



Ministry of
Municipal
Affairs

An Overview of The Assessment System in Saskatchewan

*Board of Revision
Handbook for 2009*

(April 2008)

*An Overview of The Assessment System in Saskatchewan:
Board of Revision(BoR) Handbook for 2009*

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OVERVIEW OF THE ASSESSMENT SYSTEM IN SASKATCHEWAN – Board of Revision Handbook for 2009

1 Introduction and Purpose

The *Overview of the Assessment System in Saskatchewan* (Board of Revision (BoR) Handbook) is to provide general information for local and district BoR members about the assessment system and the coming 2009 Revaluation and a market valuation standard of assessment.

The BoR Handbook includes:

- a description of current assessment processes and approaches;
- an explanation of why Saskatchewan is moving to a market valuation standard (rationale);
- a summary of legislative amendments that were required to implement a market valuation standard;
- a description of changes to come in 2009, including an explanation of the difference between regulated property assessments and non-regulated property assessments;
- examples showing the cost approach, sales comparison approach and *rental* income approach to valuation;
- a brief summary of the content of manuals, handbooks and guides that will be used by assessment appraisers / assessors for the 2009 revaluation; and
- some new terminology that will be used.

The BoR Handbook is a general reference for BoR members. While it refers briefly to assessment appeals, more detailed information about the assessment appeal process can be found on the government web site at: <http://www.municipal.gov.sk.ca> under Publications and Guides. See the brochure titled *Appealing Your Property Assessment* and the document called the *Assessment Appeals Manual*.¹

In writing this Handbook, “Overview of the Assessment System in Saskatchewan” sections of the following Saskatchewan Assessment Management Agency (SAMA) publications were adapted and summarized. These include the:

¹ The *Assessment Appeals Manual* is another reference for Board of Revision members. Part 1 of the document describes the assessment appeal process. It also reflects changes in the assessment appeal process relating to the upcoming revaluation in 2009 and the introduction of a market valuation standard for assessments. Parts 2 and 3 of the *Assessment Appeals Manual* includes practical information about conducting appeal hearings and writing decisions. Part 4 includes information about further appeal options.

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- SAMA Assessment 2006 Base Year Manual;
- Market Value Assessment in Saskatchewan Handbook; and
- SAMA 2006 Cost Guide.

SAMA and Municipal Affairs web site information was also used.

The changes summarized in this handbook are for guidance purposes only. Please consult the actual manual, handbook or guides for specific information about valuation processes and techniques for all properties.

A. Current assessment processes and approaches

This section provides a description of processes and approaches under the current regulated assessment system which is in effect until 2009.

Assessment Basics

Some general concepts and approaches are basic to the assessment of property. These are listed below.

Assessment

Assessment is the process of valuing all properties in a jurisdiction using mass appraisal techniques for the distribution of property taxation.

Ad valorem

Assessment is used in the “ad valorem” tax system. The “ad valorem” principle is based on the concept that the amount of tax paid by a property owner should be determined in proportion to the value of their property.

Mass Appraisal

Assessment service providers use mass appraisal valuation methodologies to value a group of properties as of a given date, using standard methods and statistical testing. Mass appraisal ensures the fair and equitable valuation of all properties in a municipality, and is not influenced by short-term fluctuations in supply and demand.

Base Date

Property assessments are determined in keeping with provincial legislation and the Saskatchewan Assessment Manual. Assessments link the value of a property to local market conditions. Since property values change over time, all assessments are determined according to a “base date” to ensure fairness.

This base date is moved forward every four years by provincial legislation. SAMA and other independent assessment service providers, (i.e. city assessors) oversee a revaluation of all properties in the province to implement a new base date on the four

year assessment cycle. This ensures that property values are relatively up to date and understandable to the taxpayer.

In Saskatchewan, the base date for property assessment valuations was updated by 29 years in 1997. Subsequent revaluations were implemented in 2001 (with a base date of June 30, 1998) and in 2005 (base date of June 30, 2002). The base date established for the upcoming 2009 revaluation is June 30, 2006.

Approaches to Value

Three internationally accepted approaches for estimating the value of property are:

- the sales comparison approach;
- the cost approach; and
- the income approach (referred to in this document as the *rental* income approach).

The cost and sales comparison approaches are currently used in Saskatchewan for assessment purposes.

The *rental* income approach is to be introduced in Saskatchewan in 2009.

Current Property Assessment System

Saskatchewan's current property assessment system for the June 30, 2002 base date is a **regulated system** where valuation rules and the "Fair value" of property are defined in the Saskatchewan Assessment Manual developed by SAMA.

SAMA is an agency that operates independently from government. It manages the province's property assessment system developed in consultation with municipalities, school divisions and the provincial government. SAMA also provides assessment valuation services and other related services to most cities, towns, villages and rural municipalities in the province.

Some larger municipalities such as the cities of Saskatoon and Regina provide their own assessment valuation services. Still others contract assessment appraisal services from private assessment service providers.

Assessment service providers (SAMA appraisers and others) currently assess the value of approximately 900,000 properties in Saskatchewan. All follow the valuation rules established in the Saskatchewan Assessment Manual which has the force of law.

The property assessment values calculated for the 2005 revaluation reflect property values as of the current base date of June 30, 2002. The base date will remain June 30, 2002 for the 2005-2008 taxation years and property assessments will reflect the value of the property as it would have existed on that base date.

It is important to recognize that assessment growth has little relationship to market value growth, except for the revaluation updates every four years. Although property values have been increasing in the province especially in the cities of Regina and Saskatoon, these changes are not reflected in the annual assessment maintenance updates since the previous June 30, 2002 base date.

The value at which all property in Saskatchewan is presently assessed is called “Fair value”. Currently, “Fair value” is arrived at through the application of the formulas, rules and principles found in the assessment manual. The value is not meant to reflect the selling price of any property. “Fair value” is arrived at using the cost tables in the manual and adjusting those values based on sales of similar properties which will bring the value closer to the average selling price than in the past when a market adjustment had not been used. “Fair value” will not always reflect exact market conditions as of the base date, because assessments are updated every four years. Markets also have many short-term fluctuations and a “Fair value” should reflect more stable underlying conditions of the market.

Relationship between Property Assessment and Tax

The basis for determining property taxes is property assessments.

- SAMA and independent assessing authorities, determine “Fair value” assessments by following the rules, principles and formulas contained in provincial legislation and the Saskatchewan Assessment Manual;
- Provincial percentages of value are applied to the “Fair value” assessments for a limited number of property classes on a province wide basis to arrive at taxable assessments; and
- Property tax levels are then determined by local governments based on taxable assessments.

Property assessment is the method used by local governments and the province to distribute property tax among property owners in each municipality. Within this context, the municipality is responsible for ensuring that property owners pay an appropriate share of taxes.

Often the terms “assessment” and “taxation” are considered to be interchangeable; however, assessment and taxation are very different. Although assessment influences the amount of taxes paid, taxes do not affect assessments. Each is a distinct and independent process.

“Assessment” is the process of placing a dollar value on a property for taxation purposes. Assessment service providers do this. The assessed value is used to calculate the amount of taxes that will be charged to the owner of the property.

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“Taxation” is the process of applying tax policy and a tax rate to a property’s taxable assessment to determine the taxes payable by the owner of that property. Local governments are responsible for this.




It is the local government budget process that determines the total amount of taxes raised. Municipal councils, library boards, school boards and other taxing authorities set budgets.

In budget negotiations, a council or board considers the total amount of revenue required to provide the services specified in the budget. The council or board will consider revenue sources from other sources and then determine what is needed from property tax revenue to achieve the funds they need for the budget amount.

Tax policy option decisions, such as base and minimum tax, mill rate factors and phase-in are also considered by municipal councils. (School boards may adopt mill rate factors and phase-in decisions). The mill rates and mill rate factors, when applied to a property assessment, determine the property tax for that property.

Local mill rates and the amount of property taxes cannot be appealed.

The tables below provide a visual illustration of the relationship between assessments and property taxes in the current system, and in the “market value” system in 2009.

