

SUMA Presentation

Property Assessment 201: Preparing for Revaluation 2017

SAMA Presenters: Shaun Cooney

Todd Treslan

January 31, 2016



Presentation Overview

Part 1 - Shaun

- SAMA – Who we are and what we do
- Assessment legislation and principles
- Valuation standards (Regulated, Non-Regulated)
- Review of SAMA's valuation publications

Part 2 - Todd

- Role of Assessor vs Assessment Appraiser
- SAMA's Property Access Protocols
- Services Provided by SAMA
- Three approaches to value
- 2017 Revaluation trends
- 2017 Revaluation delivery
- Questions and wrap-up

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



SAMA's Roles and Responsibilities

AMA Act -- Board Governed Agency

Governance

\$160B / \$1.73B

Ass'tmt / Taxes

- Policy (Advisory Committees)
- Quality Assurance
- Computer System
- Communication
- Safety Net for Province

Assessment Services

761 of 769
Municipalities

- Annual Maintenance
- General Re-inspections
- Revaluations
- Support of Value

SAMA Board

Chair: Neal Hardy (RM Hudson Bay, #395)

- Urban: Wade Murray (Regina)
- Urban: Al Heron (Eston)
- Rural: John Wagner (RM Piapot, #110)
- Rural: Murray Purcell (RM Montrose, #315)
- Province: Jim Angus (Harris)
- Province: Myron Knafelc (Watson)

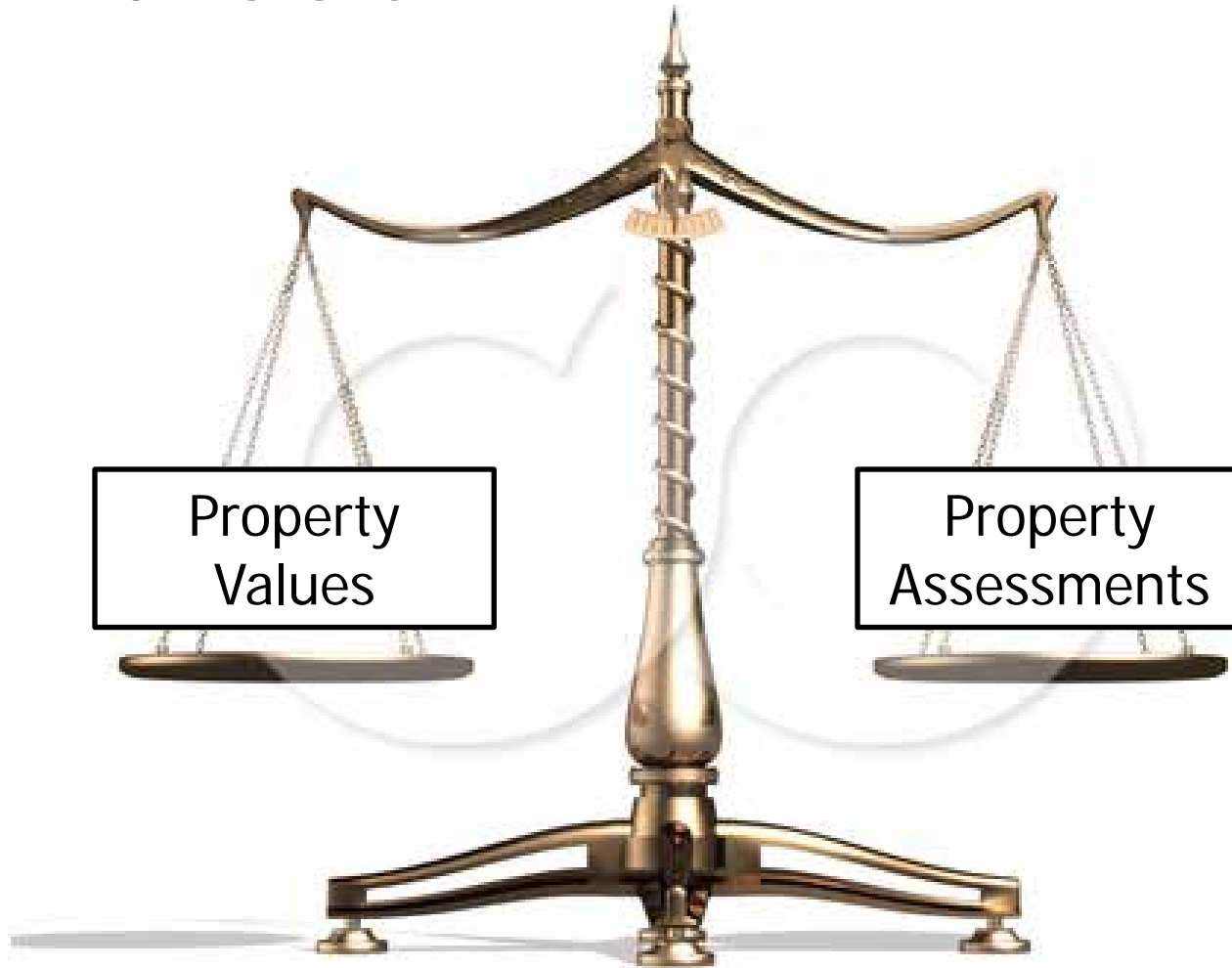
CEO: Irwin Blank

Purpose of Assessments

- Financial Foundation for local governments
 - Municipal services (police, fire, streets, water, parks, recreation, libraries...)
 - K to 12 Education
- What you do with it is up to the local government
- Local Autonomy

