



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 900/11

Altus Group
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 April 3, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10018924	4204 76 AVENUE NW	Plan: 0422505 Block: 5 Lot: 9A	\$3,293,000	Annual New	2011

Before:

James Fleming, Presiding Officer
James Wall, Board Member
Jasbeer Singh, Board Member

Board Officer: Jason Morris

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group

Persons Appearing on behalf of Respondent:

Mary-Alice Nagy, Assessor, City of Edmonton
Stephen Leroux, Assessor, City of Edmonton

PRELIMINARY MATTERS

1. It should be noted that due to considerable delays experienced as a result of the City's preliminary challenge of the validity of Altus CARB complaints, including filing of a leave to appeal the CARB decision of the preliminary hearing in the Court of Queen's Bench, the CARB administration determined it would be unable to meet the deadlines set out in s 468 (1) of the Municipal Government Act (MGA), and s 53(b) of Matters Relating to Assessment Complaints. Accordingly, the ARB administration requested and obtained a Ministerial extension to hear the affected roll numbers, including the subject property in 2012 under the authority of s 605(2) of the MGA.
2. When asked by the Presiding Officer, the parties indicated no objection to the composition of the CARB and the CARB members indicated no bias in the matters before the Board.
3. The Respondent objected to parts (pages 9 to 27) of the Complainant's Rebuttal document as, in the Respondent's opinion, the same contained new evidence that could not be entertained by the CARB in accordance with the provisions of s 9(2) of Matters Relating to Assessment Complaints (*MRAC*).
4. Prior to receiving the Complainant's Rebuttal, the CARB recessed, deliberated and decided that the Complainant's rebuttal would be admitted in its entirety and the CARB would assign appropriate weight to the contents or the arguments. The CARB accepted the Complainant's position that at the time of filing its initial disclosure, the Complainant was unaware of the approach or methodology used by the Respondent for the valuation of the properties with multiple buildings on site. This became evident only after receiving the Respondent's disclosure and hence the inclusion of additional analysis of the information contained in the Respondent's disclosure.

BACKGROUND

5. The subject property, located at 4204 – 76 Avenue, Edmonton, in Weir Industrial neighbourhood is comprised of two separate buildings. The total areas in each of the two buildings are; 7040 square feet and 11,535 square feet (subsequently corrected to 10,585 square feet as shown in R-1). The total corrected area for the buildings is 17,625 square feet (R-2, page 19). The smaller building was constructed in 1997 and the second (larger one) was added in 2004. The site coverage is 38%. Both buildings face a major arterial road (76 Avenue). Valuation group zoning is 'IM' (Industrial) and the method of valuation used is the Direct Sales Comparison.

ISSUE(S)

6. The complaint form listed a number of issues that have since been abandoned by the Complainant with the only remaining issues being:
7. Is the 2011 assessment of the subject property at \$3,293,000, in excess of its market value?

8. Is the 2011 assessment of the subject property at \$3,293,000, fair and equitable considering the assessed value and assessment classification of comparable properties?

LEGISLATION

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.

POSITION OF THE COMPLAINANT

9. The Complainant (Altus) presented to the CARB a 70 page document (C-1) that included a set of 5 sales comparables (C-1, page 8) and another set of 7 equity comparables (C-1, page 9).
10. The Complainant argued that the 5 sales comparables with similar age, size, location and site-coverage attributes as the subject, showed an average 2011 assessment of \$139.04 per square foot and a median of \$129.78 per square foot of Leasable Building Area (LBA), whereas the subject had been assessed excessively at \$186.84 per square foot (based on corrected building size per R-1). The Complainant stressed that using a figure of \$125.00 per square foot; the 2011 assessment for the subject should be \$2,203,000 (C-1, page 8).
11. The Complainant further argued that the 7 equity comparables with similar age, size, location and site-coverage attributes as the subject, showed an average 2011 assessment of \$147.84 per square foot and a median of \$147.64 per square foot of Leasable Building Area (LBA), whereas the subject had been assessed excessively at \$186.84 per square foot. The Complainant stressed that using a figure of \$145.00 per square foot; the 2011 assessment for the subject should be \$2,555,500 (C-1, page 9).
12. The Complainant presented a 27 page rebuttal document (C-2), and advised the CARB that the Respondent's valuation of the subject property was flawed and excessive, in that the total value of the two buildings, assessed individually, was less than the assessment for the entire property as one. Not only was the element of 'economy of scale' absent from the subject's assessment, the subject had been assessed an amount that was greater than the sum of the two buildings assessed separately, as evident from the Respondent's own submission (C-2, page 20, and R-1, page 30).
13. The Complainant requested a lower 2011 assessment of \$2,203,000 based on \$125.00 per square foot, as suggested on the basis of the sales comparables (C-1, page 8).

