



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION NO. 0098 906/11

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:
8702789	9335 63 Avenue NW	Plan: 2424KS Block: 4 Lot: E & F	\$2,848,500	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:

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 Board and the Board members indicated no bias in the matters before the Board.
3. The Respondent advised the Board that a revised lower 2011 assessment of \$2,793,000, in respect of the subject property had been conveyed to the Complainant. This lower assessment resulting from data correction 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 Board in accordance with the provisions of s 9(2) of Matters Relating to Assessments Complaints Regulations (*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 only after receiving the Respondent's disclosure and hence the inclusion of additional analysis of the information contained in the Respondent's disclosure.

## **BACKGROUND**

6. The subject property, located at 9335 – 63 Avenue, Edmonton is comprised of three separate buildings. The total areas in each of the three buildings are; 15,910 square feet, 3,397 square feet and 3,839 square feet. All three buildings were constructed in 1972. While two of the buildings (#1 & #3) face a major arterial road (63 Avenue), the third (#2) is at the rear and has no major street exposure. Valuation group zoning is '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 \$2,848,500 fair and equitable?

## **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  
the valuation and other standards set out in the regulations,  
the procedures set out in the regulations, and  
the assessments of similar property or businesses in the same municipality.

## **POSITION OF THE COMPLAINANT**

9. The Complainant (Altus) presented to the Board a 79 page document (C-1) comprising of the Complainant's evidence that included a set of five sales comparables (C-1, page 8) and another set of six equity comparables (C-1, page 9).
10. The Complainant argued that the five sales comparables with similar age, size, location and site-coverage attributes as the subject, showed an average of \$97.87 per square foot and a median of \$92.76 per square foot of Leasable Building Area (LBA), whereas the subject had been assessed excessively at \$123.06 per square foot. The Complainant stressed that using a figure of \$100 per square foot, the 2011 assessment for the subject should be \$2,314,500 (C-1, page 8)
11. The Complainant further argued that the six equity comparables with similar age, size, location and site-coverage attributes as the subject, showed an average of \$107.60 per square foot and a median of \$112.44 per square foot of Leasable Building Area (LBA), whereas the subject had been assessed excessively at \$123.06 per square foot. The Complainant stressed that using a figure of \$112 per square foot, the 2011 assessment for the subject should be \$2,592,000 (C-1, page 9).
12. 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 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's assessment was more than the sum of three buildings' separate assessments (C-2, page 11).

13. The Complainant requested a lower 2011 assessment of \$2,314,500 based on \$100.00 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 35 page assessment brief (R1) which contained information on mass appraisal methodology, factual data on the subject property and sales and equity comparables. The Board was advised by the Respondent that the subject property provided 3 individual buildings on one site with exposure to a main traffic artery and access via a service road.
15. The Respondent's sales comparables included 5 individual industrial properties to which could be related to the larger building on the subject site, and 4 individual industrial properties which could be related to each of the 2 smaller buildings on the subject site.
16. The Respondent's sales comparables (R1, page 23) applicable to the largest of the buildings on the subject property indicated a time adjusted sale price range of \$113.87 per square foot to \$137.48 per square foot. The time adjusted sale price range applicable to the two smaller buildings on the subject is \$130.73 per square foot to \$157.23 per square foot. The 2011 assessment for the combined area of the subject buildings is \$120.66 per square foot.
17. The Respondent provided equity comparables (R1, page 34) which suggest a range in assessments for larger industrial properties comparable to the largest building on the subject of \$118.41 per square foot to \$120.79 per square foot; the assessment range applicable to smaller industrial properties is \$151.41 per square foot to \$179.01 per square foot. In addition, the Respondent provided 2 equity comparables improved with 3 buildings each, (the same as the subject) which exhibited overall assessments of \$125.35 per square foot and \$128.57 per square foot.
18. 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.
19. The Respondent offered comments on the Complainant's sales and equity comparables and noted that 1 of them (sale # 5, C 1, page 8) was also used by the Complainant. The Respondent suggested the Complainant had not met onus and requested the Board accept the recommendation to reduce the 2011 assessment from \$2,848,500 to \$2,793,000, as dictated by data correction.

## **DECISION**

20. The Complaint is allowed in part and the value is reduced as noted below to reflect the 10% recommended reduction by the Respondent for limited access and street exposure for Building #2.

Roll Number	Original Assessment	New Assessment
8702789	\$2,848,500	\$2,793,000

## **REASONS FOR THE DECISION**

21. The Complainant provided 5 direct sales comparisons (C-1, page 8) which they represented were similar to the subject. While the average and median were lower, the Complainant asked for a value of 100.00 per sq. ft. The Complainant also provided 6 equity comparables (C-1, page 9) which they argued supported a value of \$112.00 per sq. ft.
22. The Respondent valued the property in a manner consistent with other properties with multiple buildings, 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. Accordingly the Respondent provided 5 sales (R-1, page 23) which they asserted were similar to Building #1, and #4 sales they said were similar to Buildings 2 & 3 on the site. They argued that these sales supported the assessed value or \$2,793,000. The Respondent also provided 8 Equity Comparables (R-1, page 34). 6 of these comparables were used to support the Respondent's method of constructing the assessment (i.e. calculating a value for each individual building on the site and accumulating these values for the total assessment). The final 2 comparables (#7 & #8) were 3 building properties similar to the subject.
23. The Complainant Rebuttal (as noted under preliminary matters) argued that the Respondent's method of valuation ignored the concept of economies of scale. They indicated that the property should be valued on the total size of the improvements, not the sizes of the individual buildings on the site. The reason they said was because the property was one title and could only be sold as a single unit, and that economies of scale in the market would mean that a property with a larger area (square feet) would sell for less per square foot value than a property with a smaller total area (square feet), no matter what the configuration or number of buildings.
24. The CARB considered all the evidence and argument. With respect to the question of economies of scale, the CARB concludes that economies will come in to 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 23,147 sq. ft. over 3 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.

25. The CARB considered the sales comparables of both parties. In general, the CARB could find little support for any adjustments to the comparables of either party to make them similar and thus comparable. None of the parties' comparables were on a main road like the subject, and there were no examples to support any adjustment for this attribute. Likewise other attributes were noted as inferior or superior with no "quantitative" guidance as to the extent of any adjustment. The sole quantitative attribute was the "time adjustment" for the sales, which was not disputed by either party. Accordingly, the CARB put little weight on this evidence from either party.
26. In considering the Equity arguments from the parties, the CARB was most persuaded by the Comparables #7 & #8 of the Respondent. These comparables each had 3 buildings on site, like the subject, and were built in generally the same era as the subject. The size of the comparables bracketed the subject (roughly  $\pm$  22,000 sq. ft.) as did the site coverage (roughly  $\pm$  10%). The CARB thus found these to be most similar to the subject, and with values "tightly" averaging \$127.00 per square foot, they supported the assessment of the subject. Accordingly, the CARB confirms the adjusted 2011 assessment value as noted above.

#### **DISSENTING OPINION AND REASONS**

27. There was no dissenting opinion.

Dated this 11th 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: PARAGON INVESTMENTS LTD