

## **Edmonton Composite Assessment Review Board**

**Citation: Mike W Spelliscy, Delta Upsilon Building Society of Alberta v The City of Edmonton, ECARB 2012-000765**

**Assessment Roll Number:** 9986242  
**Municipal Address:** 11020 86 AVENUE NW  
**Assessment Year:** 2012  
**Assessment Type:** Annual New

Between:

**Mike W Spelliscy, Delta Upsilon Building Society of Alberta**

Complainant

and

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

Respondent

---

**DECISION OF**  
**John Noonan, Presiding Officer**  
**Brian Hetherington, Board Member**  
**James Wall, Board Member**

---

### **Preliminary Matters**

[1] The parties representing the Complainant and the Respondent expressed no objection to the Board members and the Board members expressed no bias on the subject of the hearing.

[2] Prior to the start of the hearing, the Respondent informed the Board that the City was recommending a reduction in the assessment from \$1,424,500 to \$1,184,000, as an inappropriate cost manual had been used in preparing the cost calculations. The Complainant declined this offer.

[3] At the end of the hearing, following a reference by the Complainant that the Marshall & Swift analysis of the construction of the two buildings was in error, as only the original building was of concrete construction, the Respondent undertook to research this and, if the calculations had been in error, provide the Board with an updated Marshall & Swift calculation. This revised figure provided by the Respondent, further reduced the recommended reduction of the assessment to \$1,145,000.

### **Background**

[4] The subject property is a multi-residential building owned and occupied by the Delta Upsilon Building Society of Alberta, and is located at 11020-86 Avenue in the Garneau district of Edmonton, immediately south and east of the University of Alberta. The property is used as a

fraternity house for the Society and comprises two adjoining buildings on the 13,076 square foot (sq. ft.) site.

[5] The original 2,590 sq. ft. single floor dormitory was built in 1972, while a two-storey addition measuring a total of 2,840 sq. ft. was built in 1999.

[6] The property is assessed on the cost approach, similar to other fraternity buildings. The land has been valued at \$525,899 and the building at \$619,101 using Marshall & Swift manuals to determine a depreciated replacement cost, for a total recommended assessment of \$1,145,000. The previous recommendation at \$1,184,000 (rounded) had calculated a building value of \$658,225.

### **Issue(s)**

[7] The complaint form identified two issues:

1. Has the subject property been wrongly classified?
2. Is the assessment in excess of the property's market value?

### **Legislation**

[8] The Municipal Government Act reads:

#### ***Municipal Government Act, RSA 2000, c M-26***

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.

### **Position of the Complainant**

[9] The Complainant presented the Board with five documents related to the appeal. These included a one-page summary of points submitted as disclosure (C-1); a seven-page reply to the "Respondent's disclosure" dated July 27, 2012 (C-2); a two-page letter and attachment requesting a postponement of the hearing originally planned for July 30, 2012, dated July 9, 2012

(C-3); a 60-page appraisal report by Cushman & Wakefield on the subject property (C-4); and a set of architectural drawings of the 1999 addition to the building (C-5).

[10] The Complainant told the Board that, after being informed of the amount of the 2012 assessment, which had almost doubled from \$761,000 to \$1,424,500, the Society hired a professional appraiser to undertake a detailed study of the property in order to have a current valuation.

[11] The Complainant's appraisal report (C-4) contained: internal and external photographs of the subject property; an aerial map of the site; details of the property; land use bylaws for the current RA9 site zoning; national, regional and city economic overviews; Highest and Best Use study for the subject property; valuations; and a reconciliation and final value estimate of \$713,000.

[12] The appraiser told the Board that the subject property had been specifically built for a fraternity house and would have limited viability for any other potential purchaser, adding that it differs from other fraternity houses in the area. The report noted the fraternity house is a 5,429 sq.ft. improvement on a 13,076 sq.ft. lot, and observed, "Based on our analysis the subject improvements do not contribute to the total overall market value of the property. In our opinion, the Highest and Best Use of the subject property is a continuation of its existing use on a holding or interim basis until redevelopment as a higher density multi-family site is warranted."

[13] The subject's RA9 zoning would allow a development of up to 39,277 sq.ft. or a potential maximum of 27 buildable units of high density residential development. Given the subject's location in mid-block, parking issues and setback requirements, it is unlikely the property could be developed to maximum density, as exemplified by the neighbouring condo projects to the east and west. The report calculated an underlying land valuation for the subject by comparing five vacant land sales of similar lot size and zoned RA7 or RA8. A value of \$60 per sq.ft. was concluded and after deduction of estimated demolition costs, the subject was valued at \$713,000.

[14] The appraisal report examined seven rental comparables in the University area to justify a potential gross income for the subject as an income producing property. Five sales of small apartment buildings/rooming houses were presented to conclude a capitalization rate of 8.25%. The report determined a value of \$500,000 for the subject by the capitalized income method.

[15] On review of all the parameters of the subject, the appraiser produced a final estimate of value of \$713,000.

[16] The Complainant pointed out that the fraternity house has 19 rooms for student accommodation. These rooms range in size from 127 to 173 sq.ft. and are simply sleeping and study areas. All washrooms, laundry and cooking facilities are shared common areas. The structure served its current use but it would not be economically feasible to convert it to a residence, apartment building, rooming house or any other typical use. If the property were to sell, it would be for its redevelopment potential as a RA9 site. Consequently, the true value of the property is its land value less the cost of demolishing the current improvement.

[17] In its summary of points to support the assessment complaint, the Complainant presented the Board with a one-sheet outline (C-1). This document pointed out that the subject property is different than all other fraternity houses at the University of Alberta, in that it was specifically built for its purpose, while all others have been converted from regular residential homes. It suggested that this explained the City's RES MOD (modified residential) classification for all the

other fraternity houses, while the subject property has a MSCOM (Marshal and Swift Commercial cost manual) classification.

