

**NOTICE OF DECISION      NO. 0098 127/12**

Altus Group  
780-10180 101 ST NW  
EDMONTON, AB T5J 3S4

The City of Edmonton  
Assessment and Taxation Branch  
600 Chancery Hall  
3 Sir Winston Churchill Square  
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on July 4, 2012, respecting a complaint for:

| <b>Roll Number</b> | <b>Municipal Address</b> | <b>Legal Description</b>         | <b>Assessed Value</b> | <b>Assessment Type</b> | <b>Assessment Notice for:</b> |
|--------------------|--------------------------|----------------------------------|-----------------------|------------------------|-------------------------------|
| 1075506            | 9333 49 Street NW        | Plan: 7622073<br>Block: 4 Lot: 9 | \$4,638,500           | Annual New             | 2012                          |

*This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, RSA 2000, c M-26.*

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cc: ANITA BENTZIEN-LICHIUS

## **Edmonton Composite Assessment Review Board**

**Citation: Altus Group v The City of Edmonton, 2012 ECARB 1020**

**Assessment Roll Number:** 1075506

**Municipal Address:** 9333 49 Street NW

**Assessment Year:** 2012

**Assessment Type:** Annual New

Between:

**Altus Group**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF**  
**John Noonan, Presiding Officer**  
**Petra Hagemann, Board Member**

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### **Preliminary Matters**

[1] One of the scheduled panel members was unable to attend, and the hearing proceeded before a panel of two members, a quorum, as allowed per s. 458(2) of the *Municipal Government Act*, RSA 2000, c M-26.

### **Background**

[2] The subject property is located at 9333 49 Street in Eastgate Business Park in the City of Edmonton. It is comprised of two industrial warehouse buildings. The size of one building is 23,000 sq. ft., including 18,562 sq. ft. warehouse and 3,562 sq. ft. of main floor office space as well as 4,438 sq. ft. of finished mezzanine. The second building of 26,999 sq. ft. includes 609 sq. ft. of main floor office space. The combined size of the two buildings is 49,999 sq. ft. Both buildings were built in 1977 and cover 43.8% of a 103,949 sq. ft. building lot. The 2012 assessment of \$4,386,000 was prepared on the direct sales comparison approach.

### **Issues**

[3] An over-riding argument or “issue” in this complaint was the assessment treatment of properties having more than one building. The City’s mass appraisal model values each building separately, as if it were a stand-alone structure on its own title, comparing each building to other properties of similar size, age and other attributes. The aggregate value of all the buildings on the roll is the final assessed amount. The Complainant argues this method is flawed as it overstates the value of properties with multiple buildings. The parties gave extensive evidence

and argument on this issue for roll # 8956047 and asked the Board to carry forward their comments as applicable to this roll number and others heard by the same panel later in the week with similar circumstances. The affected rolls were #8956047, #8953754, #9966518, # 1075506 and #8954588.

[4] The CARB heard evidence and argument on the following issues:

1. Is the subject property assessed in excess of market value due to each building being separately assessed?
2. Do the sales comparables show that the subject is assessed in excess of market value?
3. Does the sale of the subject in February 2009 at \$3.8 million indicate that the 2012 assessment is too high?

### **Legislation**

[5] The *Municipal Government Act* reads:

#### ***Municipal Government Act, RSA 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.

s 458(1) Two members of a local assessment review board referred to in section 453(1)(d)(i) constitutes a quorum of the local assessment review board.

(2) The provincial member and one other member of a composite assessment review board referred to in section 453(1)(c)(i) constitutes a quorum of the composite assessment review board.

### **Position Of The Complainant**

[6] The Complainant submits that the Assessor's method of valuing a property that contains more than one building tends to overstate value. This method values each building separately, as if it were on its own title. For a property that contained both a 10,000 and a 15,000 sq. ft. building, the Assessor would compare each building to other properties with similar attributes and then add the two values to arrive at the assessed value. In the Complainant's view, such a property is better compared to other properties with a total 25,000 sq. ft. regardless of the number of buildings. A typical renter who wants a 5,000 sq. ft. bay is not concerned whether a property has more than one building and would not pay a higher rent for a typical bay. A typical investor would not pay more for a property just because it had two or more buildings. Rather, a property would sell as one parcel, not the sum of two or more individual buildings, each on its

own title. The Complainant presented a series of sales of multiple-building properties, and compared each to sales of other similar sized properties, most with one building. The Complainant made the point that these comparisons showed that in the marketplace multiple building properties sold for no higher than single building properties of similar size.

[7] The Complainant submitted five comparable sales similar to the subject in location, age, site coverage, lot size and leasable building area.

|                         | <b>Subject</b>     | <b>Comparables Range</b> |
|-------------------------|--------------------|--------------------------|
| <b>Lot size sq. ft.</b> | 103,949            | 64,259 – 127,229         |
| <b>Site Coverage %</b>  | 44                 | 41 - 52                  |
| <b>Leasable area</b>    | 49,999             | 28,196 – 76,371          |
| <b>Year built</b>       | 1977               | 1968 - 1980              |
| <b>TASP/sq. ft.</b>     | 92.77 (assessment) | 64.48 – 81.45            |

[8] The Complainant argued that based on the market evidence which shows an average time adjusted sales price of \$72.65 and a median of \$72.44/sq. ft., the subject's assessment should be reduced to \$72.50/sq. ft. which would yield a value of \$3,624,500.

