

**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),  
COMPLAINANT***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***B. Horrocks, PRESIDING OFFICER  
J. Joseph, MEMBER  
K. Farn, 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 2011 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>019125905</b>
<b>LOCATION ADDRESS:</b>	<b>5221 NORTHLAND DR NW</b>
<b>HEARING NUMBER:</b>	<b>64603</b>
<b>ASSESSMENT:</b>	<b>\$1,820,000</b>

This complaint was heard on the 20th day of July, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- Mr. D. Porteous (Colliers International)

Appeared on behalf of the Respondent:

- Mr. G. Good

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

There were no concerns with the composition of the Board.

There were no preliminary matters. The merit hearing proceeded.

**Property Description:**

The subject property is a free standing McDonalds restaurant that is located in what is commonly referred to as the Northland Village Shoppes in the Brentwood Community in NW Calgary. The restaurant contains 5,710 sq. ft. including 1728 sq. ft. of storage.

**Issues:**

The Assessment Review Board Complaint Form contained the statement: "The assessment amount is not reflective of the correct application of the Income Approach to Value, specifically the Direct Capitalization Method as a primary or secondary approach to value. Proper consideration to the following is not evident in the assessment amount:

1. The timing, direction and magnitude of a change in the real estate market
2. Location and quality differences, in relative terms, with respect to lease rates, vacancy allowance, operating costs, and capitalization rates.
3. Typical market rent, vacancy, operating costs, and capitalization rate applied to atypical subject property." amongst other things.

The Complainant advised the only outstanding issue was Capitalization (Cap) Rate.

**Complainant's Requested Value:** \$1,240,000 (Complaint Form)  
\$1,660,000 (Hearing)

**Board's Decision in Respect of Each Matter or Issue:**

**Issue** Cap Rate

The Complainant's Disclosure is labelled C-1.

The Complainant, at page 15, provided 2011 Freestanding Capitalization Rate Study that had been prepared by Colliers International, which included information on 7 sales of freestanding retail buildings that occurred between September 2008 and February 2010. He noted the

average cap rate was 9.24% and the median was 8.30%. He requested a cap rate of 8.25% for the subject versus the 7.50% cap rate applied in the assessment.

The Complainant, in response to questioning, advised that sale #5 (cap rate of 11.99%) and sale #6 (cap rate of 13.39%) were vacant at the time of sale.

The Respondent's Disclosure is labelled R-1.

The Respondent, at page 17, provided the 2011 Freestanding Capitalization Rate Summary, as prepared by the City of Calgary. He noted that the sales at 3319 & 3363 26 AV NE, 5445 Falsbridge DR NE and 4033 Bow TR SW were common to both Cap Rate Studies. He said that the Complainant's sale at 1807 42 ST SE should not be considered because it was vacant at the time of sale and further that the Complainant's sale at 4518 17 AVE SE should not be considered because it was a "Vendor Take Back Mortgage."

The Respondent, at page 18, provided the 2011 Strip Centre Capitalization Rate Summary, as prepared by the City of Calgary, and noted that the sale at 3660 20 AVE NE was included in the Complainant's study and should not be considered because it is a strip centre. He said the Freestanding Summary included properties with 3 tenants or less and that the Strip Centre Summary included properties with 4 or more tenants. He concluded that, if the Complainant's Study was reworked after the suggested deletions, the resultant Cap rate would be lower than the 7.50% applied in the assessment.

The Board finds the Freestanding Cap Rate Summary, prepared by the City, to be more accurate and reliable.

#### **Board's Decision:**

The 2011 assessment is confirmed at \$1,820,000.

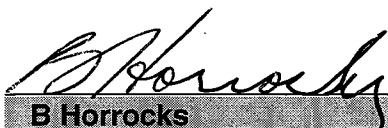
#### **Reasons**

The Freestanding Cap Rate Summary (3 or less tenancies) prepared by the City is fair and reasonable.

The Strip Centre Capitalization Rate Summary (4 or more tenancies) prepared by the City confirms there is no significant deviation in Cap rates between Freestanding and Strip Centres.

There is no evidence to suggest a higher risk associated with McDonald's as a tenant.

DATED AT THE CITY OF CALGARY THIS 16<sup>th</sup> DAY OF August 2011.

  
B Horrocks  
Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure

*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.*