

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 00951

Assessment Roll Number: 4793568

Municipal Address: 11845 Wayne Gretzky Drive
Southbound NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Jerry Krysa, Presiding Officer

Brian Carbol, Board Member

Brian Frost, Board Member

Procedural or Preliminary Matters

[1] There were no procedural or preliminary matters raised during the course of the hearing.

Background

[2] The subject property is a 47,715 sq.ft. (square foot) parcel of land, improved with a 98 room full-service suburban hotel and a 340 stall above ground parking structure. As the food and beverage components of the hotel are operated under lease by third parties and valued independently, a limited service hotel assessment model has been employed by the Respondent to value the remainder of the hotel facility.

Issue(s)

[3] Although the Complainant set out a schedule of 18 issues in exhibit C1, this decision will reference only those issues specifically addressed by the parties at the hearing. The Complainant raised no issue with the valuation of the leased retail areas located within the hotel as referred to above.

Issue 1. The parkade on the subject property is incorrectly assessed.

Issue 2. The expense allowances applied in the assessment of the subject property are insufficient.

Issue 3. The allowances for chattels and intangibles are insufficient as a result of the subject's assessed "limited service" classification.

Legislation

[4] The *Municipal Government Act*, RSA 2000, c M-26, reads:

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

[5] The Complainant argues that the ancillary assessment of the parking structure amounts to double taxation, as 30 parking stalls in the facility are allocated to the leased retail areas without further charge, and the remainder of the parking structure is largely required for the hotel guestroom patrons. As a result, the Complainant maintains that the value of the parking structure is captured within the rent rates of the leased retail areas and the room revenues generated by the hotel, and the subject's gross parking revenues of \$32,919 are insignificant in relation to the operating expenses of the facility.

[6] The Complainant further argues that the assessment of the parking structure is unreasonable and inequitable in relation to the assessments of other similar parking structures. The Complainant submits that the assessment of the parking structure fails to include a vacancy allowance, and provides for only a 10% expense ratio in contrast to other similar parking structures which are provided a 40% expense allowance.

[7] In support of the argument, the Complainant provided the 2013 assessment calculations for two, downtown Edmonton parkade structures displaying a 40% expense allowance. This allowance results in expense deductions of \$1,032 and \$1,036 per stall, in contrast to the subject's expense allowance of \$150 per stall.

[8] The Complainant also argues that the expense allowances provided to the hotel component are insufficient, resulting in an overstated estimate of net operating income. The Complainant submits that the "typical" expense allowances provided by the Respondent are based on a percentage of "typical" revenues. However, as a result of the subject's low occupancy rates and the exclusion of any revenues associated with the retail areas from the hotel's income calculation, the subject's total hotel revenues are significantly lower than those of a typical 98 room hotel property.

[9] In support of the argument and as an example, the Complainant provided a summary and backup documentation of the subject's 2011 utility costs to demonstrate that the subject's total utility costs were \$214,806, (\$2,191 per room) in contrast to the assessed allowance of \$69,077 (\$705 per room). The Complainant further provided the Respondent's assessment calculations of three hotel properties to illustrate that the subject's 2011 total utility cost per room of \$2,191

is not unreasonable in relation to the total utility expense estimates for other hotel properties, as set out below:

Tax Roll	Revenues / Room	Allowance	Utility Allowance / Room
4037263	\$103,075	5.0%	\$5,154
3023512	\$ 59,191	4.5%	\$2,689
10172493	\$ 41,293	5.0%	\$2,065
Subject	\$ 10,680	6.6%	\$ 705 (vs. Actual: \$2,191)

[10] The Complainant also argues that although the food and beverage facilities are leased to third party operators, the subject is a full-service hotel and the limited service model employed by the Respondent results in an insufficient allowance for chattels and intangibles.

[11] The Complainant requests an assessment of \$3,806,500.

Position of the Respondent

[12] The Respondent concedes that the parking structure is improperly assessed in respect of the 10% operating expense ratio, and recommends the Board revise the total assessment to \$7,383,500, to reflect the Complainant's requested 40% operating expense ratio, as well as a decrease in the market rent rate of one of the (uncontested) leased retail areas (TNT Tickets).

[13] With respect to the Complainant's issue of double taxation, the Respondent argues that although the parking facility contains a total of 340 parking stalls, the ancillary assessment reflects the value of only the 200 parking stalls estimated to be surplus to the hotel operation.

[14] The Respondent further argues that the surplus stalls generate revenues significantly greater than the \$32,919 suggested by the Complainant, from reserved monthly parking on the main floor as well as public parking on the upper floors.

[15] In respect of the subject's assessed expense ratios, the Respondent argues that the ratios appropriately reflect typical expenses for limited service hotel properties, and therefore should not be disturbed. The Respondent further submits that typical expense ratios were applied in the calculation of the assessment, as the information received from the property owner in response to a request for information pursuant to s. 295 of the *Municipal Government Act* was incomplete and included "lump sum" entries for some expense categories. During cross-examination, the Respondent conceded he did not make further inquiries of the property owner in regard to the required information.

Decision

[16] The assessment is revised from \$8,307,000 to **\$7,383,500**.

Reasons for the Decision

[17] The Board accepts the Respondent's recommendation in respect of the parking structure expense ratio, consistent with the Complainant's request, and finds that the parking structure is, as a result, correctly and equitably assessed. Although the Complainant suggests the gross revenues of the parking structure are \$32,919, there was no documentary evidence before the Board in support of this figure.


[18] The Board further finds that the current assessment of the parking structure does not amount to double taxation as there was no evidence to refute the Respondent's total parking stall count of 340. The Board accepts that the 140 parking stalls excluded from the assessment calculation are adequate to meet the parking requirements of a 98 room hotel, plus the 30 parking stalls purportedly allocated to the leased retail areas without further charge.

[19] Although the Board shares the Complainant's concern in respect of the "typical" expense ratio methodology employed by the Respondent and referenced in paragraphs 8 and 9 above, the Board finds that there was insufficient evidence in support of the Complainant's position. The Board was not provided with sufficient documentary evidence (financial statements) from the subject property to enable the Board to make an accurate determination of the subject's unallocated operating expenses, including the various expense categories purportedly combined within the "administrative and general" expense category.

[20] The Board further finds that there was insufficient evidence presented to demonstrate that the allowances for chattels and intangibles are insufficient as a result of the subject's assessed "limited service" classification. The Board was not provided with any documentary evidence to quantify the value of the chattels and intangibles in the subject property.

Heard July 22, 2013.

Dated this 21st day of August, 2013, at the City of Edmonton, Alberta.



Jerry Krysa, Presiding Officer

Appearances:

John Trelford
for the Complainant

Abdi Abubakar; Amy Cheuk (Student at Law)
for the Respondent

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, RSA 2000, c M-26.