

# 2024

## ASSESSMENT METHODOLOGY

### HOTELS & MOTELS

A summary of the methods used by the City of Edmonton in determining the value of hotel and motel properties in Edmonton for assessment purposes.

[edmonton.ca/assessment](https://edmonton.ca/assessment)

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## Scope

This guide explains how Hotel & Motel properties are valued for assessment purposes. The guide is intended as a tool and complements the assessor's judgment in the valuation process. **Valuation Date** refers to the legislated date of July 1, 2023.

## Introduction

Property assessments in the City of Edmonton are prepared in accordance with the requirements of the Municipal Government Act, R.S.A. 2000, c. M-26, (hereinafter "MGA") and the *Matters Relating to Assessment and Taxation Regulation, 2018*, Alta Reg 203/17, (hereinafter "MRAT"). The MRAT regulation establishes the valuation standard to be used, defines the procedures to be applied, and proposes objectives for the quality to be achieved in the preparation of assessments. The legislation requires the municipality to prepare assessments that represent market value by application of the mass appraisal process. All assessments are expected to meet quality standards prescribed by the province in the MRAT regulation.

Property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as the property existed on December 31st, 2023;
- reflecting typical market conditions;
- as if the property had been sold on July 1st, 2023;
- on the open market;
- from a willing seller to a willing buyer.

The assessment is an estimate of the value that would result when those specific, defined conditions are met.

The legislation requires the City of Edmonton to assess the Fee Simple Estate.

"Fee simple interest [is] absolute ownership unencumbered by any other interest or estate... leased fee interest [is] the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires... leasehold interest [is] the interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions."

*Appraisal Institute of Canada, **The Appraisal of Real Estate Third Canadian Edition**,  
Vancouver, Canada, 2010, page 6.4*

Both *market value* and *property*, along with additional terms are defined in the *MGA* and *MRAT* :

s.284(1)(r) "**property**" means

- (i) a parcel of land
- (ii) an improvement, or
- (iii) a parcel of land and the improvements to it

**MGA** .s.284(1)(r)

s.1(k) "**regulated property**" means

- (i) land in respect of which the valuation standard is agricultural use value,
- (ii) designated industrial property, or
- (iii) machinery and equipment

**MRAT** s.1(k)

s.9(1) the **valuation standard** for the land and improvements is market value unless subsection (2)... applies

**MRAT** s.9(1)

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

**MGA** s.1(1)(n)

s.5 An assessment of property based on **market value**

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property

**MRAT** s.5

s.289(2) Each assessment must reflect

- (a) the characteristics and physical condition of the property on **December 31** of the year prior to the year in which a tax is imposed

**MGA** s.289(2)(a)

s.6 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on **July 1** of the assessment year

**MRAT** s.6

s.1(g) "**mass appraisal**" means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing

**MRAT** s.1(g)

## Mass Appraisal

Mass appraisal is the legislated methodology used by the City of Edmonton for valuing individual properties, and involves the following process:

- properties are stratified into groups of comparable properties
- common property characteristics are identified for the properties in each group
- a uniform valuation model is created for each property group

31(c) **“valuation model”** means the representation of the relationship between property characteristics and their value in the real estate marketplace using a mass appraisal process

***MRAT s.31(c)***

The following two quotations indicate how the International Association of Assessing Officers distinguishes between mass appraisal and single-property appraisal:

“... single-property appraisal is the valuation of a particular property as of a given date: mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing.”

“Also, mass appraisal requires standardized procedures across many properties. Thus, valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property.”

***Property Appraisal and Assessment Administration, pg. 88-89***

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## Assessment Classification

Section 297 of the MGA requires that a property must be assigned one or more of the following assessment classes:

- (a) Class 1 - Residential;
- (b) Class 2 - Non-Residential;
- (c) Class 3 - Farm Land;
- (d) Class 4 - Machinery and Equipment.

The different assessment classes are defined in Section 297(4) of the MGA. The *City of Edmonton Charter, 2018 Regulation, Alta Reg 39/2018* (Charter), except for the purposes of Section 359 and Division 5 of Part 9 of the MGA, modifies the Section 297(4) definitions for the different assessment classes.

Pursuant to Section 297(2) of the MGA and Bylaw 19519, the residential class has been divided into the Mature Area Derelict Residential and Other Residential subclasses.

Assigning assessment classes requires a consideration of the Class and Subclass definitions and related sections in Section 297 of the MGA, the Charter, Bylaw 19519, and the Edmonton Zoning Bylaw No. 12800, including Overlays.

For both mass appraisal and single-property appraisal, the process consists of the following stages:

	Mass Appraisal	Single Appraisal
<b>Definition and Purpose</b>	Mass appraisal is used to determine the assessment base for property taxation in accordance with legislative requirements	The client specifies the nature of the value to be estimated, this includes: rights to be valued, effective date of valuation, and any limiting conditions.
<b>Data Collection</b>	Mass appraisal requires a database of property characteristics and market information.	The extent of data collection is specific to each assignment and depends on the nature of the client's requirements.
<b>Market Analysis</b>	Mass appraisal is predicated on highest and best use.	Market analysis includes the analysis of highest and best use
<b>Valuation Model</b>	Valuation procedures are predicated on groups of comparable properties.	Subject property is the focus of the valuation. The analysis of comparable properties is generally six or less
<b>Validation</b>	The testing of acceptable analysis and objective criteria	The reliability of the value estimate is more subjective. Acceptability can be judged by the depth of research and analysis of comparable sales

## Valuation Model

A valuation model creates an equation of variables, factors and coefficients that explains the relationship between estimated market value and property characteristics. An assessed value is then calculated by applying the appropriate valuation model to individual properties within a property type.

s31

(a) **“coefficient”** means a number that represents the quantified relationship of each variable to the assessed value of a property when derived through a mass appraisal process

(b) **“factor”** means a property characteristic that contributes to a value of a property;

(d) **“variable”** means a quantitative or qualitative representation of a property characteristic used in a valuation model

*MRAT, s.31 (a), (b) and (d)*

Information prescribed ... does not include coefficients

s.33

*MRAT, s.33(3)*

### Valuation Model

- variables are identified from property characteristics
- statistical analysis of how variables affect market value
- factors and coefficients are determined
- the resulting valuation models are applied to property characteristics

## Hotel and Motel Stratification

Hotels and Motels are designed and located to attract specific markets. Because hotel designs, facilities, amenities, and locations differ and directly impact financial operating results, it is important to define and accurately classify the different characteristics of lodging facilities.