Current – Prior to 2009:							
Assessment			Province			Local Governments	
Service Providers			Percentage of Value			Taxpayer	
							
Fair Value	X		Percentage of Value	X		Mill Rate ¹	
						=	Property Taxes
e.g., sample calculation of municipal tax for a residential property							
\$100,000	X		70%	X		12.5/1000	
						=	\$875

Notes:

1. Tax policy option decisions would be applied at this stage.
2. Further information on mill rates and property tax tools are found in the “Property Tax Tool Guide for Municipalities” which is found on the Municipal Affairs web site at: <http://www.municipal.gov.sk.ca> under Publications and Guides.
3. For a more detailed explanation of the assessment and taxation process you may wish to refer to “Property Assessment and Taxation” which is also found on the Ministry website.

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For 2009, the process of calculating property taxes remains the same. With the change to a “market value” system, the term “Fair value” assessment will no longer be found in legislation. It is replaced with “regulated property assessment”, “non-regulated property assessment” or simply “assessment”.

Effective January 1, 2009:					
Assessment Service Providers					
		Province		Local Governments	
		↓		↓	
		↓		↓	Taxpayer
		↓		↓	↓
Regulated Property Assessment					
	X	Percentage of Value	X	Mill Rate	= Property Taxes
Non-Regulated Property Assessment					
	X	Percentage of Value	X	Mill Rate	= Property Taxes
e.g., sample calculation of municipal tax for a residential property					
\$100,000	X	70%	X	12.5/1000	= \$875

In summary:

- An assessment service provider’s role in determining “Fair value” for properties is the first part of a process established by provincial legislation for the property tax system, and that role is limited to providing “Fair value” assessments. (The assessment service provider will also explain the assessments throughout the appeal process; that is, how the assessment came to be and how that value is comparable to other assessments.)
- The provincial government establishes a percentage of value for different types of property. Once the assessment service provider has determined the “Fair value” of a property, it is then multiplied by a percentage of value. This results in the property’s taxable assessed value (taxable, exempt, federal or provincial grant-in-lieu).
- Local governments (i.e. municipalities and school divisions) multiply the assessed value by the local mill rate (and apply other tax tools) to produce property tax levies.

B. Rationale for move to a market valuation standard for property assessment

The 2009 revaluation will align Saskatchewan's assessment system with other assessment jurisdictions throughout Canada. Saskatchewan will be the last province in Canada to move to a market valuation standard of assessment for some property types. British Columbia, Alberta, Manitoba and Ontario allow all three accepted approaches to property valuation in a market value assessment system.

In Saskatchewan, the implementation of a **market valuation standard for non-regulated property assessments** and introduction of **the rental income approach** has been requested by the business sector for some time. Since 1998, the business sector, SAMA's Commercial Property Assessment Task Force and Commercial Advisory Committee have recommended that these changes to the assessment system needed to be made.

Key business organizations (including Chambers of Commerce, the Saskatchewan Real Estate Association, the Canadian Federation of Independent Business, the Hotels Association of Saskatchewan, the Saskatchewan Homebuilders' Association and other business groups) all supported the move to a market valuation standard and the use of the *rental* income approach for multi-unit residential and commercial properties.

Implementation of the upcoming revaluation in 2009, and the introduction of the market valuation standard will require a significant change in the way of thinking for all involved.

The coming changes have generally been described as a move from a "process based" assessment system to a "results based" assessment system. Under the process based regulated system, the focus is on whether the process used to determine value is correctly followed. The "results based" assessment system, will focus on whether established industry "standards" are met.

This means that in 2009, assessment service providers will no longer use an exclusively regulated property assessment approach for the valuation of all properties. Some property types will continue to be valued under a "**regulated property assessment valuation standard**" using the principles, rules and guidelines established in the assessment manual adopted by SAMA. *Rental* income properties (i.e. multi-unit residential and commercial) will be valued under a "**market valuation standard**".

The introduction of a market valuation standard will allow for a more flexible approach to be taken when valuing income generating properties that was not previously available. This will result in property values that will more accurately reflect the economic realities of the real estate market.

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Under the market valuation standard, a property's assessment in an appeal will be compared to how accurately it reflects average market conditions for similar properties using **mass appraisal techniques**, as of the assessment base date. In the current assessment system a property's assessment in an appeal will examine whether the "correct process" was followed in valuing the property. A significant concern is that there is no clear connection between the process and the assessed value of the property.

Rationale for retaining a regulated property assessment valuation standard

As stated previously, some properties will continue to be valued under a regulated property assessment valuation standard.

For some types of properties the market valuation standard is not an appropriate standard. For these properties, value is primarily determined by what it is used for, its activity or its production capability.

Agricultural properties will continue to be valued using the regulated system based on productive value. As well, heavy industrial property, railway, pipeline and resource production equipment will continue to use a regulated system.

Summary

The implementation of a "market value" system in Saskatchewan will:

- allow the introduction of a **market valuation standard**, permitting the use of the cost, sales comparison and the *rental* income approach for multi-unit residential and commercial properties in all jurisdictions; and
- allow for the use of a **regulated property assessment valuation standard** for properties such as agricultural land, oil and gas well production equipment, linear property and heavy industrial property. The *rental* income approach would not be used under this standard.

The following chart compares some of the key characteristics of the current "Fair value" property assessment system to the "market value" assessment system, highlighting the changes to come about in 2009.

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Characteristic	Current “Fair Value” System	“Market Value” System <i>(effective 2009)</i>
Base Date	June 30, 2002	June 30, 2006
Revaluation year	2005	2009
Revaluation cycle	4 year	4 year
Ad valorem system	yes	yes
Assessment Service Providers	SAMA, Cities, private	SAMA, Cities, private
Assessments	“Fair Value” assessment	<ul style="list-style-type: none"> • Regulated property assessment • Non-regulated property assessment
Mass appraisal techniques used	yes	yes
Assessment Approaches	<ul style="list-style-type: none"> • cost • sales comparison (residential properties) 	<ul style="list-style-type: none"> • cost • sales comparison • <i>rental</i> income approach - for commercial and multifamily properties
Assessment Valuation Standards	<p>One standard</p> <p>Fair Value. Regulated through application of the formulas, rules and principles set out in the Assessment Manual, for most¹ of Saskatchewan</p>	<p>Two standards</p> <ul style="list-style-type: none"> • Regulated Property Assessment Valuation Standard (regulated by Provincial Assessment Manual) • Market (non-regulated) Valuation Standard (no regulated manual)
Valuation Publications	<p><i>The Saskatchewan Assessment Agency (SAMA) 2002 Base Year Manual</i></p> <ul style="list-style-type: none"> • for <u>all</u> properties 	<ul style="list-style-type: none"> • <i>The Saskatchewan Assessment Manual (2006 Base Year)</i>². • <i>Market Value Assessment Handbook in Saskatchewan</i>³. • <i>SAMA 2006 Cost Guide</i>^{3, 4}. • <i>Marshall and Swift’s:</i> <ul style="list-style-type: none"> ➤ <i>Marshall Valuation Service</i>³. ➤ <i>Residential Cost Handbook</i>³.

1. In addition to “Fair value” assessment, the cities of Regina and Saskatoon have used the sales comparison approach for residential properties since 2005, which is a non-regulated approach.
2. A legal document, which has the force of law for determining the “regulated property assessments” of certain property types (i.e. agricultural land, railway roadway, resource production equipment, heavy industrial properties, and pipelines).
3. The identified guides and handbooks may be used to determine “non-regulated property assessment” values for income generating properties (i.e. multi-family residential, commercial).
4. Cost Guide developed for use in SAMA’s client municipalities.

2 Legislative Summary

The changes summarized in the following section are for guidance only. For legal purposes and for complete and specific wording of sections within legislation, The Assessment Management Agency Act, The Cities Act, The Municipalities Act or The Northern Municipalities Act should be consulted.

Legislative sections, subsections and clauses are referenced in the headings of each amendment topic.

Amendments to key pieces of legislation were necessary to bring about the change to a market value assessment system in Saskatchewan for the 2009 revaluation. These include:

- *The Assessment Management Agency Act (AMAA);*
- *The Cities Act (CA);*
- *The Municipalities Act (MA); and*
- *The Northern Municipalities Act (NMA).*

Some legislative amendments were implemented in 2006 and 2007, with others to be implemented in 2009.

