



**ASSESSMENT REVIEW BOARD  
DECISION WITH REASONS**

**CARB - 0203-0005/2012**

**IN THE MATTER OF A COMPLAINT** filed with the City of Lethbridge Composite Assessment Review Board (CARB) pursuant to Part 11 of the *Municipal Government Act* being Chapter M-26 of the Revised Statutes of Alberta 2000 (Act).

**BETWEEN:**

Colliers International Realty Advisors Inc/Christopher Hartley - Complainant

- a n d -

City of Lethbridge - Respondent

**BEFORE:**

Members:

Tom Hudson, Presiding Officer

Shelley Schmidt, Member

Wayne Stewart, Member

A hearing was held on Friday, June 15, 2012 in the City of Lethbridge in the Province of Alberta to consider complaints about the assessments of the following property tax roll numbers:

Roll No./ Property Identifier	Assessed Value	Owner
1-0-500-0120-0001 120 Stafford Drive South	\$10,548,000	691049 Alberta Ltd.
1-0-500-0112-0001 112 Stafford Drive South	\$112,200	691049 Alberta Ltd.
1-2-010-0820-0001 820 1 Avenue South	\$498,800	691049 Alberta Ltd.

Appeared on behalf of the Complainant:

- Troy Howell – Colliers International Realty Advisors Inc.

Appeared on behalf of the Respondent:

- Verle Blazek, Assessor, City of Lethbridge

**PART A: BACKGROUND AND DESCRIPTION OF PROPERTY UNDER COMPLAINT**

The subject property includes a 0.789 acre parcel of land, improved in 2000 with a 102 room Holiday Inn Express Hotel. The municipal address is 120 Stafford DR S. There are also two additional parcels of assessed property associated with the operation of the hotel. They have a municipal address of 112 Stafford DR S., and 820 1 AV S. respectively, and have been developed to accommodate guest parking. The current assessment

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amount for the parking parcels is no longer in dispute. The current hotel assessment amount is \$10,548,000. The complainant is requesting a reduction to \$9,020,395

**PART B: PROCEDURAL or JURISDICTIONAL MATTERS**

The CARB derives its authority to make this decision under Part 11 of the Act. No specific jurisdictional or procedural issues were raised during the course of the hearing, and the CARB proceeded to hear the merits of the complaint, as outlined below.

**PART C: ISSUES**

The CARB considered the complaint form together with the representations and materials presented by the parties.

The Complainant characterized the subject property as a “limited service hotel”, in a “secondary/tertiary market”. Consequently, the Complainant argued that the assessment should be prepared using standard valuation factors applied to similar properties in other “secondary/tertiary” hotel markets in Alberta. Communities such as Fort McMurray, Jasper, Camrose, Medicine Hat and Vermillion were noted as “secondary/tertiary” market examples. Similar “limited service hotel property examples included Super 8 hotels in Medicine Hat and Vermillion.

The Complainant explained that in order to reduce the assessment of the subject property to an equitable amount; the capitalization (cap) rate of 10.5% and the furniture, fixtures and equipment (FF &E) expense allowance of 12% used to prepare the current assessment, required adjustment.

According to the Complainant a cap rate of 11.5%, and an FF&E expense allowance of 15%, are standard, and were used to calculate the requested reduction in the assessment.

**ISSUE 1:** Should the cap rate be increased to 11.5% from 10.5%?

**COMPLAINANT POSITION**

The Complainant presented a chart listing all of the 2011 Alberta hotel property sales in primary, secondary and tertiary markets. A median cap rate of 10.7% was reported from these sales. Another chart, listed only the 2011 hotel properties sales in “secondary/tertiary” markets, and reported a median cap rate of 11.3%, (page 42 of Exhibit C1). In addition, the 2012 Canadian Hotel Investment Report indicated higher cap rates for sales of “limited service” hotel properties in Canada, (page 50 of Exhibit C1).

The Complainant did not submit any sales or evidence comparing the subject property to other hotel properties in the Lethbridge market.





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**RESPONDENT POSITION**

The Respondent argued that the subject property is superior to the hotel properties submitted as comparable by the Complainant. In addition to jacuzzi suites, the subject property has an indoor water slide and is a modern three story Holiday Inn Express built in 2000. The photographs of the comparable properties submitted by the Complainant also suggest inferior properties to the subject.

The Respondent submitted a listing of 2001 Canadian Hotel Sales (page 6 of Exhibit R1), and the 2009 sale of the 103 room Wingate by Wyndham hotel in a southeast Calgary suburb (page 7&8 of Exhibit R1). The overall cap rate reported by RealNet for the sale was 9.8%. The Respondent suggested that the sale represented a similar property in a similar market to the subject. A chart (page 9 of Exhibit R1) listed RealNet data on hotel/motel property sales in Alberta since 2008, which reported cap rates ranging from low of 6.8% to a high of 10.7%.

**Decision: Issue 1**

In view of the above considerations, the CARB finds that the evidence supports retention of the 10.5% cap rate used in the assessment.

**ISSUE 2: Should the FF&E expense allowance be increased to 15%, from 12%?**

The Respondent explained that the manner in which the assessment was calculated actually resulted in a 17% FF&E expense allowance for the subject, as well as for all other hotel property assessments in Lethbridge.

The Complainant did not challenge this explanation.

**Decision: Issue 2**

In view of the above considerations the CARB finds no reason to change the FF&E expense allowance.

**PART D: FINAL DISPOSITION OF COMPLAINT**

The complaint is denied and the assessments are or confirmed as follows:

Roll No./Property Identifier	Value as set by the CARB	Owner
1-0-500-0120-0001 120 Stafford Drive South	\$10,548,000	691049 Alberta Ltd.
1-0-500-0112-0001 112 Stafford Drive South	\$112,200	691049 Alberta Ltd.
1-2-010-0820-0001 820 1 Avenue South	\$498,800	691049 Alberta Ltd.



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It is so ordered.

Dated at the City of Lethbridge in the Province of Alberta, this 13<sup>th</sup> day of July, 2012.

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Wayne Stewart, ARB Member  
Signed on behalf of - Tom Hudson, Presiding Officer



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**APPENDIX "A"**

DOCUMENTS RECEIVED AND CONSIDERED BY THE CARB

**NO. ITEM**

1. Exhibit C1 Complainant Disclosure
2. Exhibit R1 Respondent Disclosure

**APPENDIX 'B'**

ORAL REPRESENTATIONS

**PERSON APPEARING CAPACITY**

1. Troy Howell, Agent Colliers International Realty Advisors Inc.
2. Verle Blazek, Assessor City of Lethbridge

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(For MGB Office Only)**

<b>Subject</b>	<b>Type</b>	<b>Sub-type</b>	<b>Issue</b>	<b>Sub-issue</b>
CARB	Other	Hotel/Motel	Equity	Cap rate and FF&E allowance