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Olympic and Georgia Partners, LLC v. County of Los Angeles

Court of Appeal, Second District, Division 8, California - April 7, 2023 - Cal.Rptr.3d - 2023 WL 2821289

Taxpayer, which was a hotel owner, sought review of property-tax assessment, which stemmed from dispute as to whether calculation of hotel's value should have excluded the subsidy that city paid to hotel owner, the one-time payment of "key money," which effectively was the equivalent of a price discount, that hotel owner received from companies that it hired to manage the hotel, and intangible "hotel enterprise" assets of goodwill, the workforce, and restaurant operations.

After a bench trial, the Superior Court determined that the county's assessment appeals board was right to include the subsidy and the "key money" payment in its valuation, and remanded the issue of the "hotel enterprise" assets. Taxpayer and county appealed.

The Court of Appeal held that:

- Subsidy that city paid to taxpayer was not to be included when determining hotel's value;
- The "key money" payment was not to be included when determining hotel's value; and
- Taxpayer demonstrated that it was possible to put a valuation on the "hotel enterprise" assets.

Subsidy that city paid to taxpayer, which owned a hotel on the property, was not to be included when determining hotel's value for purposes of property tax; subsidy was an intangible asset, it was capable of valuation, and it was necessary since without it, the hotel would not have been built.

One-time payment of "key money" that hotel owner received from companies that it hired to manage the hotel was not to be included when determining hotel's value for purposes of property tax; the payment was a discount on income to the managers from the hotel and was not income to the hotel.

Taxpayer, which was a hotel owner, demonstrated that it was possible to put a valuation on intangible "hotel enterprise" assets of goodwill, the workforce, and restaurant operations, as required for the value of such assets to be excluded from calculation of hotel's value for purposes of property tax; taxpayer's expert on business valuation proposed credible value and backed up her estimates with 16 pages of analysis and exhibits.

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