*Hotels Motels & Valuations and Market Studies, 2001, p. 155*

**Resort Hotels** generally target family and leisure travelers. They may be adjacent or located near recreational facilities such as amusement theme parks, waterparks, golf courses, gaming & casino, ski slopes, or scenic areas. Resort hotels are typically larger and offer a more exclusive, luxury chain.

**Downtown Full-Service Hotels** may range from luxury to mid-price and offer amenities such as restaurant, lounge, and conference & meeting rooms. They provide guest services such as concierge and room services. These hotels report Food and Beverage Departmental Revenues on their financial statements. These hotels are located within the boundaries of 105th Avenue to the North, 95th Street to the East, the North Saskatchewan River to the South and 109th Street to the West.

**Suburban Full-Service Hotels** may range from luxury to mid-price and offer amenities such as restaurant, lounge, and conference & meeting rooms. They often provide guest services such as concierge and room services. These hotels report Food and Beverage Departmental Revenues on their financial statements. These hotels are located outside of the Downtown boundaries of 105th Avenue to the North, 95th Street to the East, the North Saskatchewan River to the South and 109th Street to the West.

**Limited Service Hotels** have mainly guest room operations only. The hotel often has food and beverage that is operated by a third-party from the hotel's operations, and therefore does not report a Food and Beverage Departmental Revenues on their financial statements. These hotels are often economy-type hotels with very few of the other services and amenities offered by Full-Service hotels.

**Motels** are generally located along roadsides and are designed primarily for motorists. Typically, a low-rise building with exterior guest room access. Budget-type rooms that may range from daily room rates to extended stays with weekly or monthly room rates.

**Beverage Hotels** are typically facilities with less than 80 guest rooms. The majority of their business revenues are derived from the Food and Beverage operating department.

## Approaches to Value

The approaches to determine market value are the Direct Comparison, Income, and Cost Approaches.

<b>Direct Comparison Approach</b>	Typical market value (or some other characteristic) is determined by referencing comparable sales and other market data. It is often used when sufficient sales or market data is available. It may also be referred to as the Sales Comparison Approach.
<b>Income Approach</b>	This approach considers the typical actions of renters, buyers and sellers when purchasing income-producing properties. This approach estimates the typical market value of a property by determining the present value of the projected income stream. Often used to value rental or leased property.
<b>Cost Approach</b>	Typical market value is calculated by adding the depreciated replacement cost of the improvements to the estimated value of land. It is often used for properties under construction or when there is limited market data available.

### Income Approach

For this property type with two years of operation (24 months), the assessment is determined using the Income Approach. The Income Approach best reflects the typical actions of buyers and sellers when purchasing income-producing properties.

The City of Edmonton requests financial information from owners during the annual **Request for Information (RFI)** process. Annually, property owners are required to provide the following via the RFI process:

- A completed **Hotel Motel Survey** that asks for specific information about the property's profile and operations such as *Occupancy Rates, Average Daily Room Rates, FF&E (Furniture, Fixtures, and Equipment), Capital Expenditures, Reserve for Replacement*, and additional information pertaining to a major renovation(s).
- Most recent three years of accountant-prepared **Financial Statements for the period ending on June 30th** that includes the **Income Statements, Schedules of Income and Expenses** and **Notes**.

- A completed **Commercial Tenant Rent Roll** that asks for information on third-party leases that are held within the property, as applicable.

For the 2024 Assessment, the CRA administered COVID-19 Wage and Rent subsidies to temporarily support Wage and Rent Expenses for certain businesses, charities, and non-profits in Canada between March 15th, 2020, and May 7th, 2022. The City of Edmonton will continue to reflect these subsidies to the pro forma using prior years reported COVID-19 subsidies through the RFI process.

- A completed **COVID Income Addendum** requesting information on abatements, deferrals, and payments was sent to property owners. In addition, the COVID Income Addendum also requested information on abandoned, breached, or amended leases.
- A completed **Canada Emergency Wage Subsidy (CEWS) Addendum** that asks for iWage subsidy for eligible employers
- A completed **Canada Emergency Rent Subsidy (CERS) Addendum** that asks for information on Rent subsidy for eligible businesses, charities, and non-profits
- A completed **Tourism and Hospitality Recovery Program (THRP) Addendum** that asks for information on wage and rent support for the tourism or hospitality sector or, through the Local Lockdown Program, those affected by a qualifying full or partial public health restriction
- A completed **Hardest-Hit Business Recovery Program (HHBRP) Addendum** that asks for information on wage and rent support for the tourism or hospitality sector or, through the Local Lockdown Program, those affected by a qualifying full or partial public health restriction
- A completed **Canada Recovery Hiring Program (CRHP) Addendum** that asks for information on Wage subsidy for increasing wages and new hires

As of November 4th, 2022, hotel and motel corporations can no longer apply for these subsidies.

**Source:** <https://www.canada.ca/en/revenue-agency/services/wage-rent-subsidies.html>

Sales information is received from the Land Titles Office. Sales are validated. Validation may include site inspections, interviews with involved parties, a review of land title documents, corporate searches, third party information, and sales validation questionnaires. The resulting validated sales are used to develop capitalization rates to use in the income approach. ***Sale price reflects the condition of a property on the sale date and may not be equal to the assessed value.***

For the 2024 valuation of Hotel and Motel properties, sales occurring from **July 1st, 2018 to June 30th, 2023** were analyzed.

## Cost Approach

For newly-constructed hotels and motels with less than 24-months of operation, the assessment will be determined using the Cost Approach to value. For more information on the Cost Approach valuation, please see the City's *2024 Cost Approach Methodology Guide*.

## Hotel Motel Valuation

Hotels and Motels are income-producing properties that trade based on their income generating capabilities. For the purpose of assessment, these properties are valued on the Income Approach via Direct Capitalization Method. Below is the list of variables that affect the assessment value for 2024.

Hotel/Motel Stratification	Hotel/Motel Revenues	Hotel/Motel Expenses
Furniture, Fixtures & Equipment (FF&E)	Intangibles and Business	Capitalization Rate

## Hotel and Motel Revenue

Hotel and Motel Revenue is the sum of the amounts for all four categories of operating revenues with the exception of Limited Service Hotel and Motel stratified properties as these properties do not report a *Food & Beverage Departmental Revenues* on their financials.

### Operating Revenues

**Room:** Primary source of revenue from the rental of rooms and suites to guests. Examples of the types of Room Revenue reported on financial statements include *Transient Rooms Revenue*, *Group Rooms Revenue*, *Contract Rooms Revenue*, and *Other Rooms Revenue* (such as weekly, bi-weekly, or monthly lodging).

