

**CITY OF BROOKS
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).

between:

Royal Host Hotels GP Inc. COMPLAINANT

and

The City Of Brooks, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member 1, N. Moriyama
Board Member 2, B. Keith***

This is a complaint to the Brooks Assessment Review Board in respect of a Property assessment prepared by the Assessor of The City of Brooks and entered in the 2010 Assessment Roll as follows:

ROLL NUMBER:	043-0810000
LOCATION ADDRESS:	1240 – Cassils Road East Brooks, Alberta
ASSESSMENT:	\$2,476,389

This complaint was heard on 8th day of December 2010 at the City Council chambers of Brooks City Hall.

Appeared on behalf of the Complainant:

- *Cushman & Wakefield, represented by J. Goresht*

Appeared on behalf of the Respondent:

- *C. Megaw*

Property Description:

The property is the Travelodge Motel, a 61 room limited service hotel, with one meeting room. There are no food or beverage facilities, swimming pool or hot tub.

Procedural or Jurisdictional Matters:

None were brought before the board

Issues:

Subject property is in excess of its market value as indicated by income capitalization, because the income is over stated, and the expenses are under stated.

Complainant's Requested Assessment:

\$1,486,723.00

The Evidence:

The Complainant's requested assessment is based on a calculation based on a projected gross income of \$900,000.00, a 66.0 per cent operating expense ratio, and allowances for management, FF&E, intangibles, and reserves. The net real estate income was then capitalized at 11.75 per cent , to produce the requested assessment.

In support of the complaint, the Complainant presented a summarized financial statement for the years 2006, 2007, and 2008. That statement showed gross sales as follows;

2006	\$978,291.00
2007	\$867,554.00
2008	\$854,884.00

The Respondent used industry averages, and generic financial information derived from trade magazines. The Respondent stated that the actual income information was available at the time the assessment was prepared, but was only partially relied upon. Rather, the respondent adopted a gross revenue of \$1,182,828, to which was applied a 60 per cent expense ratio (or a 40 per cent net income ratio) as well as allowances for management, FF&E, intangibles, and reserves.

Board's Findings:

The evidence submitted shows that at no time during the 2006 to 2008 review period did the subject achieve gross sales as high as the amount used by the Respondent in the preparation of the assessment. The Respondent had the factual information at his disposal but chose not to rely on it in lieu of industry averages. This Board is of the opinion that, as long as there is an operating history to rely on, industry averages are not as accurate or reliable as actual, proven amounts. A three year period (2006 to 2008) is an adequate operating history. The Board finds that the complainant's gross revenue amounts are more reliable than the Respondents. The allowances for management, FF&E, intangibles, and reserves were common to both parties, and are therefore adopted by this

Board. Although the Complainant produced actual financial statements that are typically more reliable than generalized industry guidelines, the statements were not stabilized and included all expenses typically found in a statement for income tax purposes,, but not for valuation purposes. The Board accepts the expense ratio applied by the Respondent.

Board's Decision:

The Board calculates the assessment as follows;

Gross Revenue;	\$900,000.00
Expenses: (60%)	\$540,000.00
Mgm't, FF&E, Intangibles	
Reserves;	<u>\$131,310.00</u>
Real Estate Income;	\$228,690.00
Capitalized at;	11.75 %

The assessment is reduced to \$1,946,298.00.

DATED AT THE CITY OF BROOKS THIS 15th DAY OF December, 2010.



J. Zezulka
Presiding Officer

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.*