A. Legislative Amendments Effective in 2006 and 2007

The following changes to legislation, which came into effect in 2006 and / or in 2007 for the CA and MA, are listed below, followed by further explanation of the amendments. These amendments came into effect as of January 1, 2009 for the NMA.

The Assessment Management Agency Act

Amendments made to the AMAA include provisions relating to:

- Agency as service provider;
- powers and duties of the Agency; and
- information for a central database.

The Cities Act, The Municipalities Act and Northern Municipalities Act

Amendments made to the CA, MA and NMA include provisions regarding the:

- requirement of property owners of income producing properties to provide information to assessor annually;
- offence and penalty for failure to provide information;
- time to perfect notice of appeal;
- filing a notice of appeal;
- disclosure of evidence; and
- agreement to adjust assessment.

The Assessment Management Agency Act Amendments

Agency as Service Provider [s. 22(15) AMAA]

SAMA's assessment appraisers are considered to have the powers of an assessor appointed under the municipal Act regarding defence of value at appeal tribunals and the provision of information to an assessor, when acting for client municipalities for assessment purposes. (The responsibility however, in preparing and maintaining the assessment roll, would remain with the assessor). This amendment clarifies that SAMA's assessment appraisers provide services to the client municipalities in addition to undertaking valuation.

SAMA's Powers and Duties [s. 12(1.1) and (1.2) AMAA]

Under this amendment, authority was provided to SAMA to publish guidelines and handbooks or other reference materials in addition to the Saskatchewan Assessment Manual, for the move to market value in 2009. SAMA will be able to adopt industry standard manuals or reference materials (such as the Marshall and Swift cost manuals), by referring directly to them instead of having to re-publish the industry standard materials as a SAMA document. The amendment also allows SAMA to publish its own market value assessment handbook as a reference for assessors. The Saskatchewan Assessment Manual will continue to have the force of law, whereas other guidelines, handbooks and reference materials will not.

Information for Central Database [s. 12(1) (h.1) AMAA]

Starting in 2006, a municipality and its assessment appraiser are required to provide SAMA with any information that the agency considers necessary to maintain a central database for property assessments.

The Cities Act, The Municipalities Act and The Northern Municipalities Act Amendments

Provision of Information to Assessor Annually [s. 171 CA; s. 201 MA; s. 197 NMA]

An assessment appraiser can currently request any information that relates to the value of property from any person who owns, occupies, manages or disposes of property, under the CA or the MA.

This amendment for the provision of necessary information to the assessment appraiser annually will help to ensure that the assessment appraiser has sufficient information to determine non-regulated property assessments (market value), which is key to an accurate and stable market value assessment system.

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Owners of income producing properties will, by June 30 of each year, provide the assessment appraiser with information respecting the *rental* income generated and the expenses incurred by the owner's property for the previous fiscal year and any other information required by a SAMA Board order.

Failure to Provide Information [s. 172 CA; s. 202 MA; s. 198 NMA]

Assessment appraisers need to obtain income and expense information in the years prior to a revaluation year to determine property assessments. This amendment should provide an effective means for the assessor to receive necessary information, in time to determine accurate values on properties.

If a person refuses or fails to provide information to the assessment appraiser when requested or when required by the relevant Act, then the BoR or the Saskatchewan Municipal Board (SMB) will dismiss that person's assessment appeal for the first year of the assessment cycle for which that information related. For example, if an owner of an income producing property does not provide the assessment appraiser with the required income and expense information by June 30, 2007, then in 2009, that person will not be allowed to appeal the assessment for the property to which that information relates.

Additionally, if that person continues to fail or refuse to provide the required or requested information to the assessment appraiser, then the BoR / SMB will continue to dismiss that person's assessment appeal respecting that property until the information is provided.

The BoR and the SMB, however, will retain some discretion with respect to whether a person's right of appeal is dismissed. The BoR or SMB may allow a person's appeal to continue if one or both determines that:

- the information requested by the assessment appraiser was not reasonable;
- the information requested was not relevant to the assessment;
- the information could not be provided, through no fault of the owner; or
- although late, the information was received.
 - in the first year of a revaluation cycle, at least 18 months before the beginning of the revaluation cycle; or
 - for all other years, the information was received by January 1 of the year before the assessment year.

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For example, if an assessment appraiser requested an owner to provide certain information for the 2009 revaluation by March 30, 2007, but the owner didn't provide the information until July 1, 2007, then the BoR / SMB may nonetheless allow that owner's 2009 assessment appeal to proceed.

Time to Perfect Notice of Appeal [s. 199 CA; s. 226 MA; s. 222 NMA]

The Secretary of a BoR is responsible to review appeal applications to ensure they have been completed properly in accordance with legislation. In instances where the appeal does not meet minimum content requirements, the Secretary of the Board is to allow the appellant one period of 14 days to correct any errors that the secretary finds in the grounds for an appeal. If the appellant does not perfect the notice of appeal within those 14 days, the secretary may refuse to file the notice of appeal.

The refusal of the secretary to file the appeal with the BoR will be deemed to be a refusal of the BoR to hear the appeal. This ensures that the appellant has a further right of appeal to the SMB respecting the BoR refusal to hear the appeal.

Filing a Notice of Appeal [s. 198 CA; s. 226 MA; s. 222 NMA]

In the first year of a new revaluation cycle, instead of having 30 days to file a notice of appeal, an appellant will have 60 days to file their notice of appeal with the BoR.

Disclosure of Evidence [s. 200 CA; s. 230 MA; s. 226 NMA]

This amendment allows all parties in the appeal to be informed about the issues and arguments of an appeal, and to focus on issues and arguments on appeal with the goal of shortening hearings.

As the appellant, all written materials intended to support an appeal must be filed with the secretary of a BoR and a copy of the same materials given to all other parties to the appeal, at least 20 days before the appeal hearing.

The respondent, will file a copy of the materials with the BoR and provide a copy to all parties to the appeal at least 10 days before the appeal hearing. If an appellant wants to file written materials in response to the respondent's written materials, then the appellant will file "rebuttal" materials with the BoR and all parties to the appeal at least five days before the hearing.

Note that whether or not the appellant files any written materials with the BoR and others, the assessor is required to provide the BoR and all parties to an appeal with a complete assessment field sheet and a written explanation of how the assessment was determined, at least 10 days prior to the appeal date.

Agreement to Adjust Assessment [s. 204 CA; s. 228 MA; s. 224 NMA]

This amendment provides administrative efficiency where the parties can enter into agreements to adjustments without the agreement having to be approved by the BoR.

If, after a notice of appeal has been filed and before the assessment appeal hearing, the parties to an appeal agree to make a change to the valuation or classification of a property, then the parties can enter into an agreement respecting the change. Once the agreement has been made, the assessor will make the agreed change to the assessment roll and the appellant will withdraw the appeal from the BoR. The appeal fee will be refunded to the appellant by the BoR secretary.

B. Legislative Amendments Effective January 1, 2009

Some of the substantive changes to the CA, MA and NMA that will come into force on January 1, 2009 are listed below, followed by further explanation of the amendments.

The Cities Act, The Municipalities Act and The Northern Municipalities Act

New definitions regarding market value standard are found in sections 163(CA), 193(MA), and 190(NMA):

- “market valuation standard”
- “market value”
- “mass appraisal”
- “non-regulated property assessment”
- “regulated property assessment” (agricultural land, resource production equipment, railway roadway, heavy industrial property, pipeline), and
- “regulated property assessment valuation standard”.

The Acts have a new section relating to the two standards to be met:

- Regulated property assessments shall be determined according to the regulated property assessment valuation standard.
- Non-regulated property assessments shall be determined according to the market valuation standard.

There are changes to support the market valuation standard:

- An assessment shall be prepared for each property in the municipality using only mass appraisal techniques.
- All property is to be assessed as of the applicable base date. The base date is to be established by a Board order separate from the Manual (June 30, 2006).
- Equity in regulated property assessments is achieved by applying the regulated property assessment valuation standard uniformly and fairly.
- Equity in non-regulated property assessments is achieved by applying the market valuation standard so that the assessments bear a fair and just proportion

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to the market value of similar properties as of the applicable base date.

- Equity remains as a key consideration in valuation.
- “Fair value” now becomes “assessed value” or “assessment”.