Assessment Principles

Ad Valorem



Assessment Principles

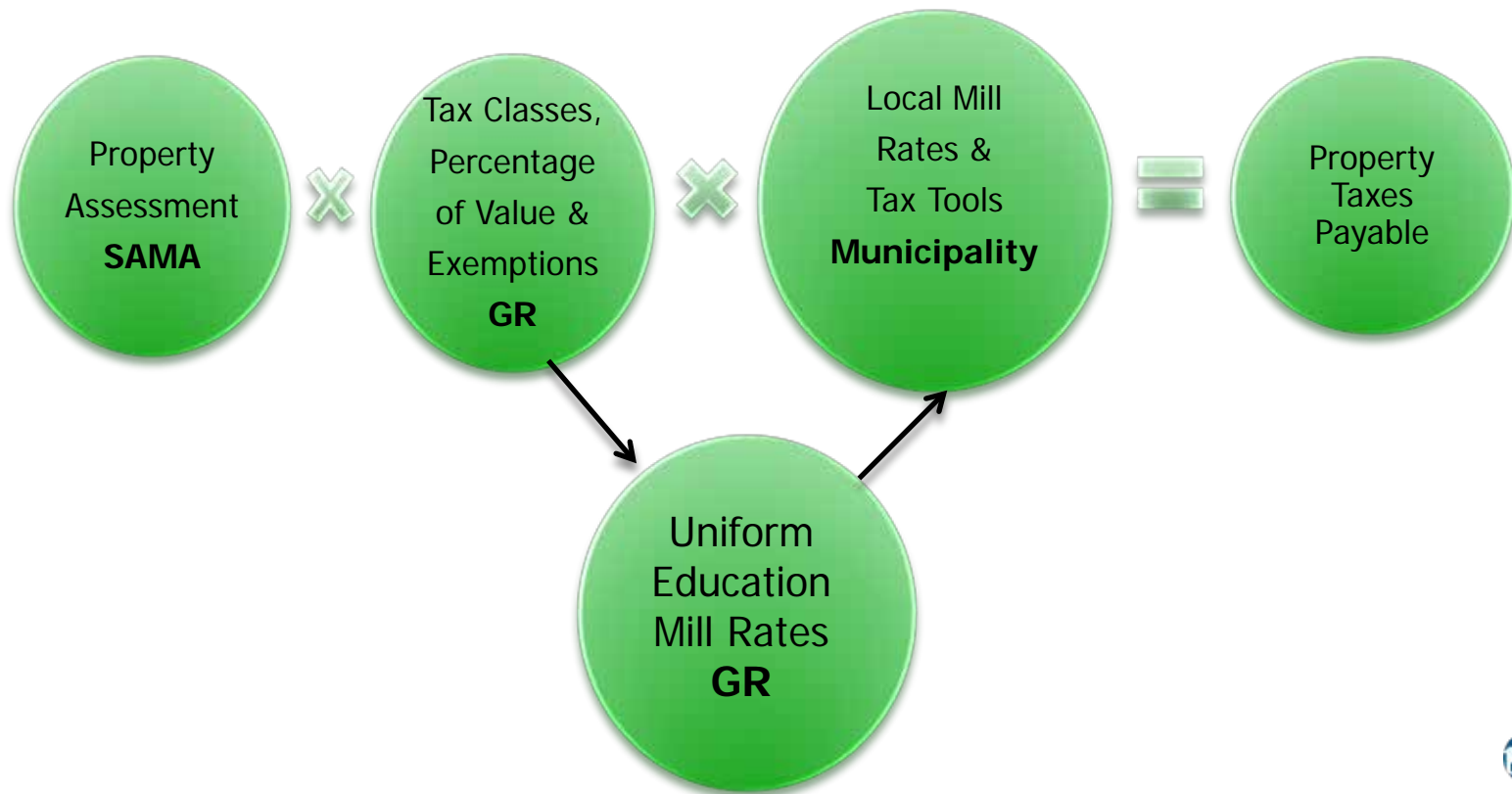
- Mass Appraisal
- Base Date
- Four Year Updates (Revaluations)
- Foundation in Legislation
 - Market Valuation Standard
 - Regulated Property Assessment Standard
 - Equity
 - SAMA Board Orders

2017 Revaluation – Board Orders

- ∅ 2017 Revaluation Board Orders include:
 1. 2017 Revaluation Base Date Order
 2. Market Value Evidence Order
 3. Quality Assurance Standards Order
 4. Saskatchewan Assessment Manual (2015 Base Year) Order

