a market value of \$7,223,720.

ISSUES

- [5] Is the subject's assessment reflective of market value when considering the following:
- i. An assessed lease rate of \$43/sf for the warehouse space.
 - ii. An assessed capitalization (cap) rate of 7.25%.
 - iii. The sale values of similar properties.

MERIT MATTERS

Position of the Complainant

- [6] The Complainant referenced the sale of the subject property in May 2022 for \$7,350,000, noting that the sale was based on a long term escalating lease rate. The Complainant argued that the subject sale was atypical and not representative of market value.
- [7] A recent assessment history of the subject was presented in which the assessment increased from \$2,521,430 in 2022 to \$7,293,470 in 2023, after the subject's sale. The Complainant suggested that the increase was a result of the sale and not a result of market data as required through mass appraisal by legislation. Similar increases in assessed value were not experienced by other similar industrial properties.
- [8] The Complainant noted that after the subject was built in 2016 a series of events followed such as the wildfires in 2016, flooding and COVID, which stalled development in the area.

- [9] In support of a requested reduction of the assessed lease rate for the subject's warehouse component from \$43/sf to \$36/sf, the Complainant presented six lease comparables. These comparables ranged in year built from 1999 to 2010, in size from 14,966 to 132,270 sf and in lease rate from \$22.25 to \$38.50/sf, with a median value of \$32/sf. These lease rates were derived from recent sales by dividing the reported gross annual income by the building areas.
- [10] The Complainant placed greatest weight on the two single tenant building sales at \$36.50/ and \$33/sf and considered the newer age of the subject in support of the requested rate.
- [11] As further support for the requested lease rate of \$36/sf, six listings were presented for properties ranging in year built from 1998 to 2012, in size from 1,584 to 17,687 sf and in asking lease rates from \$20 to \$36/sf, with a median asking rate of \$32/sf.
- [12] Applying the requested lease rate of \$36/sf would revise the subject's assessment to \$6,135,500 (rounded).
- [13] In support of requested revision of the assessed cap rate from 7.25 to 8.75%, the Complainant presented six sales comparables, including the subject, with a median cap rate of 10%. Further reducing the sales to the ones most similar to the subject in size derives a median cap rate of 9.44%. The cap rate of the subject sale was 8.78%, which was still higher than that applied in the assessment.
- [14] Applying a cap rate of 8.75% and a warehouse lease rate of \$36/sf produced a revised value of \$5,083,500 (rounded) for the subject.
- [15] The Complainant also presented a direct sales comparison approach to value utilizing nine sales comparables, including the subject, with a median sale value of \$318.84/sf. Further reducing the sales to the ones most similar in size to the subject derives a median value of \$332/sf.
- [16] Applying a value of \$332/sf to the subject's leasable area of 15,588 sf produces a revised value of \$5,175,000 (rounded).
- [17] In summary, the Complainant requested that the values noted above be considered and the subject's assessed value be revised to \$5,125,000.

Position of the Respondent

- [18] The Respondent outlined the mass appraisal methodology employed to prepare assessments of market value as of the valuation date of July 1, 2023 and the condition date of December 31, 2023.
- [19] The income approach to value, which was utilized for the subject, relies on data gathered from property owners to determine typical income and expenses. Information is gathered and analyzed annually from responses to requests for information. Sales from the three year period prior to the valuation date are also analyzed to determine typical market capitalization rates.
- [20] An excerpt from the *Standard on Mass Appraisal of Real Property* was referenced as follows:
- The income approach is the most appropriate method to apply when valuing commercial and industrial property if sufficient income data are available.*
- [21] With respect to the subject's assessment history, it was noted that the assessment method changed from the cost approach to the income approach in 2023, which resulted in the increase referenced by the Complainant. The method was changed as more market data stemming from sales was available than in previous years.
- [22] Although the subject is assessed with the income approach, the Respondent noted that the MGA implies that a sales approach is a superior indication of market value, since it is based on what a property could reasonably sell for on the open market.
- [23] In support of the subject's assessed unit value of \$463.42/sf, the Respondent presented three sales comparables (including the subject), from the same industrial park as the subject. These sales ranged in size from 15,455 to 22,058 sf, in year built from 2015 to 2018 and in unit sale price from \$457.88 to \$485.28/sf.
- [24] Three listings (including the subject) were also presented, ranging in unit asking price from \$466.61 to \$497.18/sf.
- [25] The Respondent noted that the Complainant's claim that the sale of the subject property was not reflective of market value due to an assumed lease is not supported by the other sales and listings in the same area that are all in the same range.