There are changes to the appeal process to both the BoR and SMB:

- Non-regulated property assessments shall not be varied on appeal using single property appraisal techniques, (**must use mass appraisal techniques**).
- An assessment shall not be varied on appeal if equity has been achieved with similar properties.

The Cities Act, The Municipalities Act, and The Northern Municipalities Act Amendments

Definitions [s. 163 CA; s. 193 MA; s. 190 NMA]

The new definitions in force in 2009 are:

- **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 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.
- **regulated property assessment** means an assessment for agricultural land, resource production equipment, railway roadway, heavy industrial or pipelines.
- **regulated property assessment valuation standard** means the standard is achieved when the assessed value of the property is determined in accordance with the formulae, rules and principles set out in the relevant municipal Act, its Regulations, the Assessment Manual and any other guideline established by the agency to determine the assessed value of a property.
- **non-regulated property assessment** means an assessment for property other than a regulated property assessment.
- **market valuation standard** means the standard is 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
 - (vi) meets any quality assurance standards established by order of the agency.

Equity [s. 165 CA; s. 195 MA; s. 193 NMA]

Equity continues to be the dominant and controlling factor for assessment.

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Previously case law defined equity as the application of the formulas, rules and principles set out in the Manual being applied uniformly and fairly throughout the assessment system. For 2009, the definition of equity is expanded through legislative changes that provide for the implementation a regulated property assessment valuation standard and a market valuation standard.

For regulated property assessments, equity will be achieved the same as it is now – that is, **when the assessments have been determined in accordance with the formulas, rules and principles set out in the relevant Act**, its Regulations, the Assessment Manual and/or any SAMA Board Orders.

For non-regulated property assessments, equity will be achieved **by applying the market valuation standard** (market value, mass appraisal, fee simple interest, typical market conditions, quality assurance standards), **so the assessments bear a fair and just proportion to the market value of similar properties as of the base date, using mass appraisal techniques.**

Equity can only be measured by comparing two or more groupings of properties which have similar appraisal ratios (similar properties with similar values or ratios). The requirement of equity among similar properties will ensure that the best indicator of value is found for each property.

Equity is currently linked to school division boundaries. In 2009, with the introduction of the market valuation standard, equity will be within each market neighbourhood. A market neighbourhood may go beyond a municipal or school division boundary or even be province-wide.

Appeal Decisions [s. 210, 226 CA; s. 240, 256 MA; s. 236, 252 NMA]

In 2009, new provisions will take effect to ensure that neither the BoR nor the SMB will be able to vary assessments on appeal using **single property appraisal techniques** since **mass appraisal valuation methods** will continue to be used to value a group of properties.

The BoR and SMB currently have the power to change an assessment on appeal, but in 2009, **neither board will be able to vary an assessment on appeal, if equity has been achieved with similar properties within a market neighborhood.** (The similar properties will be in the same market as the subject property.)

These amendments are consistent with the valuation standards that are established in legislation, and the expanded definition of equity under a market value system.

3 Property Assessment Valuation Standards

This section describes the two valuation standards which will be used to value properties in Saskatchewan in 2009. These are the:

- Regulated property assessment valuation standard, and
- Market valuation standard (non-regulated property assessments).

In 2009 the assessments for ALL properties will

- be as of the base date of June 30, 2006;
- be determined using mass appraisal; and
- reflect the facts, conditions and circumstances affecting the property as of January 1 of the year of the assessment (as if those facts, conditions and circumstances existed on the base date).

A. Regulated Property Assessment Valuation Standard

When preparing an assessment on property using the regulated property assessment valuation standard, the assessor **is required to use the formulas, rules and principles set out in legislation and the Saskatchewan Assessment Manual or other agency regulations**. SAMA assigns rates for each of the various components that make up each type of property to arrive at assessed values. These rates are reviewed on a regular basis with industry and stakeholders.

Regulated property assessments are as of the base date set by SAMA and will continue to be assessed as they are now.

Under this standard, regulated property assessments are determined for the following types of property:

1. Agricultural land,
2. Railway roadway,
3. Resource production equipment,
4. Heavy industrial property, and
5. Pipelines.

Agricultural Land

Agricultural land assessment is based on its productive value, which refers to its ability to produce income from growing crops and / or raising livestock. A productivity rating system for agricultural land to determine assessment values has been in use in Saskatchewan for over 50 years.

Appraisal-agrologists trained in soil classification that are knowledgeable about soil rating criteria conduct agricultural land inspections. They identify factors which limit productivity such as eroded areas, salinity, hardpan soils, sand, gravel pockets and land subject to flooding. Nearly 200 soil associations are rated and classified by SAMA appraisal-agrologists.

Agricultural land productivity ratings are converted to the land's value as of the specified base date using sales. Sales of agricultural land are obtained from the Information Services Corporation (formerly the Land Titles Office) and then verified. Only arm's length agricultural land sales are used. A provincial factor, based on the average provincial agricultural land selling price as of the base date, is applied to all final ratings in the province to convert them to a value per acre.

Four basic models are used to value agricultural land, namely arable, pasture, hay, and waste:

- the arable land model values land suitable for crop production;
- the pasture model values land suited for grazing and livestock;
- the hay land model values land with forage potential that receives too much moisture or is periodically flooded or wet during the growing season to the point where cultivation of the land is not economically feasible; and
- the waste model values land that has no potential to produce crops, and is not suited for use as hay or pasture land.

**Refer to Chapter 2 of Saskatchewan Assessment Manual 2006 Base Year
Railway Roadway**

Railway roadway is defined in the municipal Acts as the “continuous strip of land not exceeding 31 metres in width owned or occupied by a railway company, and includes any railway superstructure on the land”. The assessed value of railway roadway is based on replacement cost new, less lifetime depreciation, plus an adjustment for the net tonnage for the railway subdivision.

Refer to Chapter 1 of Saskatchewan Assessment Manual 2006 Base Year

Resource Production Equipment

According to the municipal Acts, “resource production equipment” includes the “fixtures, machinery, tools, railroad spur tracks and other appliances by which a mine or petroleum oil or gas well is operated but does not include tipples, general offices, general stores, rooming houses, public halls or yards”.

Replacement cost new, depreciation and downtime are the factors that are considered in determining the value of mining equipment. Replacement cost new, depreciation, downtime and low production are the factors that are considered in determining the value of oil and gas equipment.

Refer to Chapter 4 of Saskatchewan Assessment Manual 2006 Base Year

Heavy Industrial Property

Heavy industrial property refers to buildings and structures exceeding minimum sizes that are used for:

- extracting, producing, processing or refining a mineral resource;
- producing, upgrading, refining or transmitting petroleum;
- manufacturing of plywood, particle board, wafer board, fertilizer, malt, paper, pulp, steel or steel pipe;
- generating power; and
- manufacturing lumber and other wood products from raw logs in a sawmill.

All heavy industrial property is valued using the replacement cost approach.

Refer to Chapter 3 of Saskatchewan Assessment Manual 2006 Base Year

Pipelines

Pipelines are used for the transportation of petroleum, petroleum products, gas or any substance prescribed in the Regulations of the municipal Acts. All pipelines are valued using the replacement cost approach.

Refer to Chapter 5 of Saskatchewan Assessment Manual 2006 Base Year

B. Market Valuation Standard

The following material is adapted from the “Introduction”, “Valuation Parameters”, “Depreciation Analysis” and “Apartment/Multi-Residential” sections of Market Value Assessment in Saskatchewan Handbook. Examples are for instructional purposes only.

Non-regulated property assessments are determined according to a market valuation standard. The following paragraphs describe key concepts related to the implementation of market value such as: market valuation standard, mass appraisal and market value. These new concepts and definitions will be found in municipal and cities legislation in 2009. The difference between market value and sale price is also explained.

Under the market valuation standard, assessment appraisers must determine which of the three accepted approaches to value (cost, sales comparison and *rental* income) is most appropriate to measure the economic realities of the real estate market for the property type being valued.

Examples for the cost approach, sales comparison approach and *rental* income approach are also included in this section.

Market Valuation Standard

Market valuation standard assessments (referred to in the municipal Acts as “non-regulated property assessments”) are as of the base date set by SAMA.