POSITION OF THE RESPONDENT

14. The Respondent provided a revised property detail report (R-1) on the subject property. This exhibit indicated the mezzanine area of the subject previously classified as finished should have been reported as **unfinished** mezzanine.
15. In (R-2) the Respondent provided a 31 page assessment brief which contained information on mass appraisal methodology, factual data on the subject property and sales and equity comparables. The CARB was advised by the Respondent that the subject property comprised 2 individual buildings on one site with exposure to a main traffic artery.
16. The Respondent's sales comparables included 3 individual industrial properties which could be related to the smaller building on the subject site, and 6 individual industrial properties which could be related to the larger building on the subject site.
17. The Respondent's sales comparables (R-1, page 19) applicable to the smallest of the buildings on the subject property indicated a time adjusted sale price range of \$177.97 per square foot to \$236.02 per square foot. The time adjusted sale price range applicable to the larger building on the subject is \$129.80 per square foot to \$216.29 per square foot. The 2011 assessment for the combined area of the subject buildings is \$186.84 per square foot (recognizing the revised size of the subject improvements).
18. The Respondent provided equity comparables (R-1, page 30) which suggest a range in assessments for smaller industrial properties comparable to the smallest building on the subject of \$167.68 per square foot to \$215.64 per square foot; an assessment range applicable to larger industrial properties indicated a range of \$153.37 per square foot to \$178.59 per square foot.
19. It is the Respondent's contention that the market recognizes individual pricing of buildings included in a multi-building complex such as the subject, and would not purchase properties solely on price related to the combined area of these buildings.
20. The Respondent indicated that their sales comparables 6 and 9 were the same properties as the Complainant's sales comparables 1 and 5, and their equity comparable 8 was the same property as the Complainant's equity #7.
21. In questioning from the CARB the Respondent admitted that the 2011 assessment for the subject property was at the top of the range. The Respondent requested that the CARB confirm the 2011 assessment of the subject property at \$3,293,000.

DECISION

22. The complaint is allowed in part and the assessment is reduced as noted below.

Roll Number	Original Assessment	New Assessment
10018924	\$3,293,000	\$2,696,500

REASONS FOR THE DECISION

23. The Complainant submitted 5 Sales Comparables in support of their request for a value of \$125.00 per square foot. The averages and median were \$139.04 and \$129.78 per square foot, respectively. They also submitted 7 Equity Comparables with both average and median around \$147.00 per square foot in support of their request for a value of \$145.00.
24. The Respondent valued the property in a manner consistent with other properties with multiple buildings on one site, in that they valued the improvements based on the size of individual buildings on the site rather than on the total size of the improvements on the site. Thus, the Respondent submitted 9 Sales Comparables, 3 in support of Building #1 (5,280 square feet + 1,760 square feet of finished mezzanine space) and 6 in support of Building #2 (10,585 square feet). Building #1 comparables ranged in value from \$129.80 to \$216.29 per square foot, and Building #2 ranged from \$177.97 to 236.02 per square foot.
25. The CARB considered all the evidence and argument. With respect to the question of economies of scale, the CARB concludes that economies will come into play for “larger” properties, and relates this to the concept of risk, whereby the risk of purchasing a larger property is greater than purchasing a smaller property, and therefore, this should be reflected in a lower price. The subject property is a total of 17,625 square feet over 2 buildings, and the CARB concludes that economies of scale do not play a significant role in the pricing because of the small size of the total improvements. Accordingly, this would tend to support the Respondent’s approach to valuation for this property.
26. When the CARB reviewed both the Equity and Sales comparables of the parties, they found it difficult to determine any way to quantify the magnitude of the adjustments from information provided by the parties (with the exception of the time adjustment factor which was provided by the City and accepted by the Complainant).
27. Accordingly, the CARB could not find an acceptable value using adjustments to attributes. Upon further analysis however, the CARB found that a “raw” analysis of a number of factors from the Complainant’s evidence led them to a decision that a value of from \$150.00 to \$155.00 was reasonable. The “best” equity comparables (C1, page 9) were #2, # 5, within blocks of the subject which supported a value in the mid- \$140.00’s per square foot. In addition, adding a city estimated 10% location adjustment to the average of the Complainant’s sales comparables yields a value of \$153.00 per square foot. Finally, reviewing the 2 common sales comparables from both parties (R2 page 19), yields a value of about \$168.00 per square foot. Based on these 3 numbers, the CARB concludes that a value of \$153.00 per square foot is appropriate. Accordingly, the valuation is reduced to the number noted above.

DISSENTING OPINION AND REASONS

28. There was no dissenting opinion.

Dated this 11th day of April 2012, at the City of Edmonton, in the Province of Alberta.

James Fleming, 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: CANADIAN URBAN VENTURES GP NO 1 INC