



Complaint ID 0262 1609  
Roll No. 30002131165

COMPOSITE ASSESSMENT REVIEW BOARD DECISION  
HEARING DATE: AUGUST 10<sup>TH</sup> AND 11<sup>TH</sup>, 2022

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

BETWEEN:

PARKLAND PROPERTIES 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: 30002131165

MUNICIPAL ADDRESS: 4919 59 Street, Red Deer, AB

ASSESSMENT AMOUNT: \$5,947,900

REQUESTED AMOUNT: \$4,374,700

The complaint was heard by the Central Alberta Regional Assessment Review Board the 10<sup>th</sup> and 11<sup>th</sup> of August 2022, via videoconference.

Appeared on behalf of the Complainant: B. Foden, 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 \$4,374,700.

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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 Riverside Office Plaza is a 42,057 square foot (sf) two storey office building constructed in 1977 on 63,401 sf of land. The Quality designation assigned the subject is Office Building/Office/3-range. The Office space is assigned 4-range Quality 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 to the hearing of File 0262 1609 with Roll No. 30002131165.

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

**POSITION OF THE PARTIES**

[8] 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.

[9] 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.

**PROPERTY ISSUE: OFFICE-GENERAL RENTAL RATE to be REDUCED to \$11.50 per square foot (psf)****Position of the Complainant**

[10] The Complainant noted that the subject property's profile of office space is 20,843 sf Main floor assessed at \$16.00 psf and 21,214 sf 2<sup>nd</sup>+ floors assessed at \$14.00 psf.

[11] In support of the requested rental rate which will apply to the all the subject office space the Complainant presented a study titled Riverside Office Leasing study of four leases with effective dates in the period October-November 2020. The sample included three leases from two buildings as well as one lease from the subject. All of the properties are in close proximity to each other and have a similar tenant profile. The lease details are presented in the following table:

ADDRESS/BLDG NAME	LEASED AREA	LEASE START	RENTAL RATE
5102 58 St/Bridgeview Place I	2,334 sf	Nov 2020	\$12.00 psf
4910 59 St/River Heights Centre	4,543 sf	Oct 2020	\$12.00 psf
4910 59 St/River Heights Centre	1,633 sf	Nov 2020	\$11.00 psf
SUBJECT 4919 59 St/Riverside Office Plaza	3,315 sf	Oct 2020	\$10.75 psf
WEIGHTED MEAN/MEAN			\$11.51/\$11.44 psf
MEDIAN			\$11.50 psf

[12] The requested rental rate of \$11.50 psf is supported by the three measures of the central tendency of the sample.

**Position of the Respondent**

[13] In respect of requested office rental rate of \$11.50 psf the Respondent noted that:

- a) the subject property is currently undergoing a significant renovation of the base building as supported by photographs in C1 and it was noted in the July 2021 Property Request for Information that the building was vacant during the period February 2020 to February 2021;
- b) the one lease in the subject property at \$10.75 psf was for a tenant who moved into the building in October 2020 and is not reflective of the market for the subject; further
- c) the current leasing brochure for the property references lease terms of years 1-5 at \$20.00 psf, years 6-10 at \$24.00 psf and a \$80 psf tenant improvement allowance;

Based on this information the Complainant's analysis for the requested \$11.50 psf is not supported.

[14] As the subject property has a been assigned a Building Quality 3 and a Lease Tenant Quality 4 the Respondent presented an equity analysis of leasing in two buildings. The particular of the leases were 2,339 sf at a rental rate of \$20.00 psf commencing March 2020 and a 2,385 sf at a rental rate of \$16.00 psf commencing April 2021. This leasing supports that the office rental rate in buildings with similar quality ratings to the subject are not leasing at the requested \$11.50 psf.

[15] The analysis of 12 leases in three buildings with a 3-quality assigned to the building and the tenant space with commencement dates between July 2019 and July 2021 determined the median rental rate was \$13,27 psf and the mean was \$13.00 psf. As these buildings have a lower quality rating

that the subject property there is no support for the request of \$11.50 psf based on a sample of four leases.

[16] In summary there is no support to reduce the office space assessed rental rate to \$11.50 psf

**Position of the Complainant – Rebuttal**

[17] The Complainant testified that an analysis of lease rates must be based on samples of buildings that have a similar profile in terms of number of floors, low rise versus high rise, as well as located in a similar geographic area. The subject property is a low-rise office building in a geographic area referred to as Riverside. However, the Respondent's equity and market analysis was based on samples comprised of low- and high-rise buildings selected from a number of geographic locations in the City of Red Deer. In summary the Respondent's sample and the analysis to determine the rental rates to support their assessed rental rate is not comparable to the subject property.

[18] A review of the Respondent's sample of 12 leases determined that an additional factor not considered was the potential impact of COVID on leasing activity. A review of the sample based on the COVID period commencing February 2020 determined there were:

- a) seven leases with start dates between July 2019 and February 2020 with lease rates ranging from \$12.00 psf to \$16.00 psf, compared to
- b) five leases between February 2020 and July 2021 with lease rates ranging from \$10.00 psf to \$13.49 psf.

This analysis challenges the Respondent's conclusion that the assessed rental rates of \$14.00 psf and \$16.00 psf are supported.

[19] On the matter of the leasing brochure for the subject property the Complainant testified that the quoted rental rates of \$20.00 psf for years 1 to 5 and \$24.00 psf for years 6 to 10 are the face rate on the lease and include the provision of \$80 psf tenant inducement. When adjusted for the provision of this inducement the rental rate is aligned with the requested rental rate of \$11.50 psf.

[20] In summary the Complainant's leasing analysis of four lease in low rise buildings in the Riverside geographic area supports the requested rental rate.

**BOARD FINDINGS and DECISION**

[21] Based on the evidence presented the Board determined that:

- a) the samples used by the Respondent to support the assessed 2<sup>nd</sup>+ office floors rental rate of \$14.00 psf and \$16.00 psf were based on samples comprised of high- and low-rise buildings in a number of geographic locations which raise questions as to comparability to the subject property so little weight is placed on the analysis; whereas
- b) the Complainant's leasing sample which was comprised of low rise office buildings in close proximity to each other is a strong indicator of the market lease rates;
- c) prior to using the subject property's marketing brochure, the Respondent should have examined how a \$80 psf tenant inducement impacts on the quoted annual lease rates of \$20.00 psf and \$24.00 psf;

- d) the Complainant's sample of four leases included a lease in the subject property, if that lease is excluded from the sample the weighted mean is \$11.80 psf, the mean is \$11.66 psf both of which support the requested rental rate of \$11.50 psf.

The Board accepted the basis for a reduction to \$11.50 psf for the subject property's office space.

#### **DECISION SUMMARY**

- [22] The Board decide the Office-General Main Floor and Office-General 2<sup>nd</sup>+ Floors would be assessed at a rental rate of \$11.50 psf. Based on the above decisions the original assessed value is changed to \$4,374,700.
- [23] 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 – Riverside Office Plaza 4919 59 St (168 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) (234 pages)
6. R.1	Respondent – Disclosure Multiple Roll Numbers (217 pages)
7. R.2	Respondent – 4919 59 St. Riverside Office Plaza (23 pages)
8. R.3	Respondent – Multiple Rolls Law Brief (66 pages)