- For a newly-Constructed Hotel or Motel property with only one full reporting period, the Room Revenue will be adjusted using a Typical Occupancy Study Ratio (**Occ %**) and the subject property's Average Daily Room Rate (**ADR**). If no ADR is reported via the RFI process, the City will apply the ADR from the Typical Average Daily Room Rate Study

**Food & Beverage:** Restaurant venues that are solely owned and operated by the property owner (the hotel or motel corporation or a subsidiary of the parent corporation. Revenues of all sales and services of Food & Beverages from guests and patrons are reported on the property's *Food & Beverage Operating Departmental Income Statements*.

Examples may be *Venue Food Revenue*, *In-Room Dining Food Revenue*, *Banquet*, *Conference*, *Catering*, *Mini-Bar Food Revenue*, and *Other Food Revenue*.

**Other Operated Departments:** Other Department(s) owned and operated by the property owner in generating revenue for profit and have direct operating expenses.

Examples of Other Operating Department Revenue items would be *Guest Laundry Service, Business Centre, Guest Shop, Front Shop, Valet & Lease Parking Revenues, and Rent & Lease Revenue.*

A rental or concession agreement between the Hotel or Motel and the Retail Tenant, is to offer hotel or motel guest services and merchandise that are not provided by the operating department.

- **Hotel and Motel Interior Retail Space(s)** is space that can only be accessed through the hotel or motel lobby, does not benefit from exterior retail exposure or signage, and is mainly used to provide additional hotel or motel guest services and amenities, i.e. Gift Shops, Restaurants operated by a Third-Party, etc. Hotel or Motel Interior Retail Space is not considered to be Ancillary Space of the hotel. Any revenues and expenses generated from Hotel Interior Retail Space are included in the Hotel Pro Forma's *Other Operated Department*.

**Miscellaneous:** Consist of sub-accounts or sub-schedules to provide more detail related to a particular income item. Items included in this category include *Attrition Fees, Cancellation Fees, Cash Discounts Earned, Foreign Currency Gain, and Interest Income.*

Below is a chart showing the types of revenue that may be generated by each hotel/motel type:

Hotel and Motel Stratification	Room Revenue	Food & Beverage Revenue	Other and Misc. Revenue
<b>Resort</b>	Yes	Yes	Yes
<b>Downtown Full-Service</b>	Yes	Yes	Yes
<b>Suburban Full-Service</b>	Yes	Yes	Yes
<b>Limited Service</b>	Yes	No	Yes
<b>Motel</b>	Yes	Yes	Yes
<b>Beverage Hotels</b>	Yes	No	Yes

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## Hotel and Motel Expenses

The expenses of a hotel/motel are typically allocated to one of three categories that reflects the nature of the expense: **Departmental Operating Expenses**, **Undistributed Operating Expenses**, and **Fixed Expenses**. These categories are then further categorized into a number of categories.

### Departmental Operating Expenses

The **Room** and **Food & Beverage** expenses correlate to an *Operating Department Revenue*, and the **Other Operated Departments** correlate to the *Total Operating Revenue* category.

**Room:** Room expenses consist of two major categories: Labour Cost and Related & Other Expenses. Labour Costs include *Salaries, Wages, Service Charges, Contracted Labor, and Bonuses*. Room Related & Other Expenses include *Room Cleaning Supplies, Commissions & Fees, Room Laundry, and Linen*.

**Food & Beverage:** Restaurant venues that are solely owned and operated by the property owner (the hotel or motel corporation or a subsidiary of the parent corporation). Expenses from all sales of food, beverages, and services from guests and patrons are reported on the property's *Food & Beverage Operating Departmental* Income Statement.

Food & Beverage Expenses consist of two major categories: Cost of Food & Beverage Sales and Related & Other Expenses. Cost of Food & Beverage Sales includes the cost of food served in all segments of food revenues. Related & Other Expenses include the costs associated with sale and service items such as *Labour Cost, Banquet Expenses, Flatware, Glassware, Linen, Kitchen Cleaning & Supplies, and Uniforms*.

**Other Operated Departments:** Other Departmental Expenses are the associated cost of sales and/or services to the corresponding Other Operating Department Revenues. Items may include *Labour Cost, Cost of Goods Sold, Valet & Lease Parking Expenses, Rent & Lease Expenses, and Miscellaneous Expenses*.

- **Hotel and Motel Interior Retail Space(s)** is space that can only be accessed through the hotel lobby, does not benefit from exterior retail exposure or signage, and is mainly used to provide additional hotel guest services and amenities, i.e. Pantry Shops or Complimentary Breakfast Room operated by the hotel.

Any Revenues and Expenses generated from Hotel interior Retail Space are included in the *Other Operated Department* (Hotel Pro-Forma).

- **Cost Recovery** is accounted for hotel and motel properties with Ancillary Tenants that pay Triple Net but the hotel/motel owner pays upfront the Repairs & Maintenance, Utilities, and Property Taxes first, then charges back to the tenant at the end of the month and/or fiscal year. The payment and recovery transactions show up on the hotel's income statement.

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## Undistributed Operating Expenses

These expenses are considered applicable to the entire property. It is not appropriate to allocate these types of expenses to specific departments.

**Administrative & General:** Administration & General expenses consist of two major categories: Salaries & Wages and Related Expenses. Salaries & Wages expenses associated with this department include *General Manager Salary, Employee Benefits* and *Bonuses*. Related Expenses includes: *Bank Interest and Charges, Credit Card Commission & Collection Fees, Donations, Dues and Subscriptions, Equipment Rental, Legal Services, Licenses and Permits, Professional Fees, Travel, Meals* and *Entertainments*.

**Information & Telecommunication Systems:** Items classified under this expense include the property's centralized information system charges such as *accounting and security systems, point-of-sale reporting program, and internal reservation systems*. This category **does not include** transaction costs or commissions related to third party reservation or booking systems, or telecommunications systems for the property (i.e VoIP, T-1).

**Sales & Marketing:** Sales & Marketing expenses consist of two major categories: Salaries & Wages and Related Expenses. Salaries & Wages expenses associated with this department include *Salaries, Wages, Employee Benefits, Bonuses* and *Contracted Work*. Related Expenses include the associated cost of sales of goods and service items such as *Entertainments, Equipment Rental, Loyalty Programs, Operating Supplies, Promotion, Trade Shows, Training, Travel, Website, and Decorations*.

**Franchise Fee:** Franchise Fee is the contractual agreement cost between a hotel/motel company (a national or regional chain) and an independent owner. The owner pays an annual negotiated fee (typically a percentage of the property's total annual gross revenues) to use the name, trademarks, and various services offered by the chain. Related Fees may include *Base Royalty Fee, Incentive Royalty Fee, Program Fee, and/or Franchise Marketing Fee*.

