

**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:**

***Balboa Hotels Ltd. (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: 200177319**

**LOCATION ADDRESS: 700 Centre ST SE**

**FILE NUMBER: 68221**

**ASSESSMENT: \$79,080,000**

This complaint was heard on the 24th 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 is a 355 room full service luxury hotel known as the Hyatt Regency located at 888 7 AV SW in downtown Calgary. The property includes a restaurant and lounge, swimming pool, exercise room and meeting and banquet facilities for almost 1600 people. The property is connected to the Telus convention centre. The current assessment based on the capitalized income approach to value is \$79,080,000.

**Issues:**

[3] The fairness and equity of assessment amount is the central issue.

[4] Specific adjustments requested to normalize annual expenses to within 10% of typical industry standards and reduce the assessment include:

- Increase the allocation to heat, light and power by approximately 72%
- Reduce the allocation to insurance by approximately 34%

**Complainant's Requested Value:** \$74,430,000

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

**Heat, Light and Power Expense Allocation**

The Board finds that given the actual annual stabilized expense for heat, light and power for the subject hotel property (i.e. \$942,300), it would be inequitable to increase the annual expense to an amount within 10% of typical (i.e. \$1,617,000) through the "normalization" process. The subject property is not a typical hotel property in the downtown Calgary market, based on a much greater than typical capacity for revenue generation.

[5] The Complainant argued that the actual expense for heat, light, and power for the subject hotel represents 2.31% of total revenue, while the typical industry standard ratio is 4.40% of total revenue. When 2.31% is divided by 4.40% the result is 52.44%, which is less than 10% of typical. Therefore, the heat, light and power expense should be adjusted to be within 10% of typical as follows:

$$\text{Total revenue: } \$40,837,000 \times 4.4\% \times 90\% = \$1,617,000$$

[6] 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:

[7] 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.

[8] The Respondent countered that in respect of the subject property, there are “**legitimate reasons**” to employ the actual annual stabilized expense (i.e. \$942,300), for heat, light, and power in the assessment calculation, rather than the typical expense (i.e. \$1,617,000), calculated as a percentage of total revenue.

[9] The Respondent explained that the subject and one other competing downtown hotel (i.e. the Sheraton Eau Claire), generate significantly more revenue than other downtown hotels, and for that reason are not typical in the market. Calculating expense for heat, light and power based on a “typical” percentage of total revenue for these two hotels could result in assessment inequity with the other hotels in the market.

#### **Insurance Expense Allocation:**

The Board finds that the allocation of insurance expense has not been adjusted from the stabilized actual amount to within 10% of a typical amount based on industry standards in the calculation of assessments for any downtown Calgary hotel. The Board finds that there is no market evidence to justify the requested change, and that a change could result in assessment inequity.

[10] The Complainant argued that unlike the requested increase to the stabilized actual expense for heat, light, and power to within 10% of typical, the actual stabilized insurance expense (i.e. \$272,000), is 0.66% of total revenue while the typical expense is 0.40% of total revenue. When 0.66% is divided by 0.40%, the result is 166.21% which is greater than 10% of typical. Therefore, the actual stabilized insurance expense should be reduced to within 10% of typical (i.e. \$180,000), as follows:

$$\text{Total revenue } \$40,837,000 \times 0.4\% \times 110\% = \$180,000$$

[11] The Respondent countered that only the stabilized actual insurance expense has been used in the assessment of hotels in downtown Calgary. The Complainant produced no market evidence to justify a change to within 10% of typical, and the Respondent noted that such a change could result in inequitable assessments.

**Board's Decision:** The assessment is confirmed at \$79,080,000.

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



**T. B. Hudson**  
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. 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. 1738/2012-P</i> |             |                              | <i>Roll No 200177319</i> |                  |
|---------------------------------|-------------|------------------------------|--------------------------|------------------|
| <u>Subject</u>                  | <u>Type</u> | <u>Sub-Type</u>              | <u>Issue</u>             | <u>Sub-Issue</u> |
| CARB                            | Commercial  | Full Service<br>Luxury Hotel | Assessment<br>Amount     | Equity           |
|                                 |             |                              |                          |                  |