



Complaint ID 0262 1590  
Roll No. 30001620215

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: AUGUST 8 AND 9, 2022

PRESIDING OFFICER: E K WILLIAMS  
BOARD MEMBER: D. DEY  
BOARD MEMBER: A. TARNOCZI

BETWEEN:

JEB2 PROPERTIES INC  
As Represented by Altus Group Limited

Complainant

-and-

REVENUE & ASSESSMENT SERVICES  
City of Red Deer

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by an Assessor of The City of Red Deer as follows:

ROLL NUMBER: 3000160215

MUNICIPAL ADDRESS: 4909 49 Street

ASSESSMENT AMOUNT: \$23,343,100

REQUESTED AMOUNT: \$14,945,500

The complaint was heard by the Central Alberta Regional Assessment Review Board the 8<sup>th</sup> and 9<sup>th</sup> of August 2022, via videoconference.

Appeared on behalf of the Complainant: A. Iazard, Altus Group Limited

Appeared on behalf of the Respondent: T. Johnson, City of Red Deer

**DECISION:** The assessed value of the subject property is changed to \$ 18,930,900

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**JURISDICTION**

[1] The Central Alberta Regional Assessment Review Board ["the Board"] has been established in accordance with section 455 of the *Municipal Government Act*, RSA 2000, c M-26 ["MGA"].

**PROPERTY DESCRIPTION AND BACKGROUND**

[2] The subject property known as the Millennium Centre is a 147,986 square foot (sf) office building located in the Downtown built in 1960 on 28,688 sf. The subject property description is Office Building/Office-High Rise/4-range with the tenant space assigned a 4-range designation.

[3] The property was assessed using the Income Approach.

**PRELIMINARY MATTERS**

[4] The Presiding Officer confirmed that no Board Member raised any conflicts of interest with regard to matters before them and neither party raised any objection to the panel hearing the complaint.

[5] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.

[6] The Complainant advised the Board that to ensure accuracy for the record two of the four-evidence disclosure filed in respect of this hearing should be retitled as follows:

- a) C3 RED DEER OFFICE PROPERTY REBUTTAL APPENDIX (Initially entered as C4)
- b) C4 DISCLOSURE REQUIREMENTS REQUIRED UNDER MRAC 9(2)(b)(i) (Initially entered as C3)

[7] The Parties advised the Board that evidence disclosures identified as C1 and R2 are property specific documents. Disclosures identified as C2, C3, C4, R1 and R3 are relevant to all files under appeal and are to be carried forward and identified in the relevant file.

[8] No additional preliminary or procedural matters were raised by any party. Both parties indicated that they were prepared to proceed with the complaints.

[9] The Complainant and the Respondent advised the Board that as outlined in the following section, four issues have been identified in respect of the subject property. As certain of these issues will also be raised for other files to be heard this week the testimony and arguments to be presented at this hearing will be carried forward to the applicable hearing. The details of which will be presented at the time of hearing the applicable file.

**PROPERTY ISSUES**

[10] The Complainant and the Respondent identified to the Board that four issues have been identified in respect of the assessment of the subject property and include:

- a) Vacancy Rate should be increased from 19% to 25%.
- b) Rental Rate Main Floor should be reduced from \$18.00 psf to \$13.33 psf.

- c) Rental Rate Office – Highrise 2<sup>nd</sup>+ Flrs/4-range should be reduced from \$18.00 psf to \$14.00 psf.
- d) Exclude from assessment the Cell Tower located on the roof of the subject property.

[11] The Presiding Office advised that as there are four separate issues, to facilitate the presentation of the Parties evidence, testimony, and argument as well as the documentation of the decision each issue will be presented separately in their entirety.

### **POSITION OF THE PARTIES**

[12] The Complainant and Respondent each presented substantial evidence varying in its relevancy. In the interests of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[13] In respect of decisions of the Board, the Municipal Government Board, and the Alberta Court of Queen's Bench, which were submitted as evidence in support of the parties' positions, it should be noted that those decisions were made in respect of issues and evidence that may be dissimilar to that before this Board.

### **Issue: Vacancy Rate increased from 19% to 25%**

[14] The Board wishes to advise that to ensure clarity when outlining the Party positions, the Total Area reported in square feet (sf) for a property is based on the Party's evidence and the area reported may differ by Party.

