

**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(4), Revised Statutes of Alberta 2000 (the *Act*).

**between:**

***MCDONALD'S RESTAURANTS OF WESTERN CANADA LTD., COMPLAINANT,  
as represented by COLLIERS INTERNATIONAL REALTY ADVISORS INC.***

**and**

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

**before:**

***T. Helgeson, PRESIDING OFFICER  
H. Ang, MEMBER  
E. Bruton, 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 2012 Assessment Roll as follows:

**ROLL NUMBER: 075173906**

**LOCATION ADDRESS: 4615 17<sup>th</sup> Avenue SE**

**HEARING NUMBER: 68338**

**ASSESSMENT: \$1,830,000**

This complaint was heard on Tuesday, the 25<sup>th</sup> of September, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

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] No procedural or jurisdictional matters were brought to the attention of the Board.

**Property Description:**

[2] The subject property is a freestanding McDonald's restaurant at 4615 17<sup>th</sup> Avenue SE in the community of Forest Lawn. The area of the site is 36,110 sq. ft. There is a second, smaller building on the site used for storage. Constructed in 1973, both buildings are classified as "A+" quality. The subject property is assessed based on the income approach to valuation.

**Issues:**

[3] Is the subject property's quality rating of "A+" inappropriate given the age of the building?

[4] Is the assessed rental rate of \$36 per sq. ft. fair and equitable?

**Complainant's Requested Value:** \$1,240,000

**Summary of the Complainant's Submission**

[5] The subject property is not part of a power centre or regional shopping centre, and does not enjoy the advantages of a primary location. Why is the subject property classified as an "A+" building when the year of construction is 1973? The issue is the rental rate of \$36 per sq. ft. for the 4,348 sq. ft. of the restaurant. That rental rate is too high.

[6] We have equity comparables. Comparable 1 is at pp. 15 to 17 of Exhibit C-1. Located at 5326 72<sup>nd</sup> Avenue SE, it is, like the subject property, a freestanding McDonald's restaurant. Constructed in 2002, this comparable has been given a quality rating of "A2", a lesser rating than the subject's "A+", even though it is a much newer building. Its assessed rental rate is \$33 per sq. ft.

[7] Information with respect to a second comparable is found at pp. 20 through 23 of Exhibit C-1. Also a McDonald's restaurant, it is located at 11550 24<sup>th</sup> Street SE. Constructed in 1997, this

comparable has been given an "A-" quality rating. Like the first comparable, it's rental rate is \$33 per sq. ft.

[8] As to rental rates, at pp. 25 through 28 of C-1 there is a commercial rent roll with step increases from a neighbourhood shopping centre at 14919 Deer Ridge Drive SE. Rents for two freestanding restaurants in the shopping centre, a Pizza Hut and a Dairy Queen, are at \$22 per sq. ft. and \$24 per sq. ft., respectively. We are requesting \$24 per sq. ft. for the subject property. With a rental rate of \$24 per sq. ft., the assessment will be \$1,240,000 (as truncated).

**Summary of the Respondent's Submission:**

[9] There is something the Complainant neglected to mention. It is this: renovations to the McDonald's on the subject property were completed in July, 2011, and that is what resulted in an "A+" quality rating for the subject.

[10] We will demonstrate on the basis of fair market value and equity that the rental rate of \$36 per sq. ft. is fair and equitable. At p. 18 of Exhibit R-1 is an analysis of five fast food restaurants, i.e., Edo Japan, Canadian Pizza, Kentucky Fried Chicken, A&W, and a Subway. The mean lease rate for these restaurants is \$37.13, and the median \$36.86.

[11] At p. 19 of Exhibit R-1 is a table showing the assessed rate, \$36 per sq. ft., for all five restaurants. Each of these restaurants has an "A+" quality rating, just like the subject property.

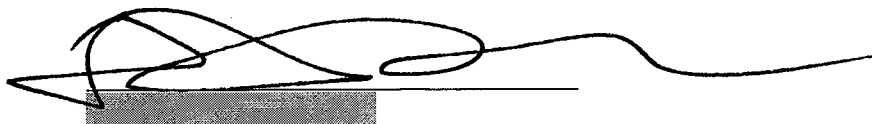
**Board's Findings in Respect of Each Matter or Issue:**

[12] The best evidence from the Complainant are the two equity comparables, both McDonald's restaurants. That said, one of the comparables is an "A2", the other an "A-". The subject property's year of construction notwithstanding, there is evidence that there were renovations in 2011. The Board is not convinced that the Complainant's equity comparables are in fact comparable to the subject property, hence the quality rating will remain as assessed, as will the assessed rental rate of \$36 per sq. ft.

**The Board's Decision:**

[14] The Board hereby confirms the assessment at \$1,830,000.

DATED AT THE CITY OF CALGARY THIS 27<sup>th</sup> DAY OF November 2012.



**Presiding Officer**

**Exhibits**

**C-1, Complainant's Evidence Submission.**

**Exhibits****C-1, Complainant's Evidence Submission.****R-1, Respondent's Assessment Brief**

*****				
<u>Appeal Type</u>	<u>Property Type</u>	<u>Property Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Retail	Stand Alone	Income Approach	Rental Rate
*****				

*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.*