- ∅ All Orders in effect for 2017 to 2020 assessment roll years

Assessments - Foundational Component of the Property Tax System



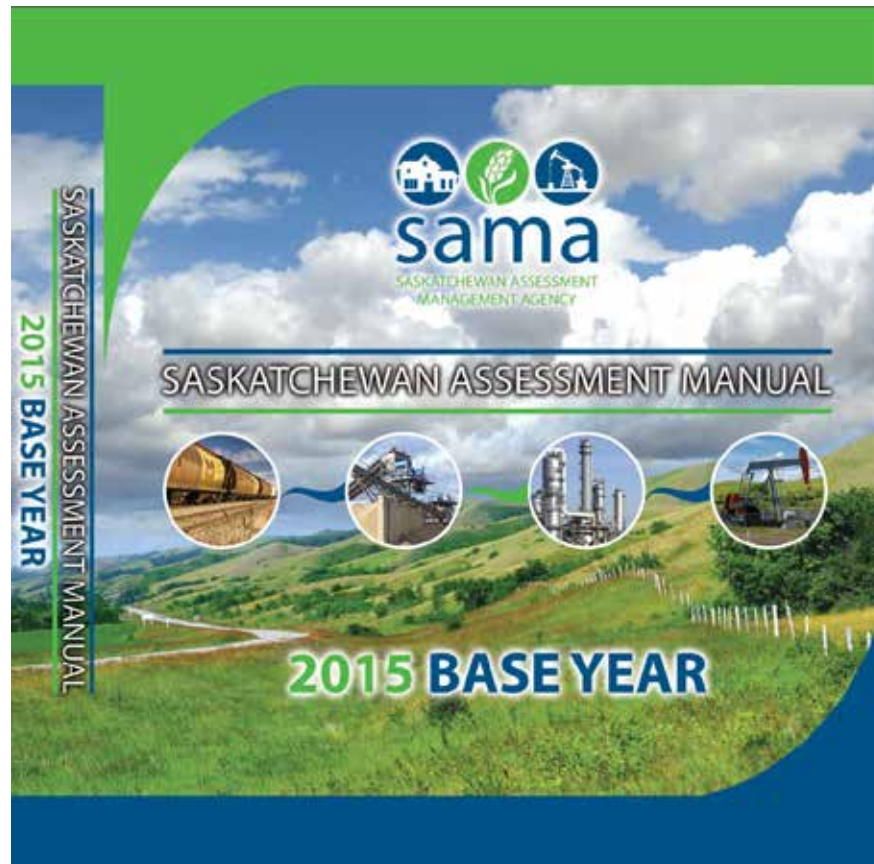
Assessment Legislation

- Only real property is assessed, unless specified in legislation
- Mass appraisal and equity are key features
- Four year revaluation cycle:
 - January 1, 2011 base date for 2013-16
 - January 1, 2015 base date for 2017-20
 - January 1, 2019 base date for 2021-25
- Two valuation standards:
 - Regulated Property Assessment Standard
 - Market Valuation Standard

Assessment Legislation

- Regulated Property Assessments:
 - Determined according to the regulated property assessment valuation standard (force of law)
 1. Heavy industrial property
 2. Resource production equipment
 3. Pipeline
 4. Railway roadway
 5. Agricultural land
- Non-Regulated Property Assessments:
 - Determined according to the market valuation standard
 1. Residential property
 2. Commercial property

Saskatchewan Assessment Manual - 2015 Base Year (Manual)



Regulated Property Valuation Methods

- Regulated cost approach
 - Heavy industrial property
 - Resource production equipment (at mines, oil and gas sites)
 - Pipelines and railway
- Agricultural land – productive capacity
 - Arable land
 - Pasture land
 - Waste land (\$10/ac)
 - Agricultural mixed use land

Regulated Manual Highlights

- Manual defines “heavy industrial property” which includes:
 - Mines that extract a mineral resource
 - Petroleum based industry
 - Ethanol properties greater than 50M liters capacity
 - Manufacturing of fertilizer, malt, steel, steel pipe
 - Lumber related industry including saw mills, wood products
 - Generating power (coal, natural gas, wind turbines)

Heavy Industrial Property and Related RPE



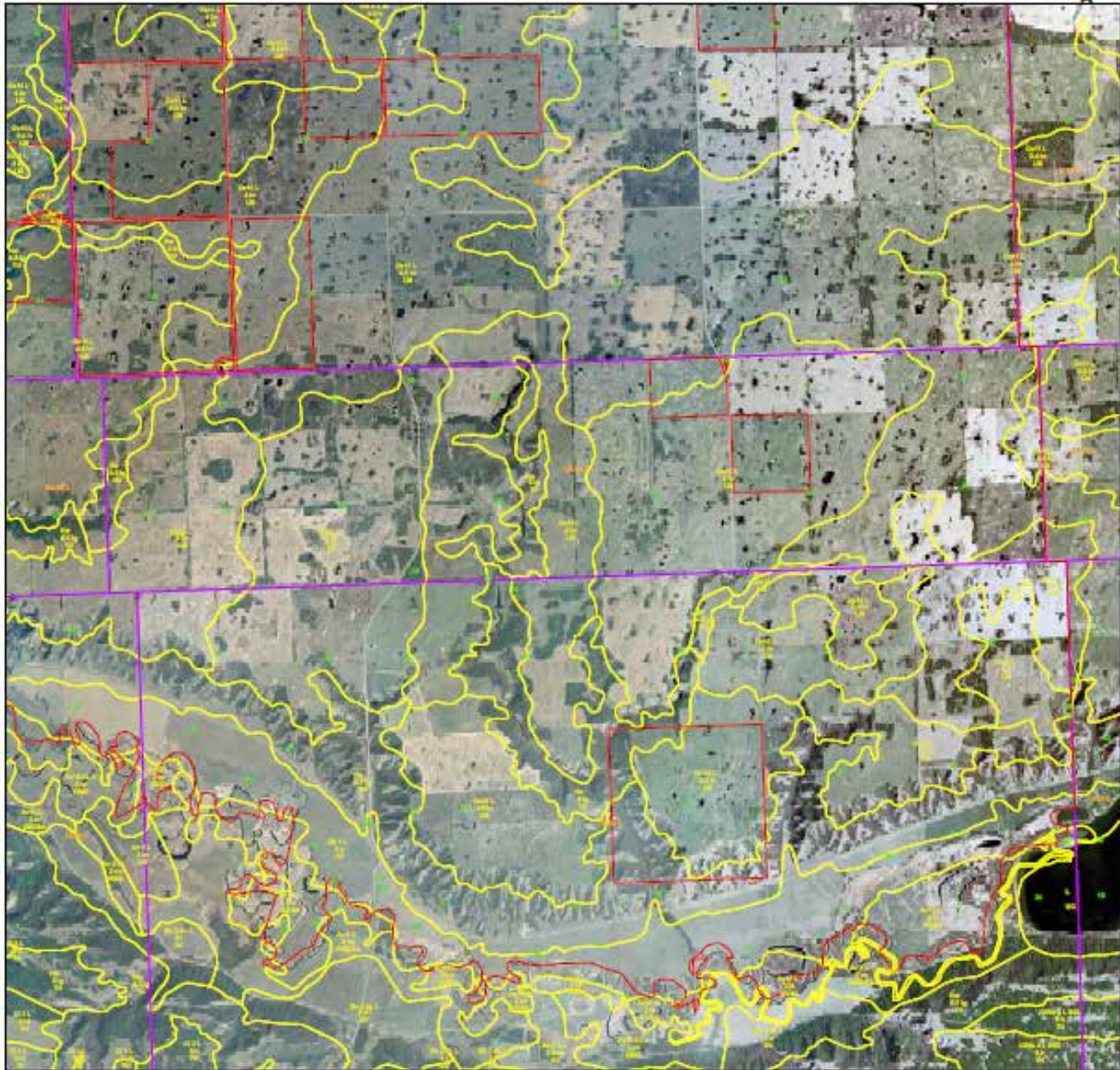
Agricultural Land Valuation Highlights

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Two productivity models
 1. Arable land
 2. Pasture land
- Productivity models linked to value using provincial average selling prices:
 - Arable PF: \$9.77/FR point
(\$21.49/FR point 2015 Base)
 - Pasture PF: \$8.51/FR point
(\$17.45/FR point 2015 Base)