According to the municipal Acts the “market valuation standard” is “...achieved when the assessed value of the 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;”

Mass Appraisal

Mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing. Properties with similar characteristics in comparable locations are valued using computer based mass appraisal techniques.

Where assessed values are calculated using a **computer assisted mass appraisal system** (CAMA System) that uses calculations developed from the rates or schedules of rates in this Manual, the assessed values determined by the CAMA System are considered to be correct. This is based on the condition that the difference between the assessed values determined by the CAMA System and the assessed values determined using the rates and schedule of rates in this Manual is less than three percent.

Valuations are done using computer based mass appraisal techniques because an assessment jurisdiction and its citizens could not afford the costs that would be associated with valuing thousands of properties every revaluation cycle using single-property valuation techniques.

In contrast, single-property appraisal is the valuation of a particular property as of a given date. Although both mass and single appraisal require market research, the main difference between these appraisal techniques is the scale of the work and in quality control procedures. Consistency and equity could also come into question if mass appraisal techniques are not used (as required in legislation).

Market Value

“Market value” is defined in the municipal Acts as “...the amount that a property should be expected to realize if the 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;”.

“Estate in fee simple” is also referred to as “fee simple estate” and is defined as absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, expropriation, police power and escheat.

Difference Between the Market Value and the Sale Price

Sometimes the market value assessment of a property is confused with the sale price of an individual property. However, the sale price is not necessarily the market value assessment on a property. The sale price of a property is a historical fact. It is the amount the purchaser agreed to pay and the seller agreed to accept for the sale of a property under the circumstances surrounding the sale.

Market value is not a historical fact – it is **an estimate within a range**. For example, a sale price might not equal the market value assessment on a property for a variety of reasons including but not limited to:

- the sale might not have occurred in the assessment year or the date on which the property was valued;
- the purchaser or seller might not have been aware that similar properties were selling for more or less than the price for which the property was purchased;
- the buyer or seller may have been unduly motivated (for example, urgency due to being transferred to another city, needed to sell property as part of a division of matrimonial assets, etc.); or
- the sale may have involved a trade, partial interest, special financing, personal property or assumed leases.

Assessors gather information on properties that have sold and determine the ranges of sale prices in the marketplace. This statistical data is used as part of the process for calculating market value assessments.

Sale price information helps to develop market value assessments. Assessments are calculated by analyzing the range of sale prices of groups of properties at a specific point in time. Several sales of similar properties are compared to determine typical market values of specific types of properties that have similar characteristics.

While the actual sale price of a property might be in the same range as the sales of similar properties, the resulting market value assessment is a composite analysis of all of the similar sales.

Approaches to be used in 2009 Revaluation

Beginning in 2009 each of the three generally accepted appraisal approaches used to value property in a market value assessment system, will be used in Saskatchewan. These approaches are shown in the following table.

The Three Approaches to Value		
	How Market Value is Estimated	Property Type
Cost approach	Market value of land + (cost of improvements – depreciation) = value of property	<ul style="list-style-type: none"> • unique • special use • limited market
Sales comparison approach	Compare sales prices of similar property being assessed	<ul style="list-style-type: none"> • all property types
<i>Rental</i> Income approach	Analyze future benefits (i.e., income-producing potential of the property)	<ul style="list-style-type: none"> • income-producing (i.e., rental properties)

Source: Saskatchewan Assessment Management Agency, MVA in Saskatchewan Manual, adapted from Introduction, page 7

To ensure final assessed values are as accurate as possible, professional assessment appraisers analyze available cost, market and property *rental* income information and use the valuation approach that provides the best estimates of value for various property types, based on available information.

Highest and Best Use (or “Most Probable Use”)

One or more of these three approaches to value is used to arrive at a property’s assessment using the market valuation standard. Estimating the highest and best use of the site as-if-vacant is an essential precondition to applying the appropriate approach to value.

Typically, the five criteria that are considered during a highest and best use analysis are:

- the use is from among those legally permissible;
- the use is physically possible;
- the use is financially feasible;
- the use is the most probable of those that are possible; and
- the use is maximally productive.

The highest and best use of a property is then estimated a second time, specifically, for the property as-improved. The existing improvements will always be the highest and best use of the property as-improved, except where the subject property and the neighbourhood are in transition to another use.

For example, an older smaller home is located on a street that has been partially redeveloped with arterial commercial developments, such as, restaurants, shopping centres and suburban office buildings. In such a case, and depending on land prices

and expected future benefits, the most apparent use as-improved may be for commercial redevelopment.

C. Cost Approach

The cost approach is applicable in situations where there are no or limited comparable sales available, or when the improvements are unique or specialized (for example, courthouses, fertilizer blending plants or large recreation facilities).

The cost approach is based on the assumption that a purchaser would not pay any more to purchase a property than it would cost to buy a similar lot (or site) and construct an improvement on it with similar utility. An improvement is attached to the land and is expected to remain.

Values for properties that are assessed using the cost approach are determined by applying the following formula:

Market Value of Land + [Cost of Improvements (i.e., buildings) – Depreciation] = Total Value of Property by Cost Approach

The assessor first estimates the market value for the land separately, usually through application of the sales comparison approach.

The cost of improvements is estimated using either the reproduction or replacement cost method. The reproduction cost method is the cost associated with the “reproduction” or exact duplicate to the structure for which an assessment value is being sought. The replacement cost method is the cost associated with the construction of an improvement or building with the same utility as that for which an assessment value is being sought. The replacement cost method is the technique normally used.

An estimate for all forms of depreciation is then subtracted from either the reproduction or replacement cost. Sales are used to adjust for depreciation within mass appraisal application of the cost approach. Obsolescence can also be measured by capitalizing any income lost due to the obsolescence. Market value, using the cost approach, is the result of adding the estimated land value to the estimated depreciated replacement cost of the improvement.

Market Adjusted Cost Approach

The cost approach has been the method traditionally allowed in Saskatchewan to value residential and commercial properties. The cost approach estimates the replacement cost of a building, less depreciation, adding land values primarily based on sales. The market adjusted cost approach will continue to be used in smaller municipalities and for

specific property types across Saskatchewan. This approach is most useful when there are few comparable sales.

The general formula for the market adjusted cost approach is as follows:

$$\text{Assessed Value} = \text{Land Market Value} + [(\text{Cost to Build Improvements} - \text{Depreciation}) \times \text{Market Adjustment Factor}]$$

The following example shows how one would value a property using the market adjusted cost approach.

Example: Cost Approach with a Market Adjustment Factor

1. Estimate land value using the sales comparison approach.
 - Available comparable land sales are used in this process.
2. Estimate the replacement cost new of the improvements.
 - Use a published cost guide, such as Marshall Valuation Service, to estimate replacement cost new.
3. Estimate accrued depreciation. Three forms of depreciation are considered: physical deterioration, functional obsolescence and economic obsolescence.
 - Physical deterioration.
 - Estimate the improvement's effective age and remaining economic life.
 - Estimate physical deterioration by applying published depreciations tables, such as those found in Marshall Valuation Service.
 - Calculate replacement cost new less physical deterioration (RCNLD).
 - Functional/economic obsolescence or: (residual depreciation/market appreciation).
4. Sales of comparable properties are used to recognize all other market forces, if any, influencing the RCNLD. Factors are calculated for each sale (as shown below) and the median factor is determined. The resulting single factor of this analysis is called the "market adjustment factor" (MAF):

$$\begin{aligned} \text{MAF} &= (\text{Property Sale Price} - \text{Land Value}) / \text{RCNLD} \\ &= (\$175,000 - \$35,000) / \$147,000 \\ &= 0.95 \end{aligned}$$

5. Formula to calculate assessed (market) value of the property:

$$\text{Assessed Value} = \text{Land Value} + \{[(\text{RCN} - \text{PD}) \times \text{MAF}]\}$$

Where: RCN=Replacement Cost New; PD=Physical Depreciation ; and
MAF=Market Adjustment Factor

Model example: A 1,500 square foot, good quality, 10 year old house located in neighbourhood 2.

$$\text{Assessed Value} = \text{Land Value} + \{[(\text{RCN} - \text{PD}) \times \text{MAF}]\}$$

$$\begin{aligned}\text{Assessed Value} &= \$40,000 + \{[(1,500 \times \$95/\text{sq ft}) - \$8,550] \times 0.95\} \\ &= \$40,000 + \$127,250 \\ &= \$167,250\end{aligned}$$

D. Sales Comparison Approach

The sales comparison approach is based upon the theory that market value is directly related to the sale prices of similar properties. This approach is best suited for residential and investment type properties that sell frequently on the open market and where there are sufficient sales to use this approach, for example, residential property in medium to large cities. The sales comparison approach is based on the assumption that a purchaser would not pay any more to purchase a property than for comparable properties of similar utility.

