



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 790/11

Altus Group Limited
17327 106A Avenue
Edmonton, AB T5S 1M7

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 February 22, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10093826	4424 - 55 Avenue NW	Plan: 0724830 Block: 23 Lot: 6	\$3,047,500	Supplementary New	2011

Before:

Dean Sanduga, Presiding Officer
Dale Doan, Board Member
George Zaharia, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group

Persons Appearing on behalf of Respondent:

Blaire Rustulka, Assessor - City of Edmonton

PROCEDURAL MATTERS

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members stated that they had no bias on this file.

PRELIMINARY MATTERS

[2] There were no preliminary matters.

BACKGROUND

[3] The subject property, located in Pylypow Industrial Subdivision with a municipal address of 4424 - 55 Avenue NW, is a large warehouse 60,000 square feet in size. As at December 31, 2010 (the condition date of the subject property for the 2011 assessment), the improvement was 70% complete, with the resulting total assessment of \$4,628,500. This assessment was comprised of land at \$2,142,993 plus \$2,485,822 for the improvement deemed to be 70% complete. As at March 1, 2011, the improvement was 100% complete, resulting in a supplementary assessment in the amount of \$3,047,500 which is the subject of this complaint.

ISSUE(S)

[4] Does the 2011 supplementary assessment of \$3,047,500, resulting in a total 2011 assessment of \$7,676,000, properly reflect the value of the subject property when 100% complete?

LEGISLATION

[5] The *Municipal Government Act, RSA 2000, c M-26* reads:

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. 313(1) If a municipality wishes to require the preparation of supplementary assessments for improvements, the council must pass a supplementary assessment bylaw authorizing the assessments to be prepared for the purpose of imposing a tax under Part 10 in the same year.

s. 313(2) A bylaw under subsection (1) must refer

- a) to all improvements, or
- b) to all designated manufactured homes in the municipality.

s. 313(3) A supplementary assessment bylaw or any amendment to it

applies to the year in which it is passed, only if it is passed before May 1 of that year.

- s. 314 (2) The assessor must prepare supplementary assessments for other improvements if
 - a) they are completed in the year in which they are to be taxed under Part 10,
 - b) they are occupied during all or any part of the year in which they are to be taxed under Part 10, or
 - c) they are moved into the municipality during the year in which they are to be taxed under Part 10 and they will not be taxed in that year by another municipality.

- s. 314(3) A supplementary assessment must reflect
 - a) the value of an improvement that has not been previously assessed, or
 - b) the increase in the value of an improvement since it was last assessed.

s. 314(4) Supplementary assessments must be prepared in the same manner as assessments are prepared under Division 1, but must be prorated to reflect only the number of months during which the improvement is complete, occupied, located in the municipality or in operation, including the whole of the first month in which the improvement was completed, was occupied, was moved into the municipality or began to operate.

POSITION OF THE COMPLAINANT

[6] In the brief, the Complainant included the original 2011 assessment summary showing a value of \$4,628,500 (Exhibit C-1, page 5), the supplementary realty assessment detail showing a revised total of \$7,676,000 (Exhibit C-1, page 6), and a replacement cost summary that mirrored the total revised assessment of \$7,676,000 (Exhibit C-1, page 7). The Complainant's position was that the supplementary assessment of \$3,047,500 was too high, arguing that based on the Marshall and Swift cost manual, the total cost of the improvement was \$3,895,078 rather than the \$5,533,364 calculated by the Respondent (Exhibit C-1, page 9).

[7] The Complainant provided a three-page document entitled "APPLICATION AND CERTIFICATE FOR PAYMENT" that indicated that the contract sum to date was \$3,933,544.97. This total value was supported by a detailed breakdown of expenses by a multitude of categories, also equaling \$3,933,544.97 (Exhibit C-1, pages 10 - 12). The Complainant argued that this value was more in line with \$3,895,078 as determined using the Marshall and Swift cost manual.

[8] The Complainant argued that the Respondent had made errors in the cost of improvements and submitted a revised cost summary. In place of the Respondent's \$5,211,956 for the building improvement, the Complainant calculated the value to be \$3,573,670. There was no disagreement as to the value of the parking lot at \$321,408 (Exhibit C-1, page 14). The resulting value from the building plus parking lot was \$3,895,078. When this amount was added to the land value of \$2,142,993, this resulted in a total value for the subject of \$6,038,000, an amount \$1,638,000 less than the Respondent's \$7,676,000 total assessed value of the subject property.

[9] The Complainant also argued that while the Respondent had assessed the subject as "good", it was only "average" (Exhibit C-1, page 15).