Rural Municipality 184



Maplet from Information Services Corporation of Saskatchewan. Spatial Data Canada. Reproduced with the permission of Statistics Canada, Source: Geography Division, Mapping Centre, 2004. File Name: File (97%), 220001.GARDMAP

0 0.25 0.5 1 Miles

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Assessment Legislation – MAct, CAct, Nact

Market Valuation Standard

"**market valuation standard**" means the standard achieved when the assessed value of property:

- (i) is prepared using mass appraisal;
- (ii) is an estimate of the market value of the estate in fee simple in the property;
- (iii) reflects typical market conditions for similar properties; and
- (iv) meets quality assurance standards established by order of the agency;

Market Valuation Standard

Three Accepted Approaches to Value

1. Cost Approach
2. Sales Comparison Approach
3. Property Income (Rental) Approach

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Market Valuation Standard Publications

- Market Value Assessment in Saskatchewan Handbook (Handbook)
- SAMA's 2011 Cost Guide (Guide)
- Marshall and Swift/BoeCHK LLC.
 - Marshall Valuation Service (MVS)
 - Residential Cost Handbook (RCH)

Market Value Assessment in Saskatchewan Handbook



**MARKET VALUE
ASSESSMENT
IN SASKATCHEWAN**

HANDBOOK



SAMA's 2015 Cost Guide (Guide)



Questions?

sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Presentation Overview

Part 1 - Shaun

- SAMA – Who we are and what we do
- Assessment legislation and principles
- Valuation standards (Regulated, non-regulated)
- Review of SAMA's valuation publications

Part 2 - Todd

- Role of Assessor vs Assessment Appraiser
- SAMA's Property Access Protocols
- Services Provided by SAMA
- Three approaches to value
- 2017 Revaluation trends
- 2017 Revaluation delivery
- Questions and wrap-up

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Role of the Assessor vs Assm't Appraiser

Municipal Assessor

- Prepare assessment roll
- Determine tax class of property
- Determine tax status

SAMA's Assessment Appraiser

- “...establish, maintain and undertake valuations.”
Section 12(1)(b) AMA Act
- Determine the non-commercial portion that exemptions apply to in a rural municipality of properties that are used in both the agricultural operation of the land and a commercial use

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



SAMA's Property Access Protocols

- Current legislation gives the right of entry to a property to the assessment appraiser.
 - This right is used with great respect.
- Assessment appraiser needs to make a reasonable request at reasonable times and have identification.
- Go to door, knock – no answer gather information from exterior
- If property marked “no trespassing”, will go to the yard site for permission; if no one home, will leave property.
- Will not enter gated/secured property.

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Assessment Services Provided by SAMA

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



1. Annual Maintenance

- Ø Annual changes to keep physical inventory current.

2. Reinspections

- Ø A general review of property in a municipality to ensure physical inventory is current.

3. Revaluations

4. Support of Value (Property Appeals)

- Ø Agreements to adjust
- Ø Boards of Revision, Sask Municipal Board
- Ø Court of Appeal, Queen's Bench Court

