



## SAMA's 2021 Annual Meeting - Resolutions

Resolution 2021-1

submitted by the RM of McKillop No. 220

**Amend the Market Value Assessment in Saskatchewan Handbook to include the use of the income approach to value campgrounds.**

- **Whereas** rural municipalities, by bylaw, can subdivide land to allow private campgrounds to be a commercial land use.
- **Whereas** commercial property and land in rural municipalities are assessed significantly lower than in urban municipalities.
- **Whereas** there is no separate classification for campgrounds and so they are placed into the commercial and industrial classification resulting in assessments as other commercial property and land.
- **Whereas** currently campgrounds are assessed as unregulated. Unregulated assessment uses three approaches: the sales comparison approach, the cost approach and the income approach.
- **Whereas** sales of private campgrounds are not an active sales market resulting in not enough sales to substantiate an accurate or valid assessment.
- **Whereas** campground development costs are low and much of the development is the responsibility of the lease or permit holder. Many developers use already developed facilities.
- **Whereas** the approach for estimated market value assessments are based on the present worth of anticipated income. Income producing properties are bought and sold based on their income potential. The income approach converts this income into an estimate of present value.
- **Whereas** the income (rental) approach is appropriate for campground assessment as the value of the property is directly related to the income it will generate.
- **Therefore, be it resolved** that SAMA amend the Market Value Assessment in Saskatchewan Handbook to include the use of the income approach to value campgrounds.

## Background Information from SAMA

This resolution requests that the Provincial Government amend legislation to accept amendments to the Market Value Assessment in Saskatchewan Handbook (Handbook) to allow for the assessment of campgrounds using the income approach to value.

Because the valuation of campgrounds falls under the *Market Valuation Standard* in legislation and not the *Regulated Property Assessment Valuation Standard*, there is no requirement for the Provincial Government to amend legislation in order for SAMA to amend the Handbook.

Unlike the regulated Manual which has the force of law, Ministerial approval of the Handbook is not required. Amendments to the Handbook can be made after adequate consultation with SAMA's Advisory Committees. A Board Resolution is then needed for the amendments to come into force. The Handbook is not tied to a specific base date so amendments can occur at any time.

The resolution is asking for SAMA to consider amending the Handbook to allow for the use of the income approach to value campgrounds. The Handbook already includes a valuation guide titled, "Chapter 5 – Manufactured Home Communities". This valuation guide includes best practices for valuing these types of properties which can range from basic campground type configurations consisting of land in a unserviced state, to fully serviced manufactured home communities.

The existing provisions in the Handbook indicate that manufactured home communities feature wide variations in locations; design and shape of the communities; and design, style and condition of the improvements. Although "campgrounds" are not specifically referenced in the valuation guide, they are covered by the provisions of this chapter which recommends the use of the income approach to value Manufactured Home Communities for assessment services. However, this recommendation is subject to having adequate sales and income information to value these properties using the income approach, which is a common challenge due the scarcity of market data for campgrounds.

Because assessment appraisers seldom have sufficient income and sales information to value campgrounds using the income approach or sales comparison approach, they are typically valued using the cost approach to value. SAMA's Cost Guide (Guide), section 2.10, page 2 to 4, includes instructions for assessment appraisers to value the land associated with Manufactured Home Parks, Recreational Vehicle or Travel Trailer Parks using the cost approach. The guide also includes development cost schedules to account for servicing costs such as engineering, grading, street, sewer, water, natural gas and electrical. Assessable improvements at campgrounds such as travel trailers and manufactured homes, that are not licenced, are also typically valued using the cost approach and the procedures for these valuations are found in chapters 3 to 6 of the Guide.

As a potential response to the resolution, SAMA could recommend adding another paragraph into the Handbook to more explicitly identify recreational campgrounds as fitting into the manufactured home park valuation section.