

# SUMA Presentation

## Property Assessment 101

SAMA Presenters: Steve Suchan

Todd Treslan

February 1, 2015



# Presentation Overview

## Part 1 - Steve

- SAMA – Who we are and what we do
- Assessment legislation and principles
- Valuation standards (Regulated, non-regulated)

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## Part 2 - Todd

- Role of Assessor vs Assessment Appraiser
- Right of Entry
- Services Provided by SAMA
- Three approaches to value
- 2017 Revaluation trends
- Questions and wrap-up

# SAMA's Roles and Responsibilities

AMA Act -- Board Governed Agency

## Governance

\$160B / \$1.64B

Ass'tmt / Taxes

(100% Province)

- Policy
- Quality Assurance
- Computer System
- Communication
- Safety Net for Province

## Assessment Services

763 of 771 municipalities

(61%Munic/39%)

- 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

# Vision and Mission Statements

## Vision

SAMA is the recognized leader and authority on property assessment, and Saskatchewan's service provider of choice

## Mission

SAMA develops, regulates and delivers a stable, cost-effective assessment system that is accurate, up-to-date, universal, equitable and understandable.

## Core Values

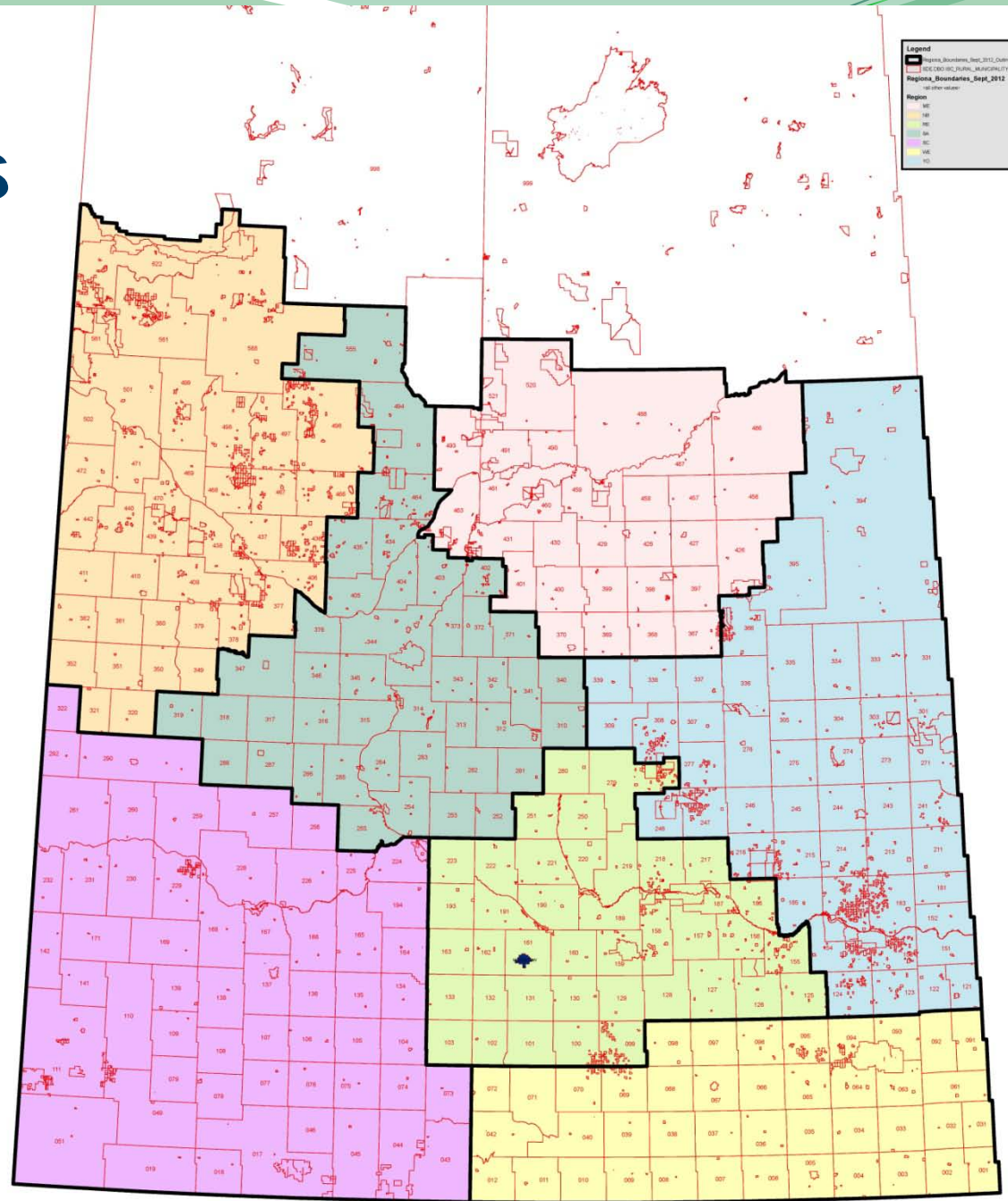
Integrity, professionalism, dedication, solution focused.

