



Calgary Assessment Review Board

DECISION WITH REASONS

In the matter of the complaint against the property assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460, Revised Statutes of Alberta 2000 (the Act).

between:

MCDONALDS RESTAURANTS OF CANADA LIMITED (as represented by Colliers International Realty Advisors Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***W. Kipp, PRESIDING OFFICER
A. Maciag, BOARD MEMBER
J. Massey, BOARD MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2013 Assessment Roll as follows:

ROLL NUMBER:	121055107
LOCATION ADDRESS:	20 Riverglen Drive SE, Calgary AB
FILE NUMBER:	70971
ASSESSMENT:	\$2,210,000

This complaint was heard on the 13th day of June, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *T. Howell*

Appeared on behalf of the Respondent:

- *C. Yee*

Board's Decision in Respect of Procedural or Jurisdictional Matters:

[1] The Respondent gave notice that there would be an objection to part of the contents of the Complainant's rebuttal disclosure to the effect that there was new evidence rather than rebuttal evidence in the document.

[2] When the Complainant introduced the rebuttal disclosure (Exhibit C2), there was data pertaining to a retail lease that had not been addressed in the Complainant's initial evidence disclosure or in the Respondent's disclosure.

[3] The CARB listened to the positions of each party and then struck that data from the C2 document and instructed the Complainant not to reference that lease in rebuttal or summary.

Property Description:

[4] The property that is the subject of this assessment complaint is a fast food restaurant pad in the Riverbend neighbourhood shopping centre. The property is occupied as a McDonald's fast food restaurant.

[5] The 5,402 square foot freestanding building which was built in 1988 occupies a 54,790 square foot pad on the shopping centre site. The property assessment summary report shows that the building is a Class "B" retail building.

[6] The assessment was prepared using an income approach based on a \$32.00 per square foot rent, a 7.5 percent vacancy allowance, a 1.0 percent non-recoverable expense allowance and an \$8.00 per square foot operating cost rate for application to vacant space. The net operating income amount of \$155,059 was capitalized at a 7.00 percent rate to arrive at the \$2,210,000 assessment.

Issues:

[7] In the Assessment Review Board Complaint form, filed March 4, 2013, Section 4 – Complaint Information had a check mark in the box for #3 "Assessment amount".

[8] In Section 5 – Reason(s) for Complaint, the Complainant stated a number of grounds for the complaint but only one issue was pursued at the hearing.

[9] At the hearing, the Complainant pursued the following issue: the property should be

assessed in accordance with its "B" classification with a rental rate of \$26.00 per square foot rather than the \$32.00 per square foot rate that has been applied.

Complainant's Requested Value: \$1,790,000

Board's Decision:

[10] The CARB adjusts the rental rate from \$32.00 to \$28.00 per square foot which reduces the assessment from \$2,210,000 to \$1,930,000.

Position of the Parties

Complainant's Position:

[11] The assessment summary report shows that this is a "B" class building.

[12] The Respondent's fast food lease analysis provides data on 17 fast food leases on a city wide basis. The table includes lease data for class "A" and "B" properties with no other stratification.

[13] The Complainant provided another table showing rents for pad restaurants for three classes of buildings: Classes "A", "B" and "C-D". Class "A" rents averaged \$31.00 per square foot while those for class "B" were \$26.00 per square foot.

[14] Another table showed the rental data for the class "A" and "B" fast food restaurants that are located in the southeast quadrant of Calgary, where the subject is located. The average rent for these seven properties was \$27.00 per square foot.

[15] Additional analysis and comparison was made to another shopping centre that is located in the southeast (Deerpoint Plaza). There was a pad restaurant and a fast food pad restaurant on that centre. The fast food pad restaurant that was noted as class "B+", was assessed using a \$32.00 per square foot rental rate. The pad restaurant, also class "B+", was assessed using a \$25.00 per square foot rental rate.

[16] Using the Respondent's table of class "A" and "B" fast food rental information, the Complainant stratified that information into the two classifications. For 10 class "A" properties, the median rent rate was \$32.00 per square foot but for the five class "B" properties, the median rent was \$28.16 per square foot. The "A" properties had weighted the median to \$31.00 when all "A" and "B" properties were combined.

Respondent's Position:

[17] The Respondent pointed out that there are differences between pad restaurants and fast food restaurants as far as classifications and rental rates are concerned. The two property types must be kept separate for valuation purposes.

[18] For fast food restaurants, there is no distinction made between classes "A" and "B" and the same rental rate is applied to each class.

Board's Reasons for Decision:

[19] On examination of the evidence, the CARB finds that there is sufficient market rental data to separate class "B" properties from class "A" properties. There are no grounds for assessing both classes using the same rental rate. The Complainant's stratification of the Respondent's rent analysis clearly shows that rents are different between these two classifications.

[20] The CARB does not accept the Complainant's argument for a \$26.00 per square foot rental rate because that rate was influenced by pad restaurant lease data and the two property types are not the same.

[21] The Complainant's stratification table shows a median rent for class "B" fast food restaurants at \$28.16 per square foot. The CARB accepts that stratification and sets the rental rate for the subject building at \$28.00 per square foot.

[22] The adjusted assessment is set at \$1,930,000.

DATED AT THE CITY OF CALGARY THIS 4 DAY OF July 2013.


W. Kipp

Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal

An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.

Any of the following may appeal the decision of an assessment review board:

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*

For Internal Use

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Retail	Neighbourhood Mall	Income Approach	Net Market Rent/Lease Rates