SAMA Regions

Ø Saskatoon

Ø North Battleford

Ø Regina

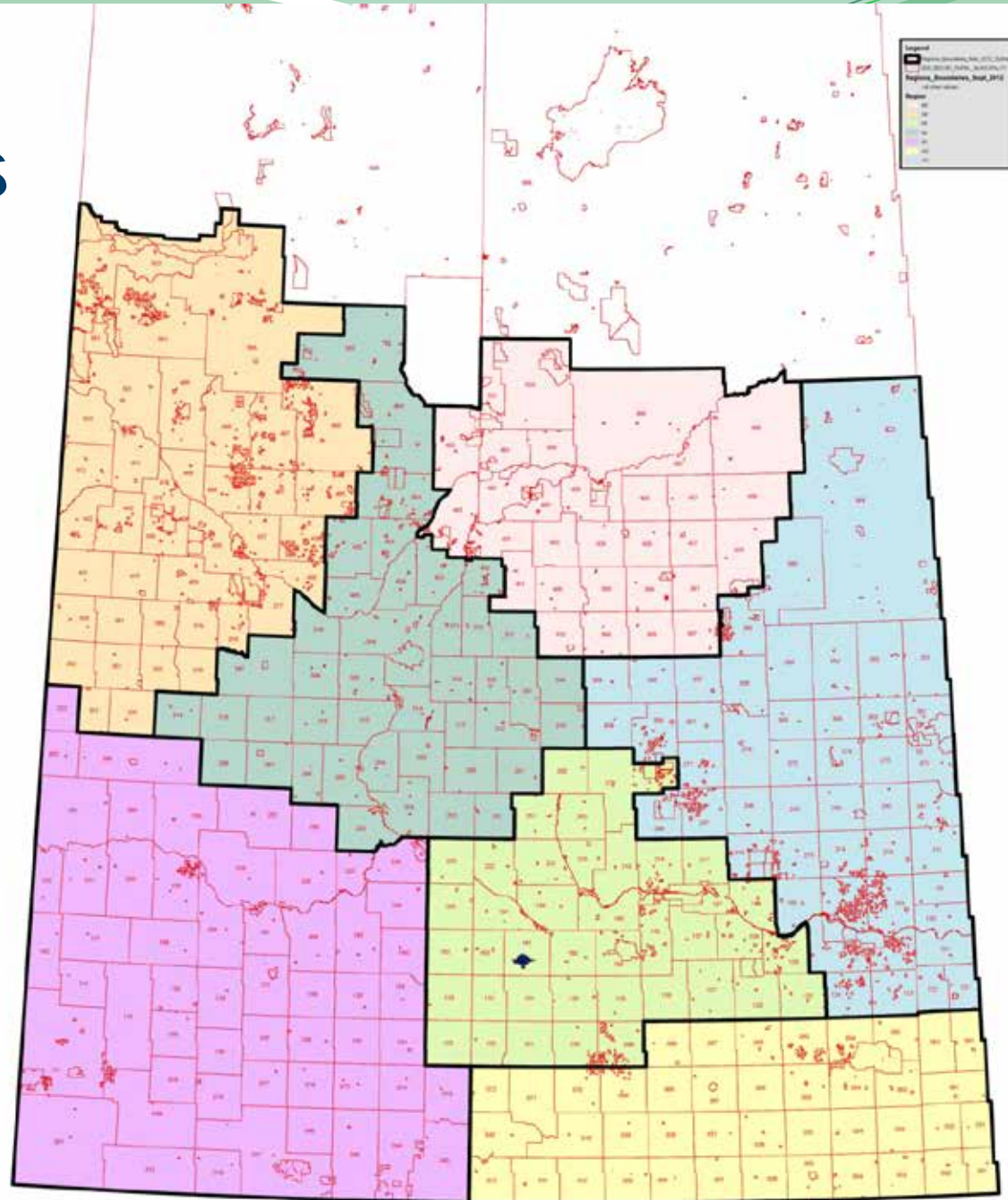
Ø Moose Jaw (city)

Ø Weyburn

Ø Melfort

Ø Yorkton

Ø Swift Current



Market Valuation Standard

Three Accepted Approaches to Value

- Cost Approach
- Sales Comparison Approach
- Property Income (Rental) Approach

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Overview of the Cost Approach

Land Valuation

sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Average selling prices for land
- As of the applicable base date (January 1, 2011)

Land Valuation

Non-Agricultural Land Valuation

sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Arm's length sales are collected and verified
- Determine units of comparison
- Identify neighbourhoods
- Determine base land rates (select median based on sales in the neighbourhood)

Land Valuation

Example:

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Sale #	Total Sale Price (\$)	Parcel Size (Sq Ft)	Sale Price per Square Foot
1	15000	10000	1.50
2	9750	7500	1.30
3**	9750	7500	1.30**
4	8580	7000	1.22
5	8500	7500	1.13

****Median =
1.30/SF**

Land Valuation

Assessment to Sale Price Ratio:

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Sale #	2011 Base Assessed Value (Land)	Total Sale Price (\$)	Ratio (ASR)
1	13000	15000	0.86
2	9750	9750	1.00
3**	9750	9750	1.00**
4	9100	8580	1.06
5	9750	8500	1.14

****Median = 1.00**

Improvement Valuation

- Replacement cost new determined from SAMA's 2011 Cost Guide (residential and selected commercial) or Marshall Valuation Service (commercial)
- Adjust for depreciation (based on the age and condition of the structure)
- Adjust to reflect average selling prices for comparable improvements as of the base date (January 1, 2011) by using a MAF (market adjustment factor)
- A MAF is calculated for each sale and the MAF applied is developed from the median of comparable sales in the neighbourhood

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Improvement Valuation

Depreciated Cost Estimate for a Residence:

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Replacement Cost New (RCN)	\$125,000
Less depreciation: - wear and tear (physical deterioration)	20%
RCN less depreciation (RCNLD)	\$100,000

Improvement Valuation

Market Adjustment Factor (MAF)

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- A MAF is calculated for each sale in the neighbourhood. The MAFs are then arrayed and a median MAF is selected.

$$\text{MAF} = \frac{\text{SP (Land \& Buildings)} - \text{MV Land}}{\text{RCNLD}}$$

Example:	Total Sale Price:	\$100,000
	Land Value:	\$ 20,000
	RCNLD:	\$100,000

$$\text{MAF} = (\$100,000 - \$20,000) / \$100,000 = 0.80$$

Improvement Analysis

Example:

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Sale #	Building Sale Price (\$)	RCNLD	MAF
1	50,000	62,500	0.80
2	45,000	54,000	0.83
3**	55,000	65,000	0.84
4	65,000	75,500	0.86
5	75,000	83,500	0.90

****Median MAF = 0.84**

Land and Improvement Valuation

Assessment to Sale Price Ratio with 0.84 MAF:

sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Sale #	2011 Base Assessed Value (Land and Buildings)	Sale Price (\$)	Ratio (ASR)
1	62,000	60,000	1.03
2	55,000	55,000	1.00
3**	65,000	65,000	1.00
4	73,000	75,000	0.97
5	80,000	85,000	0.94

**Median = 1.00

Summary of the Cost Approach

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



– Property Value = land value + building value

- Vacant land sales used to estimate land value.

- Buildings are costed (RCN) using standardized procedures; actual cost not used

- Physical depreciation assigned

- Market depreciation assigned (MAF)

sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Overview of the Sales Comparison Approach Using Multiple Regression Analysis (MRA) Techniques

Sales Comparison Approach

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Mass appraisal approach which determines the market value through a comparison of valid sales.
- Sale prices are used directly to identify value determining variables and ultimately calculate assessments.
- Preferred for single family or condo residential properties when adequate sales exist.
- Multiple Regression Analysis (MRA) techniques are commonly used to build sales comparison models.

