SUPREME COURT OF CALIFORNIA

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

S280000 · No. S280000 · Decided August 28, 2025

SUMMARY

The California Supreme Court held that revenue from a hotel occupancy-tax agreement and a one-time key-money payment could be included in the hotel's property-tax valuation because the payments represented income from the taxable property or its beneficial use. The court affirmed the lower courts' conclusion that the County had not established that management-fee deductions fully accounted for the value of certain nontaxable enterprise assets, including brand-related goodwill, food and beverage operations, and an assembled workforce. The matter therefore remained subject to further proceedings concerning those enterprise assets.

CASE DETAILS

COURT	Supreme Court of California
WRITING FOR THE COURT	Justice Groban; Chief Justice Guerrero; Justice Corrigan; Justice Jenkins; Justice Liu; Justice Kruger; Justice Evans
JURISDICTION	California Supreme Court
DECIDED	August 28, 2025
DOCKET	S280000
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Olympic challenged a Los Angeles County property-tax assessment involving a hotel. After proceedings before the County assessment appeals board, Olympic sought a tax refund in superior court. The superior court ruled that occupancy-tax proceeds and key money were properly included in the hotel valuation but remanded for valuation and deduction of specified nontaxable enterprise assets. The Court of Appeal reversed as to the occupancy-tax proceeds and key money and affirmed the remand concerning enterprise assets; the California Supreme Court reviewed the matter.
STANDARD OF REVIEW	Challenges to the validity of an assessor's valuation methodology are reviewed de novo as questions of law. Factual findings concerning the nature or characteristics of the assets are generally reviewed for substantial evidence.

PRECEDENTIAL VALUE	Published and precedential California Supreme Court opinion
PARTIES	Olympic and Georgia Partners, LLC, County of Los Angeles v. Olympic and Georgia Partners, LLC, County of Los Angeles

TOPICS

property tax · tax · tax deductions · administrative law · judicial review of agency action

PRACTICE AREAS

property tax · real estate · municipal law · administrative law

QUESTIONS PRESENTED

1. Whether revenue generated by the Occupancy Tax Agreement must be excluded from an income-capitalization valuation because the agreement is an intangible contractual asset.
2. Whether Marriott's $36 million key money payment must be excluded from the hotel's assessed value as revenue attributable to a nontaxable management agreement or discount.
3. Whether the County established that deducting management fees fully accounted for the value of the hotel's nontaxable enterprise assets.

HOLDINGS

1. An assessor may include revenue from a government-facilitated contractual agreement in a hotel's income-capitalization valuation when the agreement enables the taxable property itself to generate additional revenue, the revenue is unrelated to the enterprise activity of the business operating the property, and the revenue is derived from the property's use or beneficial use.
2. A one-time key money payment made by a hotel management company to secure the right to manage and brand a desirable hotel may be included in the hotel's income-capitalization valuation because it is revenue derived from the beneficial use of the taxable property.
3. When a taxpayer identifies and values a nontaxable enterprise asset, an assessor must provide evidence that the value of that asset does not exceed the management fees deducted from the hotel's income stream; a categorical assumption that management-fee deductions always remove all enterprise value is insufficient.

KEY QUOTATIONS

> *"The key inquiry in this case, then, is not merely whether the occupancy tax and key money payments derive from intangible assets, but rather whether those forms of revenue represent income that is primarily attributable to enterprise activity or whether they constitute "income of the real property or on account of its beneficial use.""* (22)

> *"Rather, we hold that when, as here, a project came into existence as the result of contractual guarantees that enable the property to generate additional revenue that is unrelated to the enterprise activity of the entity that*

> *owns the property, the assessor may properly consider that additional revenue when conducting an income method valuation.”* (35)

> *“While we do not foreclose the possibility that the Rushmore Method may be appropriate to account for intangible enterprise assets that relate to services provided under a hotel management agreement, we agree with our Courts of Appeal that when the property owner has identified and valued a nontaxable enterprise asset, the assessor must provide evidence that the value of that asset does not exceed the management fees.”* (64)

FACTUAL BACKGROUND

The hotel was developed under agreements with the City of Los Angeles, including an Occupancy Tax Agreement assigning the developer a 14 percent nightly hotel occupancy tax for specified periods and caps. Olympic later entered into a 50-year management agreement with Marriott, under which Marriott paid Olympic a one-time $36 million key money payment for the right to manage and brand the hotel. Olympic also identified three nontaxable enterprise assets—Marriott-related flag and franchise benefits, food and beverage operations, and an assembled workforce—and sought deductions for their value from the hotel's income-based property-tax assessment.

PROCEDURAL HISTORY

The County assessment appeals board ruled for the County on all three issues. The Los Angeles County Superior Court upheld inclusion of the occupancy-tax proceeds and key money in the assessed value but ordered further proceedings concerning the value of the hotel's flag and franchise benefits, food and beverage operations, and workforce in place. The Court of Appeal reversed on the first two issues and affirmed on the third. The Supreme Court agreed with the superior court on all three issues, rejecting the Court of Appeal's treatment of the occupancy-tax proceeds and key money and affirming the remand for further valuation of the enterprise assets.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The matter remains subject to further proceedings before the assessment appeals board to determine the value of the hotel's flag and franchise benefits, food and beverage operations, and workforce in place, and to deduct the value of those nontaxable enterprise assets. The County may present additional evidence that management-fee deductions fully account for those assets.

CASES CITED

- Elk Hills Power, LLC v. Board of Equalization (2013) 57 Cal.4th 593
- Olympic & Georgia Partners, LLC v. County of Los Angeles (2023) 90 Cal.App.5th 100
- Roehm v. County of Orange (1948) 32 Cal.2d 280
- American Sheds, Inc. v. County of Los Angeles (1998) 66 Cal.App.4th 384

- De Luz Homes v. County of San Diego (1955) 45 Cal.2d 546
- Freeport-McMoran Resource Partners v. County of Lake (1993) 12 Cal.App.4th 634
- Watson Cogeneration Co. v. County of Los Angeles (2002) 98 Cal.App.4th 1066
- SHC Half Moon Bay, LLC v. County of San Mateo (2014) 226 Cal.App.4th 471
- SHR St. Francis, LLC v. City and County of San Francisco (2023) 94 Cal.App.5th 622
- GTE Sprint Communications Corp. v. County of Alameda (1994) 26 Cal.App.4th 992
- California Portland Cement Co. v. State Board of Equalization (1967) 67 Cal.2d 578
- De Luz Homes v. County of San Diego (1955) 45 Cal.2d 546
- 290 Division (EAT), LLC v. City and County of San Francisco (2022) 86 Cal.App.5th 439
- County of Orange v. Orange County Assessment Appeals Board (1993) 13 Cal.App.4th 524
- Shubat v. Sutter County Assessment Appeals Board (1993) 13 Cal.App.4th 794
- Pacific Grove-Asilomar Operating Corp. v. County of Monterey (1974) 43 Cal.App.3d 675

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