



## ASSESSMENT REVIEW BOARD

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
Phone: (780) 496-5026

### NOTICE OF DECISION NO. 0098 42/11

AEC INTERNATIONAL INC.  
#112, 1212 1st Street SE  
Calgary, AB T2G 2H8

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 a hearing held on July 13, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9967528	10010 178 STREET NW	Plan: 9922363 Block: 10 Lot: 7	\$21,920,000	Annual Revised	2011

#### Before:

Larry Loven, Presiding Officer  
Taras Luciw, Board Member  
Reg Pointe, Board Member

**Board Officer:** Kristen Hagg

#### **Persons Appearing on behalf of Complainant:**

Adam Payn, AEC International Inc.

#### **Persons Appearing on behalf of Respondent:**

Shawna Pollard, City of Edmonton, Assessor  
Steve Lutes, City of Edmonton, Law Branch

## **PRELIMINARY MATTERS**

There were no preliminary matters raised at the hearing.

## **BACKGROUND**

The subject property is a known as Royal Executive Inn (West) Harvest, 10010 178 Street, Edmonton, Alberta and is classed as a Suburban Full Service Hotel containing 236 rooms.

## **ISSUE(S)**

Several issues were identified on the complaint form, however the Complainant submitted evidence and argued only that the assessment amount was incorrect due to the Respondent not including financial information for the financial year ending August 31<sup>st</sup>, 2010.

## **LEGISLATION**

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

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.

***Matters Relating To Assessment and Taxation Regulation, Alberta Regulation 220/2004***

s.3 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.

## **POSITION OF THE COMPLAINANT**

The Complainant submitted written evidence in the form of an Appeal Brief, containing 122 pages, that was entered as exhibit C-1.

The Board heard the Complainant's agreement with the Respondent's methodology in preparing the assessment as being correct, but that the assessment amount was incorrect in that it was not based on stabilized revenues including financial information up to August 31<sup>st</sup>, 2010.

The Complainant referenced MRAT, Part 1, Section 3, which reads "*Any assessment prepared in accordance with the Act must be an estimate of the value of the property on July 1 of the assessment year*". The Complainant believes that relying on August 31, 2009 data resulted in an

over-estimation of market value as there was a significant variance in revenue from 2009 to 2010 (C-1, page 3).

An income/expense statement using August 31, 2010 financial information was included for illustrative purposes (C-1, page 18). The Complainant was unable to re-create the exact income pro-forma used by the Respondent but wished to demonstrate that a discrepancy exists between the Respondent's weighted average and that of the Complainant's calculation.

The Complainant's calculation of the stabilized income included financial information for the year ending August 31<sup>st</sup>, 2010. This resulted in a difference of 19% less than that of the Respondent.

The Complainant included a copy of an ARB decision, CARB 1381/2010P, wherein the Board agreed *"that utilization of information only up to December 31, 2008 does not reflect the current market conditions in Calgary as at July 1, 2009. Data that is 6 months old will not capture 'Boom Years' or 'Bust Years' as is the case in the current year 2009"*. That Board adjusted the income data to reflect the July 1, 2009 Valuation Date as defined in MRAT, Part 1, Section 3, by adjusting the calculation of the City of Calgary assessment using financial data available up to and including June 30, 2009 (C-1, page 32).

The Complainant requested a reduction to \$15,103,728 based on his estimate of the difference in stabilized revenues of 19%.

## **POSITION OF THE RESPONDENT**

The Respondent presented a 149 page evidence package for the Board's consideration. The Respondent reviewed the City of Edmonton's valuation procedures for hotels and motels which are based on the response to an annual Request for Information form. Included in the information requested are financial statements with schedules of all expenses from the preceding three years. The Complainant replied to the request for information on February 24, 2010 attaching financial statements for the 12 months ending August 31, 2009. Financial statements for the 12 month periods ending August 31, 2008 and 2007 had been submitted in the previous two years.

The Respondent advised the Board that in the valuation process, revenue is stabilized over the three preceding years. Most weight is given to the most current year. To arrive at a stabilized revenue, 70% of the 2009 revenue is used, 20% of the 2008 is used, and 10% of the 2007 is used. This method helps capture industry trends and tends to eliminate the impact of an abnormal year within the hotel industry.

The Respondent advised the Board that the most current financial information provided by the Complainant, to prepare the 2011 assessment was received in March 2010. This allowed the Respondent sufficient time to analyze the information and arrive at a value for July 1, 2010, the valuation date for the 2011 assessment.

The Respondent advised that with the revenues being stabilized, any changes in the financial statements would be recognized in the subsequent year's assessment. At the time the 2011 assessment was being prepared the Respondent did not have the August 2010 financial statements.

## **DECISION**

It is the decision of the Board to deny the appeal and confirm the 2011 Annual Revised Assessment at \$21,920,000.

## **REASONS FOR THE DECISION**

The Board notes the Calgary Assessment Review Board decision CARB 1381/2010-P referenced by the Appellant and finds the reasons raised for the requested adjustment were similar.

The Board finds that the Appellant did not argue the method used by the Respondent to determine the 2011 total assessment, but claimed that the Respondent should have included 2010 financial information to meet the requirements of ***Matters Relating to Assessment and Taxation Regulation*** (MRAT) Part 1 Section 3, that is “*Any assessment prepared in accordance with the Act must be an estimate of the value of the property on July 1 of the assessment year*”. The Respondent based their 2011 assessment on information requested from the property owner in January of 2010 and received March of 2010. The most current information provided by the property owner was financial information for the period ending August 31, 2009, even though the request for information form contains a comments section that allows for the provision of additional information to be considered in the valuation of the subject property. At best, the property owner would have been able to provide an additional four months of financial information for consideration by the Appellant. Therefore, the Board finds that the Respondent meets the requirements of MRAT Part 1, Section 3, in that the assessment of the subject property is an estimate of value on July 1, 2010, based on the information provided at the time the information was requested and received. The Board is satisfied that the 2011 assessment for the subject property was prepared correctly, fairly and equitably.

The Board finds that the Respondent’s total assessment for the subject property also includes adjustments for expenses and other fixed charges. The Appellant’s 2011 total property assessment is based on a stabilized revenue includes income for the year ending August 31, 2010, two months after the valuation date of July 1, 2010. The Appellant did not provide any further calculation to determine what the requested assessed value would have been based on the stabilized revenue if adjusted to June 30, 2010, nor what the total assessment would have been including adjustments for expenses and other fixed charges based on the stabilized revenue using 2010, 2009 and 2008 year financial statements.

For the reasons above the Board confirms the 2011 assessment of \$21,920,000 for the subject property.

## **DISSENTING OPINION AND REASONS**

There was no dissenting opinion.

Dated this 14<sup>th</sup> day of July, 2011, at the City of Edmonton, in the Province of Alberta.

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Larry Loven, Presiding Officer

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*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: REMAI VENTURES INC