



Complaint ID 0262-1889
Roll No. 30003012275

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: JULY 2, 2024

PRESIDING OFFICER: J. JONES
BOARD MEMBER: S. DUSHANEK
BOARD MEMBER: R. IRWIN

BETWEEN:

S. J. Sulemon Investments Ltd. represented by Altus Group Ltd.

Complainant

-and-

The City of Red Deer

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by an Assessor of The City of Red Deer as follows:

ROLL NUMBER: 30003012275

MUNICIPAL ADDRESS: 6500- 67 St. Red Deer, Alberta

ASSESSMENT AMOUNT: \$5,285,300

The complaint was heard by the Central Alberta Regional Assessment Review Board on the 2nd day of July 2024, via video conference.

Appeared on behalf of the Complainant: P. Chmeleski, Altus Group Ltd.
S. Hirji, Altus Group Ltd.

Appeared on behalf of the Respondent: C. Green, Assessor, City of Red Deer
T. Johnson, Assessor, City of Red Deer
A. Minhas, Assessor, City of Red Deer

DECISION: The 2024 assessed value of the subject property is confirmed at \$5,285,300.

JURISDICTION

- [1] The Central Alberta Regional Assessment Review Board ["the Board"] has been established in accordance with section 455 of the Municipal Government Act, RSA 2000, c M-26 ["MGA"].

PROPERTY DESCRIPTION AND BACKGROUND

- [2] The subject property is a 142-room full-service hotel built in 1981 located on a lot size of 4.05 acres. The 2024 assessment utilized the income approach to valuation through the application of stabilized income and expenses over a three-year period ending on July 1, 2024, and an 8.5% capitalization rate.

PROCEDURAL MATTERS

- [3] The parties did not object to the Board's composition or to being video recorded. In addition, the Board members stated they had no bias with respect to this file.

PRELIMINARY MATTERS

- [4] At the start of the hearing when the disclosed documents from the parties were being entered into evidence it became apparent that one document (C-2) was not included in the Board's package. The Respondent advised that this document had been received. After a recess it was found that the document in question had been received by the Board within the required timelines and had been mis-filed.
- [5] Prior to the presentation of the Complainant's rebuttal document (C-2), the Respondent objected to pages 10 to 16, noting that they contained new evidence and did not rebut material presented by the Respondent.
- [6] The Complainant advised that pages 10 to 16 illustrated examples of management fees being assessed at two hotel properties.
- [7] After reviewing the pages in question, the Board found that pages 10 to 16 were not in response to anything submitted by the Respondent and were provided to bolster the Complainant's original argument and should have been included with the initial disclosure.
- [8] In summary, the Board deleted pages 10 to 16 along with any other references to them within the rebuttal.

ISSUES

- [9] Is the 2024 assessment of the subject property reflective of market value when considering the lack of inclusion of typical management fees as an expense?
- [10] Is the subject's assessment equitable when compared to the assessment of a similar hotel property?

POSITION OF THE PARTIES**Position of the Complainant**

- [11] In support of a requested reduction of the subject's assessment to \$3,552,168, the Complainant presented the same pro-forma utilized in the assessment with the addition of a 3% management fee as an expense. The Complainant argued that management fees are typical expenses in the hotel industry and generally range from 3 to 5% of total revenue.
- [12] The Complainant advised that other references within his submission with respect to assessed income and expenses had been resolved and the only remaining item under dispute was with respect to the lack of inclusion of management fees.
- [13] The Complainant also presented an equity comparable, which was a hotel property built in 1976 with 133 rooms that had been assessed at \$3,156,100, which equates to a unit value of \$23,730 per room. The subject's assessment equates to a unit value of \$37,220 per room. The Complainant acknowledged that the equity comparable was inferior to the subject property.
- [14] The Complainant noted that the requested valuation of \$3,552,168 equates to a unit value of \$25,015 per room which is supported by the equity comparable when adjusted for condition.
- [15] In summary, the Complainant requested a reduction of the subject's assessment to \$3,552,168.

Position of the Respondent

- [16] The Respondent outlined the mass appraisal methodology employed to determine the subject's assessment utilizing the income approach to valuation. Typical revenue and expenses are developed through requests for information (RFI's) to value groups of similar properties. The typical revenue and expense values are stabilized over a three-year period ending on July 1, 2024.
- [17] With respect to the lack of inclusion of management fees as an expense in the subject's assessment, the Respondent advised that none of the responses to the RFI's in the subject's hotel category of full-service had included management fees in their income and expense statements, including the subject property.
- [18] The Respondent critiqued the Complainant's equity comparable, noting that it was a different property type than the subject (motel vs full-service), was in poor condition and was currently valued on a land only basis at \$1,763,184 per acre. Additionally, Trip Adviser ratings for both properties were provided to demonstrate the variance in ratings with the majority for the comparable being poor or terrible, whereas the majority for the subject were very good or excellent.
- [19] An equity comparable, which was a full-service hotel built in 1977 with 114 rooms was presented with a unit assessed value of \$36,085 per room to support the subject's assessment at \$37,220 per room.
- [20] In addition, the Respondent presented eight land sales with a median unit value of \$1,253,509 per acre. The subject's land value would be assessed at \$1,155,111 per acre after being adjusted for corner lot and major artery exposure for a total land value of \$4,678,200. This demonstrates that

the subject's land value alone exceeds the Complainant's requested value without considering the value of improvements.