**Property Operations & Maintenance:** Property Operations and Maintenance expenses consist of two major categories: Salaries & Wages and Related Expenses. Salaries & Wages expenses associated with this department include *Salaries, Wages, Employee Benefits, Bonuses* and *Contracted Work*. Related Expenses may include maintenance expense items such as *Building, Electrical, Plumbing, Elevators, Kitchen & Laundry Equipment, Lights, Painting and Wallcovering, Swimming Pool, Vehicle Repair, Waste Removal, and Travel & Training*.

**Utilities:** Utilities Expense items include *Electricity, Gas, Oil, Steam, Other Fuels, Contracted Services* and *Water/Sewer*. Cost expenses to this account would include the associated fee items such as *Taxes, Bulk/Future Purchase Fee, and Water Treatment/Filtration/Septic Tank costs*.

**Management Fees:** Management Fee is the contractual agreement cost between a third-party management company (Operator) and the property owner (Investor). The Operator assumes complete responsibility for managing the property.

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## Fixed Expenses

This category includes fixed expenses that do not change with an increase or decrease in the amount of goods or services produced or sales volume, income and expenses that are not related to the property's core operation.

**Rent:** Rent Expenses are the costs associated with rent and leases of property and/ or equipment not specific to a departmental function or event (i.e Banquet hall sound and equipment).

**Property Insurance:** General insurance costs that include premiums relating to liability and the property's business building and contents against damage or destruction by fire, weather, sprinkler leakage, terrorism, flood, boiler explosion, or plate glass breakage.

**Property Tax:** Taxes specifically for the Hotel and Motel portion assessed against real property by a Government or Public Agency. When ascribing the Property Tax Expense for the Hotel and Motel portion to be included on the pro form the City of Edmonton retrieves the property's 2023's Assessment, and multiplies the assessment by the City of Edmonton's 2023 Mil Rate for hotels and motels.

## Non-Allowable Expenses

These are expenses that often appear on financial statements but do not form part of property valuation:

- **Capital Expenditures** – Not included because they provide additions or major improvements to the property that typically increase value and economic life.
- **Debt Service/Mortgage interest payments** – Interest and principal required to amortize a loan; it is a financing expense and not an operating expense.
- **Income Tax** – Not included because it is not an operating expense, it is a tax on personal income which may be affected by things other than the subject property.
- **Depreciation and Amortization** – Not included because in the Income Approach it is recaptured in the Capitalization.
- **Video Lottery and Gaming** – Following jurisprudence in Alberta, video lottery terminals (VLTs) and their incomes are not assessable for property taxes. However, the space occupied by VLTs is assessable and will be assessed following the Alberta Assessors Association Valuation Guide Hotel / Motel.

- **Non-Operating Income:** Is the portion of a corporation's income that is derived from facilities activities not related to the property's operation. Related items may include *Bank Interest Income*, and/or the Corporation's *Subsidiary Revenues* not related to the parent property's operations.
- **Non-Operating Rent/Lease:** Rent Expenses are the costs associated with rent and leases of property and/ or equipment not specific to the property's departmental function or event (i.e *Owner's Personal Lease Vehicle Expense*).
- **Other Intangible:** Is the portion of the expenses that are derived from activities not related to the property's operation. Related items may include *Capital Gains or Losses on Fixed Assets*, *Owner Expenses*, and/or *Unrealized Foreign Exchange Gains or Losses*.
- **Expenses not required to maintain the property income** – Certain expenses may not be included because these are expenses not related to the real estate component of the property or operations. Examples of this include *Donations*, *Litigation*, *Bank Charges*, *Amortization*, etc.

## Stabilization

Reported actual revenues and expenses are stabilized over the three preceding years and the expenses are also normalized, as recommended by the *Province of Alberta - Municipal Affairs Hotel Motel Valuation Guide*, in order to capture industry performance and adjust for unforeseeable or atypical events that may significantly interrupt normal operations within the property.

Hotel and motels typically operate on short-term occupancies that range from a day to a week, and therefore the operating performance is sensitive to industry volatility and tends to fluctuate from year to year.

Stabilization accounts for the periodic life cycles of a hotel/motel such as growth, maturation, and declines. It may also mitigate or adjust for extraordinary events deemed temporary or non-recurring, impacting revenues or expenses outside of the hotel/motel's normal operations.

***The City of Edmonton uses a 33%-33%-33% allocation to equally weigh the Revenue and Expenses from the financial statements over a period of three years prior to the valuation date as of July 1st, 2020 to July 1st, 2023.***

<b>33%</b> Income Statement reporting period: July 1, 2020 to June 30th, 2021	<b>33%</b> Income Statement reporting period: July 1, 2021 to June 30th, 2022	<b>33%</b> Income Statement reporting period: July 1, 2022 to June 30th, 2023
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If a property did not submit **complete** or **usable** financial statements during the Request for Information (RFI) period for any of the prior three years, a projected revenue is ascribed based on the City of Edmonton's **Occupancy %** and **Average Daily Room Rate (ADR)** Study from returned RFI's of similar stratified hotel and motels.

In other cases, where a hotel or motel is recently constructed, the assessment will be completed using the Cost Approach to value. For more information on the cost approach valuation, please see the City's *2024 Cost Approach Methodology Guide*.

## Industry Norms

Once expenses have been collected from property owners through the RFI process, the appropriate data is analyzed according to operating expense categories to derive the **Industry Norms** (or **Typical Expenses Ratios**), so that consistent valuation parameters and other statistical measures can be developed across each hotel/motel stratification type. An expense ratio is calculated by dividing the stabilized expense by the associated revenue.

In cases where a financial statement has not been provided, is incomplete, or reported expenses deviate from normal or historical operations, an estimate of potential expenses is derived by ascribing the industry norms of similar stratified hotels/motels.

- **Example:** *A newly-Constructed Hotel with only one full reporting period, the Room Revenue will be adjusted using a Typical Occupancy Study Ratio and the subject property's ADR. If no ADR is reported via the RFI, the City will apply the ADR from the Typical Average Daily Room Study Rate. As well, for Room Expenses, the Typical Room Expenses Study Ratio will be applied to derive the Operating Departmental Room Expenses.*

## Normalization

Once the Industry Norm percentages are established, the actual expenses will be compared to the **+/- 10%** range from the Industry Norm percentage; this process is called **Normalization**. If actual expense ratios fall inside this range, then the actual expense ratio calculated for the building is used.

