



## **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:**

***Mayel Development Inc. and Remail Ventures Inc. (Represented by AEC Property Tax Solutions), COMPLAINANT***

**and**

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

**before:**

***W. Kipp, PRESIDING OFFICER  
K. Farn, BOARD MEMBER  
P. Loh, 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 2014 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>048021109</b>
<b>LOCATION ADDRESS:</b>	<b>2828 – 23 Street NE, Calgary AB</b>
<b>FILE NUMBER:</b>	<b>74765</b>
<b>ASSESSMENT:</b>	<b>\$15,260,000</b>

This complaint was heard by a Composite Assessment Review Board (CARB) on the 22<sup>nd</sup> day of July, 2014 in Boardroom 1 at the office of the Assessment Review Board located at 1212 – 31 Avenue NE, Calgary, Alberta.

Appeared on behalf of the Complainant:

- B. Ryan                      Agent, AEC Property Tax Solutions

Appeared on behalf of the Respondent:

- T. Johnson                  Assessor, The City of Calgary
- D. Grandbois              Assessor, The City of Calgary

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

[1] The Complainant filed its disclosure document with the CARB and the Respondent on May 29, 2014. The Respondent's disclosure was filed July 7, 2014 and a two part Complainant's rebuttal disclosure was filed July 10, 2014. The Complainant made two requests that were acceptable to the Respondent and agreed to by the CARB:

- 1) That the two part disclosure be carried forward to Files 74748, 74339, 75856 and 76010, all of which were to be heard as part of the same agenda.
- 2) That part one of the rebuttal disclosure (marked as Exhibit C2A by the CARB) be sealed to restrict public access to information within the document.

[2] Neither of the parties had concerns or objections to the CARB panel as constituted.

[3] There were no jurisdictional matters to be decided by the CARB.

**Property Description:**

[4] The property that is the subject of this assessment complaint is the Executive Royal Inn, a 198 room hotel on a 5.21 acre site on the northwest corner of 27 Avenue and Barlow Trail NE. 23 Street NE forms the westerly property line. The building was constructed in 1998. There are 6,200 square feet of meeting/conference rooms. There are three small retail tenants (gift shop, hair salon and car rental counter). An advertising company pays rent for the right to place a billboard sign on the property. The hotel operating statements indicate that a land lease payment is \$131,497 per year. The hotel does not operate under a chain or brand name. It is one of several Western Canadian hotels with common ownership and management.

[5] The property is assessed as a "B" class full service suburban hotel. Hotel properties are assessed based on property specific revenue amounts with consideration given to industry norms for operating expenses and costs not directly related to the real estate. For the current assessment, the subject is shown to have stabilized total revenue of \$7,666,589 and a net income to real estate of \$1,336,066. A suburban hotel capitalization rate of 8.75 percent converted the net income into a hotel assessment of \$15,260,000 (truncated).

**Issues:**

[6] The Assessment Review Board Complaint form was filed on February 25, 2014 by AEC Property Tax Solutions on behalf of Remai Ventures Inc., the "assessed person." Section 4 – Complaint Information had a check mark in the box for #3 "Assessment amount".

[7] In Section 5 – Reason(s) for Complaint, the Complainant stated numerous grounds for the complaint.

[8] At the hearing, the Complainant pursued the following issue:

- 1) The Executive Royal Inn competes for guests with many newer hotels in the vicinity of the Calgary International Airport, some of which are located much closer to the airport. Its age and location make it less desirable so it is necessary to offer incentives in order to attract guests plus its maintenance costs are higher. The valuation model treats old and new hotels in the same manner as far as expenses are concerned and that results in properties like the subject being over-assessed because their higher than typical operating costs are not fully accounted for in the assessment valuation.

**Complainant's Requested Value: \$13,750,000**

**Board's Decision:**

[9] The CARB finds no reason to alter the assessment from \$15,260,000.

**Legislative Authority, Requirements and Considerations:**

[10] The CARB is established pursuant to Part 11 (Assessment Review Boards), Division 1 (Establishment and Function of Assessment Review Boards) of the Act. CARB decisions are rendered pursuant to Division 2 (Decisions of Assessment Review Boards) of the Act.

[11] Actions of the CARB involve reference to the Interpretation Act and the Act as well as the regulations established under the Act. When legislative interpretation is made by the CARB, references and explanations will be provided in the relevant areas of the board order.

