Wood Buffalo
TRIBUNALS
Composite Assessment Review Board

Board Order 2020-011

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:

MNP LLP – Complainant

- and -

Regional Municipality of Wood Buffalo (RMWB) – Respondent

BEFORE:

Members:
George Zaharia, Presiding Officer
Joshua Gogo, Member
Keith Haxton, Member

Staff:
Anita Hawkins, Clerk

BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

[1] A hearing was convened on November 3, 2020 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	50602655
Civic Address	10218 King Street, Fort McMurray
Owner	Paramount Holdings Inc.
File Number	ARB 20-006

[2] The subject property spans the entire block in the Lower Townsite Neighbourhood at the intersection of King Street and Clearwater Drive. The main floor of the building is 31,000 square feet (sf) in size of commercial space, topped by three floors of residential condominiums. There is an additional 4,905 sf of mezzanine space in addition to the 31,000

sf of commercial space. The subject property was built in 2014, is in good condition and of average quality.

[3] The subject property is valued using the income approach with the 2020 assessment set at $6,577,450.

PROCEDURAL MATTERS

[4] The CARB derives its authority to make decisions 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. The Board confirmed it had no bias in relation to the matters.

[6] The hearing was conducted by way of video conference. The parties consented to the use of this technology.

PRELIMINARY MATTERS

[7] There were no preliminary matters.

ISSUES

Issue identified on the complaint form	Assessment Amount	Requested Value
An Assessment Amount	$6,577,450	$5,919,700

MERIT MATTERS

Position of the Complainant

[8] The Complainant has identified characteristics which it feels negatively affect the subject property's sustainability and ability to attract commercial tenants. As well, the recent flooding of, and the damage to, the subject property is expected to cause difficulty to obtain tenants into the future. Consequently, the Complainant is requesting a -5% site adjustment to account for topography and a -5% adjustment to account for limited access.

[9] The Complainant provided pictures showing the 2020 floods that affected the subject property and showing that there was not direct access off Prairie Loop Boulevard on the south side of the property.

[10] In support of its requested reductions the Complainant provided information about adjustments made in two other jurisdictions – the City of Edmonton and the city of Calgary.

a) In recognition of access and adverse topography, the City of Edmonton applies a -5% adjustment when the conditions are considered minor. Access to the lot is described as properties that do not have reasonable future accessibility to a city roadway. Adverse topography indicates topographical constraints such as significant slopes or wetland subsoil conditions resulting from sloughs, ponds, and natural drainage onto the property.

b) In recognition of specific influences that may impact market value, the City of Calgary provides adjustments ranging from 10% to 45% for properties located in the City Centre.

[11] In conclusion, the Complainant stated that relevant information had been overlooked to capture the fair market value of the subject property, requesting the Board to reduce the 2020 assessment of $6,577,450 by 10% to $5,919,700.

Position of the Respondent

[12] The Respondent provided an overview of its disclosure.

a) Property assessments are prepared in accordance with the requirements of the M*unicipal Government Act*, RSA 2000, cM-26, (MGA) and the *Matters Relating to Assessment and Taxation Regulation*, 2018, Alta Reg 203/17, (MRAT). The legislation requires the municipality to prepare assessments that represent market value by application of the mass appraisal process.

b) Property assessments represent an estimate of the value of the fee simple estate in the property as it existed on December 31, 2019 and would have realized if it had been sold on July 1, 2019 on the open market and under typical market conditions from a willing seller to a willing buyer.

c) Mass appraisal is the legislated methodology used for valuing individual properties, and involves 1) stratifying properties into groups of comparable properties, 2) common property characteristics are identified for the properties in each group, and 3) a uniform valuation model is created for each property group.

d) A single property appraisal is the valuation of a particular property as of a given date, while mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing.

e) The income approach used to value the subject property best reflects the typical actions of buyers and sellers when purchasing income-producing properties.

f) Annually, the RMWB sends out request for information (RFI) to all the property owners, seeking rent rolls, year-end financial statements, parking income, and expenses. For 2020 valuation, income information provided by property owners for 604 leases were analyzed.

g) Income producing properties were stratified into retail, warehouse, office, and mix.

h) Other value adjustments may be made for the following:

   i. Additional building on the subject property,

   ii. Associated lots that are required to satisfy the operation of the primary property,

   iii. Excess land on the improved property that is not required to serve or support the existing improvement.

   iv. Surplus land not necessary to support the highest and best use of the existing improvement.

[13] The Respondent provided information about the rent income achieved by the subject property based on the owner's response to a RFI. The lease was effective for the period May 1, 2015 to April 30, 2025 and showed a leasable area of 36,000 sf with a net rent of $33.33/sf. The Respondent noted that the main floor space is only 31,000 sf, but that it appeared that the owner was charging the same rent for the 4,905 sf of mezzanine space.