If actual expense ratios fall outside of the **+/- 10%** range, then the Industry Norm is applied. For example, when the actual expense ratio is lower than the **-10%** variance, then the low end of the industry norm range is used. And when the actual expense ratio is higher than the **+10%** variance, then the high end of the Industry Norm range is used.

	Typical	Actual	Factor Used	Range		
				-10%	10%	
Rooms	30.0%	31.5%	31.5%	27.0%	33.0%	If the ratio falls within the -10%/+10%, <b>Actual ratio</b> is used.
Food & Beverage	45.0%	51.0%	49.5%	40.5%	49.5%	If the ratio falls above the +10% range, the <b>+10% maximum ratio</b> is used.
Other Operated Departments	10.0%	8.5%	9.0%	9.0%	11.0%	If the ratio falls below the -10% range, the <b>-10% minimum ratio</b> is used.

### Application of Normalization for Allowable Expenses

Below is a chart that indicates whether a Typical or Actual expense ratio is applied for each expense category:

Expense Type	Typical Expense Ratio Used	Actual Expense Ratio Used
Room	X	
Food & Beverage	X	
Other Operated Departments		X
Administration & General	X	
Information & Telecommunication System		X
Sales & Marketing	X	
Property Operations & Maintenance	X	
Utilities	X	
Management Fees	X	
Franchise Fees		X
Property Insurance	X	

## Furniture, Fixtures and Equipment

Furniture, Fixtures, and Equipment (FF&E) are tangible non-realty assets or movable property of a business enterprise not classified as stock, inventory, or leasehold improvements. FF&E generally wears out much more rapidly than other components of a hotel or motel. This category contains *Guest Room, Dining Room and Lounge furnishings; Kitchen Equipment, Front Office and Administrative Equipment, Decorative Items, Flooring, Linens, Glassware, and China.*

The City applies a consistent allowance within each stratification: **15%** FF&E Allowance for Full Service and Resort hotels; **10%** FF&E Allowance for Limited Hotels, Motels, and, Beverage Hotels.

## Intangibles and Business Components

This category represents the Goodwill of the business, and is a percentage of the '*Net Operating Income Before Fixed Charges*' on the Assessment Proforma: **1.5%** Allowance for Full Service and Resort hotels; **1.0%** Allowance for Limited Hotels, Motels, and, Beverage Hotels.

The chart below summarizes the rates applied for **Intangibles & Business Components**, and **Furniture, Fixtures, & Equipment** for each Stratification.

Stratification	Intangibles & Business Component	Furniture Fixtures & Equipment
<b>Downtown Full-Service</b>	1.5%	15%
<b>Suburban Full-Service</b>	1.5%	15%
<b>Limited Service</b>	1.0%	10%
<b>Motels</b>	1.0%	10%
<b>Beverage Hotels</b>	1.0%	10%

## Capitalization Rate

The Capitalization Rate (Cap Rate) is the rate reflecting the relationship between the Assessable Net Operating Income and the Market Value to Real Estate of the property. The Cap Rate converts the *Assessable Net Operating Income* into an indication of property value. The Cap Rate, in its basic formula, is found by dividing *Assessable Net Operating Income* by the Sale Price.

The Capitalization Rate is applied based on Stratification.

$$\text{NOI} \div \text{CAP RATE} = \text{MARKET VALUE ESTIMATE}$$

Stratification	Capitalization Rate
Downtown Full-Service	9.0%
Suburban Full-Service	9.5%
Limited Service	9.5%
Motels	10%
Beverage Hotels	10%

## Sample Assessment Detail Report

### 2024 Assessment Detail Report

#### Hotel Motel Valuation Summary

Account Number:	123456789	Stratification:	Full-Service
Building:	Hotel One	Actual Zoning:	ABC
Address:	Edmonton	Effective Zoning:	ABC
Rooms:	123	Valuation Date:	July 1st, 2023
Effective Year Built:	2024		

Operating Revenue	Total	%
Rooms	\$5,000,000	52.63%
Food & Beverage	\$4,000,000	42.11%
Other Operated Departments	\$300,000	3.16%
Miscellaneous	\$200,000	2.11%
<b>Total Operating Revenue</b>	<b>\$9,500,000</b>	<b>100.00%</b>

#### Departmental Operating Expenses

Rooms	\$1,800,000	36.00%	← Room Expense as a Normalized Percentage of Room Revenues
Food & Beverage	\$2,800,000	70.00%	← Food & Beverage Expenses as a Normalized Percentage of Food & Beverage Revenues
Other Operated Departments	\$150,000	1.58%	← Other Operated Departments as a Normalized Percentage of Total Operating Revenue
<b>Total Operating Departmental Expenses</b>	<b>\$4,750,000</b>	<b>50.00%</b>	
<b>Total Departmental Profit</b>	<b>\$4,750,000</b>	<b>50.00%</b>	

#### Undistributed Operating Expenses

Administrative & General	\$836,000	8.80%	← Administrative & General as a Normalized Percentage of Total Operating Revenue
Information & Telecommunications Systems	\$66,500	0.70%	← Information & Telecommunication Systems as a Normalized Percentage of Total Operating Revenue
Sales & Marketing	\$218,500	2.30%	← Sales & Marketing as a Normalized Percentage of Total Operating Revenue
Franchise Fee	\$380,000	4.00%	← Franchise Fee as a Normalized Percentage of Total Operating Revenue
Property Operations & Maintenance	\$617,500	6.50%	← Property Operations & Maintenance as a Normalized Percentage of Total Operating Revenue
Utilities	\$665,000	7.00%	← Utilities as a Normalized Percentage of Total Operating Revenue
<b>Total Undistributed Operating Expenses</b>	<b>\$2,783,500</b>	<b>29.30%</b>	
<b>Gross Operating Profit</b>	<b>\$1,966,500</b>	<b>20.70%</b>	

Management Fee	\$285,000	3.00%	← Management Fee as a Normalized Percentage of Total Operating Revenue
<b>Income Before Fixed Expenses</b>	<b>\$1,681,500</b>	<b>17.70%</b>	

#### Fixed Expenses

Property Insurance	\$47,500	0.50%	← Property Insurance as a Normalized Percentage of Total Operating Revenue
Property Taxes	\$342,000	3.60%	← Refer to the section 'Property Taxes' of the 2024 Hotel Motel Methodology Guide
<b>Total Fixed Expenses</b>	<b>\$389,500</b>	<b>4.10%</b>	

Earnings Before Interest, Taxes, Depreciation, and Amortization	\$1,292,000	13.60%	
Less % of Income Before Fixed Expenses: Furniture, Fixtures, & Equipment	\$252,225	15%	← FF&E as a percentage of Income Before Fixed Expenses
Less % of Income Before Fixed Expenses: Intangibles & Business Component	\$25,223	1.5%	← Intangible & Business Component as a percentage of Income Before Fixed Expenses

