



## ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL  
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EDMONTON AB T5J 2R7  
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### NOTICE OF DECISION 0098 322/10

Altus Group Ltd.  
17327 106A Avenue  
Edmonton, AB T5S 1M7

The City of Edmonton  
Assessment and Taxation Branch  
600 Chancery Hall  
3 Sir Winston Churchill Square  
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from hearings held on October 25, 2010 respecting a complaint for:

<b>Roll Number</b> 3044906	<b>Municipal Address</b> 10215 – 100 Avenue. NW	<b>Legal Description</b> Plan: NB Block:2 Lot: 92 et al
<b>Assessed Value</b> \$4,330,000	<b>Assessment Type</b> Annual New	<b>Assessment Notice for:</b> 2010

**Before:**

Lynn Patrick, Presiding Officer  
Francis Ng, Board Member  
Brian Carbol, Board Member

**Board Officer:**

Karin Lauderdale

**Persons Appearing: Complainant**

Walid Melhem, Altus Group Ltd.

**Persons Appearing: Respondent**

Chris Hodgson, Assessment and Taxation Branch  
Tanya Smith, Law Branch

### **PRELIMINARY MATTERS**

The parties indicated no objection to the composition of the Board and the Board Members expressed no bias with respect to this file.

The Complainant asked that page 7, and pages 30 – 76 of evidence package C-1 be sealed as it is the lease of the subject property. The Board granted this request and ordered that portion of the evidence package to be sealed.

### **BACKGROUND**

The subject property located at 10215 – 100 Avenue is leased to Go Backpackers Hostel Ltd. as of June 15, 2009. It is a 10 year escalated triple net lease. Prior to the change, the property was operated and assessed as a limited service hotel.

### **ISSUES**

Is the assessment fair and equitable?

## **LEGISLATION**

### ***Municipal Government Act, R.S.A. 2000, c. M-26;***

s. 293(1) In preparing an assessment, the assessor must, in a fair and equitable manner,

- (a) apply the valuation and other standards set out in the regulations, and
- (b) follow the procedures set out in the regulations.

(2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

(3) An assessor appointed by a municipality must, in accordance with the regulations, provide the Minister with information that the Minister requires about property in that municipality.

s.467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s.467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- a) the valuation and other standards set out in the regulations,
- b) the procedures set out in the regulations, and
- c) the assessments of similar property or businesses in the same municipality.

## **POSITION OF THE COMPLAINANT**

The subject property should be assessed as an income producing property with Capitalization Income Approach since it is fully leased as a hostel. By capitalizing (10%) the actual rental income less 5% vacancy rate, less 2% structural and management expenses, the resulting value supports the requested value of \$3,195,000.

The Complainant did not agree with the Respondent's cost approach. Furthermore, the Complainant argued that the Respondent did not provide any evidence to support the land assessment value.

## **POSITION OF THE RESPONDENT**

The Respondent asserts that the 2010 Property Tax Assessment of the subject property is incorrect because the 2009 assessment was carried forward in error.

The Respondent suggests that if the use has changed to hostel then it follows that the proper approach to valuation is on a cost basis.

The Respondent derived an increased assessment of the subject property using the cost approach to account for the unique attributes of the property. Based on the cost approach, the total of the depreciated improvement value (\$526,295), and the land assessment value (\$5,223,165), the Respondent is requesting an increase of the 2010 Property Tax Assessment from \$4,330,000 to \$5,749,000.

## **FINDINGS**

1. The basis for the assessment of the subject under complaint is that of a limited service hotel approach.
2. The assessment date is July 1, 2009 for the taxation year of 2010.
3. The Complainant's contention that there had been a change of use to a hostel in effect at July 1, 2009 is unclear.
4. The lease submitted by the Complainant for the subject property provides possession of the subject as of May 15, 2009 and lease term commencement date of June 15, 2009.

5. The lease document submitted is signed but undated.
6. The permitted uses provided in the lease are for hostel or hotel and there is no evidence provided as to how and when the premises operated as a hostel.
7. The request for an increase in the assessment by the Respondent is permitted under the Municipal Government Act s.467(1).
8. Proper notice of the intention to request an increase in the assessment has been given by the Respondent.
9. If the use has changed to hostel then it follows that the proper approach to valuation is on a cost basis.

### **DECISION**

The decision of the Board is to confirm the assessment of \$4,330,000.

### **REASONS FOR THE DECISION**

1. There is no evidence to support the contention that the lease rate is market rate. No comparables were provided to the Board.
2. The other inputs used to develop the income approach by the Complainant were derived from sources such as the City of Edmonton hotel information regarding capitalization rates for limited service hotels, but the vacancy rate, management allowance and structural allowances sources were not provided.
3. An undated lease unto itself is not adequate to establish a market rental rate and must have supporting comparable evidence to show validity.
4. There was a lack of evidence as to the exact change of use thus the existing assessment as a hotel should not be disturbed.
5. The Respondent did not provide sufficient evidence to support the cost valuation mode use, primarily of the land value.
6. Without sufficient evidence to support either the position of the Complainant or the position of the Respondent on the changes in approach the Board finds that the assessment on the basis of a limited service hotel should remain unchanged.

### **DISSENTING OPINION AND REASONS**

There was no dissenting opinion.

Dated this 27<sup>th</sup> day of October, 2010 A.D., at the City of Edmonton, in the Province of Alberta.

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Presiding Officer

*This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, R.S.A. 2000, c.M-26.*

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CC: Municipal Government Board  
Remai Ventures Inc.