[21] In order to demonstrate the local market trend for hotel properties the Respondent presented four listings for limited service and motel properties with a median listed asking price per room of \$69,575, compared to the Complainant's requested value of \$25,015 per room.

[22] The Respondent noted that the Complainant's requested value represents a 24% decrease in assessed value when the subject had reported a 70% increase in gross revenue over the previous year.

[23] In summary, the Respondent requested that the subject's assessment be confirmed at \$5,285,300.

Complainant's Rebuttal

[24] In rebuttal, the Complainant advised that the stabilized revenue in the assessment had been accepted and adjusting for the management fees only revises the requested valuation to \$4,343,488, which equates to \$30,588 per room.

BOARD FINDINGS and DECISION

[25] The Board considered the inclusion of management fees to be a reasonable expense, particularly for a full-service hotel, however no evidence was provided to support the inclusion of this expense for the subject's assessment.

[26] The responses to RFI's sent out by the assessor did not have any properties in the subject's hotel category listing management fees, including the subject itself.

[27] The Board placed less weight on the equity comparable presented by the Complainant as it was clearly demonstrated in the Respondent's submission that this property was significantly inferior to the subject with respect to hotel category and condition. In addition, the comparable's assessed value had been based on land value alone, which exceeded its value utilizing the income approach.

[28] The Board found that the equity comparable presented by the Respondent supported the subject's assessment at \$37,220 per room. This property was similar to the subject with respect to property type, age, lot size and number of rooms with an assessment per room of \$36,085.

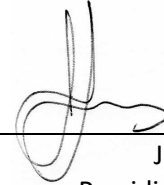
[29] The Board noted that the Complainant's revised requested value of \$4,343,488 was still less than what the subject's assessed land value alone would be at \$4,678,200, which would not include any improvements.

[30] In summary, the Board found the subject's assessment to be equitable and reflective of market value.

DECISION SUMMARY

[31] The Board confirmed the original assessed value at \$5,285,300.

[32] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 24th day of July, 2024 and signed by the Presiding Officer on behalf of all the panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



Jack Jones
Presiding Officer

MGA Section 470(1) Where a decision of an assessment review board is the subject of an application for judicial review, the application must be filed with the Court of King's Bench and served not more than 60 days after the date of the decision.

APPENDIX

Documents presented at the Hearing and considered by the Board.

<u>NO.</u>	<u>ITEM</u>
1. A-1	Hearing materials provided by Clerk (24 pages)
2. C-1	Complainant's brief (172 pages)
3. R-1	Respondent's brief (94 pages)
4. R-2	Respondent's legal brief (68 pages)
5. C-2	Complainant's rebuttal (20 pages- pages 10- 16 were excluded)

LEGISLATION**The *Municipal Government Act, RSA 2000, c M-26*, reads:**

s 1(1)(n) "market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

s 455(1) Two or more councils may agree to jointly establish the local assessment review board or the composite assessment review board, or both, to have jurisdiction in their municipalities.

(2) Where an assessment review board is jointly established,

(a) the councils must jointly designate one of the board members as chair and must jointly prescribe the chair's term of office and the remuneration and expenses, if any, payable to the chair, and

(b) the chair may delegate any of the powers, duties or functions of the chair to another board member but not to the provincial member of a panel of the board.

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.

The Matters Relating to Assessment Complaints Regulation, 2018 reads:

Disclosure of evidence

9(1) In this section, “complainant” includes an assessed person who is affected by a complaint who wishes to be heard at the hearing.

(2) If a complaint is to be heard by a composite assessment review board panel, the following rules apply with respect to the disclosure of evidence:

- (a) the complainant must, at least 42 days before the hearing date,
 - (i) disclose to the respondent and the composite assessment review board the documentary evidence, a summary of the testimonial evidence, including a signed witness report for each witness, and any written argument that the complainant intends to present at the hearing in sufficient detail to allow the respondent to respond to or rebut the evidence at the hearing, and
 - (ii) provide to the respondent and the composite assessment review board an estimate of the amount of time necessary to present the complainant’s evidence;
- (b) the respondent must, at least 14 days before the hearing date,
 - (i) disclose to the complainant and the composite assessment review board the documentary evidence, a summary of the testimonial evidence, including a signed witness report for each witness, and any written argument that the respondent intends to present at the hearing in sufficient detail to allow the complainant to respond to or rebut the evidence at the hearing, and
 - (ii) provide to the complainant and the composite assessment review board an estimate of the amount of time necessary to present the respondent’s evidence;
- (c) the complainant must, at least 7 days before the hearing date, disclose to the respondent and the composite assessment review board the documentary evidence, a summary of the testimonial evidence, including a signed witness report for each witness, and any written argument that the complainant intends to present at the hearing in rebuttal to the disclosure made under clause (b) in sufficient detail to allow the respondent to respond to or rebut the evidence at the hearing.