# SAMA's 2014-17 Strategic Directions

1. Establish a new, stakeholder supported funding model for SAMA. (ie. maint fee)
2. Simplify and streamline to improve efficiency and effectiveness.
3. Use policy, process and technology changes together to radically increase property inspections.
4. Strengthen the capabilities of all employees.

# SAMA Regions

- Saskatoon
  - North Battleford
- Regina
- Moose Jaw (city)
- Weyburn
- Melfort
- Yorkton
- Swift Current





# HORRIBLE HAGAR

I HEREBY CLAIM THIS LAND  
IN THE NAME OF HAGAR  
THE HORRIBLE!



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HI, THERE! I'M WITH THE TAX ASSESSOR'S OFFICE!  
I'M HERE TO ASSESS YOUR PROPERTY FOR TAXES!



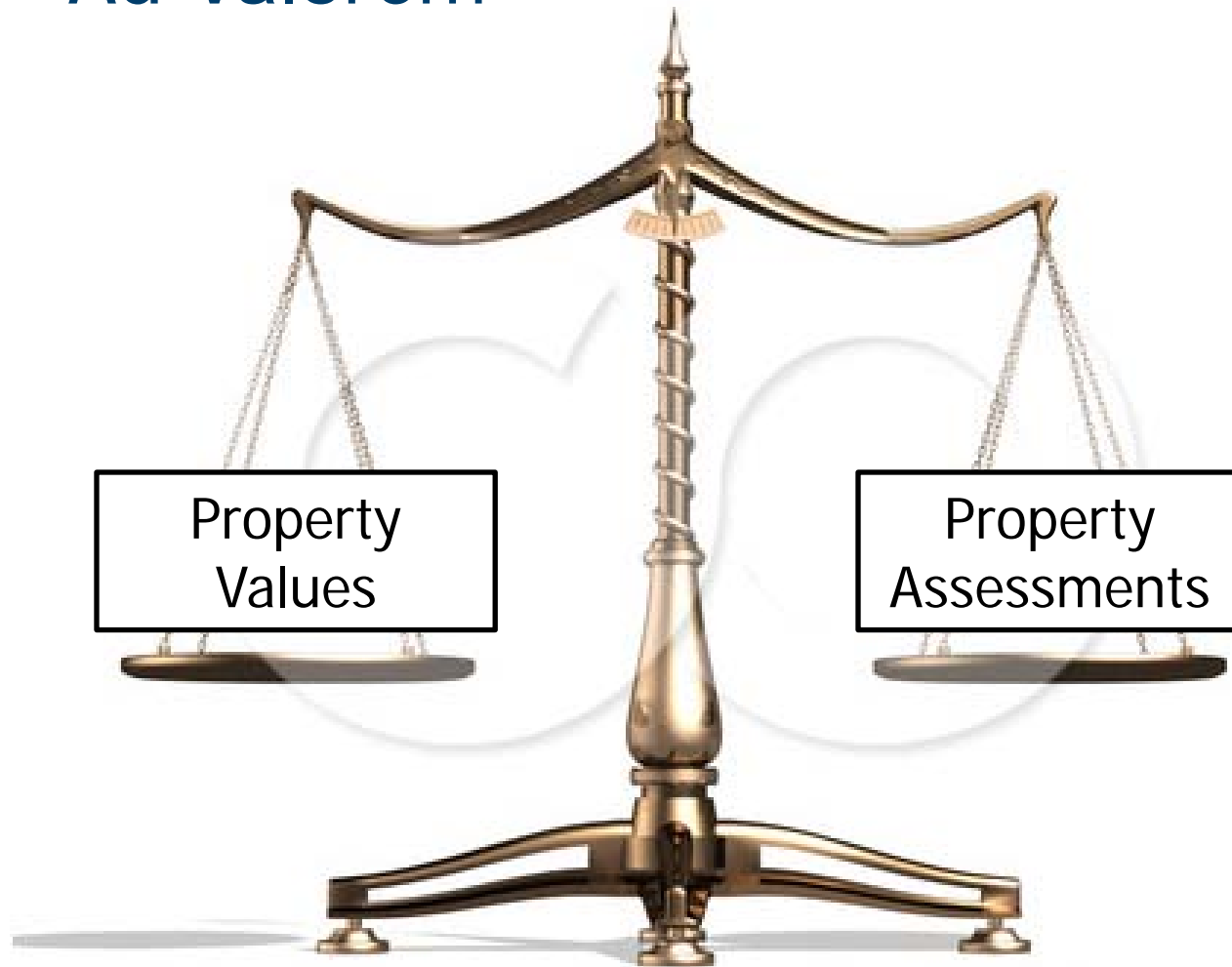


# Purpose of Assessments

- 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

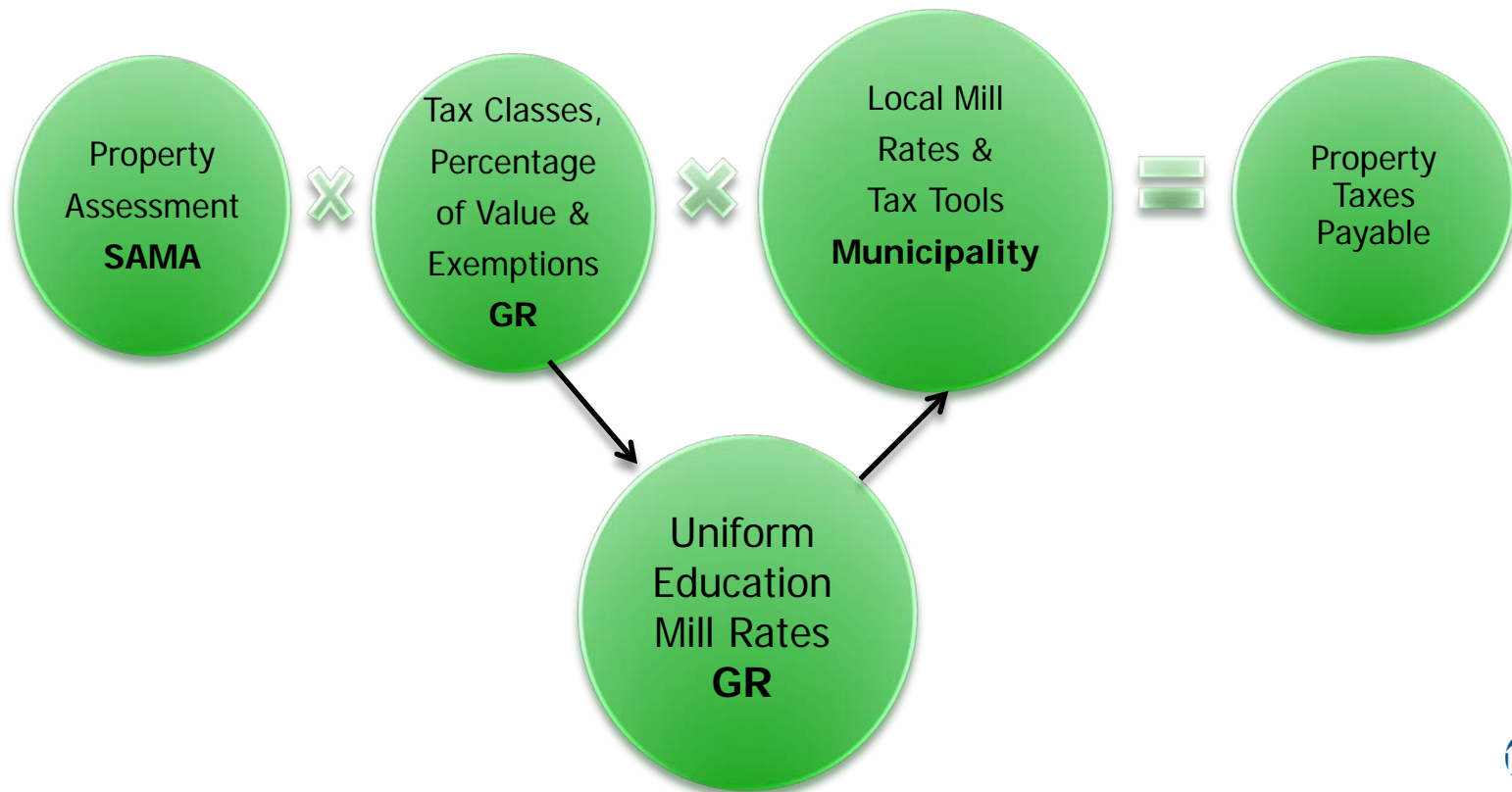
## Ad Valorem



# Assessment Principles

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

# Assessments - Foundational Component of the Property Tax System



# Assessment Legislation

## The Assessment Management Agency Act (AMA Act)

- Regulations
- Board Orders

## The Cities Act (CAct)

- Regulations

## The Municipalities Act (MAct)

- Regulations

## The Northern Municipalities Act, 2010 (NAct)

- Regulations

# Assessment Legislation

## *The Assessment Management Agency Act (s12.(1))*

- Prepare assessment manuals, guidelines, handbooks and other materials.
- Perform valuations and revaluations.
- Maintain a central database.
- Ensure public, municipal councils a government aware of assessment methods and policies.