Multiple regression analysis (MRA) is a commonly used sales comparison approach method. MRA is a statistical technique that analyzes market (independent) variables, such as lot size, building size, building quality and location, and then predicts the value of a single (dependent) variable, that being sale price (market value).

There are two general steps with this sales comparison approach technique:

1. Model specification, where the appraiser identifies key independent variables that best help predict market value (e.g size, quality, location, etc.).
2. Model calibration, where the appraiser, using MRA, estimates the value each independent variable contributes to assessed (market) value.

Example: Additive MRA Valuation Model for Residential Property

$$\text{Assessed Value} = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots b_pX_p$$

Where: b_0 is a constant
 $X_1, X_2, X_3 \dots X_p$ are the independent variables
 $b_1, b_2, b_3 \dots b_p$ are the respective MRA estimate variable coefficients

Model example: A 1,500 square foot, good quality, 10 year old house located in neighbourhood 2. Variables used in the model are living area (SQFT), house quality

(QUAL), improvement depreciation (AGESQFT) and location (NBHD2).

$$\begin{aligned}\text{Assessed Value} &= \$35,000 + (\$75 \times \text{SQFT}) + (\$10,000 \times \text{QUAL}) - (\$0.62 \times \\ &\text{AGESQFT}) + (\$15,000 \times \text{NBHD2}) \\ &= \$35,000 + (75 \times 1,500) + (10,000 \times 1.20) - (0.62 \times 10 \times \\ &1,500) + (\$15,000 \times 1.00) \\ &= \$35,000 + \$112,500 + \$12,000 - \$9,300 + \$15,000 \\ &= \$165,200\end{aligned}$$

Once the model has been specified and calibrated it is then applied to the population of properties that are applicable and assessed values are then generated.

E. 'Rental' Income Approach

The income approach, also referred to as the *rental* income approach, applies to income producing properties that are typically bought and sold based upon their income producing potential. This approach is used to assess the value of *rental* properties such as apartments, retail, office, warehouses and other investment properties. The *rental* income approach may only be used to value property for assessment purposes in areas with active lease and rental markets and where there is adequate rental income and expense information available for analysis.

It must be made clear that this approach considers the *rental* income to a property and not the personal or business income of the owner and/or tenant(s) in determining value.

Income producing properties are properties that produce income for their owners in the form of rents and fees. The potential income is affected by many factors including building quality, amenities, location, neighborhood, available parking, condition of the building, economic conditions and competition.

Income-producing properties are typically purchased for investment purposes, and thus the properties' ability to earn income is the critical element affecting their value from a market point of view.

For example, the income class of property normally includes commercial and investment properties:

- rental apartments;
- warehouses;
- offices;
- shopping centres; and
- hotels / motels.

For valuation purposes, these properties are separated into a number of different property classes and categories. Income-producing properties also include those that are owner-occupied, which, while they do not generate rent, can be directly compared to those that do.

The value of an income-producing property is based on the present worth of anticipated income. Assessed (market) value is calculated by capitalizing the typical income produced by the property. The typical income received and the typical capitalization rate applied is established through analysis of market data.

Following are two examples of direct capitalization of the income approach.

Example #1: Direct Capitalization of Net Operating Income

Direct capitalization converts or capitalizes the expected level of current net earnings into an estimate of assessed (market) value using a capitalization rate. The capitalization rate is a reflection an investor's interpretation of the economic forces occurring in the marketplace.

In its most basic form, the direct capitalization method is a simple mathematical ratio involving the estimation of current net operating income (NOI), which is then capitalized into value to produce an estimate of assessed (market) value.

Assessed Value (V)	=	$\frac{\text{Net Annual Operating Income (NOI)}}{\text{Capitalization Rate (R)}}$
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For example: NOI = \$100,000

Cap Rate (R) = 10%

Assessed Value = \$100,000 ÷ 0.10 = \$1,000,000

The capitalization rate is determined from the sale prices and income stream of comparable properties.

$$R = \text{NOI} / \text{Sale Price (SP)}$$
$$R = \$90,000 / \$900,000 = 0.10$$

The direct capitalization method lends itself to mass appraisal applications. It is possible to determine market values under this formula through proper evaluation of the expected net income and through the selection of an appropriate capitalization rate.

Example #2: Gross Income Multiplier

Where the direct capitalization method capitalizes net operating income, the gross income multiplier derives values on the basis of gross income, or gross rent.

By convention, a gross *rent* multiplier (GRM) is the factor applied to the gross monthly rent, and a gross *income* multiplier (GIM) is the factor applied to the gross annual rent.

As a general rule, the higher the similarity and the more exact the sales data, the more accurate the result of a GIM valuation procedure. A logical extension of this statement is that a GIM procedure works best with less complex properties that are easier to compare, than properties with a range and variety of different components and attributes.

The Gross Income Multiplier Formula

$$\text{Assessed Value} = \text{Gross Annual Income} \times \text{Gross Income Multiplier}$$

A GIM is developed through the analysis of sales of similar properties and relates market value evidence to the gross income produced by those properties as indicated by the following formula:

$$\text{Sales price} \div \text{Gross Annual Income} = \text{Gross Income Multiplier}$$

For example a 12 suite apartment generates a gross annual income of \$85,000. This property sold for \$750,000. The GIM for this property would be calculated as follows:

$$\$750,000 \div \$85,000 = 8.82$$

The assessed value for a comparable 11 suite apartment with a gross annual income of \$72,600 would be calculated as follows:

$$\$640,300 = \$72,600 \times 8.82$$

Mass appraisal techniques would be used to determine the applicable GIM for regulated property assessment properties.

4 Assessment Publications

The following summaries and highlights from these assessment publications are for information and instructional purposes only. For specific information about valuation processes and techniques for all properties refer to the actual manual, handbook or guides.

In order to effectively implement the new legislative requirements with respect to assessment in Saskatchewan, the following publications are available for regulated and non- regulated property assessments.

1. **SAMA Assessment 2006 Base Year Manual** applies to property assessment for regulated properties and has the force of law;
2. **The 2009 Market Value Assessment in Saskatchewan Handbook** provides direction for the valuation of market value or non-regulated property and does not have the force of law; and
3. The **SAMA 2006 Cost Guide**, as well as Marshall and Swift's, **Marshall Valuation Service** and **Residential Cost Handbook**, are publications used in the application of the cost approach to value. These also do not have the force of law.

Use of any of the above publications (or any other publication) must be in combination with relevant Saskatchewan legislation and accompanying regulations and SAMA Board Orders.

The SAMA 2006 Cost Guide was written by SAMA for use by its assessment appraisers to value properties for its client municipalities. This guide may however, be used as a reference for other assessment appraisers or assessors elsewhere.

A. The Saskatchewan Assessment Manual (2006 Base Year Manual)

1) Summary

The introduction of the 2006 Base Year Manual is set up as follows:

- Authorities
- Table of Contents
- Subject Index
- How To Use This Manual

Authority

*An Overview of The Assessment System in Saskatchewan:
Board of Revision(BoR) Handbook for 2009*

The 2006 Base Year Manual was established pursuant to sub clause 12(1)(d) the AMAA by Order of SAMA Board of Directors dated March 22, 2007.

Occasionally, the SAMA Board of Directors may pass orders to amend this Manual. Upon passing those orders, the amendments become part of this Manual.

How to use this Manual

The manual is divided into two parts: Part I – Median Assessed Value to Sale Price Ratio with one document “Method to Determine” and Part II – Regulated Property Assessment.

Part II describes how this Manual is to be used for the regulated property assessment valuation starting in the year 2009. The 2006 Base Year Manual has the rates and procedures to determine regulated property assessments for specific property types. Regulated property assessment shall be determined in accordance with formulas, rules and principles established in this Manual.

