

**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:

**Carriage House Motor Inn Ltd.
(as represented by A.E.C. International Inc.), COMPLAINANT**

and

The City Of Calgary, RESPONDENT

before:

**J. Krysa, PRESIDING OFFICER
B. Jerchel, MEMBER
A. Blake, MEMBER**

This is a complaint to the Calgary Assessment Review Board in respect of the property assessment prepared by the Assessor of The City of Calgary and entered in the 2012 Assessment Roll as follows:

ROLL NUMBER:	123190902
LOCATION ADDRESS:	9030 Macleod Trail SE
HEARING NUMBER:	68436
ASSESSMENT:	\$12,980,000

The complaint was heard on July 16, 2012, 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

Appeared on behalf of the Respondent:

- D. Grandbois

Board's Decision in Respect of Procedural or Jurisdictional Matters

[1] The Complainant requested that this complaint be heard concurrently with three other complaints scheduled to be heard by the Board on July 16, 2012, as the Complainant intends to put forth a global argument in respect of the Respondent's methodology in preparing the assessments. The Respondent did not object to the Complainant's request to have all four complaints heard concurrently.

The Board allowed the Complainant's request; the complaints were heard simultaneously.

Property Description

[2] The subject property is a 3.69 acre parcel of land, improved with a multi storey, 157 room full service hotel. The improvement was constructed in 1970 and is known as the Carriage House Inn. The total assessment equates to a unit rate of \$82,675 per room.

Issues

[3] The Complainant raised the following matters in section 4 of the complaint forms:

3. an assessment amount

[4] The Complainant set out 6 grounds for the complaint in section 5 of the complaint form with a requested assessment value of \$9,310,000; however, only the following issue was in dispute at the hearing:

Issue: The subject property's food and beverage expenses are understated in the assessment calculation.

Complainant's Requested Assessment

At the hearing, the Complainant requested an assessment of \$9,310,000.

Board's Decision in Respect of the Issue

[5] **Global Argument:** The Complainant's global argument is that the Respondent's process of normalizing a hotel's operating expenses inflates the assessed net operating income of some properties beyond the actual stabilized income of the properties. The Complainant argued that the result of this variance is that the property assessments exceed the indicated market value of the subject properties as determined by each property's actual stabilized income by 39% to 50%. The Complainant conceded that the normalization process has been applied in an equitable manner; however, the Complainant argued that consideration should be provided to those properties exhibiting a significant variance from industry norms (outliers), to conclude an assessed expense allowance within 5% of the actual stabilized expenses incurred.

2009: \$5,984,057 2010: \$5,770,193 2011: \$5,797,878

**Stabilized as per the Respondent's weightings:*

	Revenue PAR*	Tax PAR*	Effective Tax Rate**	Property Tax per Door
Subject	\$ 94.71	\$ 3.68	3.90%	\$ 1,343
Coast Plaza	\$ 60.99	\$ 1.38	2.30%	\$ 503
Royal Inn	\$ 68.82	\$ 1.86	2.70%	\$ 681
Ramada	\$ 70.10	\$ 2.15	3.10%	\$ 785

****Tax Portion of Revenue PAR**

Stabilized Total F&B Revenues	F&B Expense Ratio (Industry Norm)	F&B Expense (Industry Norm)	Adjustment	F&B Expense Allowance
\$ 6,491,526	70.2%	\$ 4,557,051	10%	\$ 5,012,756

[10] The Respondent submitted that after the +10% adjustment is applied, the effective expense ratio applied to the subject's food and beverage revenues is 77.2%; a ratio consistent with previous witness testimony in the hearing, that a 70% to 75% expense ratio is typical. The Respondent further argued that the full service hotels in the Complainant's evidence, not under complaint, (Sheraton Cavalier, Coast Plaza, Royal Inn and Ramada), exhibit average and median food and beverage expense ratios of 79.2% and 81.3%, respectively, in contrast to the subject's adjusted expense ratio of 77.2%.

Decision

[11] The Board finds that there was insufficient evidence to demonstrate that the subject property's food and beverage expenses are understated in the assessment calculation.

[12] The Board rejects the Complainant's global argument in respect of relying on a property's actual stabilized income, or adjusting the actual stabilized expenses to an amount within 5% of the actual stabilized income, rather than the Respondent's normalized methodology as documented in the provincial hotel/motel valuation guide. The Complainant's proposed approach would not reflect "typical" conditions for properties similar to the subject, and therefore would not meet the requirements of the legislation.

[13] Section 2 of *Matters Relating to Assessment and Taxation Regulation, AR 220/2004*, sets out the criteria for preparing assessments.

2 An assessment of property based on market value

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property.

[14] Mass appraisal is defined in section 1 of *Matters Relating to Assessment and Taxation Regulation, AR 220/2004*

1 (k) "mass appraisal" means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing;

[15] The Board accepts that the Respondent has equitably adjusted the subject's food and beverage expenses to reflect typical market conditions of full service hotels (properties similar to that property), and there is no evidence before the Board to demonstrate that a food and beverage expense ratio equating to 90% of revenues is typical of full service hotels. On the contrary, the Complainant's comparative evidence in respect of other full service hotels in the municipality, demonstrates that a 90% food and beverage expense ratio is not typical.

[16] The Board however, notes that the Respondent's "typical" 70.2% food and beverage expense ratio is derived from an Alberta-wide study, and is not supported by the evidence of the full service hotels before the Board; which for the most part exhibit food and beverage expense ratios somewhat in excess of 80%, but below the 90% expense ratio of the subject.

[17] The Board was not persuaded by the Complainant's comparative analysis [Appendix 3.8], as the properties in the analysis are dissimilar to the subject; given that the subject's total revenues per available room are 35% to 55% greater than those of the comparables. The Board, however, notes the obvious inequity on an "assessment per room" basis, as the subject's \$82,675 assessment per room is 70% to 167% greater than the assessed rate per room of the comparable properties.

The assessment is **CONFIRMED** at **\$12,980,000**.

DATED AT THE CITY OF CALGARY THIS

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DAY OF SEPTEMBER, 2012.


J. Krysa, Presiding Officer

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

NO.	ITEM
1. C1	Complainant's Submission
2. R1	Respondent's Submission
3. C2	Complainant's Rebuttal Submission

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

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Other	Hotel	Income Approach	Expenses (Actual v. Typical)