- Confirm assessments of municipalities.

# Assessment Legislation

## *The Assessment Management Agency Act*

- SAMA Revaluation Board Orders.
  - January 1, 2011 for 2013-2016.
  - January 1, 2015 for 2017-2020.
  - January 1, 2019 for 2021-2025.
- Are corresponding Orders for each revaluation relating to:
  - Market Evidence.
  - Quality Assurance Standard for market value properties.
  - Regulated Manual.



# Assessment Legislation – MAct, CAct, NAct

- All property in a city/municipality is subject to assessment.
- Assessments prepared annually.
  - Facts, conditions and circumstances as of January 1 as if they occurred on the base date.
  - Same base date used for four years.
  - Annual maintenance and periodic reinspections.

# Assessment Legislation – MAct, CAct, NAct

- Regulated and non-regulated assessments.
  - Regulated property assessments shall be determined according to the regulated property assessment valuation standard.
    - Heavy industrial property
    - Resource production equipment
    - Pipeline and railway roadway
    - Agricultural land
  - Non-regulated property assessments shall be determined according to the market valuation standard.
    - Residential and commercial property

# SASKATCHEWAN ASSESSMENT MANUAL



**2011 BASE YEAR**

**SAMA**

Saskatchewan Assessment  
Management Agency

# Regulated Manual Highlights

## Part I – Median Assessed Value to Sale Price Ratio

## Part II – Regulated Property

- Valuation models are specified for regulated property.