**Position of the Parties**

**Complainant's Position:**

[12] Exhibit C1, the complainant's disclosure of evidence was filed with the CARB administration and the Respondent on May 29, 2014. On July 10, 2014, after receipt of the Respondent's disclosure, the Complainant filed a two part rebuttal, marked by the CARB as Exhibits C2A and C2B. These rebuttal documents are also to be considered disclosure of rebuttal evidence for files 74748, 74339, 75856 and 76010 which are other hotel assessment complaints to be heard on the same agenda.

[13] A comparison of four of the older northeast Calgary hotels shows that "marketing and

guest entertainment" expenses were higher than the "norm" that is used in the assessment. For that expense category, the ratios compared to total revenue ranged from 4.1 to 14.0 percent with an average of 8.3 percent and a median of 7.6 percent. The industry norm applied by the Respondent is only 4.5 percent. For the "property operation and maintenance" category, the ratios showed inequity as well. For the four hotels, this expense ratio was from 4.1 to 15.3 percent with the average at 8.6 percent and the median at 7.4 percent. The industry norm applied by the Respondent is only 5.0 percent. More weight should be given to actual expenses in these categories for older properties such as the subject.

**Respondent's Position:**

[14] The evidence of the Respondent is contained in the disclosure document marked by the CARB as Exhibit R1.

[15] The Respondent assesses hotel properties by "normalizing" revenue and expense items. Typically, three years of reported actual revenues are stabilized. Expenses and non-realty amounts are based on industry norms but if actual amounts are significantly different those actual amounts are given some weight. Different hotel operators report items such as management and reserves for replacement in different ways so it is important to base those amounts on industry norms.

[16] For the subject hotel, marketing and guest entertainment and property operation and maintenance were reported at amounts significantly greater than is typical for suburban full service hotels so these were reduced to normal industry amounts with a 10 percent adjustment. 10 percent is the maximum variance adjustment allowed in the valuation model.

[17] The Complainant is requesting an assessment of \$13,750,000 which is \$69,444 per guestroom, a unit rate which is much lower than the median of \$87,639 indicated by 26 suburban full service hotels. This is not an atypical hotel property and its current assessment rate of \$77,118 per room is still below the median.

[18] For the 2013 tax year, there was a CARB hearing on this property and the same issue was before that board. The CARB found no evidence to support a reduction and it confirmed the assessment.

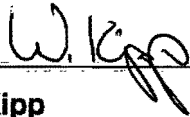
**Board's Reasons for Decision:**

[19] The CARB finds that the Respondent's assessment method wherein actual revenues and, to some extent, actual expenses are used in making hotel assessments is fair and reasonable. The evidence shows that different hotel operators and managers have different methods of handling finances and reporting revenues and expenses. The assessment model prevents these different accounting practises from impacting market value assessments.

[20] The Complainant's position that this is an atypical hotel is not supported by evidence. Nor is argument that older hotels must incur higher expenses in order to successfully compete. The CARB compared data from four suburban properties that were detailed in evidence and found a general lack of consistency. The argument that older hotels incurred additional management and marketing costs was not supported by the data. Of eight hotels built between 1970 and 1999 (from R1 and C2A) that the CARB reviewed, marketing and guest entertainment expense ratios ranged from 3.7 to 8.7 percent. The lowest ratio was from the oldest property. Property operation cost ratios ranged from 4.5 to 15.3 percent. The three oldest hotels were below the median ratio for this expense. Having regard to age, Complainant's evidence included

assessment information for 20 northeast Calgary class "B" hotels with the assessment per guestroom shown. Older properties did not have the lowest rates and newer properties did not have the highest rates. It is concluded that manager/owner/operator reported information shows little consistency between property types and ages. For this reason, the reasonable approach is to rely on industry norms.

**DATED AT THE CITY OF CALGARY THIS 19 DAY OF August 2014.**

  
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**W. Kipp**  
**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
3. C2A	Complainant Rebuttal – Part 1
4. C2B	Complainant Rebuttal – Part 2
Note: Exhibit C2A was sealed by the CARB	

*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 ADMINISTRATIVE USE**

<b>Appeal Type</b>	<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
CARB	OTHER	HOTEL	INCOME APPROACH	EXPENSES