



ASSESSMENT REVIEW BOARD

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

NOTICE OF DECISION NO. 0098 905/11

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:
4202032	9755 62 AVENUE NW	Plan: 1660KS Block: 4 Lot: C / Plan: 1660KS Block: 4 Lot: B	\$2,071,000	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 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 CARB members indicated no bias in the matters before them.
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 Assessment 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 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 in the valuation of 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 is a medium warehouse property in a 2 building configuration located at 9755- 62 Avenue in the southeast quadrant of the city of Edmonton. The largest building #1 (9000 square feet) with frontage on 62nd Avenue is in average condition. Building #2 (5400 square feet) located in the rear of the subject site with exposure to a railway spur line is in fair condition. Both structures were built in 1960 and both are of a single-story type. The total area of the two buildings on the property is 14,400 square feet.

ISSUE(S)

6. The complaint form listed a number of issues that have since been abandoned by the Complainant with the only remaining issue being:
7. Is the 2011 assessment of the subject property at \$2,071,000, 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

8. The Complainant provided evidence and argument that the 2011 assessment of the subject property at \$2,071,000 was not equitable compared to 2011 assessments of comparable properties in the area.
9. The Complainant informed the CARB that there was a sale of the subject property which would support a reduction in its assessment.
10. The Complainant provided 4 equity comparables (C-1, page 10) which indicated an assessment range of \$120.77 per square foot to \$142.61 per square foot of total leasable building area; median of \$133.42 per square foot. The subject property is assessed at \$143.82 per square foot.
11. 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 2 buildings assessed separately, would be more 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 2 buildings' individual assessments. The Complainant illustrated this assertion and questioned the fairness of the subject's 2011 assessment valuation.
12. The Complainant provided the CARB with 4 decisions from the Calgary Composite Assessment Review Board which support the premise that the value of the whole would be less than the total combined value of the parts, thereby reflecting economies of scale applicable to the multi-building subject property.
13. The Complainant provided evidence in the form of judicial findings which support the premise that the ratepayer and the Review Boards are not restricted to mass appraisal techniques to determine market value. The ratepayer has the right to have the assessment set at the lower of market value or fairness and equity.
14. The Complainant requested the 2011 assessment for the subject property be reduced from \$2,071,000 to \$1,944,000 (\$135 per square foot for a total reduction of approximately 6.1%)

POSITION OF THE RESPONDENT

15. The Respondent provided an 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 2 individual buildings on 1 site. The largest building on the site (building #1-9000 square feet) has frontage on 62nd Avenue and the smaller building (building #2-5400 square feet) is located at the rear of the lot. The Respondent also informed the CARB that a negative 10% adjustment was manually applied to building #2 in order to reflect restricted access.
16. The Respondent provided evidence in R-1 which refuted the Complainant's suggestion that the subject property had sold in January 2008 for \$1,875,000 and then again in October 2010 for \$1,940,000. This evidence includes property detail reports and documents registered at land titles showing that it was a neighbouring property that sold for that amount in January of 2008, and not the subject property.
17. The Respondent provided the CARB with 6 sales comparables (R-1, page 28) which consisted of properties with 1 building on-site and which ranged in improvement size from 4360 square feet to 10,637 square feet; site coverage ranged from 11% to 25%. The Respondent indicated that the smaller improvements related to the subject's smaller building and the larger improvements related to the subject's front located larger building. The Respondent's sales comparables indicated a time adjusted sale price range of \$157.99 per square foot to \$177.58 per square foot. The Respondent suggested to the CARB that this range more than supported the subject property's assessment at \$143.82 per square foot.
18. The 5 equity comparables (R-1, page 35) represent sites improved with 2 buildings each, which exhibit main floor areas ranging from 13,856 square feet to 19,897 square feet and site overages from 18% to 36%. These equity comparables indicate a per square foot assessment range of \$140.59 per square foot to \$164.72 per square foot. The Respondent suggested that these equity comparables, although located in different industrial areas in the southeast of Edmonton support the subject's 2011 assessment at \$143.82 per square foot.
19. The Respondent in R-1, page 35 provided the following comments and / or observations on the Complainant's equity comparables #1 - #4 inclusive (C1, page 10):
 - Comp. #1-improved with 3 buildings compared to the subject's 2,
 - Comp. #2-building on-site is larger than the combined area of the subject's 2 buildings; this property also had 3000 square feet of finished upper floor,
 - Comp. #3 this property is not directly comparable, although it has 2 buildings the second building is a cost building which would dilute the total assessment,
 - Comp #4 improvement is larger in size than the subject's individual improvements.
 - 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 the rear located building on the subject (building #2) does not enjoy the same access and exposure as the front building and a negative 10% adjustment was applied to building #2 to reflect this.

20. The Respondent requested the CARB confirm the subject property's 2011 assessment at \$2,071,000.

DECISION

21. The Complainants request for a reduction in the 2011 assessment is denied.

Roll Number	Original Assessment	New Assessment
4202032	\$2,071,000	\$2,071,000

REASONS FOR THE DECISION

22. In accordance with the issues the CARB will decide the merits of the complaint based on the equity argument presented by the Complainant.
23. While the CARB is open to entertaining the issue of 'economies of scale' in respect of large buildings measuring hundreds of thousands of square feet of space, the CARB was not convinced by the Complainant's argument that relatively small industrial improvements totaling 14,400 square feet warrant similar consideration presumably denied by the Respondent's practice, applied to all such properties, of combining the assessments of constituent smaller improvements on the subject site, to determine the total valuation for the property.
24. The CARB finds that the Respondent's evidence with regard to the transfer of a neighbouring property (R1 pages 19-27) successfully refutes the Complainants reference to a sale of the subject property. The property sold was the neighbouring not the subject property.
25. The CARB has difficulty relating the Complainant's equity comparables to the subject property. The CARB is persuaded by the Respondent's comments in R1, page 35 as they relate to the Complainant's equity comparables and is of the opinion when these factors are considered that the Complainant's evidence is weakened. This is particularly true of equity comparable 2 which exhibits a substantial mezzanine (3000 square feet) area compared to the subject property which has none.
26. It is the CARB's opinion that the Respondent has successfully raised significant doubts as to the comparability, and hence the reliability of the Complainants equity comparables. The CARB found both the quality and quantity of the Respondent's sales and equity comparables strongly support the 2011 assessment of the subject property.

DISSENTING OPINION AND REASONS

27. 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: THORNCLIFFE DEVELOPMENT LTD.