



Complaint ID 0262 1597
Roll No. 30001633735

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: AUGUST 9TH AND 10TH, 2022

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

BETWEEN:

FIRST RED DEER PLACE LTD
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: 30001633735

MUNICIPAL ADDRESS: 4911 51 Street, Red Deer, AB

ASSESSMENT AMOUNT: \$12,430.700

REQUESTED AMOUNT: \$9,790,000

The complaint was heard by the Composite Assessment Review Board the 9th and 10th 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 \$9,783,000.

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 First Red Deer Place is 94,391 square foot (sf) office building built in 1988 located in the Downtown on 41,699 sf of land. The designation assigned the subject is Office Building/Office-High Rise/3-range. The Office space is assigned 3-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] 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)

[6] 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 will be identified in the relevant file.

[7] The Complainant and Respondent identified to the Board that the evidence and argument to be presented in respect of the hearing on the subject property regarding the Vacancy Rate for all space and the Main Floor Office Space Rental Rate will be the same as presented in respect of File 0262 1590 for Property Roll No. 30001620215 and requested that the testimony, discussions, and arguments be cross referenced to the subject property. The Complainant also noted that where applicable the Rebuttal is be carried forward.

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

PROPERTY ISSUES

[9] The Complainant and the Respondent identified to the Board that the issues identified in respect of the assessment of the subject property are the:

- a) Vacancy Rate should be increased from 19% to 25%.
- b) Main Floor Rental Rate for Financial Services of \$17.00 psf and Office – HIGHRISE MAIN/3-range of \$16.00 psf should be reduced to \$13.00 psf.

- c) Based on Sec 289 of the MGA the Main Floor Rentable Area should be adjusted as follows:
- i. Financial Services area be reduced from 9,549 sf to 3,935 sf, and
 - ii. Main Floor Office area be increased from 9,353 sf to 14,967 sf.
- [10] The Presiding Office advised that as there are three 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

- [11] 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.
- [12] 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 1: Vacancy Rate should be increased from 19% to 25%

- [13] 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

- [14] 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%
TOTAL AREA	377,988 sf	95,402 sf	
WEIGHTED MEAN			25.67%

Position of the Respondent

- [15] 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.

[16] 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%
TOTAL AREA	481,897 sf	95,402 sf	
WEIGHTED MEAN			19.18%

Position of the Complainant – Rebuttal

[17] 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.

[18] 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

[19] 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%
TOTAL AREA	378,227 sf	95,440 sf	
WEIGHTED MEAN			25.23%

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

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

Issue 2: Main Floor Rental Reduced to \$13.00 psf

Position of the Complainant

- [21] 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
MEAN			\$13.33 psf

- [22] 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.

- [23] The July 31, 2021, Rent Roll for the subject property reported the rental rate for two leases on the main floor. Specifically, a lease renewal for 3,935 sf financial services for \$10.00 psf as well as lease for 2,276 sf also at \$10.00 psf. These leases in the subject property further support a reduction in the main floor rental rate.

Position of the Respondent

- [24] In respect of three leases which support the 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 \$13.00 psf

Position of the Complainant – Rebuttal

[28] The Complainant testified that a review 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 \$13.00 psf.

Issue: Allocation of Main Floor Space

Position of the Complainant

[30] The main floor is comprised of Financial Services, Office, and Restaurant fast food space. The allocation of the space between financial services and office was the focus of this issue. Section 289(2)(a) of the MGA states:

“(2) Each assessment must reflect:

(a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under part 10 in respect of the property, and...”

[31] Based on this provision in the MGA the Complainant argued that the allocation of the main floor reported by the Respondent of Financial Services – 9,549 sf and Office – 9,353 sf is not accurate on December 31 2021. A review of the Rent Rolls determined:

- a) July 31, 2021 reports the 9,433 sf of Financial Services space to be comprised of suite 3,935 sf leased till September 30, 2023 and 5,498 leased till September 30, 2021 and 9,352 sf of Office space;
- b) December 1, 2021 reports 3,935 sf of Financial Services and 14,850 sf of Office space.

[32] Therefore, as outlined in Sec 289 (2)(a) the assessment should be prepared based on 3,935 sf Financial Services and 14,967 sf of Office space.

Position of the Respondent

[33] The Respondent testified that the 5,498 sf of financial space on which the lease terminated in 2021 is still improved as financial space including built-in counters, a vault, secure storage in addition to the usual offices, reception, and staff area. The space is listed with a commercial broker who is marketing the space as developed financial space.

[34] As the space is built out and being marketed as financial space there is no support for changing the allocation between of the space on the main floor.

BOARD FINDINGS and DECISION

[35] Based on the evidence presented the Board determined that as the 5,948 sf of vacant space remains as improved financial space and is on the market with these improvements, the space should remain classified as Financial Services. Therefore, the specific allocation of the main floor space is 8,549 sf Financial Services and 9,353 sf Office Highrise Main.


DECISION SUMMARY

[36] The Board addressed three 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 the requested \$13.00 psf.
- c) Allocation of Main Floor space will remain 9,549 sf Financial Services and 9,353 sf Office-Highrise Main.

Based on the above decisions the original assessed value is changed to \$9,783,000.

[37] 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.

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 – First Red Deer Place 4911 51 St (206 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) (231 pages)
6. R.1	Respondent – Disclosure Multiple Roll Numbers (25 pages)
7. R.2	Respondent – 4911 51 St. First Red Deer Place (217 pages)
8. R.3	Respondent – Multiple Rolls Law Brief (66 pages)