Regulated property assessments shall be determined in accordance with the present use of the property, and shall not be determined by any procedure, which takes into consideration income or benefits attributable to the property.

The assessed value of agricultural land shall be determined in accordance with the valuation procedures in:

- Chapter 1 - Formulas, Rules and Principles and
- Chapter 2 - Agricultural Land.

The assessed value of heavy industrial property shall be determined in accordance with the valuation procedures in:

- Chapter 1 - Formulas, Rules and Principles;
- Chapter 3 - Heavy Industrial Improvements;
- Chapter 4 - Resource Production Equipment; and
- Chapter 5 - Pipelines.

Registered manual holders are required to keep their copy of the manual current. SAMA provides an update service to all registered manual holders to help ensure their manual is current. If a manual holder's address changes or if a manual amendment is missing, contact the agency at:

Manual Update Service
Technical Standards and Policy Division
Saskatchewan Assessment Management Agency
200 – 2201 – 11th Avenue
Regina, Saskatchewan, S4P 0J8
Phone: (306) 924-8000

Toll Free: 1-800-667-SAMA (7262)

2) Chapter Summaries

Chapter 1 – Formulas, Rules and Principles

In Chapter 1, models are specified for property types as follows:

- Agricultural land
- Agricultural land – mixed use
- Heavy industrial land (rates)
- Railway roadway (rates)
- Heavy industrial buildings and structures
- Oil and gas well resource production equipment
- Mine resource production equipment
- Pipelines
- Environmental contamination (industrial property only)

Chapter 2 - Agricultural Land

Arable Land

This section describes the formulas, rules and principles for determining the assessed value of arable agricultural land.

Arable agricultural land includes:

- land that is tilled with agricultural equipment such as discs, plows, and cultivators to allow seeding, harvesting, and other agronomic practices used in field crop or forage crop production, and
- land that is not tilled with agricultural equipment but with reasonable breaking costs is well suited for field crop or forage crop production.

The arable land valuation model includes revisions recommended by the Agricultural Land Review Committee (ALRC) such as:

- Refinements to the climate ratings for rural municipalities located in the forest fringe area of the province (doc 2.1.2).
- Refinements to the ratings of heavy textured soils in the dark gray and gray soil zones (doc 2.1.4).
- Refinement to the A-depth ratings of heavy lacustrine soil deposits in the brown and dark brown soil zones (doc 2.1.7).
- Conversion of topography, stones, natural and man made hazards, tree cover economic adjustments from a point to a percentage adjustment (doc 2.1.9).
- New economic factors for trucking and rail freight (doc 2.1.9).
- The provincial factor for arable land will be revised from the 2002 Base Date value of 5.75 to 6.60 (doc 2.1.9).

Non-Arable Land

This section describes the formulas, rules and principles for determining the assessed value of non-arable agricultural land. Non-arable agricultural land includes:

- pasture land;
- hay land; and
- waste land

Pasture land is non-arable agricultural land where the productive potential is best suited to the grazing of cattle and other livestock. Hay land is non-arable agricultural land where the productive potential is best suited to the growing of forage and hay crops. Waste land is non-arable agricultural land with no productive potential as arable land, pasture land or hay land.

The Manual specifies pasture, hay and waste valuation models. Based upon recommendations from the ALRC:

- There are no changes to the productivity component of these valuation models.
- The method in which provincial average sale prices is linked to the productivity model has been revised to report a more linear relationship between value and productivity.
- The pasture and hay land models have been revised to incorporate a land rating and provincial factor; something similar to the arable land valuation model.
- There is no change to the waste valuation model. The rate of \$10/acre remains unchanged from the 2002 Base Date.

Chapter 3 - Heavy Industrial Improvements

This section contains definitions for the valuation of heavy industrial buildings and structures, oil and gas resource production equipment and pipelines.

Non-standard heavy industrial buildings are identified as follows:

- Oil and gas well tanks;
- Oil and gas well buildings;
- Utility tunnels;
- Conveyor galleries; and
- Industrial pipe racks.

The replacement cost new, physical deterioration and functional obsolescence for heavy industrial buildings or structures shall be determined in accordance with the valuation procedures in:

- Chapter 1– Regulated Property, Section 1.3.5 – Regulated Property, Heavy Industrial Buildings and Structures
- Chapter 3 – Heavy Industrial Improvements; and
- Marshall Valuation Service.

The replacement cost new, physical deterioration, downtime allowance and production adjustment factor for oil and gas well resource production equipment shall be determined in accordance with valuation procedures in:

- Chapter 4 -Resource Production Equipment, Section 4.1 - Oil and Gas Resource Production Equipment.

The replacement cost new, physical deterioration, downtime allowance and downtime adjustment factor for mine resource production equipment shall be determined in accordance with the valuation procedures in:

- Chapter 4 -Resource Production Equipment, Section 4.2 - Mine Resource Production Equipment.

The replacement cost new, physical deterioration, and volume adjustment factor for pipelines shall be determined in accordance with the valuation procedures in:

- Chapter 5 - Pipelines.

Chapter 4 - Resource Production Equipment

This section contains the formulas, rules and principles, and the rate schedules and calculation procedures for determining the assessed value of oil and gas well resource production equipment (RPE), and buildings located at an oil or gas well site.

RPE includes the fixtures, machinery and other appliances by which petroleum oil or gas is produced to the surface, stored, transported from a well site or a battery or gas handling site, or is compressed. It does not include the fixtures, machinery and other appliances by which petroleum oil or gas is stored at a battery site, or is compressed where the gas is, for the most part, a by-product of petroleum oil production.

Chapter 5 - Pipelines

This section describes the formulas, rules and principles for determining the assessed value of transmission pipelines.

Pipeline is a line of pipe used for the transportation of petroleum, petroleum products, gas or any substance prescribed in the Regulations of a municipal Act. The line of pipe must be located on or under a continuing strip of land or pipeline right-of-way.

A transmission pipeline receives petroleum, petroleum products, or gas from a battery, satellite, gas plant, compressor station or other facility at which the oil or gas is prepared for pipeline transport.

A primary transmission pipeline is the largest diameter line of pipe on or under a

continuing strip of land or pipeline right-of-way. A secondary transmission pipeline is any other line of pipe on or under a continuing strip of land or pipeline right-of-way occupied by a primary transmission pipeline.

An idle pipeline is a transmission pipeline that has not been used to transport petroleum, petroleum products or gas during the period January 1 to December 31 of the year immediately preceding the year to which the assessment roll relates.

B. 2009 Market Value Assessment in Saskatchewan Handbook

1) Summary

The Market Value Assessment in Saskatchewan Handbook (MVA Handbook) is a modified version of the Market Value and Mass Appraisal for Property Assessment in Alberta. It reflects the industry standard for valuing property at market value using mass appraisal.

The MVA Handbook is a non-regulated document which does not have the force of a regulation.

It is intended to be used as a guide for the assessment of all properties valued using the market valuation standard, by all assessment jurisdictions in Saskatchewan.

The MVA Handbook provides a general outline of the market value assessment process as well as individual *Valuation Guides* on apartments/multi-residential, manufactured home communities, warehouses, strip commercial properties, office buildings, shopping centres, hotels, gas stations, hotels/motels, golf courses, special purpose properties and grain elevators.

The focus within the MVA Handbook is on commercial property. It also describes how to use the three approaches to value but mostly focuses on the *rental* income approach.

The Handbook is intended to integrate with the SAMA 2006 Cost Guide and Marshall and Swift's Marshall Valuation Service and Residential Cost Handbook.

The first page of the Handbook is a summary table of contents as follows:

- Preface (amber tab)
- Table of contents (amber tab)
- Overview: Introduction, Valuation Parameters, Depreciation (red tabs)
- Valuation Guides: Residential (green tabs)
- Valuation Guides: Commercial (yellow tabs)
- Valuation Guides: Special Purpose (blue tabs)
- Management / Administration (orange tabs)
- Appendices (purple tab)

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- Glossary (pink tab)

The valuation guides have a consistent format and layout:

- Table of contents
- Introduction
- Analysis of valuation approaches
- Valuation process
- Validation of results
- Valuation example
- Appendices
- Subject Index

Preface

The Preface includes key statements regarding the 2009 revaluation, and describes how the document is linked to the 2006 Base Year Manual, SAMA's 2006 Cost Guide and the Marshall Valuation Service.