Sales Comparison Approach

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- MRA is a statistical process that:
 - Is objective,
 - Requires less property characteristics
 - Can be recalibrated quickly
- There are three types of MRA models; Additive, Multiplicative and Hybrid.
- When properly specified and calibrated, all types achieve acceptable results.

Sales Comparison Approach - Hybrid Model Structure

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Assessed Value = Land Value + Improvement Value

Land Value considers the lot size and is adjusted for neighbourhood, land servicing & location factors

Improvement Value includes living area (main, basement, finished basement) and various interior features (fireplaces, air conditioning, etc) and exterior features (garage, deck, porch, etc) and is adjusted for neighbourhood, other location factors, construction type, quality, condition and depreciation.

Sales Comparison Approach – Application by SAMA

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Hybrid:
 - Moose Jaw, Humboldt, Kindersley, Martensville, Warman, Weyburn, Estevan, Yorkton, Melville, Melfort
- Multiplicative:
 - Moose Jaw condominium model
 - Provincial High Rise and Low Rise Apartment Condominium model

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Overview of the Property Income (Rental) Approach

Property Income (Rental) Approach Overview

- One of three internationally accepted methods of valuing property;
- Primary valuation approach for (rental) income producing properties;
- Income Approach is used for mass appraisal in other jurisdictions;
- Only considers property or rental income. Does not consider owner's personal income.

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Reasons for Using Income Approach

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Based on the Principle of Anticipation.
- Purchasers of an income property pay a sale price now, to receive future benefits (rental income stream)
- Accounts for the return on investment expected by typical purchasers of income producing properties.
- Primary approach used by industry as the valuator undertakes the same analysis as buyers and sellers of income producing properties.

Capitalization Rate

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



Capitalization Rate (R) =
Net Operating Income (NOI) / Sale Price

Example:

\$10,000 (NOI) / \$100,000 (Sale Price)
= 10% Capitalization Rate

Effective Gross Income Multiplier (EGIM)

- EGI = Gross Income less vacancy and collection loss

Effective Gross Income Multiplier (EGIM) =
Sale Price / Effective Gross Income (EGI)

Example:

\$350,000 (Sale Price) / \$50,000 (EGI)
= 7 Effective Gross Income Multiplier (EGIM)

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



SAMA's Income Approach Application for 2013-16

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



1) Multi-Residential

- Regular ownership, non-condo
- Majority of apartments province-wide

2) Accommodation

- Hotels and Motels located in a city

3) Shopping Malls

- Regional and Community Enclosed Malls province-wide

4) General Commercial

- Retail, Office, Warehouse, etc - Moose Jaw, Yorkton, Estevan, Weyburn and respective RM's

