



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
Phone: (780) 496-5026

NOTICE OF DECISION NO. 0098 902/11

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 2, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9983202	4104 78 AVENUE NW	Plan: 0023562 Block: 4 Lot: 5B	\$18,012,500	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:

Bonnie Lantz, Assessor, City of Edmonton
Mary-Alice Nagy, 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 CARB 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 Board members indicated no bias in the matters before the CARB.
3. The Respondent advised the Board that a revised lower 2011 assessment of \$17,622,500, in respect of the subject property had been conveyed to the Complainant. This lower assessment resulting from a negative (-10%) adjustment being applied to one of the buildings that was located in the rear and had limited street access. This had not been accepted by the Complainant and as a consequence, the issue was before the Board.
4. The Respondent objected to parts of the Complainant's Rebuttal document (pages 9 to 27) as 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 Regulation* (MRAC).
5. Prior to receiving the Complainant's Rebuttal, the Board recessed, deliberated and decided that the Complainant's rebuttal would be admitted in its entirety and the Board would assign appropriate weight to the contents or the arguments. The Board 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 to the Complainant only after receiving the Respondent's disclosure and hence the inclusion of additional analysis of such information contained in the Respondent's disclosure.

BACKGROUND

6. The subject property, located at 4104 – 78 Avenue, Edmonton, is comprised of three separate buildings. The total areas in each of the three buildings are; 67,648 square feet (building #1), 39,172 square feet (building #2) and 67,375 square feet (building #3); for a total of 174,191 square feet. The oldest, building #2, was constructed in 1977; building #1 was added in 1987; while the third, building #3, was built in 2003. One of the developments (building #2) is at the rear of the property and does not enjoy direct street access from 78 Avenue. The site coverage in the subject property is 36%. Valuation group zoning is 'IB' (Industrial) and the method of valuation is the Direct Sales Comparison Approach.

ISSUE(S)

7. The complaint form listed a number of issues that have since been abandoned by the Complainant with the only remaining issues being:
8. Is the 2011 assessment of the subject property at \$18,012,500, in excess of its market value?
9. Is the 2011 assessment of the subject property at \$18,012,500, 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

10. The Complainant (Altus) presented to the Board a 71 page document (C-1) that included a set of 6 sales comparables (C-1, page 8) and 6 equity comparables (C-1, page 9).
11. The Complainant argued that the 6 sales comparables with similar age, size, location and site-coverage attributes as the subject, showed an average per square foot assessment of \$79.64 per square foot and a median of \$77.80 per square foot, of Leasable Building Area (LBA). The subject property, on the other hand, had been assessed excessively at \$103.40 per square foot.
12. The Complainant further argued that the 6 equity comparables with similar age, size, location and site-coverage attributes as the subject, showed an average per square foot assessment of \$82.79 per square foot and a median of \$81.96 per square foot, of Leasable Building Area (LBA). The subject property, on the other hand, had been assessed excessively at \$103.40 per square foot.
13. The Complainant emphasized that the sales and equity comparables placed before the Board (C-1, pages 8 & 9) reflected the economies of scale applicable to properties of this large size.

14. The Complainant stressed that for clients requiring such large industrial spaces, the location within the city was of little importance and the sales and equity comparables were very relevant to the subject's 2011 assessment.
15. The Complainant advised the Board that using a figure of \$78.00 per square foot, based on the sales comparables provided in the disclosure, the 2011 assessment for the subject should be \$13,587,000 (C-1, page 8).
16. The Complainant presented a 27 page rebuttal document (C-2), and advised the Board that the Respondent's valuation of the subject property was flawed and excessive, in that the total value of the three buildings assessed separately, was less than the assessment for the entire complex as one. Not only was the element of 'economy of scale' absent from the subject's assessment, the subject's assessment was greater than the sum of the three buildings' individual assessments, using the average per square foot assessment rates quoted by the Respondent in its own equity comparables (R-1, page 25). The Complainant illustrated this assertion and questioned the fairness of the subject's 2011 assessment valuation (C-2, page 23).
17. The Complainant argued that the subject is a large, 174,191 square foot industrial complex and should be assessed as such, instead of the Respondent's flawed approach to assess it as separate buildings of 67,000 and 39,000 square feet; and thus, denying the Complainant the benefit of lower per square foot assessment that should be applicable to one 174,000 industrial complex.
18. The Complainant requested a lower 2011 assessment of \$13,587,000 based on \$78.00 per square foot, as suggested on the basis of 6 sales comparables (C-1, page 8).