### **Position of the Complainant**

[15] The Complainant requested that the vacancy rate be increased from 19% to 25% based on the vacancy analysis of four High Rise Office buildings as presented in the following table

ADDRESS/BLDG NAME	TOTAL AREA	VACANT SF	% VACANT
SUBJECT 4909 49 St/Millennium Ctr	147,841 sf	44,762 sf	30.28%
4901 48 St/Parkland Sq	59,138 sf	10,023 sf	16.9%
5010 43 St/Centre 5010	76,618 sf	14,448 sf	19.98%
4911 50 St/First Red Deer Place	94,391 sf	26,169 sf	27.72%
<b>TOTAL AREA</b>	<b>377,988 sf</b>	<b>95,402 sf</b>	
<b>WEIGHTED MEAN</b>			<b>25.67%</b>

### **Position of the Respondent**

[16] Respondent noted that the Complainant's analysis supporting the requested 25% was inaccurate on the basis that:

- a) Stantec Executive Place a High-Rise Office building was excluded from their analysis. Although, the annual Non-Residential Property Request for Information (RFI) has not been received, a review of other documentation filed with the Respondent determined the total area of the office space to be 103,670 sf with a vacant area of 5,230 sf.
- b) Parkland Square's 2021 RFI (July 8, 2021) reported the total building area to be 67,456 sf with 4,812 sf vacant not 10,018 sf vacant as reported by the Complainant.

[17] Based on the above noted changes the sample of five High Rise Office buildings supports the vacancy of 19% as detailed in the following table:

ADDRESS/BLDG NAME	TOTAL AREA	VACANT SF	% VACANT
SUBJECT 4909 49 St/Millennium Ctr	147,841 sf	44,762 sf	30.28%
4901 48 St/Parkland Sq	67,456 sf	4,812 sf	7.13%
5010 43 St/Centre 5010	72,497 sf	14,488 sf	19.98%
4911 50 St/First Red Deer Place	90,433 sf	26,167 sf	28.93%
4900 50 St/Stantec Exec. Place	103,670 sf	5,230 SF	5.04%
<b>TOTAL AREA</b>	<b>481,897 sf</b>	<b>95,402 sf</b>	
<b>WEIGHTED MEAN</b>			<b>19.18%</b>

#### **Position of the Complainant – Rebuttal**

[18] In rebuttal the Complainant focused on the two properties which were the focus of the Respondent's evidence, specially:

- a) Parkland Square's vacant space measuring 2,802 sf, 2814 sf and 4,407 sf for a total of 10,023 sf vacancy was confirmed by email and supported by a commercial real estate marketing brochure.
- b) Stantec Executive Place's April 29, 2002, Rent Roll obtained by the Complainant reported two units of vacant space 25,132 sf and 1,488 sf for a total of 26,620 as well as a total rentable area of 104,930 sf.

[19] Based on the above changes the sample of five High Rise Office buildings has a total vacant space of 104,930 sf which based on a total building area of 483,157 sf yields a weighted mean vacancy rate of 25.26% which supports the requested vacancy of 25%.

#### **BOARD FINDINGS and DECISION**

[20] Based on the evidence presented the Board determined in respect of:

- a) Parkland Square,
  - i. the change in the total building area to 67,456 sf is supported by the 2021 RFI;
  - ii. the vacancy of 10,023 sf is supported by an email from the property owner as well as the Remax Commercial Properties leasing brochure for the property;
- b) Stantec Executive Place, as there was:
  - i. no independent support was presented by the Respondent for the 5,230 sf of vacant space, and
  - ii. the Complainant's vacancy of 26,620 sf was based on a June 2022 Rent Roll which is post facto as the data is 10 months after the July 1, 2021 Valuation date,

the property was excluded from the sample of properties for the vacancy analysis.
- c) a sample of four High Rise Office buildings is representative of the market and is presented in the following table

ADDRESS/BLDG NAME	TOTAL AREA	VACANT SF	% VACANT
SUBJECT 4909 49 St/Millennium Ctr	147,841 sf	44,762 sf	30.28%
4901 48 St/Parkland Square	67,456 sf	10,023 sf	14.86%
5010 43 St/Centre 5010	72,497 sf	14,488 sf	19.98%
4911 50 St/First Red Deer Place	90,433 sf	26,167 sf	28.93%
<b>TOTAL AREA</b>	<b>378,227 sf</b>	<b>95,440 sf</b>	
<b>WEIGHTED MEAN</b>			<b>25.23%</b>

which reports a weighted mean vacancy of 25.23% and supports the requested 25% vacancy rate.

[21] In summary the Vacancy Rate for Office High Rise Buildings is increased from 19% to 25%.