2017 Revaluation Trends

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY

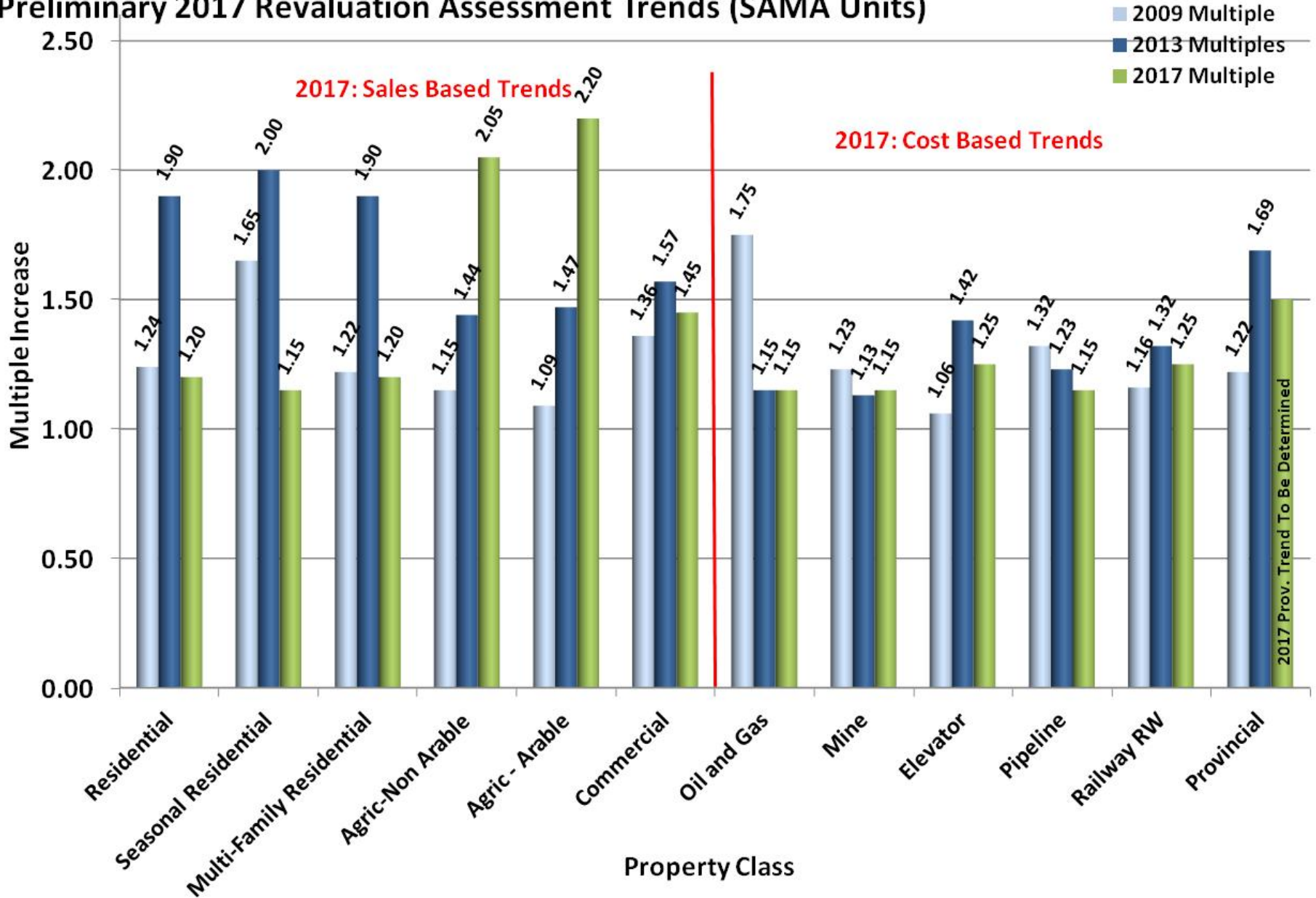


- Graphic represents general property types on a provincial basis.
- Market valuation standard property trends will vary by municipality.
- Comparisons made with current and past revaluation.

Preliminary 2017 Revaluation Assessment Trends (SAMA)



Preliminary 2017 Revaluation Assessment Trends (SAMA Units)



2017 Revaluation Delivery

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Preliminary Values to Government Relations by April 1, 2016.
- Deliver preliminary values to client municipalities after maintenance in the May to June time frame.
- Meet with clients to discuss values as required.

2017 Detailed Assessed Value Change Report



Preliminary Assessed Value Change Report
(Not For Public Distribution)
for **Town of Sample**

2013 Preliminary Assessments for Discussion Only
These values are not to be used for the 2013 Assessment Roll

June 15, 2012

Page 1 of 61

Assessment ID	Legal Land Location				Liab Subd	Tax Class	2012				2013				Value Diff	% Diff
							Land	Improvement	Property	Total	Land	Improvement	Property	Total		
ASSIN-505000050	Lot 1	Block 10	Plan N4600	Sup	1	C	\$3,600	\$38,300		\$41,900	\$3,600	\$50,800		\$54,400	\$12,500	29.8%
ASSIN-505000050	Lot 1	Block 10	Plan N4600	Sup	1	R	\$1,400	\$19,000		\$20,400	\$1,300	\$25,300		\$26,600	\$6,200	30.4%
ASSIN-505000100	Lot 2-3	Block 10	Plan N4600	Sup	1	C	\$10,000	\$71,100		\$81,100	\$9,900	\$94,400		\$104,300	\$23,200	28.6%
ASSIN-505000200	Lot 4	Block 10	Plan N4600	Sup	1	C	\$3,500	\$29,700		\$33,200	\$3,500	\$38,300		\$41,800	\$8,600	25.9%
ASSIN-505000200	Lot 4	Block 10	Plan N4600	Sup	1	R	\$1,500	\$19,700		\$21,200	\$1,500	\$25,200		\$26,700	\$5,500	25.9%
ASSIN-505000250	Lot PT 5-6	Block 10	Plan N4600	Sup 00	1	C	\$2,700	\$37,200		\$39,900	\$2,700	\$48,200		\$50,900	\$11,000	27.6%
ASSIN-505000250	Lot PT 5-6	Block 10	Plan N4600	Sup 00	1	R	\$2,400	\$32,900		\$35,300	\$2,400	\$42,800		\$45,200	\$9,900	28.0%
ASSIN-505000300	Lot PT 6	Block 10	Plan N4600	Sup 00	1	C	\$4,900			\$4,900	\$4,800			\$4,800	\$-100	-2.0%
ASSIN-505000350	Lot 7	Block 10	Plan N4600	Sup	1	C	\$3,300	\$27,500		\$30,800	\$3,300	\$36,400		\$39,700	\$8,900	28.9%
ASSIN-505000350	Lot 7	Block 10	Plan N4600	Sup	1	R	\$1,700	\$43,400		\$45,100	\$1,700	\$56,900		\$58,600	\$13,500	29.9%
ASSIN-505000400	Lot 8	Block 10	Plan N4600	Sup	1	C	\$3,000	\$33,900		\$36,900	\$3,000	\$44,000		\$47,000	\$10,100	27.4%
ASSIN-505000400	Lot 8	Block 10	Plan N4600	Sup	1	R	\$2,000	\$29,600		\$31,600	\$2,000	\$38,500		\$40,500	\$8,900	28.2%
ASSIN-505000450	Lot 9	Block 10	Plan N4600	Sup	1	C	\$5,000	\$28,400		\$33,400	\$5,000	\$34,200		\$39,200	\$5,800	17.4%