[9] The Complainant further argued that the best indication of market value is the sale of the subject property itself. The subject sold Feb 26, 2009 for \$3,800,000 and when time adjusted to valuation date of July 1, 2011, it produces a value of \$3,621,500.

### **Position Of The Respondent**

[10] The Respondent defended the method of assessing multiple building properties, observing that the cost of construction for such a property would be higher, and that having multiple buildings could lead to a greater diversity of leasing options for a landlord, among other benefits. The Respondent reproduced nine of the ten sales comparison charts submitted by the Complainant and added a column of comments or observations about the comparables presented. These comments focused on corrections, differences in size, site coverage, measurement discrepancies, non-arm's-length sales, or other considerations that distinguished the comparables from the multiple-building sale highlighted. Further, the Respondent added a row to each chart showing another multiple-building sale that reinforced the proposition that these multi-building sites indeed sold at higher per square foot values. The Respondent submitted that the Complainant's analysis or lack of analysis of the multi versus single property sales did not meet the onus required to show the alleged error in the City's ways. Therefore, the Respondent submitted that a whole new analysis on the basis of the evidence presented by the Complainant on the single building vs. multiple buildings assessment method was not warranted.

[11] The Respondent presented 11 sales comparables, nine of which were single building and two were multi building properties.

|                            | <b>Subject</b>  | <b>Comparable properties</b> |
|----------------------------|-----------------|------------------------------|
| <b>Site Coverage %</b>     | 43.8            | 33 – 50                      |
| <b>Total building area</b> | 23,000 + 26,998 | 12,034 – 112,594             |
| <b>Office mezz</b>         | 4,438           | 0 – 5,051                    |
| <b>TSSP/sq. ft.</b>        | 92.77           | 72.44 – 129.20               |

[12] The Respondent argued that it would be improper to view the subject as a single 49,999 sq. ft. space. Such a property would have a lower per sq. ft. value than the subject. The cost of construction would be much different for one large building than two smaller buildings. The Respondent acknowledged that multi-building sales were difficult to find, shown in this hearing that only two of his 11 sales comparables were multi-building properties.

[13] The Respondent submitted eighteen assessment comparables of multi-building properties to prove the assessment of the subject is equitable. These properties were similar to the subject in size, building area, site coverage and location.

|                                      | <b>Subject</b> | <b>Comparable properties</b> |
|--------------------------------------|----------------|------------------------------|
| <b>Site coverage %</b>               | 44             | 35 - 45                      |
| <b>Total building area (sq. ft.)</b> | 49,999         | 32,368 – 100,625             |
| <b>Office mezz</b>                   | 4,438          | 0 – 10,712                   |
| <b>Assessment / sq. ft.</b>          | 92.77          | 93.41 – 121.93               |

[14] The Respondent made a recommendation for the Board to reduce the 2012 assessment of the subject property by 10% to a value of \$4,386,000 due to the rear building configuration.

### **Decision**

[15] The decision of the Board is to reduce the 2012 assessment of the subject property to \$76.04/ sq. ft., a value of \$3,802,000.

### **Reasons For The Decision**

[16] On the multiple versus single building issue, the Board finds merit in the argument of both parties. Particularly, the Board accepts the idea that the cost of construction of a multiple building development would likely exceed that of a single larger building. The Board is also inclined to agree that the renter of a single small warehouse bay would not likely pay higher rent because he had only three neighbours as opposed to ten in the immediate building.

[17] The Board cannot say that at all times, or even this time, that an assessment is incorrect because the City views value as the sum of several lumps. Neither can the Board say that any or all complaints are wrong because they see value as a lump sum. The Board must make each complaint decision on the basis of the evidence presented. The Board is not convinced that every multiple-building property must be exclusively viewed one way or another. The Board is interested in seeing that a complained assessment is a fair and equitable estimate of market value, no matter how that estimate was derived.

[18] The recommendation by the Respondent to reduce the assessment acknowledges the lack of street visibility hampering the rear building, but in the judgment of the Board, does not go far enough.

[19] The Board found only one comparable presented by the Respondent approached the size of the subject's total 50,000 sq. ft. That comparable at 44,887 sq. ft. had no finished mezzanine (upper office) space and superior, lower site coverage at 40% versus the subject's 44%. That comparable sold for \$86.88 per sq. ft., and the Board found the subject would be worth less than

that property given its superior characteristics. Three of the Complainant's comparables were found to be more similar to the subject in terms of site coverage, developed area including upper office, and lot size. These three sales, and the subject sale itself, averaged \$76.04 per sq. ft. or \$3,802,000 rounded. This is the best evidence before the Board of the subject's value.

Heard July 4, 2012.

Dated this 3<sup>rd</sup> day of August, 2012, at the City of Edmonton, Alberta.

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Petra Hageman, Board Member

**Appearances:**

Walid Melhem

for the Complainant

Will Osborne

for the Respondent