**Issue: Main Floor Rental Reduced to \$13.33 psf**

**Position of the Complainant**

[22] In support of the requested rental rate the Complainant presented three leases with effective dates in the period July 2020 to May 2021 with details as outlined in the following table:

ADDRESS/BLDG NAME	LEASED AREA	LEASE START	RENTAL RATE
4900 50 St/Stantec Exec. Place	1,363 sf	May 2021	\$15.00 psf
4900 50 St/Stantec Exec. Place	5,594 sf	Nov 2020	\$6.00 psf
SUBJECT 4909 49 St/Millennium Ctr	1,700 sf	Aug 2020	\$19.00 psf
<b>MEAN</b>			<b>\$13.33 psf</b>

[23] As an indicator of where rental rates are trending two additional leases with effective dates of August 2021 and October 2021 and rental rates of \$2.64 psf and \$10.00 psf were presented.

**Position of the Respondent**

[24] In respect of three leases which support the requested rental rate of \$13.33 psf the Respondent noted that the mean is influenced by the lease for 5,594 sf at \$6.00 psf. As shown in the July 2022 photograph this tenant is no longer in business and the space is currently available for lease. Therefore, this lease should be excluded from the analysis and based on the remaining two leases the mean rental rate is \$17.00 psf.

[25] If the sample of main floor leases is expanded to include leases excluded from the Complainant's analysis an additional four leases are identified. The sample of five leases in the period July 2020 to July 2021 with leased areas ranging from 1,390 sf to 2,385 sf reported lease rates ranging from \$13.00 psf to \$19.00 psf. The mean lease rate is \$16.40 psf which show that \$13.33 psf is not market.

[26] The June 2021 Rent Roll for the subject property reported the August 2020 lease for 1,700 sf at \$19.00 psf in addition to a March 2021 lease for 1,556 sf at a rental rate of \$16.00 psf. This March 2021 lease was not included in the Complainant's analysis.

[27] In summary there is no support to reduce the main floor assessed rental rate to \$13.33 psf

**Position of the Complainant – Rebuttal**

[28] The Complainant testified that a review of the Master Rent Roll dated June 01, 2022, reports that the lease for 5,594 sf is still effective. In summary no weight should be placed on the Respondent's evidence and the requested \$13.33 psf rental rate is supported.

**BOARD FINDINGS and DECISION**

[29] Based on the evidence presented the Board determined:

- a) the Respondent provided no details to support either their sample of five leases which reported a mean lease rate of \$16.40 psf or the sample of photographs of seven buildings with main and upper floor space available for lease; as well
- b) no evidence was provided by the Respondent to support that the Complainant's lease for 5,594 sf was to be excluded from their sample as the lease was no longer effective as of July 2021, the photo of the for-lease sign on the door of the premises was dated July 2022; and
- c) the Complainant's sample of three main floor leases with a mean of \$13.33 psf support a reduction in the assessed rental rate.

The Board accepted the basis for a reduction in the main floor rental rate and decided on \$13.33 psf.

**Issue: HIGHRISE 2<sup>nd</sup>+ Floors Rental Reduced to \$14.00/\$15.00 psf****Position of the Complainant**

[30] The Complainant's requested assessed rental rate for 2<sup>nd</sup>+ Floors was supported by an Equity analysis based on the Assessment Summary 2021 for four office buildings. The title of the columns is based on the descriptions provided in the Assessment Summary.

ADDRESS/BLDG NAME	OFFICE BLDG-TYPE	TENANT FLR DESCRIPTION	RENTAL RATE
5010 43 St	Office High Rise	3-range	\$15.00 psf
4826 50 St	Office Low Rise-3 flrs	5-range	\$18.00 psf
4919 59 St	Office Low Rise-2 flrs	4-range	\$14.00 psf
4943 50 St	Office Low Rise-4 flrs	4-range	\$14.00 psf
<b>SUBJECT</b> 4909 49 St/Millennium Ctr	Office High Rise	4-range	\$18.00 psf

Three of the four office buildings with 2<sup>nd</sup>+ Floors assigned a tenant description floor range of either a 3 or 4 were assessed with rental rates of \$14.00 or \$15.00 psf. Only a space with a tenant description floor range of a 5-range was assessed with a rental rate of \$18.00 psf.

**Position of the Respondent**

[31] The Respondent argued that the basis for the Complainant's requested rental rate is an equity analysis of four office buildings. The subject property is classified as Office – High Rise/ 4-range with a the 4-range also assigned as the floor tenant description. The sample is comprised of:

- a) three office buildings that maybe referred to as Low Rise buildings as the number of floors was four floors or less and one high rise building; and
- b) the floors in the only high-rise building are assigned a 3-range and assessed at \$18.00 psf.

[32] As the sample is not comparable to the subject property there is not support for a change in the assessed rental rate.