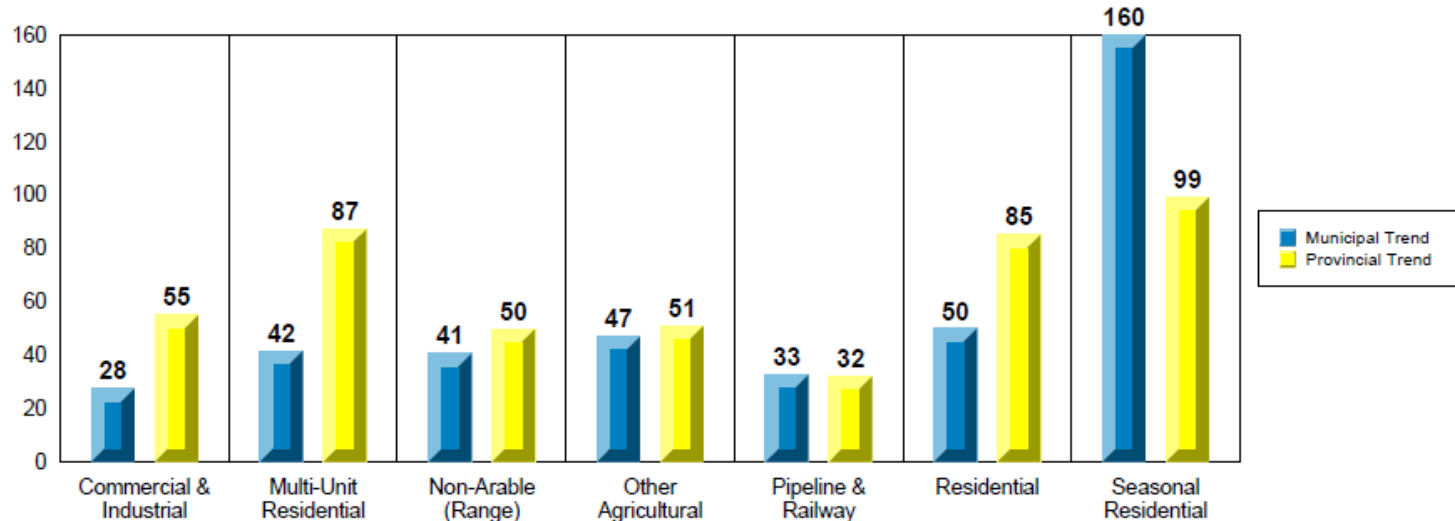
2017 Assessed Value Trend Report



2013 Revaluation Preliminary Assessed Value Trend Report (100% Value) for RM of Sample

August 15, 2012

Tax Class (as defined in Regulations)	2012 Municipal Assessed Value	2013 Preliminary Municipal Assessed Value	Municipal Trend	Provincial Trend
Commercial & Industrial	\$3,556,400	\$4,535,200	28%	55%
Multi-Unit Residential	\$320,300	\$453,500	42%	87%
Non-Arable (Range)	\$12,286,400	\$17,275,000	41%	50%
Other Agricultural	\$40,277,600	\$59,170,100	47%	51%
Pipeline & Railway	\$7,733,300	\$10,259,500	33%	32%
Residential	\$37,633,100	\$56,443,700	50%	85%
Seasonal Residential	\$7,015,100	\$18,221,800	160%	99%
Total	\$108,822,200	\$166,358,800	53%	68%



2017 Taxable Assessed Value Trend Report

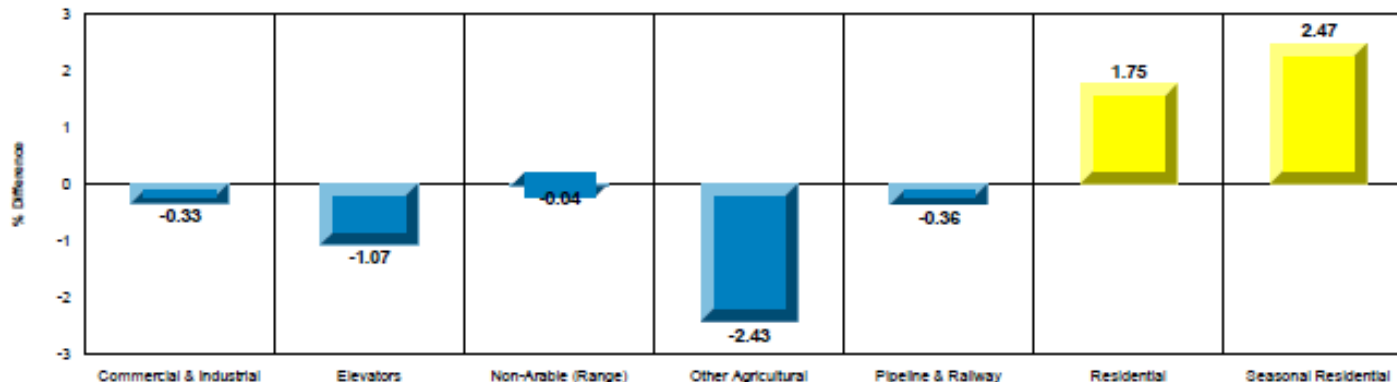


2013 Revaluation Preliminary Taxable Assessed Value Trend Report for RM of Sample

August 16, 2012

Tax Class (as defined in Regulations)	2012 Taxable Assessed Value	2012 293 Exempt Assessed Value	2012 Taxable % of Total Value	2013 Preliminary Taxable Assessed Value	2013 Estimated 293 Exempt Assessed Value	2013 Adjusted Taxable Assessed Value	2013 Adjusted Taxable % of Total	See Chart Change of % 2012 to 2013
Commercial & Industrial	\$1,851,400	\$104,300	2.83%	\$2,527,200		\$2,527,200	2.50%	-0.33%
Elevators	\$8,886,975		13.60%	\$12,678,450		\$12,678,450	12.54%	-1.07%
Non-Arable (Range)	\$748,400		1.15%	\$1,122,440		\$1,122,440	1.11%	-0.04%
Other Agricultural	\$38,398,835		55.72%	\$53,887,460		\$53,887,460	53.30%	-2.43%
Pipeline & Railway	\$1,638,075		2.51%	\$2,167,125		\$2,167,125	2.14%	-0.36%
Residential	\$9,595,340	\$2,326,220	14.69%	\$20,237,210	\$3,611,620	\$16,625,651	16.44%	1.75%
Seasonal Residential	\$6,204,170	\$60,340	9.50%	\$12,201,350	\$99,820	\$12,101,530	11.97%	2.47%
Total	\$65,323,195	\$2,490,860	100.00%	\$104,821,235	\$3,711,440	\$101,109,858	100.00%	

Change of % 2012 to 2013



2017 Revaluation Delivery

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY



- Receive tax classes and percentages of value from Government Relations in September.
- Recalculate and validate values.
- Continue to work on maintenance
- 2017 value reports sent to client municipalities in January 2017.
- Finalize maintenance and deliver.

Additional Resources

- SAMA's website - www.sama.sk.ca
 - www.sama.sk.ca
 - On-line manuals, handbooks, FAQs etc
 - SAMAView www.samaview.ca

Questions?

sama
SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY

