



# **Hotel and Motel Assessment Changes for 2011**

**SAMA Annual Meeting  
April 14, 2011**

# Presentation Outline

- Ø Assessment basics
- Ø 2011 Hotel/Motel Project
- Ø Questions/discussion

# Assessment Services Providers

- SAMA
- Cities: Regina, Prince Albert, Saskatoon, Swift Current.
- CD Consulting: Aquadeo, Battleford, Cochin, Edam, Glaslyn, Macklin, Maidstone, Meadow Lake, Metinota, Nipawin, North Battleford, Shellbrook, Tisdale, Wilkie.
- Other: Lloydminster (province of Alberta).

# SAMA's Commercial Advisory Committee

- **Sask Hotel & Hospitality Assoc (Tom Mullin)**
- Sask Chapter of the National Golf Course Owners Assoc (Rick Jukes)
- Saskatchewan Association of the Appraisal Institute of Canada (Grace Muzyka)
- Saskatchewan Assessment Appraisers' Association (Rob Schultze)
- Association of Saskatchewan Realtors (Rob Lawrence)
- Canadian Property Tax Association (Roger Leachman)
- Canadian Federation of Independent Business (Marilyn Braun-Pollon)

# Assessment Basics

- Ø Ad Valorem Assessment System.
- Ø Residential and commercial property at a “market valuation standard”.
- Ø Mass Appraisal.
- Ø Base Date (*June 30, 2006*).
- Ø Current four year revaluation cycle is for 2009-12.
  - January 1, 2011 base date for 2013-16.
  - January 1, 2015 base date for 2017-20.

# Assessment Basics

## Three Accepted Methods of Valuation

Ø The Cost Approach

Ø The Sales Comparison Approach

Ø The Property Income (Rental)  
Approach

# Valuation Approaches

## Cost Approach Method of Valuation

Property value = land value + building value

- Ø Vacant land sales used to estimate land value.
- Ø Buildings are costed (RCN) using standardized procedures; actual cost not used.
  - Physical depreciation assigned
  - Market depreciation assigned (MAF).

# Valuation Approaches

## Sales Comparison Approach Method of Valuation

- Ø Sale prices are used directly to identify value determining variables and ultimately calculate assessments.
- Ø With adequate sales data, very accurate models can be developed.
- Ø Multiple regression analysis (MRA) techniques are commonly used to build sales comparison models.
- Ø SAMA currently uses this method for the valuation of residential property in cities.

# Valuation Approaches

## Income Approach Method of Valuation

- Ø Considers the ability of the property (land and buildings) to generate an income stream.
- Ø When information available, more accurate than other approaches.
  - Better estimation of depreciation.
- Ø An industry best practice for income producing property, better understood by marketplace.

# Valuation Approaches

## Income Approach Method of Valuation

- ∅ Does not consider the income of the business.
- ∅ Are techniques to address non-realty value if present.

# Valuation Approaches

## Income Approach - General Application

Ø Multi-Residential.

Ø Shopping malls.

- Regional and community enclosed malls.

Ø General commercial.

- Retail, Office, Warehouse, Restaurant in  
Moose Jaw, Yorkton, Estevan.

Ø Accommodation.

# 2011 Hotel/Motel Project

## Background

- Ø Income approach implemented with the 2009 revaluation.
- Ø Recognized as the best valuation approach for hotel/motel properties.
- Ø SAMA and other assessment service providers have adopted this approach for the valuation of hotels/motels.

# 2011 Hotel/Motel Project

## Background

- Ø Hotels/motels are a difficult valuation assignment.
- Ø For assessment purposes, only land and buildings are valued.
- Ø Current experience shows it is difficult to obtain good information.

# 2011 Hotel/Motel Project

## Issue #1

- Ø Stakeholder feedback: concerned about equity of valuations within a community.
- Tavern-style hotels (income approach applied with VLT revenue).
  - Taverns (cost approach applied).

**Solution: Assess all tavern style properties using the cost approach.**

# 2011 Hotel/Motel Project

## Issue #2

- Ø General lack of understanding regarding how the SAMA's hotel income models account for non-realty value.
  - Management/goodwill.
  - Personal property (FFE).

# 2011 Hotel/Motel Project

## Issue #2 cont'd

- Ø Are differences in the way hotel/motel property owners report information and what is required for assessments.
- Ø Estimating non-realty value.
  - Realty and non-realty interests tightly interwoven.

**Solution: Re-tool income models to address non-realty value.**

# 2011 Hotel/Motel Project

## **Actions by SAMA**

- Ø Update all hotel assessments for 2011.
- Ø Physical inspection performed in 2010.
- Ø Tavern-like hotels with limited room revenue to be assessed using the cost approach.
  - General commercial MAF applied.
  - VLT revenue to be set aside for valuation purposes.

# 2011 Hotel/Motel Project

## **Actions by SAMA cont'd**

- Ø Remaining hotel/motel income approach motels being revamped to ensure models are more understandable on how non-realty items accounted for.

