



Complaint ID 0262 1599
Roll No. 30001710460

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: AUGUST 11, 2022

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

BETWEEN:

RIVER VALLEY PROPERTIES LTD
As Represented by Altus Group Limited

Complainant

-and-

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: 30001710460

MUNICIPAL ADDRESS: 4315 55 Avenue

ASSESSMENT AMOUNT: \$6,452,900

REQUESTED AMOUNT: \$5,305,700

The complaint was heard by the Composite Assessment Review Board the 11th 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 confirmed as \$6,452,900

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 Westview Business Centre is a 33,371 square foot (sf) office building located in the Capstone Subdivision was built in 2007 on 1.47 acres of land. The subject property is classified as an Office Building/Office/5-range with the tenant space assigned a 5-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 to File 0262 1599 for Roll No. 30001710460.
- [7] 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

- [8] The Complainant and the Respondent identified to the Board that the issues in respect of the assessment of the subject property are the:
- a) Office-General-Main Floor and Office-General-2nd+ Floors Rental Rate of \$18.00 psf should be reduced to \$15.50 psf.
 - b) Assessed Capitalization (Cap) Rate should be increased 7.00% to 7.25%.
- [9] The Presiding Officer advised that as there are two 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

- [10] 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.
- [11] 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: Office-General Main Floor and 2nd+ Floors Rental Reduced from \$18.00 psf to \$15.50 psf

Position of the Complainant

- [12] In support of the requested rental rate the Complainant presented four leases in the subject property Westview Business Centre with effective dates in the period September to December 2020 with details as outlined in the following table:

ADDRESS/BLDG NAME	LEASED AREA	LEASE START	RENTAL RATE
4315 55 Ave/	2,110 sf	Nov 2020	\$12.00 psf
4315 55 Ave	1,770 sf	Sept 2020	\$18.00 psf
4315 55 Ave	1,956 sf	Nov 2020	\$13.00 psf
4315 55 Ave	2,100 sf	Dec 2020	\$20.00 psf
MEDIAN			\$15.50 psf
MEAN/WEIGHTED MEAN			\$15.75/\$15.70 psf

The requested \$15.50 psf for the office space in the subject property is strongly supported by the leases in the subject property.

Position of the Respondent

- [13] In respect of Complainant's analysis, the range of the rental rates is \$12.00 psf to \$20.00 psf with rental rates of \$12.00 psf, \$13.00 psf, \$18.00 psf and \$20.00 psf. A sample which is from a single property is not reflective of the market and not a sound basis to determine a market rental rate.
- [14] The Respondent presented a sample of seven leases in buildings with a 5 Quality assigned to both the Building and the Tenant space which support the assessed rental rate. The details of the sample which includes the Complainant's four leases and three leases from the Respondent's data base are presented in the following table:

ADDRESS/BLDG NAME	LEASED AREA	LEASE START	RENTAL RATE
4315 55 Ave	2,110 sf	Nov 2020	\$12.00 psf
4315 55 Ave	1,770 sf	Sept 2020	\$18.00 psf
4315 55 Ave	1,956 sf	Nov 2020	\$13.00 psf
4315 55 Ave	2,100 sf	Dec 2020	\$20.00 psf
4706 48 Ave or 3622 50 Av	1,250 sf	July 2020	\$13.00 psf
4706 48 Ave or 3622 50 Av	1,408 sf	Jan 2020	\$20.00 psf
4706 48 Ave or 3622 50 Av	2,892 sf	Sept 2020	\$22.00 psf
MEDIAN			\$18.00 psf
MEAN/WEIGHTED MEAN			\$16/86/\$17.25 psf

[15] In summary the sample of seven leases is more reflective of the market and supports the rental rate of \$18.00 psf. There is no support to reduce the main floor assessed rental rate to \$15.50 psf

BOARD FINDINGS and DECISION

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

- a) the Complainant's support for the \$15.50 psf was not reflective of the market as the sample of four leases were from the subject property. The distribution of the lease rates were concentrated at the minimum and the maximum of the range from a single sample is not a sound statistical basis to calculate a measure of central tendency: whereas
- b) the Respondent's sample of seven leases was more reflective of market as it includes three additional properties. Although the distribution of the lease rates also was concentrated at the minimum and the maximum of the range the large sample supports the determination of a median of \$18.00 psf.

The Board accepted the Respondent's sample as being more reflective of market for buildings assigned the 5 Quality rating which supports the assessed rental rate of \$18.00 psf for space identified as Office-General.

Issue: Assessed Capitalization Rate should be increased from 7.00% to 7.25%

Position of the Complainant

[17] The Complainant's requested increase was based on a comparison of the Assessed Cap Rate for four properties.

