



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION NO. 0098 903/11

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:
9554601	4704 76 Avenue NW	Plan: 6318KS Lot: G	\$8,481,500	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 Board and the Board members indicated no bias in the matters before the CARB.
3. 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 Assessments Complaints Regulation* (MRAC).
4. 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**

5. The subject property, located at 4704 – 76 Avenue, Edmonton, is comprised of two separate buildings. The total areas in each of the two buildings are; 38,444 square feet, and 50,611 square feet (for a total of 89,055 square feet). Both these buildings were constructed in 1973 and one of the buildings (smaller one) is located facing a major traffic artery (76 Avenue). Valuation group zoning is 'IB' (Industrial) and the method of valuation is the Direct Sales Comparison Approach.

## **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 \$8,481,500 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**

8. The Complainant (Altus) presented to the Board a 53 page document (C-1) that included a set of 6 equity comparables (C-1, page 8).
9. The Complainant 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 \$81.24 per square foot and a median of \$80.87 per square foot, of Leasable Building Area (LBA). The subject property, on the other hand, had been assessed excessively at \$95.24 per square foot.
10. The Complainant stressed that using a figure of \$80.00 per square foot the 2011 assessment for the subject should be \$7,124,000 (C-1, page 8).
11. 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 two 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 seemed to be greater than the sum of two buildings' separate assessments. The Complainant illustrated this assertion and questioned the fairness of the Respondent's assessment methodology with a number of examples. (C-2, pages 9-27).
12. The Complainant argued that the subject is a 89,000 square foot industrial complex and should be assessed as such instead of the Respondent's flawed approach to assess it as two separate buildings of 51,000 and 38,000 square foot; thus denying the Complainant the benefit of lower per square foot assessment that should be applicable to one 89,000 square foot industrial complex.
13. The Complainant requested a lower 2011 assessment of \$7,124,000 based on \$80.00 per square foot, as suggested on the basis of 6 equity comparables (C-1, page 8).

## **POSITION OF THE RESPONDENT**

14. The Respondent provided a 21 page assessment brief which contained information on mass appraisal methodology, factual data on the subject property and equity comparables.

The CARB was advised by the Respondent that the subject property comprised of 2 individual buildings on 1 site with frontage on a main traffic artery and some rear exposure to the Sherwood Park freeway.

15. The Respondent provided the CARB with 6 equity comparables, all improved with 2 buildings; 4 of these equity comparables had main floors only the same as the subject, and the remaining two equity comparables had substantial finished mezzanine areas. The Respondent indicated that his equity comparable #5 was common to the Complainant's equity comparable #3. The Respondents equity comparables offered a range of assessments from \$85.06 per square foot to \$108.78 per square foot of total area. Site coverage ranged from 32% to 43%. The subject property's 2011 assessment is based on \$95.24 per square foot of main floor area and its site coverage is 35%
16. The Respondent brought to the CARB's attention that 5 of the Complainant's 6 equity comparables were improved with 1 building only, and that the Complainant's equity comparable #3 which was improved with 2 buildings required an upward adjustment to reflect its inferior location compared to the subject's exposure to a traffic artery.
17. 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.
18. The Respondent requested that the Board confirm the 2011 assessment of the subject property at \$8,481,500.

## **DECISION**

19. The Complaint is denied and the assessment is confirmed as noted below.

Roll Number	Original Assessment	New Assessment
9554601	\$8,481,500	\$8,481,500

## **REASONS FOR THE DECISION**

20. The Complainant relied on an Equity argument in this Complaint. They provided 6 Equity Comparables which they claim supported a value of \$80.00 per square foot (\$7,124,000.) (R-1, pages 8 & 9).
21. The Respondent provided 6 equity comparables (R-1 page 21) which they claim supported their value of \$95.24 per square foot. Key to their valuation was the concept that separate buildings should be valued in accordance with the size of the individual buildings; not the total of all buildings on the property.
22. The Complainant challenged this concept in Rebuttal (see preliminary matters), arguing that the separate buildings were on "1" site, and because they could only be sold as 1 property, the total square footage should be considered as one. They suggested that this led to the concept of "economies of scale", whereby larger buildings would sell for less than smaller buildings on a per unit basis of analysis. The Complainant argued that the

Respondent's approach was the opposite of that concept and clearly not practiced in the market.

23. The CARB analyzed all of the evidence and argument. Noting that it is the Complainant's obligation to cast doubt on the assessment prepared by the Respondent, the CARB reviewed the Complainant's Equity Comparables. The CARB was concerned that only 2 of the comparables had no mezzanine space like the subject, and although the majority were located east of 50<sup>th</sup> Street like the subject, none of them were on major road ways like the subject. Finally the site coverage of the comparables was all equal to or higher than the subject. As well, all except the common comparable were located in one building as opposed to the 2 building subject, although this fits with the theme of the Complainants arguments in rebuttal,
24. In the absence of clear and quantifiable guidance to adjust for the differences in qualitative attributes, the CARB is unable to make reliable or defensible adjustments to render the comparables truly comparable. This is particularly important in the case of a challenge based on equity where comparability and similarity are critical components in establishing equity. Accordingly, in this complaint, based on the dissimilarity in mezzanine space, the dissimilarity in location, and site coverage and the lack of suitable evidence to adjust for comparison, the CARB finds that the Comparables are not similar "enough" to the subject to support the equity request for \$80.00 per square foot, and accordingly, confirms the assessment as set out above.
25. In evaluating the evidence, the CARB did consider the applicability of economies of scale in this complaint. The Complainant maintains throughout the Rebuttal (C-2) that economies of scale were present in virtually every comparison. The CARB, based on its experience, believes that economies of scale will not manifest in every sale, but they are *inclined* to conclude that the subject (at almost 90,000 square feet) *could* experience economies of scale. However, the limited support for any *required* adjustments as noted in the previous paragraph, and the limited confidence for economies of scale in the subject, as noted by the CARB, convinced the CARB there was limited reason to disturb the assessment.

## **DISSENTING OPINION AND REASONS**

26. There was no dissenting opinion.

Dated this 12th day of April 2012, at the City of Edmonton, in the Province of Alberta.

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James Fleming, Presiding Officer

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*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: GPM (11) GP INC