[14] For 2020, income information was provided by property owners for 604 leases, including commercial properties. The Respondent provided a table of a sample of some of the main floor retail leases located near to the subject property. The net rents ranged from $15/sf to $47/sf resulting in an average of $27.40/sf and a median of $27.50/sf.

[15] Specific to the subject property, the main floor space has been valued with a rate of $20.75/sf and the mezzanine space is valued using a rate of $13.70/sf. These rates both fell within the range of the rents achieved by comparable properties.

[16] In response to the Complainant's assertion that the subject property has limited access to Prairie Loop Boulevard, the Respondent stated that the subject property has access from King street on one side and Clearwater Drive on the other.

[17] With regards to the Complainant's assertion that the subject property should have a topography adjustment since its topography negatively affects the development of the land, the subject property had been developed for several years and that the issue is irrelevant.

[18] With regards to the flooding that occurred April 26, 2020, the Respondent stated that this had nothing to do with the legislated condition date of December 31, 2019. While the flood may contribute to a future assessment of the subject property it does not affect the value as at July 1, 2019, the valuation date, and December 31, 2019, the condition date.

[19] In conclusion, the Respondent stated that it had met all governing legislation, regulations, and quality standards and requested the Board to confirm the 2020 assessment of the subject property at $6,577,450.

DECISION

[20] The Decision of the CARB to confirm the 2020 assessment of the subject property at $6,577,450.

REASON FOR DECISION

[21] The Complainant's only support for a 10% reduction in the 2020 assessment of the subject property was based on two adjustments made in another municipality. This is contrary to the section 293(2) of the *Municipal Government Act* ("MGA") that mandates "*.... the assessor must take into consideration assessments of similar properties in the same municipality in which the property that is being assessed is located.*"

[22] Although the Respondent did provide for "other adjustments' that could be applied to the assessment of properties in the municipality, adjustments were not provided for the two attributes identified by the Complainant – 1) access to the subject property site, and 2) topography.

[23] The Complainant had suggested that a -5% adjustment should be applied to the assessment of the subject property to address an issue of accessibility. From a picture provided by the Respondent, it was clear to the Board that the subject property enjoyed access off King Street, and from a picture provided by the Complainant that the subject property backed unto Prairie Loop Boulevard.

[24] The topography issue raised by the Complainant was as a result of the flood that

affected the subject property in the spring of 2020. The Board found this concern having no merit in that the 2020 assessment is based on a valuation date of July 1, 2019 and condition date of December 31, 2019.

[25] The Complainant provide no other evidence in support of its position that the assessment of the subject property was not equitable compared to other similar properties.

[26] The Respondent provided an outline of its methodology to assess properties in its municipality. The Board found that the methodology used by the Respondent was consistent with legislated requirements.

[27] In support of the 2020 assessment, the Respondent provided details of the rent being achieved by the subject property and how this rent compared to similar properties located in the same area as the subject property. The \$33.33/sf rent achieved by the subject property exceeded the \$20.75/sf lease rate applied to the main floor of the subject and the \$13.70/sf applied to the mezzanine space. As well, the lease rates applied to the subject property fell within the range of leases achieved by neighbouring properties that ranged from \$15/sf to \$47/sf. The Board found that the rents applied to the subject property met the requirements mandated in section 5(c) of the *Matters Relating to Assessment and Taxation Regulation*, 2018 that states; "*must reflect typical market conditions for properties similar to that property.*"

[28] The Board was persuaded that the 2020 assessment of the subject property at \$6,577,450 was fair and equitable. Section 467(3) of the *Municipal Government Act*, RSA 2000, c M-26 states that "*An assessment review board must not alter any assessment that is fair and equitable, taking into consideration the assessments of similar property or business in the same municipality.*" The Board found that the assessment of the subject property was equitable compared to similar properties.

[29] 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").

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 30th day of November 2020.

Section 17 (1) FOIP
[redacted]

George Zaharia, Presiding Officer

APPENDIX A

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

Exhibit Number	Description
C1	Complainant's Brief (29 pages)
R1	Respondent's Brief (25 pages)

APPENDIX B

REPRESENTATIONS

Person Appearing	Capacity
Walid Melhem (MNP)	Representative for the Complainant
Julie Peyton	Assessor, Regional Municipality of Wood Buffalo

APPENDIX C

LEGISLATION

MUNICIPAL GOVERNMENT ACT R S A 2000 Chapter 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;

Duties of assessors

293(1) In preparing an assessment, an assessor must, in a fair and equitable manner,
- (a) apply the valuation and other standards set out in the regulations, and
- (b) follow the procedures set out in the regulations.

(2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

(3) The municipal assessor must, in accordance with the regulations, provide the Minister or the provincial assessor with information that the Minister or the provincial assessor requires about property in the municipality

Decisions of assessment review board

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.

MATTERS RELATING TO ASSESSMENT AND TAXATION REGULATION, 2018

Mass appraisal

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.