

**BROOKS REGIONAL
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:

Imperial Hunter Hotel Ltd. (represented by Mr. B. McIntosh), COMPLAINANT

and

The Town of Bassano, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member, A.M. Philipsen
Board Member, B. Keith***

This is a complaint to the Brooks Regional Assessment Review Board in respect of a property assessment prepared by the Assessor for The Town of Bassano and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER: 254000

**LOCATION ADDRESS: 502 - 2 Avenue
Bassano, Alberta**

ASSESSMENT: \$684,680

This complaint was heard on the 28th day of November, 2012, in the City of Brooks.

Appeared on behalf of the Complainant:

- *B. McIntosh*

Appeared on behalf of the Respondent:

- *C. Megaw, of Benchmark Assessment Consultants*

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

- (1) There were no procedural or jurisdictional matters raised by either party.

Property Description:

- (2) The subject is the Imperial Hunter Hotel, situated on 2 Avenue, in the Town of Bassano. The physical plant is a three storey, downtown commercial hotel, otherwise known as a Gallonage/Tavern Hotel. The total building area is 15,479 s.f. The building was built in 1912. There are 24 rooms on the upper two floors. These were renovated circa 2008. Eighteen rooms have kitchenettes. The land area is 30,000 s.f..

Issues / Appeal Objectives

- (3) The property is currently being assessed using the cost approach. The Complainant argues that the cost approach does not provide an assessment that reasonably reflects market value, nor does it provide a result that is fair and equitable assessment compared with similar hotel properties in the Province. Rather, the Complainant maintains that the direct comparison approach is the only valid valuation method.

Complainant's Requested Value: \$510,000

Evidence / Argument

- (4) The reason that the Complainant maintains that the sales comparison method is the only valuation technique is because the market for gallonage hotels is extremely depressed, and values have fallen off dramatically over the past few years.

- (5) In support of the complaint, the Complainant submitted a number of documents containing various reasons as to why the current assessment is incorrect. This Board will not delve into the finite details of the various evidence/ rebuttal packages, but will instead deal with the relevant portions.

- (6) Cost Approach; The Complainant presented a number of reasons as to why the cost approach is an inappropriate method of valuation that produces an erroneous result. However, the Complainant could offer no specific market evidence to support the statements made.

- (7) Income Approach; The Complainant presented a number of reasons as to why the

income approach to value is an inappropriate method of valuation. Similarly, the Complainant pointed to a number of errors contained in a "modified lease approach" contained in the Respondent's evidence submission, but presented no market based evidence in support of this contention.

(8) The Complainant argues that the capitalization rate used in the modified lease approach should be reduced to 3.6 per cent. The Complainant's argument is misdirected. If the capitalization rate is reduced, the indicated value will increase, not decrease.

(9) Direct Comparison Approach; The Complainant contends that the direct comparison approach is the only appropriate method of valuation. In support of his argument, the Complainant referred to three hotel properties in the Province, including the McClennan Hotel, the Alberta Hotel in Pincher Creek, and the Claresholm Inn, arguing that these should be the benchmarks for the valuation of the subject.

(10) The McClennan Hotel; This property is listed for sale for \$499,000. The Complainant pointed out that the Respondent's size of 5,000 s.f. is incorrect, and that the actual size should be 15,000 s.f., quite similar to the subject. Other than opinion, no evidence relative to this property's condition, financial performance, or other details are offered. The Respondent offered no comments relative to this property.

(11) The Alberta Hotel in Pincher Creek sold in October, 2008, for \$635,000, but is currently assessed for \$321,000. The Respondent counters by stating that the physical plant is in extremely poor condition, and the rooms are no longer in use. This assertion was not disputed by the Complainant.

(12) According to the evidence before the Board, the subject's rooms have been recently renovated. That is in direct contrast to the Alberta Hotel. As a result, the Board places little weight on the Alberta Hotel as a reliable indicator of value for the subject.

(13) The Claresholm Inn was sold in 2007, for \$330,000. However, this was a foreclosure/court ordered sale. The property had been on the market for about one year at an asking price of \$800,000. According to the Respondent, the rooms in this hotel have been condemned for occupancy. This assertion was not disputed by the Complainant. The 2010 Alberta Municipal Affairs Manual for recording and reporting information for assessment audit and equalized assessment states as follows;

"..... Sales by lending institutions of repossessed property are generally made at reduced prices and are usually also rejected. However, these sales can be valid if exposed to the open market with a willing seller seeking the highest price." The Board finds that the property was exposed on the open market, but the asking price bears little or no resemblance to the ultimate selling price. Further, the sale did not occur until after the listing expired. As a result, the Board places little weight on this transaction as an indicator of market value.

Board's Findings

(14) As for the Complainant's assertion that direct comparison is preferred over the cost method of valuation, this Board will not identify a preference as to which valuation approach should be used to determine the assessed value of any property. It is the assessed value that this Board is authorized to adjudicate. If any party can satisfy the Board, to the extent required by law, that in application of any applied approach to value errors have been made that have

resulted in an incorrect assessed value, then it is those errors, supported by market based evidence, that should be given consideration. That is not to say that an alternative method of valuation cannot be applied. However, any alternative method must be as equally well founded in market evidence as the method already being employed.

(15) The concept of “standard of proof” refers to how convinced one must be that a certain fact exists. The onus of proving that an assessment is incorrect lies with the individual alleging it. The onus rests with the Complainant to provide convincing evidence to justify a change in the assessment. Other than opinion, albeit well informed, the Complainant failed to produce any factual, market based evidence to support the request. For that reason, the Complainant's argument fails.

Board's Decision

(16) The assessment is confirmed at \$684,680.

DATED AT THE CITY OF BROOKS THIS 18th DAY OF December, 2012.



Jerry Zezulka
Presiding Officer

APPENDIX “A”

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1.	C1 Evidence Submission of the Complainant
2.	C2 Rebuttal Submission of the Complainant
3.	R1 Evidence Submission of the Respondent

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.

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<i>Decision No.</i>		<i>Roll No. 0430857000</i>		
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Issue</i></u>	<u><i>Detail</i></u>	<u><i>Issue</i></u>
CARB	Hotel	Income / Equity	Gross Income	