



Hotel and Motel Properties

Policy

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Purpose

This Assessment Policy ensures that BC Assessment (BCA) accurately values and classifies single-title properties offering short-term commercial overnight accommodation including hotels and motels.

Hotels and Motels Importance

Hotels are facilities that offer lodging accommodation. Motels are a building or group of buildings located on or near a highway and designed to serve the needs of travellers by offering lodging and parking. Both hotels and motels may provide additional services and amenities (e.g., meeting rooms, restaurants, meeting rooms). It is important for BCA to adhere to this policy to:

- Adhere to our legislated requirement to
- Produce an accurate and uniform assessment roll;
- Ensure that hotel and motel properties are assessed to leading appraisal standards;
- Maintain a high level of property data accuracy; and
- Provide local governments and other taxing authorities with a stable tax base.



Policy Statements

1. Hotel and motel properties must be valued as per [Hotel and Motel Valuation Requirements](#).
2. Hotel and motel property room rates (average daily rate), occupancy rates, itemized expense rates, and capitalization rates must be reviewed annually.
3. Hotel and motel occupancies must be applied as per [Appendix 2: Hotel and Motel Occupancy Standard](#).
4. Deductions for furniture, fixtures and equipment (FF&E) must be made at a fixed percentage of the hotel going-concern value and in accordance with the annually approved directive from the Hotels and Motels Coordinator.
5. BCA must send hotel and motel property owners a financial information request each year allowing a minimum of 21 days to respond.
6. Hotel and motel adjustments must be coded as per [Hotel and Motel Adjustment Requirements](#).
7. Hotel and motel properties must be assigned property classes and exempt tax codes as per [Hotel and Motel Classification and Exemption Requirements](#).



Hotel and Motel Requirements

Hotel and Motel Valuation Requirements

1. Hotel and motel properties must be valued using a capitalized net operating income (NOI) approach except:
 - in areas where information to support an income valuation is not available, in which case a direct comparison (DCA) or cost approach must be used; or
 - for properties where the current use is not the highest and best use (HBU), in which case it should be valued according to its alternate use or the cost approach, refer to [Highest and Best Use Policy](#).
2. Hotel and motel properties must be valued using one capitalization rate for the entire property except:
 - in rare cases where a non-hotel/motel income component, when capitalized, generates more than 25 percent of the total property value.
3. Hotel and motel land and improvement values must be apportioned using a building residual approach except: in the case of a strata or an air space parcel; for designated heritage properties; or if the cost approach is used.
4. Hotel and motel units must use the nightly rate per room type as units of measure.
5. Deductions for furniture, fixtures and equipment (FF&E) must be made at a fixed percentage of the hotel going-concern value and in accordance with the annually approved directive from the Hotels and Motels Coordinator.
6. Improvements within a hotel or motel property that are dedicated to income-generating business uses (e.g., restaurant, retail, apartment) must not be included in hotel/motel income and must be valued using:
 - a separate, local model for each use; and
 - gross leasable area (GLA) as units of measure.

Note: When valuing a non-room rental use such as a restaurant area, use the local model with local lease rates, vacancy, and expenses.

7. Areas used for ancillary services or benefits included in room rent (e.g., breakfast room, business centre, etc.) must not have separate models applied.

Hotel and Motel General Requirements

1. Hotel and motel property room rates (average daily rate), occupancy rates, itemized expense rates, and capitalization rates must be reviewed annually.

Note: Property tax expense is a variable expense that typically changes from year-to-year and must be updated with the most current information annually for each hotel and motel property.



2. Hotel and motel occupancies must be applied as per [Appendix 2: Hotel and Motel Occupancy Standard](#).
3. BCA must send hotel and motel property owners a financial information request each year allowing a minimum of 21 days to respond.

Hotel and Motel Adjustment Requirements

1. Adjustments to hotel and motel properties or models must be accompanied by explanatory notes and supporting market evidence as per the following table:

Adjustment Type	Requirement
Manual Adjustment	Any available evidence
Chattels, Furniture Fixtures and Equipment (FF&E), Cost to Cure.	Any available evidence
Income model adjustment	Market study
Size adjustment curve	Market study

Hotel and Motel Classification and Exemption Requirements

1. Hotel and motel properties must be placed in Class 06 – Business and Other except:
 - manager/owner’s suite(s); and/or
 - rooms that are rented out on a long-term stay basis where a long-term stay declaration has been submitted,which must be placed in Class 01 – Residential.
2. Hotel and motel components must be assigned Exempt Tax Code 08 – Tourist Accommodation.

Note: This enables the automatic application of the Tourist Accommodation Assessment Relief Act (TAARA) exemption. For hotels or motels that are split across multiple roll numbers, ensure that the maximum TAARA exemption is applied for total property.

Hotel and Motel Sales Review Requirements

1. Hotel and motel sales must not be adjusted to remove FF&E, goodwill, or other “intangibles” as these are all part of the going concern value of the property.
2. If franchise fees are reported during a hotel sale review, they must be stabilized and allowed as an expense line item unless they fall outside of the norm for comparable hotel/motel properties.
3. Manager’s suites/units and other housing units (e.g., houses, manufactured homes) on site must be included in estimated potential gross income for motels. They must not be valued separately on cost.