- [26] To demonstrate that the subject property was assessed equitably, five property assessments from within the subject's industrial park were presented (including the subject), which had all been assessed with the same vacancy, structural allowance recoverable expense and cap rates and with lease rates ranging from \$43 to \$43.75/sf, based on effective year built.
- [27] In response to questions as to why there was no market data provided to support the assessed lease rate, the Respondent advised that the information was confidential and could not be provided.
- [28] It was noted that the subject's market was superior to the other areas from which the Complainant had presented comparables. Median building sizes were 15,588 sf and year's built were 2016 compared to 29,202 sf and 2007 from the areas presented by the Complainant.
- [29] The Respondent presented a critique of the Complainant's lease rate comparables, however it was acknowledged during the hearing that the presumption that NOI's had been used was incorrect and that gross annual incomes had been used.
- [30] The Respondent also presented a critique of the Complainant's cap rate analysis, noting issues with a lack of data, a portfolio sale, a non-arms length transaction and a post-facto (after the valuation date) sale as well as concerns with age and location variances from the subject.
- [31] In support of the assessed cap rate at 7.25% the Respondent presented ten sales comparables with a median value of 7.6%. These comparables were then divided into two groups, one for the subject's industrial park and those outside. The median of those within the subject's park was 7.13%, whereas the median for those outside was 8.27%. The higher cap rate for those properties outside of the subject's industrial park is reflective of their age and location.
- [32] The Respondent reiterated that the subject's location was superior to that of the Complainant's comparables as demonstrated by recent sales within Leo Roberts Industrial Park, which is essentially its own market area.
- [33] In summary, the Respondent requested that the subject's assessment be confirmed at \$7,223,720.

Complainant's Rebuttal

- [34] The Complainant noted that the Respondent has critiqued the market rent data provided by the Complainant, but had not provided any evidence to support the assessed lease rate of \$43/sf.
- [35] With respect to the increase in assessed value of the subject from 2022 to 2023, the Complainant argued that if a purchaser could buy a property for \$2.5 million why would they purchase it at more than \$7 million, if it wasn't for the income stream associated with the existing lease.
- [36] It was noted that the comparable sales within the subject's business park were from when the park was newly established and during the pandemic. The stalled development within the park is indicative of the current market, in that warehouses are available in other areas at cheaper prices.
- [37] The Complainant noted that the Respondent has not met their onus to respond to the evidence presented by the Complainant with respect to the assessed lease rate.

DECISION

- [38] **The assessment of the subject property is reduced from \$7,223,720 to \$6,135,500.**

REASON FOR DECISION

- [39] With respect to the assessed warehouse lease rate of \$43/sf, the Board placed greatest weight on the market lease study provided by the Complainant, which supported a revision to the lease rate to \$36/sf. The Complainant's requested rate considered the age, size and tenancy compared to the subject. The Respondent did not provide any market data to support the assessed rate, leaving the Board with only the Complainant's submission to consider.
- [40] The Board also found that the asking lease rates provided by the Complainant with a median value of \$32/sf, provided additional support for the requested rate of \$36/sf.
- [41] The Board placed less weight on the equity comparable lease rates provided by the Respondent as the Complainant had not challenged the equity of the assessed lease rate.

- [42] With respect to the assessed cap rate of 7.25%, the Board placed greatest weight on the cap rate study provided by the Respondent. This ten property study provided a market analysis with sales from both within and outside of the subject's market area and supported the assessed cap rate.
- [43] The Board placed less weight on the Complainant's cap rate study as it was demonstrated by the Respondent to have issues with respect to a lack of data, a portfolio sale, a non-arm's length sale and a post-facto sale.
- [44] With respect to the eleven comparable sales presented by both parties, the Board utilized the combined chart presented by the Respondent (R-1 p 38). Sales C-2, & C-5 were eliminated due to a size variance from the subject, sale C-6 was eliminated as a dated sale (2019) and sales C-5, C-7 and C-8 were eliminated for reasons referenced in paragraph 43. This left six sales remaining as noted below:

Index	Building size	Year Built	Sale Date	Unit sale price (rounded)
C-1	23,197 sf	1998	Feb. 2022	\$347/sf
C-3	19,200 sf	2010	July 2022	\$370/sf
C-4	14,966 sf	1999	April 2023	\$274/sf
R-1*	15,588 sf	2015	May 2022	\$472/sf
R-2	15,455 sf	2016	Oct. 2020	\$485/sf
R-3	22,058 sf	2018	March 2020	\$458/sf
	*=Subject		Median	\$414/sf

- [45] These six sales had a median unit value of \$414/sf, which when multiplied by the subject's leasable area of 15,588 sf produced a value for the subject of \$6,453,500 (rounded).
- [46] The sales comparison approach also pointed to a reduction of the subject's assessment and the taxpayer is entitled to the lesser of the values referenced above.

[47] In summary, the Board placed greatest weight on the income approach to valuation, as that was the method used to produce the subject's assessment. The Board accepted the Complainant's requested lease rate of \$36/sf for the warehouse component and accepted the assessed cap rate at 7.25%, which produced a revised assessed value of \$6,135,500.

[48] In coming to its conclusion, the Board 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").

[49] The decision of the Composite Assessment Review Board 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

10th day of October 2024.

FOIP section 17(1)

Jack Jones, Presiding Officer

APPENDIX A

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

Exhibit Number	Description
C-1 (4 pages)	Complaint Form & Agent Authorization Form
C-2 (57 pages)	Complainant's Brief
C-3 (22 pages)	Complainant's Rebuttal
R-1 (139 pages)	Respondent's Brief
R-2 (58 pages)	Respondent's Law & Legislation Brief

APPENDIX B

REPRESENTATIONS

Person Appearing	Capacity
Kyle Goertzen	Agent, CVG Canadian Valuation Group Ltd.
Samson Ahensan	Assessor, Regional Municipality of Wood Buffalo
Qing Dong	Assessor, Regional Municipality of Wood Buffalo

APPENDIX C

LEGISLATION

Municipal Government Act, RSA 2000, c M-26

s 1(1)(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 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.

s 467(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