



Composite Assessment Review Board

REGIONAL MUNICIPALITY OF WOOD BUFFALO BOARD ORDER CARB 012-2011

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 (Act).

BETWEEN:

Fairtax Realty Advocates - Complainant

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Regional Municipality of Wood Buffalo - Respondent

BEFORE:

Members:

Patricia Mowbrey, Presiding Officer

D Kerr, Member

Board Administration:

Nicole MacDonald, Assessment Review Board Clerk

Audrey Rogers, Senior Legislative Officer

A hearing was held on August 11, 2011 at the Jubilee Centre, 9909 Franklin Avenue, Fort McMurray, in the Regional Municipality of Wood Buffalo in the Province of Alberta to consider a complaint about the assessment of the following property tax roll number:

Roll No./ Property identifier	Assessed value	Owner
71017990 Lot 48 Block 2 Plan 5304NY	\$6,307,500	Artis Fort McMurray Portfolio Ltd.

PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT

The subject property is a strip shopping plaza with a convenience store and gas bar, located at 9914 King Street, Fort McMurray, close to a major road way in a commercially developed area.

PART B: PROCEDURAL or JURISDICTIONAL MATTERS

The CARB derives its authority to make decisions under Part 11 of the Act.

PROCEDURAL MATTER

The Presiding Officer questioned the parties if there was any objection to a two member Board and if there was any objection to the composition of the Board. There was no objection. The Board members indicated there was no bias to the file.

ISSUES

The Complainant raised the following specific issues in section 5 of the Complaint Form:

1. Is the lease rate typical for the tenants of the subject buildings as reflected in the assessment?
2. Is vacancy shortfall considered in the valuation for assessment?

LEGISLATION

The *Municipal Government Act*, R.S.A. 2000, c. M-26;

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.*

POSITION OF THE COMPLAINANT

The Complainant attended the hearing and presented evidence C1, and C2 with rebuttal and argument for the Boards review and consideration. The subject property is known as Tide Centre. The Complainant explained the subject buildings were constructed in 1992 and are comprised of CRU space and a convenience store and gas bar.

The Complainant referred to C1, and stated that page 1 had been withdrawn as it had not been disclosed to the Respondent before the hearing date. The Complainant referred to C1 page 2, and indicated that the lease rate for the CRU space should be assessed using a lease rate of \$22.00 per sq ft rather than \$27.00 per sq ft, and that the convenience store and gas bar should be assessed using \$25.00 per sq ft rather than \$34.00 per sq ft.

The Complainant referred to the Respondent's evidence and remarked it provided only evidence of the model methodology that was used for market analysis, but no other information and no comparable lease rates to substantiate the typical lease rates used in the assessment.

The Complainant included as evidence, C2, rent rolls and lease rates for seven (7) shopping centers with a total of 172,127 sq ft of space located in Fort McMurray and owned by the Complainant.

The Complainant provided a calculation for the requested 2011 Assessment as demonstrated in C1, page 2, in the amount of \$5,056,326. The amount includes the requested lease rates and a vacancy shortfall calculated by applying a \$6.00 per sq ft rate to 5% of the total leasable area.

Although capitalization rate was not discussed in the disclosure evidence, the Complainant suggested that a more appropriate capitalization rate for the convenience store and gas bar would be 8%.

POSITION OF THE RESPONDENT

The Respondent attended the hearing and presented evidence R1, R2 and R3. The Respondent reviewed the valuation by mass appraisal methodology, and indicated the income approach to value had been utilized in the valuation for the subject assessment with typical market rents for properties similar to the subject.

The Respondent stated the Municipality follows a process of gathering lease rate information annually from property owners which is analyzed to determine typical market rents and the Municipality is restricted by the *Freedom of Information Act* to release or provide comparable information provided to the Municipality in confidence. The Respondent remarked that the Complainant had not provided any evidence with respect to typical market conditions or typical lease rates similar to the subject property at the time of valuation or in the evidence submitted.

The Respondent suggested the Complainant had not provided any market analysis to support the requested lease rates of \$22.00 per sq ft for the CRU space and \$25.00 per sq ft for the convenience store and gas bar.

The Respondent noted the Complainants comments regarding the capitalization rate appeared to be a last minute observation with no supporting analysis.

The Respondent explained that vacancy shortfall is not applied to any property in the assessment base, and allocating it to the subject property would create an inequity in the subject assessment when compared to other similar properties.

FINDINGS

1. The lease rates are typical at the valuation date of June 30, 2010, for the CRU space and the convenience store and gas bar.
2. No consideration is given to the capitalization rate comment.
3. The vacancy shortfall should not be applied to the subject property.

DECISION

The Decision of the Board is to confirm the 2011 Assessment of \$6,307,500.


REASONS

1. The Board reviewed the Complainant's evidence C1 and C2, and the Respondent's evidence R1, R2, and R3.

2. The Board is aware that the Respondent is legislated to prepare assessment values by mass appraisal methodology, R1, pages 2 and 3.
3. The Board noted the income approach to value applying typical market rents was used to value the subject property for the 2011 Assessment and considers this an appropriate method of valuation, R1, pages 4 and 5.
4. The Board accepted the rent rolls and lease rates, C2, provided by the Complainant for the seven (7) shopping centers owned by the Complainant, as market evidence. The Board excluded the distinctly newer shopping centre, called Eagle Ridge, from the review of standard CRU space in a shopping centre. Considering about 22 either new or renewed leases in the years 2008, 2009 and 2010 had an approximate range of lease rates from \$22 to \$35 per sq ft and considering only the seven (7) leases either new or renewed in the year 2010 had the same approximate range of lease rates, and for lack of specific comparable lease rates for convenience stores and gas bars, it is reasonable to accept that these lease rates support the typical lease rates applied in the Income Approach to Value for the 2011 Assessment for the subject property.
5. The Board gave no consideration to the capitalization rate comment made by the Complainant as there was no supporting analysis.
6. The Board recognizes that the application of vacancy shortfall is not appropriate to be applied to the subject property as it is not applied by the Municipality to any property being assessed and would cause an inequity.
7. The Board finds the 2011 Assessment of \$6,307,500 is fair and equitable.

It is so ordered.

Dated at the City of Edmonton, in the Province of Alberta, this 09 day of September, 2011.



P. Mowbrey, Presiding Officer

APPENDIX "A"

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB:

NO. ITEM

1. Exhibit C1 – Complainant's Evidence
2. Exhibit C2 – Complainant's Evidence
3. Exhibit R1 – Assessment Brief
4. Exhibit R2 – Law and Legislation
5. Exhibit R3 - Appendix

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FOR ADMINISTRATIVE USE ONLY

Column 1	Column 2	Column 3	Column 4	Column 5
CARB	Retail	Strip Plaza	Income Approach	Lease rates
				Vacancy Shortfall