ADDRESS/BLDG NAME	ARR*	SITE COV**	YOC***	ACP****
4816 50 AV/SCOTT BLOCK THEATRE BLDG	\$12.50-\$14.00 psf	100%	1948	7.5%
5008 50 ST/WOODWARD PLACE	\$12.50-\$13.00 psf	76%	1975	7.5%
5102 58 ST/BRIDGEVIEW PLACE	\$16.00 psf	42%	2006	7.25%
SUBJECT	\$18.00 psf Assessed	53%	2007	7.0%
4315 55 AV/WESTVIEW BUSINESS CENTRE	\$15.50 psf Requested			

ARR*- Assessed Rental Rate, SITE COV**- Site Coverage, YOC*** - Year of Construction, ACP****- Assessed Cap Rate

[18] Based on the comparative factors of site coverage, YOC and assessed rental rate detailed in the comparative table the subject property is very similar to Bridgeview Place which was assessed with a Cap rate of 7.25%. The subject property should be treated no differently.

[19] In further support of their position on Cap Rate the Complainant presented a detailed analysis of seven Sale Comparable Properties which focused on the Commercial ASR (Assessment to Sale Ratio). The analysis of seven sales was presented in two tables in Exhibit C2.

[20] In summary the analysis of three comparable properties to the subject property supports the requested increase in the Cap rate to 7.25%.

Position of the Respondent

- [21] The Respondent outlined that Cap Rates differ by class of building. The class of building is based on a number of qualitative and quantitative factors so that buildings with similar profiles are assessed on the same Cap Rate.
- [22] The following table, which includes the Complainant's sample as well as two properties selected by the Respondent presents Cap Rate (CR) for three Assessment Years by building Quality Class (QC). The decision writer merged the two samples into one sample to facilitate presentation of data.

ADDRESS	BLDG NAME	QC	CR 2021	CR 2020	CR 2019
4918 52 ST	4918 52 ST	2	7.50%	7.50%	7.50%
4816 50 AV	SCOTT BLOCK THEATRE BLDG	3	7.50%	7.50%	7.50%
5008 50 ST	WOODWARD PLACE	3	7.50%	7.50%	7.50%
5102 58 ST	BRIDGEVIEW PLACE	4	7.25%	7.25%	7.25%
4612 48 AV	CENTRAL ALBERTA PLASTIC SURGERY	6	6.75%	6.75%	6.75%
4315 55 AV	WESTVIEW BUSINESS CENTRE/SUBJECT	5	7.00%	7.00%	7.00%

- [23] The Respondent testified that based on the above table Quality Class is the determining factor in establishing the Cap Rate. The Complainants analysis failed to consider the Quality Class of a building. The Respondent's analysis supports the 7.00% Cap Rate being applied in the determination of the assessment.
- [24] In response to the Complainant's analysis of Sale Comparable Properties the Respondent provided details on each of the seven sales in support of the ASR.
- [25] In summary the Cap Rate is established based on the analysis of sales of comparable properties with consideration for the profile of the property. This approach ensures properties with the similar profile such as Quality Class are assigned the same Cap Rate which achieves equity.

BOARD FINDINGS and DECISION

- [26] Based on the evidence presented the Board determined:
- a) both parties presented considerable evidence on the analysis of Sale Comparable Properties, following a review of the material the Board decided to place little weight on this analysis during the deliberation process;
 - b) the Complainant's analysis to support the requested Cap Rate of 7.25% focused on comparing the properties on:
 - i. the factors of Assessed Rental Rate, Site Coverage, Year of Construction;
 - ii. with no consideration for factors such as the Quality Classification rating assigned to a building and to the tenant space; resulting

in an analysis that was too limited in scope in terms of comparable factors.

- c) although the Respondent's analysis focused on the single factor of Quality Class assigned to six office buildings the analysis showed that Cap Rate varies by Quality Class and that over three assessment periods the Cap Rate has been consistently applied.

Following a review of the evidence the Cap Rate of 7.00% is supported.

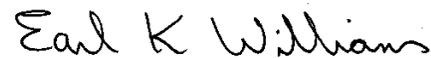
DECISION SUMMARY

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

- a) Office -General Main Floor and 2nd+ Floors Rental Rate Main Floor will remain at \$18.00 psf.
- b) The Capitalization Rate will be remain at 7.00%.

Based on the above decisions the original assessed value is conformed at \$6,452,900.

[28] 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 – Western Business Centre 4315 55 AV (166 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
7. R.2	Respondent – 4315 55 AV Western Business Centre
8. R.3	Respondent – Multiple Rolls Law Brief