  - Agricultural Land
  - Agricultural Land – Mixed Use
  - Heavy Industrial Land (includes rates)
  - Railway Roadway (includes rates)
  - Heavy Industrial Buildings and Structures
  - Oil and Gas Well Resource Production Equipment
  - Mine Resource Production Equipment
  - Pipelines
  - Environmental Contamination (industrial property only)

# Regulated Manual Highlights

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

# Assessment Legislation – MAct, CAct, Nact

## Market Valuation Standard

**“non-regulated property assessment”** means an assessment for property other than a regulated property assessment.

**“mass appraisal”** means the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing.

**“market value”** means the amount that a property should be expected to realize if the real estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli.



# 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

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

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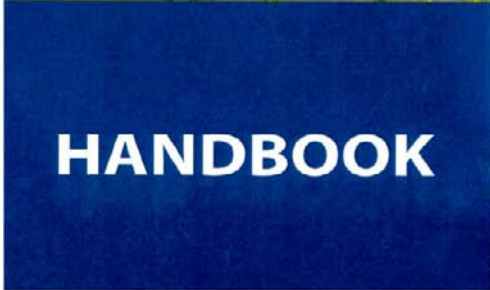


# Market Valuation Standard Publications

- 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**



The cover features a background image of a two-story house with light-colored siding and red shutters. A semi-transparent spreadsheet is overlaid on the house, showing various data points and formulas. The title 'SAMA'S 2011 COST GUIDE' is prominently displayed in the center in a large, bold, white font with a black outline. The 'A' in 'SAMA'S' has a small orange triangle above it.

