



Assessment Review Board
Commission de révision de l'évaluation foncière

File No: WR 42930

Region Number: 09
Municipality: City of Toronto
Roll Number: 1904-063-090-00200-0000
Hearing Number: 96171
Complaint Number: 1440556 and 1374713

In the matter of Section 40 of the *Assessment Act*, R.S.O. 1990, c. A.31, as amended, and in the matter of complaints with respect to taxation year 2001 and 2002 on premises known municipally as 145 Richmond Street West.

BETWEEN: Hilton Canada Inc. Assessed Person/
Complainant

- and -

The Municipal Property Assessment Corporation
Region No. 09 and the City of Toronto

Respondents

APPEARING: P.A. Milligan - Counsel for the Assessed
(Poole Milligan) Person/Complainant

F. X. Shea - Counsel for the Municipal Property
(Conway Davis Gryski) Assessment Corporation

No one appeared - for the Municipality

DECISION OF THE ASSESSMENT REVIEW BOARD delivered by:

I. A. Birnie

These complaints came before the Assessment Review Board on September 13, 14, 15, 20, 21, 22 and 23, October 21, November 25 and 26, and December 13, 14 and 16, 2004, and May 4, 2005 in the City of Toronto.

ISSUES

The current value of the subject hotel property has been determined using the income approach. The parties are in agreement that the income approach, using the standard hotel *pro forma*, is the most suitable valuation method for the subject property.

The Board has been asked to determine the following issues with respect to the application of the income approach and, based upon its findings, to decide whether or not the subject property has been correctly assessed for the 2001 and 2002 taxation years:

1. Is the subject hotel entitled to a royalty fee deduction of 3.0% of total revenue, in addition to an imputed management fee deduction of 3.5% of total revenue?
2. Is the subject hotel entitled to a reserve for replacement greater than the 3.0% of total revenue allowed by the Municipal Property Assessment Corporation (MPAC)?
3. Is the base capitalization (CAP) rate of 9.5% used by MPAC correct?
4. Is the reserve for replacement (renewals) and the deduction for chattels made by MPAC adequate to remove the value of tangible personality from the total value of the business?
5. Should a deduction be made from the total value of the business for intangible personality, consisting of brand, cash and receivables, assembled work force, and pre-opening marketing and sales?

DECISION

1. The subject property is entitled to a royalty fee deduction of 3.0% of total revenue, in addition to an imputed management fee deduction of 3.5% of total revenue.

2. The subject property is entitled to a reserve for replacement of 4.0% of total revenue.
3. The base capitalization rate of 9.5% used by MPAC is not correct, and should be increased to 10.5%
4. The reserve for replacement (renewals) and the deduction for chattels made by MPAC do not adequately remove the value of tangible personality from the total value of the business, and the deduction for chattels should be increased from \$8,414,000 to \$9,891,202.
5. A deduction of \$1,450,000 should be made for assembled workforce, but no deduction should be made for brand, cash and receivables, or pre-opening marketing and sales.
6. The subject property has not been correctly assessed for the 2001 and 2002 taxation years, and the assessment is reduced from \$75,804,000 to \$65,486,000.

REASONS FOR DECISION

Description

The subject property is "The Toronto Hilton", a 601 room, full-service hotel with five restaurants and bars, approximately 18,000 square feet of banquet and conference facilities, a fitness centre and a pool. It was built in 1974 and sits on a 1.24 acre site near the financial and entertainment districts in downtown Toronto. The hotel is connected to the underground P.A.T.H. system for underground pedestrian access throughout the downtown core. Between 1997 and 2000, the property was substantially renovated. The standard rooms and suites are well appointed and consistent with the standard expected in a first class hotel facility. It is assessed at \$75,804,000 for the 2001 and 2002 taxation years by the income approach, using the standard hotel *pro forma*.

