

**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:

HL Reit (618 5th AV SW) Inc. (as represented by Altus Group), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

T. B. Hudson, PRESIDING OFFICER

B. Jerchel, MEMBER

D. Cochrane, 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: 067230102

LOCATION ADDRESS: 618 5 AV SW

FILE NUMBER: 67891

ASSESSMENT: \$27,600,000

This complaint was heard on the 26th day of September, 2012 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *D. Hamilton*

Appeared on behalf of the Respondent:

- *D. C. Grandbois*

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

[1] There were no procedural or jurisdictional matters raised by either of the Parties.

Property Description:

[2] The subject property was a 301 all suites limited service hotel with a restaurant and lounge known as the 5 Calgary Downtown Suites Hotel, and located at 618 5 AV SW. The property was purchased in December 2011 and is currently being converted into a residential Apartment building. The current assessment based on the hotel use, and capitalized income approach to value, is \$27,600,000.

Issues:

[3] The fairness and equity of the assessment amount was the central issue in this complaint.

[4] The specific adjustment to the assessment calculation requested by the Complainant was:

- To return the expense amount for room rentals to the stabilized actual amount.

[5] The remaining issue was the relevance of the post facto sale of the subject property for \$34,000,000 in December of 2011.

Complainant's Requested Value: \$26,140,000

Board's Finding in Respect of Each Matter or Issue:**Room Rental Expense**

The Board finds that the actual stabilized room rental expense amount should be used to calculate the assessment.

[8] The Complainant submitted an excerpt from the Alberta Assessors' Association Hotel Valuation Guide circa 1998, in support of the requested expense adjustment, which states as follows:

[9] Valuation data employed should conform within a set range of industry norms. This will provide some flexibility in approach as well as equity and uniformity of results. To deal with this question, two courses of action are recommended:

- If the variance between actual performance and the industry norm is large, it may be advisable to interview the owner or operator of the hotel to determine the cause of the variance, and,
- Where actual stabilized data differs from the industry norm by more than a set amount (e.g. an allowable variance of 10 percent), the stabilized data should be adjusted so that it falls within the allowable range unless there are legitimate reasons for the discrepancy.

[10] The Respondent conceded that in respect of the subject property, the actual stabilized room rental expense (i.e. \$2,270,680), should have been used in the assessment calculation, rather than the typical expense (i.e. \$2,087,448). The actual stabilized room rental expense was within 10% of typical industry standards.

[6] The Respondent agreed to correct the item identified as the specific issue by the Complainant.

[7] Based on the correction, the Respondent conceded that the total assessment would be reduced to \$26,140,000.

Sale of the Subject Property:

The Board finds that the post facto sale of the subject property for redevelopment to residential apartments is not relevant to the 2012 hotel assessment.

[11] The Respondent submitted evidence with respect to the January 1, 2012 sale of the subject property (page 33-43 of Exhibit R1), arguing that the transfer of the fee simple estate interest for the sale price of \$34,000,000 was the best indicator of market value.

[12] The Complainant argued that the sale price was not relevant to the market value of the subject hotel property because the sale occurred 6 months after the valuation date of July 1, 2011, and the hotel ceased operations after the sale and is currently being redeveloped for residential apartments.

Board's Decision: The assessment is reduced to \$26,140,000

DATED AT THE CITY OF CALGARY THIS 22 DAY OF October 2012.

A handwritten signature in black ink, appearing to read 'T. B. Hudson', written over a horizontal line.

T. B. Hudson
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
3. R1	Respondent Disclosure

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. 1737/2012-P</i>			<i>Roll No 067230102</i>	
<u>Subject</u>	<u>Type</u>	<u>Sub-Type</u>	<u>Issue</u>	<u>Sub-Issue</u>
CARB	Commercial	Limited Service Suite Hotel	Assessment Amount	Equity