# SAMA'S 2011 COST GUIDE



# Questions?

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## Part 2 - Todd

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# Role of the Assessor

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

# Role of the Assessment Appraiser

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- 12 (1) b of the *Assessment Management Agency Act*
  - Establish, maintain and undertake valuations
- 293(1)(a)(i) of the *Municipalities 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

# Right of Entry - Legislation

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- Section 23 of the *Assessment Management Agency Act* gives the right of entry to a property to the assessment appraiser.
- Requires
  - Produce identification
  - Reasonable times
  - Reasonable request
- What if entry is refused?

# Right of Entry - Practice

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- Reasonable notice
  - Contact municipality one day in advance
  - Knock on door to notify occupant
- Reasonable time
  - Between 8:00 am and 6:00 pm
- Identification
  - Sign on vehicle
  - Wear photo ID

# Trespassing

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- Residential – not marked
  - Go to door, knock – no answer gather information from exterior
- Residential – Marked
  - Go to door, knock – talk to owner or occupant and ask permission
  - If no answer then leave property without gathering information from private property
  - If gated or secured, do not enter the property

# Services Provided by SAMA

## Annual Maintenance

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- Preparation of inspection list (properties requested by municipality and properties we have identified from previous inspections)
- On site inspections
- Preparation of revised assessments
- Delivery of revised assessments (hard copy and electronic form)

# Services Provided by SAMA

## Support of Value (Appeals)

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- Preparation of appeal briefs for submission to Board of Revision
- Attendance at Board of Revision hearing
- Delivery of revised assessments if required (hard copy and electronic form)
- SAMA will appeal decisions to the Saskatchewan Municipal Board if required
- Attendance at Saskatchewan Municipal Board hearings
- Access to Legal Counsel



# Services Provided by SAMA

## Reinspection

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- Identify assessment issues with Council
- Develop inspection plan
- Communication plan (letter to ratepayers, property confirmation forms and 1-800 numbers)
- On site inspections of improvements (including call backs)

# Services Provided by SAMA

## Reinspection

- Review market analysis
- Preparation of revised assessments
- Present values to Council and administration
- Follow up with an open house in the spring

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# Services Provided by SAMA

## Revaluation

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- Update of assessments in revaluation years (currently every four years)
- Sales Verification
- Market Analysis (land and improvements)
- Preparation of revised assessments
- Delivery of revised assessments (hard copy and electronic form)
- Open houses in revaluation years