POSITION OF THE RESPONDENT

19. The Respondent provided a 34 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 of 3 individual buildings on 1 site with frontage on an interior collector road and some rear exposure but no direct access to the Sherwood Park freeway.
20. The Respondent provided the CARB with 7 sales comparables (R-1, page 17); numbers 1-4 inclusive, can be compared to the 39,172 square-foot building referred to as building #2 by the Respondent and numbers 5-7 inclusive, can be compared to the 67,375 square-foot and 64,000 square-foot buildings referred to as #1 and #3 respectively, and sales comparables numbers 1-4 inclusive, indicate a range in time adjusted sale price applied to subject building #2 of \$118.52 per square foot to \$136.52 per square foot and offer a site coverage range of 27% to 36%. Sales comparables #5-#7 inclusive, indicate a range in time adjusted sale price applicable to subject buildings #1 and #3 of \$93.21 per square foot to \$117.63 per square foot and site coverage of 15% to 38%.
21. The 6 equity comparables (R-1, page 25) in pairs of 2, relate to each of the three different buildings on the site and exhibit assessment rates of \$95.56 and \$96.76 per square foot applied to subject building #2; \$81.12 per square foot and \$84.73 per square foot applied

to building #1 and \$104.65 per square foot and \$107.11 per square foot to building #3. Site coverage for the 6 equity comparables ranged from 35% to 46%.

22. The Respondent suggested to the CARB that the sales and equity comparables support the subject property's assessment of \$17,622,500 or \$101.17 per square foot and that they are also in line with the subject property's site coverage of 36%.
23. The Respondent in R1, page 17 provided the following comments and / or observations on the complainant's sales comparables #1-#6 inclusive (C1, page 8):
- sale #1-not comparable to the subject as it was assessed as retail,
 - sale #2-higher site coverage than the subject and below market leases in place,
 - sale #3-Non-Arms length sale as evidenced by corporate searches carried out,
 - sale #4-inferior location and 23% vacant at sale date,
 - sale #5-upward adjustment required for inferior location compared to the subject and
 - sale #6-upward adjustment required to reflect the subject superior location and this property was 19% vacant at sale date.
24. 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. In addition, the Respondent recognizes that rear located buildings on the subject (building #2) do not enjoy the same access and exposure as the front buildings and a negative 10% adjustment was applied to building #2 to reflect this.
25. The Respondent requested that the CARB confirm the reduced 2011 assessment of the subject property at \$17,622,500.

DECISION

The Complaint is allowed in part, and the assessment is reduced as noted below.

Roll Number	Original Assessment	New Assessment
9983202	\$18,012,500	\$16,100.000

REASONS FOR THE DECISION

26. The Complainant provided 6 Sales comparables and 6 Equity comparables (C1, pages 8 & 9). The Respondent provided 7 Sales comparables and 6 Equity comparables (R1 pages 17 & 25). The major difference between the approach of the Complainant and the Respondent was the Respondent's policy for multiple building sites of valuing the individual buildings on the site rather than valuing the total square footage on the site regardless of how many buildings are involved.
27. The Complainant made this point in Rebuttal noting that in their opinion, price is based on the "total" area on the site particularly where all of the buildings are on a single title

and cannot be sold separately. They claim that economies of scale are an established fact in the market, and so larger properties sell for less on a per unit basis.

28. The CARB considered all of the evidence and argument. The CARB found that virtually all of the comparables from both parties required adjustment to make them comparable to the subject. The CARB found that there was very little quantitative guidance on adjustments put forward by either party to allow the CARB to establish comparability. This was particularly true in the case of economies of scale where the CARB would have been inclined to support the concept of economies of scale in the 174,191 square foot building, but could find little evidence to make any adjustments. The exception to this was in the matter of time adjustment where both parties accepted the City's time adjustment calculations.
29. The CARB then turned to the Rebuttal and in particular, the analysis (C2, page 23) wherein the Complainant was attempting to show the fallacy of the method used by the Respondent. The CARB concluded that the analysis by the Complainant (making use of the Respondent's evidence) did demonstrate that the assessment was too high. The CARB does not have any evidence to support the use of the 60% value suggested by the Complainant for Upper Office space, and so when this calculation is removed from the example, it results in an assessment of just over \$16,100,000. Accordingly, while the CARB does not necessarily support the valuation concept used by the City for multiple buildings on a single site, the CARB is convinced that Complainant's analysis using the Respondent's figures and methodology does justify a reduction of the assessment to \$16,100,000 (C-2, page 23).

DISSENTING OPINION AND REASONS

30. There was no dissenting opinion.

Dated this 10th day of May, 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: SREIT (SHERWOOD BUSINESS CENTRE) LTD