This policy is made available to the public for informational purposes only. The policy is not binding on BC Assessment. It does not constitute legal advice. If there is a conflict between this policy and the relevant legislation (or case law), the legislation (or case law) prevails.

Resources

Definitions

- Refer to the [BC Assessment Glossary page](#) for term definitions.

Related Policies

- [Extended Stay and Single Room Occupancy Hotels and Motels Policy](#)
- [Industrial, Commercial and Investment \(ICI\) Land Policy](#)
- [Strata Hotel and Motel Properties Policy](#)
- [Tourist Accommodation Assessment Relief Act \(TAARA\) Policy](#)

References

- For further assistance regarding Case law, submit your question to the [Assessment Legal Mailbox](#).
- [HVS Canadian Lodging News](#)
- [HVS Weekly Lodging Outlook](#)



Appendices

Appendix 1: Frequently Asked Questions

- 1. Some full service or flagged properties may provide a full range of food and beverage service for guests to meet their franchise requirements, maintain their market position, and/or room pricing. However, these hotel-motels rarely generate a positive return from non-room rental space. Is it realistic to apply the lease income approach in these scenarios?**

The appraiser will determine the appropriate economic rate to apply to non-room rental areas.

- 2. Should the owner's suite be accounted for in the determination of total units, revenue or vacancy?**

Include the owner's suite (if occupied by an owner/manager) in the count of total units and determination of gross income.

- 3. How is the owner's suite to be split out during value apportionment?**

Determine the percent of value contributed by the owner's suite and allocate this amount to Class 01 – Residential.



Appendix 2: Hotel and Motel Occupancy Standard

Hotel Properties

These facilities include the chain/franchised hotels and larger independent properties that provide a range of hotel products including the following property types:

- Full service hotels
- Limited service with food and beverage facilities
- Limited service without food and beverage facilities
- Economy/budget hotel

Valuation of these property types is by way of the more detailed HOT/MOT valuation models which have been developed to accommodate the ranges of services offered (predominant occupancy).

Motel and Auto Court Properties

These facilities include the smaller independent motels which are typically owner managed and occupied. Services provided are typically limited with a reliance on off-site food and beverage services.

Valuation of these property types is by way of the more basic MOT valuation models which have been developed for more simplified valuations where detailed income and expense information is not available.

Occupancy Standard

Occupancy	Defining features	Other features
Motel	<p>Typically a run family operation with the owner/manager living on-site</p> <p>Capacity of under 100 rooms</p> <p>Typically one to two stars (Canada Select) or not rated</p> <p>Outside entrance to rooms</p> <p>Attached living quarters or separate residence for the manager/owner</p> <p>No suites, but rooms may have kitchenettes</p> <p>Typically no food or beverage service on-site but restaurant nearby</p> <p>Very limited amenities/public areas</p> <p>No elevator in the building</p> <p>Low quality and minimal FF&E</p>	<p>May have:</p> <ul style="list-style-type: none"> • Chain/flag • An outdoor pool and hot tub • Guest laundry
Hotel, Full Service	<p>Chain/flag or independent</p> <p>Capacity of 80 to 650 hotel rooms in varying combinations of room types and suites with or</p>	<p>May have moderate to full range of guest services:</p> <ul style="list-style-type: none"> • Concierge • Spa



Occupancy	Defining features	Other features
	<p>without kitchenettes. Hotel rooms may be larger and more spacious.</p> <p>Typically rated four to five stars (Canada Select) or three to five diamonds (CAA)</p> <p>Multiple food and beverage venues (i.e., licensed restaurant, café, lounge)</p> <p>24-hour room service or limited room service from 6:00 am to 10:00 pm</p> <p>Meeting/banquet/ballroom space(s) from 1,000 to 45,000 square feet</p> <p>Recreational facilities: pool, spa, hot tub, sauna, exercise equipment</p> <p>Spacious amenities/public areas</p> <p>Better than average quality and amount of FF&E</p>	<ul style="list-style-type: none"> • Valet service • Turndown • Transportation: car service, airport shuttle service • In-room safe, bathrobe, higher-end toiletries, high thread count towels and linens • Exclusive club membership lounge
Hotel, Limited Service	<p>Capacity of 65 to 115 hotel rooms, possibly with a small number of suites</p> <p>Typically two to three and a half stars (Canada select) or two to three diamond (CAA) rating</p> <p>Meeting space(s) available but typically minimal</p> <p>May have food and beverage facilities on-site that may be operated by the owner or leased to a third party (on a rate per square foot basis or percentage of gross sales).</p> <p>If food service available, room service provided between the typical hours of 7:00 am to 9:00 pm</p> <p>Limited amenities/public areas</p> <p>FF&E is of average quality and amount</p>	<p>May have:</p> <ul style="list-style-type: none"> • Chain or flag • Laundry facilities • Business centre • Recreational facilities: pool, hot tub, sauna • Transportation/shuttle service • Complimentary continental breakfast, newspaper, local calls, parking • Coin-operated guest laundry facilities • Safety deposit boxes either in room or at the front desk