# 2011 Hotel/Motel Project

## Results

- Ø Affects about 500 properties in SAMA's jurisdiction.
- Ø About a 7% decrease to the group.
- Ø Some property assessments have increased.
  - Changes identified with the reinspection.
  - Additional income/expense information collected.

# 2011 Hotel/Motel Project

## Results

- Ø About 215 tavern style (gallonage) hotels have been converted from the income approach to the cost approach.
  - Overall reduction of about 30%.
  - Again, some properties may have increased with the physical reinspection.

# 2011 Hotel/Motel Project

## Results

- Ø Models for about 220 rural hotels/motels were updated with an overall reduction of about 19%.
- Ø A hybrid model now used when the property is a mix of rooms (income approach) and other uses such as bar, restaurant (cost approach).
- Ø Motels (rooms only) valued using an updated income approach model.

# 2011 Hotel/Motel Project

## Results

- Ø Top quality hotel and motel properties in major centers and high traffic locations continue to be valued using the income approach.
- Ø Includes properties such as Days Inn, Canalta, Super 8 etc.

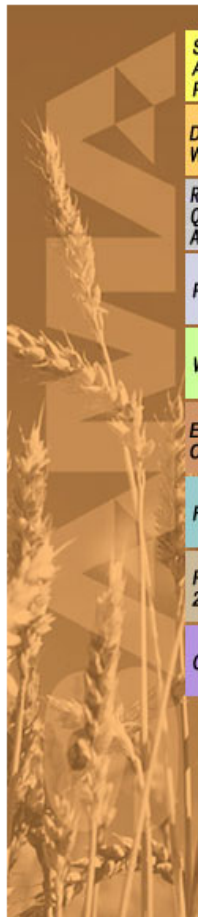
# 2011 Hotel/Motel Project

## Communication of Results

- Ø Values have been provided to municipal administrators.
- Ø Some owners may have already received assessment notices.
- Ø Properties with significant increases have been contacted to explain the increase.
  - If you have not been contacted and have questions, please call us!

# Information Sources

- ∅ SAMA's website [www.sama.sk.ca](http://www.sama.sk.ca)
- ∅ SAMA's central office revaluation unit.
  - Phone 1-866-828-2133.
  
- ∅ Ministry of Municipal Affairs at:  
[www.municipal.gov.sk.ca](http://www.municipal.gov.sk.ca)
  
- ∅ Other assessment service providers:
  - City of Regina: [www.regina.ca](http://www.regina.ca)
  - City of Saskatoon: [www.saskatoon.ca](http://www.saskatoon.ca)
  - City of Prince Albert: [www.citypa.ca](http://www.citypa.ca)
  - City of Swift Current: [www.city.swift-current.sk.ca](http://www.city.swift-current.sk.ca)



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## Saskatchewan Assessment Management Agency

*"Pursuing excellence in property assessment policy and services for Saskatchewan"*

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Today's Date: January 14, 2009



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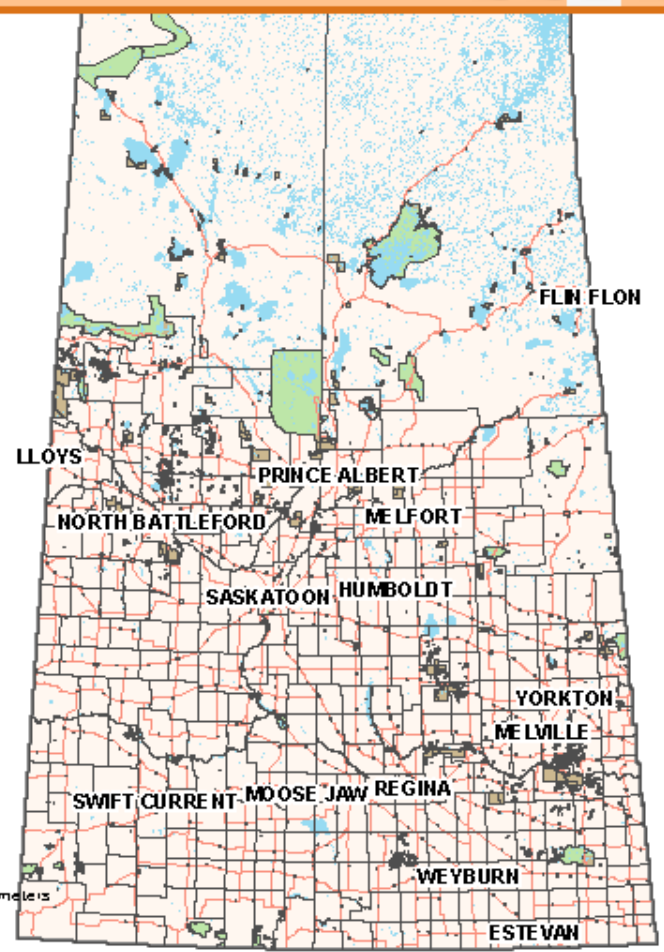
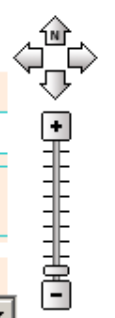
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Questions/ Discussion