

## **Edmonton Composite Assessment Review Board**

**Citation: PHD Properties Ltd. v The City of Edmonton, 2014 ECARB 00538**

**Assessment Roll Number:** 3304805

**Municipal Address:** 11231 Jasper Avenue N W

**Assessment Year:** 2014

**Assessment Type:** Annual New

**Assessment Amount:** \$789,500

Between:

**PHD Properties Ltd. as represented by  
its designated agent, Altus Group Limited**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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**DECISION OF  
George Zaharia, Presiding Officer  
Brian Carbol, Board Member  
Martha Miller, Board Member**

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### **Procedural Matters**

[1] Upon questioning by the Presiding Officer the parties indicated they did not object to the Board's composition. In addition, the Board members stated they had no bias with respect to this file.

### **Preliminary Matters**

[2] There were no preliminary matters.

### **Background**

[3] The subject property is a two-storey retail building with basement located at 11231 Jasper Avenue NW in the Oliver neighbourhood. The building, built in 1954 with an effective age of 1980, comprises 6,060 square feet of total gross space. The building is situated on a lot 3,898 square feet (0.09 acres) in size with site coverage of 52%.

[4] The subject property was valued on the income approach resulting in a 2014 assessment of \$789,500.

### **Issues**

[5] Is the size attributed to the subject property correct?

## Position of the Complainant

[6] In support of his position that the 2014 size of the subject property is incorrect, the Complainant presented an 85-page brief (Exhibit C-1). The Complainant argued that based on Requests For Information (RFI) in 2012 and 2013, the size of the property as shown by the Respondent is greater than it should be, resulting in the assessment of the subject property being too high.

[7] To support his position that the rental space as shown by the Respondent was too high, the Complainant provided RFI's and the commercial rent rolls for 2012 and 2013 (Exhibit C-1, pages 16 – 23). All these documents were consistent in their information, showing the gross/leasable space as follows:

- |                 |                   |
|-----------------|-------------------|
| a) Basement     | 800 square feet   |
| b) Main floor   | 1,600 square feet |
| c) Second floor | 1,600 square feet |

These sizes were in contrast to the sizes used by the Respondent in calculating the 2014 assessment. The sizes as shown by the Respondent are as follows:

- |                 |                   |
|-----------------|-------------------|
| a) Basement     | 2,020 square feet |
| b) Main floor   | 1,919 square feet |
| c) Second floor | 1,818 square feet |

[8] The Complainant submitted a chart entitled "City Size Calculation Study" of seventeen properties represented by Altus, including the subject property (Exhibit C-1, page 34). This study showed the relationship between the "rent roll size" and the "assessment size" as a percentage. The range of percentages per floor are as follows:

- |                 |             |
|-----------------|-------------|
| a) Basement     | 97% to 253% |
| b) Main floor   | 86% to 127% |
| c) Second floor | 83% to 170% |

The Complainant argued that the Respondent does not follow its own parameters as set out in its Retail 2014 Assessment Brief wherein it states: *"From analysis of reported rental information it was found that for the retail inventory, the typical ratio of gross leasable area to gross floor area was as follows:*

<i>Main floor</i>	<i>95% of gross floor area</i>	
<i>Upper floors</i>	<i>90% of gross floor area</i>	
<i>Basement</i>	<i>90% of gross floor area"</i>	(Exhibit C-1, page 33)

[9] The Complainant submitted a rebuttal document in response to the Respondent's comment found on page 10 of Exhibit R-1 which stated: *"This property is in the Retail Valuation group and as such is assessed using the gross leasable area of the building"*. The Complainant took exception to this statement responding as follows: *"This is not true as a number of retail properties are not assessed at their gross leasable area. More often the assessments match the RR sizes provided in the annual requests for information, as it is the best indication of what marketable space is available in a property"* (Exhibit C-2, page 4). In support of his position, the Complainant supplied two pages of Assessment Size Comparables showing that in almost all

cases the relationship between the assessed space and the rent roll was 100% (Exhibit C-2, pages 7 and 8).

[10] By applying the reduced areas to the subject property, the Complainant requested the Board to reduce the 2014 assessment of the subject property from \$789,500 to \$649,500.

### **Position of the Respondent**

[11] The Respondent stated that the 2014 assessment of the subject was fair and equitable. To support this position, the Respondent presented a 62-page assessment brief (Exhibit R-1) that included law and legislation.