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**BOARD FINDINGS and DECISION**

[33] Based on the evidence presented the Board determined the Complainant's sample of four properties was not comparable on any basis to the subject property which is an Office – High Rise/4-range with a the 4-range also assigned as the floor tenant description. The only high-rise building was an Office – High Rise/3-range with the 3-range assigned to the tenant space is not comparable to the subject on any basis except they are both Office – High Rise. Therefore, the assessed rental rate for the High-Rise 2<sup>nd</sup>+ Flrs will remain at \$18.00 psf.

**Issue: Cell Tower - Telecommunication System should be assessed as Linear Property****Position of the Complainant**

[34] The Complainant testified that the assessment of the cell tower located on the roof of the subject property is not within the scope of authority of the municipal assessor and should be removed from the Assessment Summary. Based on the MGA, specifically Part 9, the cell tower is part of a telecommunication system that is considered to be linear property which is Designated Industrial Property and assessed by the Provincial Assessor.

**Position of the Respondent**

[35] The Respondent argued that the assessment of the cell tower is based on the rental of the space occupied by the equipment and not the equipment. Further the Respondent agrees that the equipment is linear property and would be assessed based on the provisions related to Designated Industrial Equipment. The Rent Roll for the subject property supports the total annual rent of \$31,600 charged the three tenants who own and operate the cell tower.

[36] In support of their position the Respondent reviewed a decision issued by the Calgary Assessment Review Board (CARB 1217-2011-P) which dealt with the assessment of Mini Retail Units (MRU) space in a shopping centre. The decision stated that the assessment is based on the space rented by an MRU operator and that the MRU is not assessed. In the view of the Respondent this is no different that the rental charged for the cell tower/transmission tower space.

[37] Further the Respondent has a consistent approach of assessing these spaces throughout the municipality as supported by a Rent Roll provided for a Shopping Centre Neighbourhood at 8 Conway St Red Deer.

[38] In summary the space occupied by the cell tower/transmission equipment is assessed by the municipality and the equipment in or attached within the space is assessed by the Provincial Assessor as this equipment is Designated Industrial Property.

**Position of the Complainant – Rebuttal**

[39] In respect of the Respondent's argument based on the CARB decision relating to the MRU's being similar to the cell tower the Complainant argued that the cell tower is part of a telecommunication system which is considered as linear property.

[40] The definitions in Matters Relating to Assessment and Taxation Regulation (MRAT) details the basis for the assessment by the Provincial Assessor of Linear property which includes telecommunication systems.

[41] In summary the cell tower is part of a telecommunication system which is assessed by the Provincial Assessor so the space occupied by the telecommunication equipment should be excluded from the assessment of the subject property.

### **BOARD FINDINGS and DECISION**

[42] Based on the evidence presented the Complainant raised questions as to the basis of assessment of the cell tower. The Board acknowledges that the cell tower is part of a Transmission System which is Designated Industrial Property and assessed by the Provincial Assessor.

[43] The issue before this Board was the assessment of the space occupied by the cell tower equipment. The Complainant presented no evidence of comparable situations which support their position that the space occupied by a cell tower is not to be assessed by the Respondent as that space is part of the Transmission System and assessed by the Province. Therefore, the cell tower will be assessed by the Respondent.

### **DECISION SUMMARY**

[44] The Board addressed four issues related to the assessment of the subject property and decided as follows:

- a) Vacancy Rate will be increased to 25%.
- b) Rental Rate Main Floor will be reduced to \$13.00 psf.
- c) Rental Rate Office for Highrise 2<sup>nd</sup>+ Flrs/4-range will remain at \$18.00 psf.
- d) The Cell Tower located on the roof of the subject property will be assessed.

Based on the above decisions the original assessed value is changed to \$ 18,930,900.

[45] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 03 day of October, 2022 and signed by the Presiding Officer on behalf of all the panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



E. Williams  
Presiding Officer

*If you wish to appeal this decision you must follow the procedure found in section 470 of the MGA which requires an application for judicial review to be filed and served not more than 60 days after the date of the decision. Additional information may also be found at [www.albertacourts.ab.ca](http://www.albertacourts.ab.ca).*



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**APPENDIX**

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>
1. A.1	Hearing Materials provided by Clerk (64 pages)
2. C.1	Complainant – Millennium Centre 4909 49 St (228 pages)
3. C.2	Complainant – Red Deer Office Appendix (51 pages)
4. C.3	Complainant – Red Deer Office Rebuttal Appendix (232 pages)
5. C.4	Complainant – Disclosure Requirements Required under MRAC s.9(2)(b)(i) (231pages)
6. R.1	Respondent – Disclosure Multiple Roll Numbers (26 pages)
7. R.2	Respondent – 4909 49 St. Millennium Centre (217 pages)
8. R.3	Respondent – Multiple Rolls Law Brief (66 pages)