<b>Assessable Income to Real Estate</b>	<b>\$1,014,553</b>	
Capitalization Rate	9.00%	
<b>2024 Hotel Market Value Estimate</b>	<b>\$11,272,806</b>	← 2024 Hotel Market Value Estimate = Assessable Income to Real Estate divided by Capitalization Rate
Ancillary Value	\$650,000	← Refer to the section 'Ancillary Value' of the 2024 Hotel Motel Methodology Guide
Excess Land	\$1,500,000	← Refer to the section 'Excess Land' of the 2024 Hotel Motel Methodology Guide

<b>2024 Market Value Estimate (Rounded)</b>	<b>\$13,422,500</b>	← 2024 Hotel Market Value Estimate (Rounded) = 2024 Hotel Market Value Estimate + Ancillary Value + Excess Land
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## Other Value Adjustments

**Additional Building** Additional Building is the assessed value added for other buildings situated on the subject parcel.

**Hotel/Motel Ancillary Space** is the space that is unique to the hotel/motel operation and it is valued separately from the hotel/motel valuation. The total value of the ancillary space is added to the hotel/motel assessment to arrive at a final value for the entire property. Refer to the *2024 Hotel & Motel Ancillary Space Valuation* section of the Hotel & Motel Methodology Guide .

**Associated Lot** is a reduction to a primary improved property based upon a separate but related associated parcel(s). This adjustment is applied when all, or part, of the land from the associated parcel(s) is required to satisfy the permitted uses of the primary property. The associated parcel(s) must be owned by the same individual/corporation as the primary improved property or have a lease in place with the primary improved property. The Edmonton Zoning Bylaw No. 12800 in effect on July 1st, 2020, prior to Open Option parking coming into effect, outlined the requirements to satisfy the operations of the primary property. Parkades do not qualify as associated lots. For Free-Standing Parkade properties, refer to the *2024 Free-Standing Parkade Assessment Methodology*.

**Buildings Under Construction** are improvements that are not complete as of the condition date. The adjustment is based on the cost rates from the *Marshall & Swift* manual, for the portion completed (also called *Percent Complete*).

**Excess Land** on an improved parcel is the area of land not needed to meet the legal requirements for the existing improvement. It is also the area of the parcel not needed to accommodate the parcel's primary highest and best use. Excess Land may be separated from the larger parcel (subdivided) and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. Excess land value is derived from assessed commercial land values. Please refer to the *2024 Commercial Land Assessment Methodology*.

*Parking requirements for calculating the amount of excess land for Downtown and Suburban Office properties were determined using the Edmonton Zoning Bylaw No. 12800 in effect on July 1st, 2020, prior to Open Option parking coming into effect.*

**Surplus Land** is the land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Surplus land may or may not contribute positively to value, and may or may not accommodate future expansion of an existing or anticipated improvement.

For the 2024 assessment, a 50% discount to the Excess Land Rate was applied.

*Parking requirements for calculating the amount of surplus land for Downtown and Suburban Office properties were determined using the Edmonton Zoning Bylaw No. 12800 in effect on July 1st, 2020, prior to Open Option parking coming into effect.*

**Land Thresholding** is when the land value plus \$500 improvement value is greater than the income approach value and as such the land value is used in the assessment. It is based on the principle of highest and best use as Vacant. For hotels and motels, land thresholding was used where applicable for the 2024 Assessment. For information on the land valuation, please see the City's *2024 Commercial Land Methodology Guide*.

**Service Station Equipment (SSE)** is the improved value of the service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment. The cost value is based on the *Marshall & Swift* manual.

**Land Lease** is a lease for a specific portion of land subject to specified terms. On the *Retail and Retail Plaza Assessment Detail Report*, land leases are used exclusively for gas stations. The improvements are valued based on their depreciated cost to construct under Service Station Equipment (SSE).

## Hotel & Motel Ancillary Space Valuation

The Hotel & Motel Ancillary Space valuation is only applicable to hotel/motel properties where the majority of space of the building is primarily used for hotel/motel operations. The total leasable area of the Ancillary Space does not exceed 40% of the total building area.

**Hotel/Motel Ancillary Pro Forma** is applied to a separate portion(s) of a hotel/motel where there are separate enclosed commercial spaces, usually located on the Main, with direct exterior access and signage. They can either operate independently or to support the hotel/motel operations, but cannot be subdivided from the hotel/motel. They experience similar access and exposure to retail properties; the area is valued separately from the hotel/motel.

- **Retail** spaces are leased to facilitate commercial transactions. Size and Location of the hotel/motel affect the Rental Rate, Vacancy Allowance and Collection Loss applied to Retail spaces in hotels. The location of the hotel also determines which Valuation Group's Income model to apply. Rental Rates, Vacancy Allowance and Collection Loss will be derived in accordance with the corresponding valuation model.

*Please refer to 2024 Assessment Methodology - Retail and Retail Plaza or 2024 Assessment Methodology - Neighbourhood, Power & Box Retail for Space Type, Size, and Location definitions.*

- **Tavern/Lounge** spaces of Beverage Hotels are assessed similar to CRU-Restaurant which are food and liquor serving establishments that contain dedicated food preparation, kitchen, and sitting areas. Rental Rates, Vacancy Allowance and Collection Loss for Tavern/Lounge spaces will be derived in accordance with the *Retail and Retail Plaza* valuation model.

*Please refer to 2024 Assessment Methodology - Retail and Retail Plaza for Space Type, Size and Location definitions.*

## Sample Hotel/Motel Ancillary Pro Forma

### 2024 Assessment Detail Report

#### Ancillary Detail Report

Account Number:	123456789	Stratification:	Downtown Full-Service
Building:	Chancery Hall	Actual Zoning:	ABC
Address:	City of Edmonton	Effective Zoning:	ABC
Rooms:	123	Valuation Date:	July 1st, 2023
Effective Year Built:	2024		

Space Type	Business Name	Leased Size (sq.ft)	2024 Rate (\$ / sq.ft)	Total	
Retail	ABC Ltd.	5,000	\$ 55.00	\$275,000	← Ancillary Potential Gross Income = Leasable Area x Market Rent
Retail		0	\$ -	\$0	
Retail		0	\$ -	\$0	
Retail		0	\$ -	\$0	
Retail		0	\$ -	\$0	
<b>Potential Gross Income</b>				<b>\$275,000</b>	
<i>Less: Vacancy and Collection Los:</i>			5.00% <b>\$13,750</b>		← Vacancy and Collection Loss = Potential Gross Income x Vacancy Collection Loss Rate
<b>Effective Gross Income</b>				<b>\$261,250</b>	
<i>Less: Structural Allowance</i>			2.00% <b>\$5,225</b>		← Structural Allowance = Effective Gross Income x Structural Allowance Rate
<b>Net Income</b>				<b>\$256,025</b>	
<b>Capitalization Rate</b>				<b>9.0%</b>	
<b>2024 Ancillary Estimate Value</b>				<b>\$ 2,844,722</b>	← Ancillary Estimate Value = Effective Gross Income x Structural Allowance Rate

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The Capitalization Rate applied to the Hotel Ancillary Spaces will be consistent with that applied to the entirety of the hotel/motel building. The Ancillary Pro Forma value is added to the hotel assessment to arrive at a final value for the entire hotel property.