[18] The Complainant informed the Board that various contacts with the City of Edmonton, since receiving the 2012 assessment, had suggested that the subject property had been re-classified by the City, as its previous category had been in error, even though it had been used for the previous few years.

[19] In closing, the Complainant requested a revised assessment of \$713,000, as provided by the Cushman & Wakefield appraisal.

### **Position of the Respondent**

[20] The Respondent provided the Board with a 72-page assessment brief (R-1).

[21] The brief contained maps, interior and exterior photographs of the subject, a replacement cost detail report and five equity comparables of fraternity houses in the Garneau area. In addition the brief contained information from Edmonton's Zoning By-law 12800, as it relates to the subject's RA9 classification.

[22] The Respondent confirmed the subject property had been assessed using the cost approach, the valuation method employed when a property did not fit either the sales comparison or income approach models. The Assessor explained that the subject's assessment had increased due to a previous clerical error that had frozen the subject's value at a certain rate since 2006.

[23] The Respondent provided the Board with assessment information on five fraternity houses in the vicinity of the subject property and the University of Alberta. These equity comparables are assessed on the basis of depreciated costs of improvements and land as if vacant, the same methodology as that used for the subject. The comparable fraternity houses were constructed between 1912 and 1997. The subject property was constructed in 1972. However, due to a 1999 addition, its effective year built is 1982.

[24] The equity comparables were compared to the subject property on the basis of the size of the gross building area. The assessment range indicated is \$271.46 to \$995.76 per square meter, which supports the subject property's assessment on the same basis at \$711.00 per square meter. The subject was larger in lot size and development size than the comparables which were all converted residences. As the older part of the subject was of concrete block construction, the Respondent believed it was superior to the comparables. If the subject were to be valued in the Res Com category of the other fraternity houses, the subject's assessment would be higher.

[25] The property was being used, and had been upgraded with the 1999 addition. There had been no evidence introduced that depreciation was so great that no value should be ascribed to the improvement. The Respondent requested the Board confirm the subject property's recommended reduced assessment of \$1,184,000, subsequently reduced to \$1,145,000.

### **Decision**

[26] The Board reduces the assessment of the subject property to **\$860,000**.

## **Reasons for the Decision**

[27] The subject property is considered unique and the improvements have been designed for its specific use as a dormitory-residential fraternity house.

[28] The Board notes the appraisal (C-4) provided by the Complainant was completed by a senior consultant of a major realty company (Cushman & Wakefield) and was reviewed and co-signed by a fully accredited appraiser. This report was presented and defended by its primary author and the Board places considerable weight on this evidence. The Board was particularly persuaded by the Highest and Best Use analysis presented in the report. This analysis concludes that based on the outcome of an income approach, the subject property's Highest and Best Use as though vacant is as a site for multi-family residential development, as allowed under its RA9 zoning. The report further concludes that the Highest and Best Use of the subject as improved is a continuation of its existing use on an interim basis until redevelopment is warranted.

[29] The Board agrees that the current improvements add no financial value to the site. Should the property be sold, there would have to be an allowance for the demolition of the building. In this regard the Board accepts the amount of \$72,000 for demolition, as put forward in the appraisal report (C-4, p 30).

[30] The Board agrees that the market value of the subject property and, hence its assessment, is represented by the market value of the land, as if vacant, less an allowance for the demolition of the existing improvements.

[31] In estimating the value of the subject land, the appraiser analyzed the sales of five vacant multi-family sites (C-4, p 27). It is the Board's opinion that the location of the subject property in the Garneau area, close to the University of Alberta campus is a prime factor in its valuation; therefore the Board relies upon only sales comparables 1, 2 and 3 of the five outlined by the appraiser, as they are located in the subject or comparable area. The Board places very little weight on sales comparable # 4 and 5 in the appraisal, as their locations are in the north end of Edmonton and are not comparable to the subject.

[32] The Board notes the appraiser's sales comparables # 1, 2 and 3 indicate an average of \$71.26 per sq. ft. and this is accepted by the Board as the market value of the subject property. Therefore 13,076 sq. ft. multiplied by \$71.26 per sq. ft. (less improvement demolition) equals \$859,796 (rounded to \$860,000).

[33] The evidence provided to the Board on the issue of the property's classification was not entirely clear. The Board has briefly touched upon this matter in presenting the parties' positions, the Complainant advocating a return to whatever category led to the previous level of assessment, and the Respondent advising that no such category exists but rather a valuation group. The Board was not specifically asked to decide whether the property should be in Category A or Valuation Group B. The Board's decision, however, recognizes the unique nature of this property. Its dormitory design makes it different even from other fraternity houses. If the property were to be sold, the Board agrees there would be a limited market of potential buyers attracted to the building as currently configured. The Board also sees merit in the Complainant's observation that a mortgagor would lend on the property's ability to generate income, or the land value, but not the sum of the two. The Board sees this property as analogous to situations where a structure generates limited income, but occupies valuable real estate. In those situations, the assessor will assign nominal value to the improvement, and the assessment will reflect land value. In this site-specific decision, the Board sees the land value attributed by the City,

\$525,899, as low. That number is likely influenced by values derived from a larger market area and understates the subject's prime location in Garneau.

[34] The Board is satisfied the decision fairly treats the subject in relation to its market value.

**Dissenting Opinion**

[35] There was no dissenting opinion.

Heard on September 6, 2012.

Dated this 5<sup>th</sup> day of October, 2012, at the City of Edmonton, Alberta.

---

John Noonan, Presiding Officer

**Appearances:**

Gary Killips

Mike Spelliscy

Terrance Kong

for the Complainant

Cam Ashmore

Mark Sandul

for the Respondent