[12] The Respondent drew the Board's attention to page 27 of Exhibit R-1 that provided an explanation of "mass appraisal". The distinction between mass appraisal and single-property appraisal is described as follows: "*Single-property appraisal is the valuation of a particular property as of a given date; mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing.*"

[13] The Respondent discussed the differences between the retail and retail plaza inventories and the reason for the different approaches as to how the assessable space is determined. Retail plaza properties are usually owned for investment purposes and when RFI's are sent to these owners, there is a very high response rate, allowing the City to rely on the rent rolls provided. In terms of the retail inventory, the majority are owner occupied and when RFI's are sent to these owners, there is a very low return rate with the information from only 25% to 30% of the returns being usable. The City has therefore established the typical ratio of gross leasable area to gross floor area as identified in paragraph 8 above.

[14] The Respondent acknowledged that some properties might have an advantage using the 95%/90%/90% formula and others may not, but that on the whole, the system typically works and that based on mass appraisal, properties are assessed equitably.

[15] In response to the Complainant's critique as shown on page 34 of Exhibit C-1, in the "City Size Calculation Study", the Respondent commented that the group of seventeen properties was but a sub-set of the full inventory of approximately sixteen hundred properties, and therefore did not represent the majority of the inventory.

[16] The Respondent requested the Board to confirm the 2014 assessment of the subject property at \$789,500.

### **Decision**

[17] The decision of the Board is to confirm the 2014 assessment of the subject property at \$789,500.

### **Reasons for the Decision**

[18] The Complainant was able to support his requested reduced assessable size from the RFI's and rent rolls, but accepting his position would in essence change the valuation of the subject property from a mass appraisal to a single appraisal value. This would be in contravention of the *Matters Relating to Assessment and Taxation Regulation*, s. 2(a) that clearly mandates that an assessment "*must be prepared using mass appraisal*".

[19] Although the Complainant was able to demonstrate that for seventeen properties represented by the Complainant there were significant discrepancies between the rent roll sizes and the assessment sizes, the Board placed less weight on this argument in that it was stated by the Respondent and not disagreed with by the Complainant that the group of seventeen properties was a small sub-set of the full inventory of approximately one thousand six hundred properties. Again using mass appraisal, the Board must place greatest weight on the overall picture rather than on an individual snapshot.

[20] The Board placed less weight on the Complainant's position in the rebuttal in that the properties chosen appeared to be retail plazas, and the fact that the assessed space to rent roll was virtually equal, would be consistent with the Respondent's position that owners of retail plazas are usually investors and when sent RFI's, the Respondent receives a majority return of information upon which to establish assessable space.

[21] The Board placed more weight on the Respondent's explanation of the differences between the retail and retail plaza inventories, and the rationale as to how and why the assessed space is determined.

[22] The Board noted an error in the size allocated to the basement as shown on page 23 of Exhibit R-1. The detailed report uses the gross space of 2,020 square feet rather than the 90% or 1,818 square feet according to City's 95%/90%/90% formula. At a \$1.50 per square foot applied market rent, there would be a minimal reduction in the assessment, but for the sake of maintaining accurate information, this error should be corrected.

[23] The Board was persuaded that the 2014 assessment of the subject property at \$789,500 was fair and equitable.

### **Dissenting Opinion**

[24] There was no dissenting opinion.

Heard June 17, 2014.

Dated this 15<sup>th</sup> day of July, 2014, at the City of Edmonton, Alberta.



George Zaharia, Presiding Officer

### **Appearances:**

Jordan Nichol, Altus Group  
for the Complainant

Chris Rumsey  
for the Respondent

*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.*

## Appendix

### Legislation

**The *Municipal Government Act*, RSA 2000, c M-26, reads:**

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

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.

**The *Matters Relating to Assessment and Taxation Regulation*, Alta Reg 220/2004, reads:**

s 2 An assessment of property based on market value

(a) must be prepared using mass appraisal,

(b) must be an estimate of the value of the fee simple estate in the property, and

(c) must reflect typical market conditions for properties similar to that property.

### Exhibits

Exhibit C-1 Complainant’s Evidence – 85 pages

Exhibit C-2 Complainant’s Rebuttal – 18 pages

Exhibit R-1 Respondent’s Evidence – 62 pages