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## Additional Commercial Building

**Additional Commercial Building(s)** any additional stand-alone commercial building where the use of the Stand-Alone Building is completely independent of the use of the hotel/motel building is valued based upon the relevant valuation model.

- Please refer to *2024 Assessment Methodology - Retail and Retail Plaza* for more Retail valuation details.
- Please refer to *2024 Assessment Methodology - Downtown/Suburban Office* for more Office valuation details.
- Please refer to *2024 Assessment Methodology - Neighbourhood, Power & Box Retail* for more Shopping Centre valuation details.

## Other Commercial Space Income Approach Definitions

**Typical Market Rent** is the rent currently prevailing in the market for properties comparable to the subject property (otherwise known as current economic rent). Current economic or market rents are used to form the basis of the valuation as opposed to actual rents, because in many cases actual rents reflect historical revenues derived from leases negotiated before the valuation date. In determining potential gross income, the assessor is not bound by the contractual rent between the landlord and tenant, but must determine rental income on the basis of what is typically paid in the market at the time of valuation.

**Base Rent / Net Rent** is the stipulated or contract rent exclusive of additional charges to the property (taxes, insurance, utilities and maintenance). Base and net rent do not include GST.

**Triple Net Rent** is the rental structure where the tenant (Lessee) pays all charges to the property (e.g.: Taxes, Insurance, Utilities, Maintenance) in addition to the stipulated or contract rent. Structural Repairs are excluded from the tenant responsibility.

**Effective Rent**, generally defined, is the rental rate net of financial concessions such as periods of free rent during the lease term.

**Lease types** include *Gross Leases, Modified Gross Leases, Single Net Leases, Double Net Leases, and Triple Net Leases*. These may not always mean the same thing in different markets. The expenses that are included in each type of rent vary from market to market. In general, the following distinctions can be made:

- *Gross Lease* - tenant pays rent and property owner pays expenses
- *Modified Gross Lease or Semi-Gross* - tenant and property owner share expenses
- *Single Net Lease* - tenant pays Utilities and Taxes or Insurance, and property owner pays Structural Repairs, Property Maintenance, and Property Taxes or Insurance
- *Double Net Lease* - tenant pays Utilities, Taxes, and Insurance, and property owner pays Structural Repairs and Property Maintenance

- *Triple Net Lease* - tenant pays Utilities, Taxes, Insurance, and Maintenance; and property owner pays Structural Repairs only
  - **New** is a new lease agreement of a tenant occupying a space that was vacant or occupied by a previous tenant, may include tenant expansion.
  - **Renewal** is when a lease expires and the existing tenant signs a new lease term.
  - **Step-Up** is a scheduled change to the rental rate within the term of the existing lease.

**Tenant Improvement Allowances** is a dollar amount or allowance provided to the tenant by the landlord for the renovation or completion of the interior finish, which may or may not equal the full cost of construction or remodeling.

The City of Edmonton does not adjust for tenant improvement allowances. As the City is mandated through legislation to assess the *Fee Simple interest* of each property, it is inherent that the estimated market rent reflects fully finished space. When a tenant and landlord negotiate a base rental rate with a tenant improvement allowance as part of the rental agreement, they have agreed upon the rent that they believe the space can achieve as fully finished, not the rent it would achieve in its current state.

**Tenant Inducements** are incentives provided by landlords either to attract new tenants or retain existing tenants. Described below are the most common forms of tenant inducements:

- *Common area expense or operating expense reimbursement* is a form of tenant inducement where operating expenses in excess of a predetermined base amount are reimbursed.
- *Relocation Allowance* is a credit offered by a landlord to cover relocation expenses incurred by tenants.
- A *buyout* is a termination of an existing lease whereby the landlord agrees to pay the remainder or terminate the original lease on behalf of the tenant.
- *Cash payments* are a signing bonus paid to tenants that enter into a new lease agreement.
- *Free rent or discounted rent* is an abatement of rent during some period of the lease term. Free rent is a reduction in the face rental rate, the amount appearing on the face of the lease, for a stated period of time. This adjustment is generally applied at the beginning of the lease term. For example, a lease is signed with free rent for the first three months of a five year lease.

Based on the information provided to the City of Edmonton through the RFI process, for 2024 valuation, there were no types of tenant inducements that were found to be typical in the marketplace for Hotel Motel ancillary spaces. Therefore, no adjustments were applied when determining typical market rent.

**Operating Expenses (OE)** are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income; these are accounted for by the vacancy shortfall and structural allowances in the Assessment Detail Report.

**Common Area Maintenance (CAM)** are the charges that reflect the costs of operating the interior and exterior common areas of a commercial property, and therefore include expenses for cleaning, utilities, heating, insurance, garbage & snow removal, and management fees.

**Potential Gross Income (PGI)** is the total current market rent for all space types that would be collected if the property were fully occupied at the date of valuation. In estimating PGI, the assessor distinguishes between market rent and contract rent. Market rent is the rate prevailing in the market for comparable properties and is used in calculating market value by the income approach. Contract rent is the actual amount agreed to by the landlord and tenant.

***Potential gross income is derived by multiplying all Gross Leasable Areas (GLA) in the building by the current market rent for each particular space type.***



**Vacancy and Collection Loss Allowance** is a deduction from the potential gross income for typical vacancy and collection losses, assuming typical market conditions and typical management. Vacancy losses are best described as an allowance for vacant space as of the valuation date. Collection losses are considered unpaid rents that the landlord is unlikely to recover. For the 2024 assessment, both a vacancy and collection loss study were developed. The vacancy allowance is weighted; it is the total vacant space compared to total space in the market, not the percent vacancy of individual properties. The average of the three years is applied. The results of these studies were then added together in order to form the vacancy and collection loss allowance. The raw data for these studies came from tenant rolls, the Income Addendum, and year end financial statements. Deferrals were not considered as part of collection loss because these are unpaid contractual rents that were agreed to be paid at a future date. These allowances are usually expressed as a percentage of potential gross income.