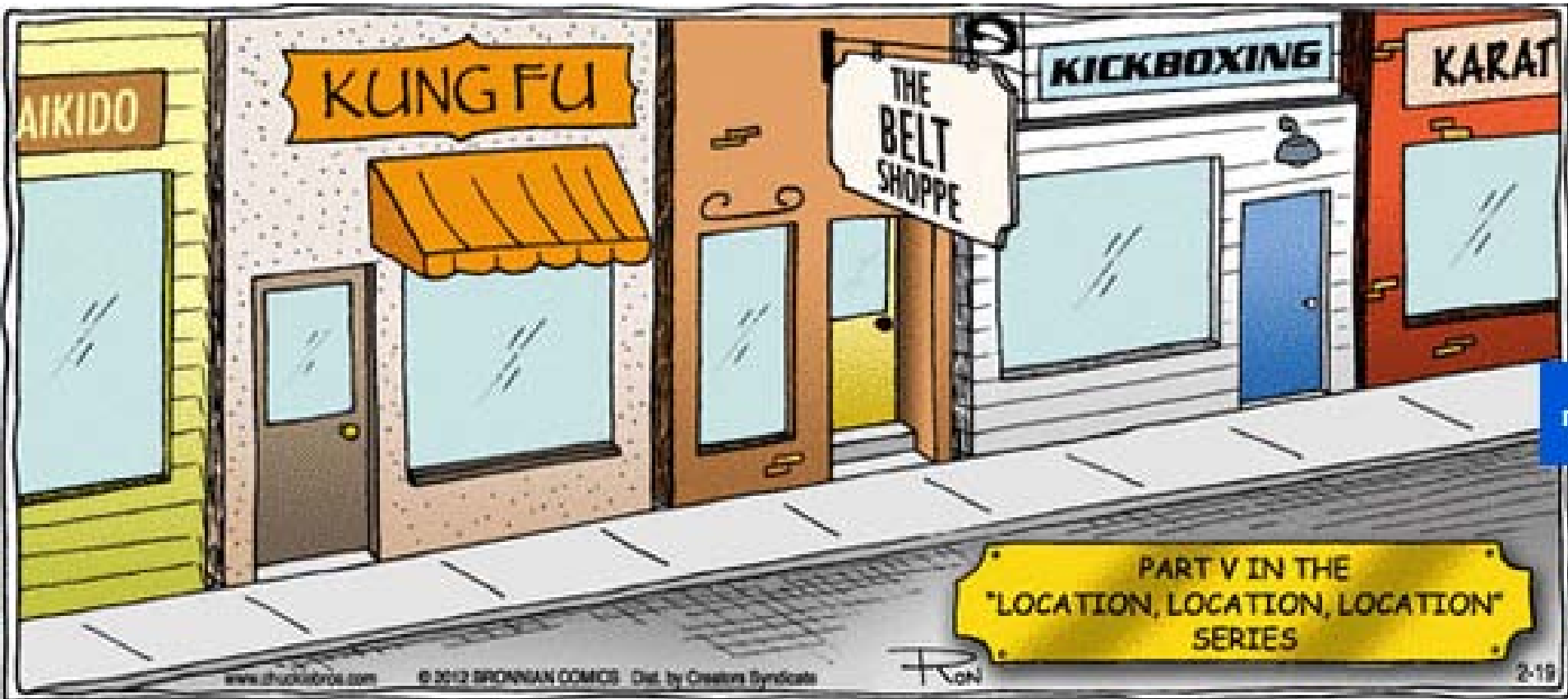
# Market Valuation Standard

## Three Accepted Approaches to Value

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

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# Overview of the Cost Approach

# Land Valuation

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

# Land Valuation

## Non-Agricultural Land Valuation

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- 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)



# Improvement Valuation

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- 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

# Summary of the Cost Approach

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- 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)

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

# Sales Comparison Approach

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- 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

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- 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 – Application by SAMA

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- 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

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# Overview of the Property Income (Rental) Approach

# Property Income (Rental) Approach Overview

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- 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.



# Reasons for Using Income Approach

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- 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.

# SAMA's Income Approach Application for 2013-16

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## 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

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- Trend graph from the November/2014 SAMA Advisory Committee Meetings.
- Ag land trends updated January 26, 2015
- Represents property type on a provincial basis.
- Market valuation standard property trends will vary by municipality.

# Preliminary 2017 Revaluation Assessment Trends

2009 Multiple  
2013 Multiples



# Additional Resources

- SAMA's website - [www.sama.sk.ca](http://www.sama.sk.ca)
  - [www.sama.sk.ca](http://www.sama.sk.ca)
  - On-line manuals, handbooks, FAQs etc
  - SAMAView [www.samaview.ca](http://www.samaview.ca)

# SAMA's Website



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## For Property Owners



- » Order Detailed Property Reports
- » Order Sales Information
- » Appealing an assessment
- » Providing Information to SAMA
- » FAQs about assessment
- » Find nearest SAMA office

## For Municipalities

- » Using SAMA's services
- » Educational Publications
- » Forms
- » Audit Guides
- » Roll Confirmation Reports
- » Statutory Audit Reports

## Online Publications

- » 2011 Assessment Manual
- » Market Value Handbook
- » 2011 Cost Guide
- » ... or order a copy of these publications

## What's New

- » UMAAS 2014 AGM Presentation
- » RMAA 2014 AGM Presentation
- » 2013 Performance Report
- » 2013 Annual Report
- » Maintenance Service Fee Effective in 2015

# SAMAView



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Pursuing excellence in property assessment  
policy and services for Saskatchewan

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[SAMAView Overview](#)

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# Questions?

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