[10] The Complainant requested the Board to reduce the 2011 supplementary assessment by \$1,638,000 from the original supplementary assessment of \$3,047,500 to \$1,409,500.

POSITION OF THE RESPONDENT

[11] In his brief, the Respondent included the original 2011 assessment detailed report showing a value of \$4,628,500 with the subject building deemed 70% complete (Exhibit R-1, page 13), and the revised detailed report showing a total of \$7,676,000 with all improvements deemed 100% complete (Exhibit R-1, pages 14 & 15). The revised total assessment included an amount of \$321,408 that was the cost of paving the parking lot plus some fencing. The position of the Respondent was that this total value of \$7,676,000 fairly reflected the value of the subject property.

[12] The Respondent included a floor plan of the subject building that showed a total of 9,600 square feet of office space that is included in the total 60,000 square feet of space (Exhibit R-1, page 16). It is the position of the Respondent that the cost of developing this space was not included in the "cost of construction" report submitted by the property owner.

[13] The Respondent included a fact sheet that confirmed the subject was comprised of 50,400 square feet of warehouse space and 9,600 square feet of office space. As at March 1, 2011, the improvement was 100% complete, causing the supplementary assessment. As per MGA s 314 (4), the supplementary assessment was prorated on the basis of 10/12th of the \$3,047,500 supplementary assessment (Exhibit R-1, page 17) upon which a tax would be imposed.

[14] The Respondent included a "PROJECT COST BREAKDOWN" that was signed and provided to the Respondent in response to a written request that had been dated December 13, 2011. The form that was completed by a person representing the owner showed a total construction cost of \$4,705,302. In the cost item for "interior finish" it clearly showed that this amount would not include "tenant improvements". On the next line, which asks for "tenant improvements", nothing is shown. It is the position of the Respondent that the cost of developing the 9,600 square feet of office space is in addition to the reported \$4,705,302.

[15] To account for the finished 9,600 square feet of office space, the Respondent added costs based on the Marshall and Swift cost manual. The rate applied to the interior office space finish was \$45.04 per square foot, resulting in a total of \$432,346. The rate applied for the air-conditioning package for this space was \$11.67 per square foot, resulting in a total of \$111,991 (Exhibit R-1, page 14). When the total of these two sums is adjusted by the factors established by Marshall and Swift, this results in a total of \$796,800 for the finished office space.

[16] When the interior office improvement cost of \$796,800 is added to the cost of construction, inclusive of the paved parking lot, of \$4,705,302 as provided by the property owner, this results in a total value of \$5,502,100. This is very close to the \$5,533,364 value as determined by the Respondent (Exhibit R-1, page 15).

[17] The Respondent requested the Board to confirm the 2011 supplementary assessment at \$3,047,500.

DECISION

[18] The decision of the Board is to confirm the 2011 supplementary assessment of \$3,047,500.

REASONS FOR THE DECISION

[19] The Board placed less weight on the \$3,933,544.97 cost of construction provided by the Complainant based on an invoice dated January 31, 2011. There was no evidence to prove that this was the final cost. Additionally, the improvement was not deemed to be 100% complete until March 1st, 2011, suggesting that there would have been further costs incurred after the work that was invoiced for in the January 31, 2011 invoice.

[20] The Board placed more weight on the Respondent's evidence that included a signed document from the property owner that stated the total construction cost as per a request for information that was signed January, 2012 was \$4,705,302. This document clearly stated that the interior finish did not include tenant improvements, and the line dedicated for "tenant improvements" was left blank.

[21] The Board accepted the Respondent's detailed report that provided the final \$7,676,000 assessment giving rise to the supplementary assessment of \$3,047,500. The applied cost for the office space improvements that were not accounted for in the owner's construction cost report amounted to \$796,800. This sum was determined using the base values as set out in the Marshall and Swift cost manual, and adjusted using established adjustment factors.

[22] The Board was satisfied that the approach used by the Respondent to establish the final assessment, the owner's own information, and the use of the Marshall and Swift cost manual to establish a value for the office space improvements that was not included in the owner's report, was reasonable.

[23] The Board was persuaded that the 2011 supplementary assessment of \$3,047,500, when added to the original 2011 assessment of \$4,628,500 resulted in a total assessment that was fair and equitable.

DISSENTING OPINION AND REASONS

[24] There was no dissenting opinion.

Dated this 2nd day of March, 2012, at the City of Edmonton, in the Province of Alberta.

Dean Sanduga, Presiding Officer

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.

cc: ANITA BENTZIEN-LICHIUS