Should a property demonstrate a history of higher than typical vacancy, the City may apply an adjusted stabilized vacancy and collection loss allowance (chronic vacancy). Chronic vacancy is intended to recognize site specific issues causing a property to not perform at typical market levels. Chronic vacancy is applied on a CRU or office basis. In order to qualify for chronic vacancy all of the following criteria must be met:

- Three consecutive years of rent rolls immediately preceding the valuation date must be provided during the RFI process;
- All three years of rent rolls must show that the property has experienced a vacancy rate greater than the current typical vacancy allowance range - For example, if the typical vacancy allowance is 6% then each year's vacancy must be at least 10%;

- The vacant space must have been actively marketed (visible for lease signage, listed through a broker, online listing,) during the chronically vacant period;
- Storage space is not included in the vacancy allowance calculation;
- Chronic vacancy does not apply to buildings under construction. Chronic vacancy may be applied when building construction is completed and has remained shell space for a minimum of three years.

If the preceding criteria is met, then the average of the 3 years will determine which stabilized vacancy and collection loss allowance is applied. The ranges and the corresponding stabilized vacancy and collection loss allowances are demonstrated in the chart below.

Actual Vacancy Range (over three years)	Stabilized Vacancy and Collection Loss Allowance
0% to <10%	Apply typical allowance
≥ 10% to <20%	10%
≥ 20% to < 30%	15%
≥ 30% to < 40%	20%
≥ 40% to < 50%	25%
≥ 50% to < 60%	30%
≥ 60% to < 80%	35%
≥ 80% to < 100%	40%

**Effective Gross Income (EGI)** is the anticipated income from all operations of real property adjusted for vacancy and collection loss.



**Vacancy Shortfall** is an expense related to the cost of carrying vacant space. Though the space is vacant there are still costs associated with the space that the owner must pay, such as operating expenses, heating, security, property taxes, etc. Storage space is not included in the vacancy shortfall calculation.

**Net Operating Income (NOI)** is the actual or anticipated (before income tax) net income from the operation of the property after deducting all expenses from the effective gross income but before debt servicing costs. The term is often abbreviated to net income and sometimes stated as net income before recapture.

$$\text{EGI} - \text{OE} = \text{NOI}$$

**Structural Allowance** is an allowance provided to cover items which require periodic replacement because they wear out more rapidly than the building itself. Typically under the terms of conventional triple net leases, all operating expenses and property taxes are fully recouped by the landlord from the tenant. The only exception relates to items of a structural and/or capital nature, which are normally excluded from such recoveries. **Rather than lump sum deductions, a structural allowance is applied annually over the economic life of the property regardless of whether any expenses were incurred in any given year.**

**Vacant Space** is empty and or unoccupied leasable space. A vacancy percentage should not be considered to be the same as a vacancy allowance, which is what a prudent investor or owner would budget for in their income stream on an ongoing basis.

**Overall Capitalization Rate (Cap Rate)** reflects the relationship between the anticipated net operating income from a single year (or an average of several years) and the total price or value of the property. The cap rate converts net operating income into an indication of property value. The cap rate, in its basic formula, is found by dividing net operating income by the sale price.

$$\text{NOI} \div \text{CAP RATE} = \text{MARKET VALUE ESTIMATE}$$

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## Other Definitions

**Effective Year Built** is the chronological age of a property adjusted to reflect an addition or significant renovation that extends the improvement's remaining economic life. The components that when replaced or extensively renovated affect the remaining economic life of a property include the roof, the building envelope (windows and doors, exterior siding, walls including insulation and vapor barrier, and other structural components), the foundation, and mechanical components (electrical, plumbing and HVAC). Completed additions to existing improvements will alter the effective age of a property.

**Gross Building Area (GBA)** is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.

**Gross Leasable Area (GLA)** is the total area designed for the occupancy and exclusive use of the tenants, including basements and mezzanines; measured from the centre of joint partitioning to the outside wall surface.

**Property Use (Land Use Code)** defines the use of a property. The amount of a property subject to any specific Land Use will be expressed as a percentage (%). Land Uses may be used for administrative reasons and are not used in the valuation of Hotel & Motel Inventory

**Site Coverage** is the relationship, expressed as a ratio between the total footprint area of the improvement(s) and the amount of land associated with it. Site coverage is used to determine if excess or surplus land exists.

**Actual Zoning** is set by the Edmonton Zoning Bylaw No. 12800 and regulates the use and development of a parcel. Edmonton Zoning Bylaw No. 12800 is available online at *Edmonton.ca*.

**Effective Zoning** is applied to reflect the current use and development of a parcel. The effective zoning may differ from the actual zoning when current use differs from that which is permitted by the actual zoning as updated by Edmonton Zoning Bylaw 12800 (ie. legal non-conforming use).

The actual and effective zoning as of December 31, 2023 applies to the assessment for the 2024 tax year. The new Zoning Bylaw (Charter Bylaw 20001) and city-wide rezoning (Charter Bylaw 21001) will come into effect on January 1, 2024 and will be reflected in the assessment for the 2025 tax year.

## Zoning

Zoning regulates the use and development of a property and is set by the Edmonton Zoning Bylaw No. 12800.

s.6.123 **zone:** a specific group of listed Uses and Development Regulations which regulate the Use and Development of land within specific geographic areas of the City...

**Zoning Bylaw No. 12800, 2017, s. 6.123**

See the appendix for the Zone Summary. For further information see City of Edmonton Zoning Bylaw No. 12800 available online at [edmonton.ca](http://edmonton.ca).

The actual zoning of a property may affect the property's classification; however, not all property conforms to the zoning set out in the Zoning Bylaw. In these cases, an effective zoning is applied to reflect the current use and development of the property. The effective zoning may differ from the actual zoning when the current use differs from the Zoning Bylaw (e.g., a legal nonconforming use).

643(1) If a development permit has been issued on or before the day on which a land use bylaw or a land use amendment bylaw comes into force in a municipality and the bylaw would make the development in respect of which the permit was issued a nonconforming use or nonconforming building, the development permit continues in effect in spite of the coming into force of the bylaw.

**MGA, s.643(1)**

In cases where a legal non-conforming use is discontinued for six (6) or more months, any future use must conform to the Zoning Bylaw.

643(2) A non-conforming use of land or a building may be continued but if that use is discontinued for a period of 6 consecutive months or more, any future use of the land or building must conform with the land use bylaw then in effect.

**MGA, s.643(2)**

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