The Preface provides an outline of the Handbook structure which includes:

- an explanation of the concepts of market value
- valuation guides which make up the main part of the document, and
- a Management / Administrative and Appendices section.

Table of Contents

This provides a detailed outline of the entire handbook, and is a good tool for finding topics of interest. The format of the handbook is consistent between key topics.

Introduction

The purpose of the Introduction Chapter is to provide basic, easy to understand information regarding the property assessment and taxation system. It highlights the real property valuation process, with particular attention to:

- the valuation process,
- valuation standards (market and regulated property assessment), and
- valuation approaches.

The MVA Handbook has general information on properties valued using mainly the *rental* income approach, including:

- Single Family Dwellings
- Apartments/Multi-Residential

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- Manufactured Home Communities
- Warehouses
- Strip Commercial Properties
- Office Buildings
- Shopping Centres
- Gas Stations
- Hotels/Motels
- Golf Courses
- Special Purpose Properties
- Grain Elevators

The use of the MVA Handbook should result in the following outcomes:

- fair and equitable assessments;
- a better understanding among assessors and other stakeholders of the assessment processes;
- stable and accurate market-value driven assessments; and
- assessments that provide a consistent and stable income stream for local governments.

C. SAMA 2006 Cost Guide (2006 Cost Guide)

1) Summary

SAMA's 2006 Cost Guide (based on the Marshall and Swift manual) was written by SAMA for use by its assessment appraisers in valuing property for SAMA client municipalities. It may however, serve as a reference to assessment appraisers elsewhere.

This guide can be used to determine the assessed value of residential and some commercial property using the cost approach.

The 2006 Cost Guide does not have the force of law.

The primary function of the 2006 Cost Guide is to provide assessment service providers a working document with which to apply the cost approach to value to properties that are at the market valuation standard. The 2006 Cost Guide contains procedures to value properties using the cost approach including:

- Calculation procedures
- Replacement Cost New (RCN) rates and procedures for residential improvements
- Cost factors
- Incomplete Construction – residential

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- Physical deterioration
- Functional and Economic Obsolescence
- MAF
- Throughput Adjustment Factor (TAF)

It also has information on valuing the following property using the cost approach:

- Land Valuation
- Residential Improvements
- Some Commercial Improvements:
 - bins and silos
 - coolers and freezers
 - drive-in theatre screen
 - equipment/mechanical and telephone buildings
 - grain elevators/annexes
 - grandstands/bleachers
 - reservoirs and tanks
 - stacks, incinerators and towers
 - swimming pools and water slides

How to Use this Guide

Nine chapters follow the Preface:

- Chapter 1 provides an overview including definitions.
- Chapter 2 covers urban land valuation.
- Chapter 3 outlines the valuation procedures for improvements in general.
- Chapters 4 to 6 give the details on residential improvements
- Chapters 7 to 9 outline the valuation of specific types of commercial improvements.

Each chapter is divided into subjects, which are identified in the center of the page header, just below the chapter title.

The 2006 Cost Guide is to be used together with the MVA Handbook and the Marshall Valuation Service and Residential Cost Handbook.

The Preface is worded in a similar manner to the MVA Handbook. The Table of Contents and Subject Index are provided at the beginning of the Guide.

Replacement Cost New

The RCN in this cost guide reflects typical replacement costs for Saskatchewan as of the base date of June 30, 2006.

Marshall Valuation Service

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The Marshall Valuation Service is used to determine the replacement costs for the majority of commercial properties valued using the cost approach. The replacement costs for commercial property located in the 2006 Cost Guide can be used in place of costs found in the Marshall Valuation Service.

Commercial costs are included in the 2006 Cost Guide:

- when there are no Marshall costs (for example for some tanks),
- where there are limited Marshall costs, (for example, for towers) or
- different units of comparison used, (such as US Gallons).

Land Valuation

SAMA and others use the land valuation procedures and rates published in this guide to value vacant land and residential and commercial property valued using the cost approach. The land related costs in this cost guide reflect the typical costs for Saskatchewan as of the base date of June 30, 2006.

5. Glossary of Terms

Ad valorem tax

Tax levied in proportion to the value of the things being taxed; i.e., property tax is an ad valorem tax.

Agency

Saskatchewan Assessment Management Agency (SAMA).

Appeal

A process in which a property owner contests an assessment either informally or formally.

Appellant

Person who has an interest in any property (land, improvements or both) affected by the valuation or classification of the property. In addition to individuals, an appellant may include a municipality, school division, SAMA, or other taxing authority.

Assess

To value property officially for the purpose of taxation.

Assessment

Value of property determined in accordance with legislation.

Assessment Appeals Committee (AAC)

A committee of the SMB. Members of the AAC are appointed by the Lieutenant Governor in Council to hear appeals from a board of revision.

Assessment appraiser

(1) SAMA appraiser responsible for the assessment valuation of all properties within the municipality. (2) Professional appraiser in the employ of a municipality which does not contract with SAMA. This person is responsible for the assessment of all properties within the municipality.

Assessment service provider

The person, organization or agency which performs the valuation of the properties for a municipality.

Assessor

Person appointed by a municipality as assessor, often the municipal administrator of the municipality. This person is responsible to ensure that all types of properties i.e. land, and improvements are assessed.

Assessment manual

The assessment manual established by order of the agency (SAMA) pursuant to section 12 of the AMAA.

Assessment roll

An assessment roll prepared in accordance with a municipal Act.

Base date

The date established by SAMA for determining the value of land and improvements for the purpose of establishing assessment rolls for the year in which the valuation or revaluation is to be effective and for each subsequent year preceding the year in which the next revaluation is to be effective.

Board of revision: a quasi-judicial tribunal appointed by municipal council to hear and judge appeals. A board of revision must be composed of at least three persons. Council members are not eligible to sit as members of the board of revision for the municipality they represent. In addition, board of education members are not eligible to sit as members of the board of revision for a municipality situated within the school division. Members are appointed for a period of up to 12 months. References to “*board of revision*” within this guide include “district board of revision”, unless otherwise noted.

Classification

Classification means the determination of what class established under section 196 of the MA (s.39 of MA regulations), section 166 of the CA (s.12 of CA regulations); and section 190 of the NMA of any land or improvements or land and improvements belong to.

Calibration

Process of estimating the values of the variables in a mass appraisal model in relation to the market.

Capitalization

Conversion of a *rental* income into a lump-sum value for a property (as of a given date).

Capitalization rate

Link between typical future net income and current market value expressed as a percentage; a rate used to convert an estimate of *rental* income to an estimate of market value; the ratio of net operating income to market value.

Coefficient

Value estimate of an independent variable.

Comparable sales

Properties that are compared to the subject property used to estimate the assessed values.

Cost approach

Approach for estimating market-value-based assessments that quantifies the cost in current dollars to recreate the property being assessed and assumes that a potential purchaser would pay no more for that property than the cost of replacement.

Depreciation

Loss of value from any cause.

Economic life

Period of time during which a given building or other improvement to property is expected to contribute (positively) to the value of the total property. This period is typically shorter than the period during which the improvement could be left on the property, that is, its physical life.

Economic obsolescence

See definition for “external obsolescence”.

Effective age

Typical age of a structure equivalent to the one in question with respect to its utility and condition. Knowing the effective age of an old, rehabilitated structure or a building with substantial deferred maintenance is generally more informative than knowing its chronological age.

Escheat

The right to have property revert to the crown for nonpayment of taxes or when there are no legal heirs of someone who dies without leaving a will.

“Estate in fee simple” or “fee simple estate”

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, expropriation, police power and escheat.

External Obsolescence

- 1) The loss in value as a result of impairment in utility and desirability caused by factors outside the property’s boundaries.
- 2) The diminished utility of a structure due to negative influences from outside of a site.

Expected Net Income

Generally referred to as net operating income.

“Fair value” means the fair value assessment of any land or improvement determined pursuant to subsection 195(2) of the MA, subsection 165(2) of the CA and subsection 194.02(1) of the NMA.

Note: As of January 1, 2009, “Fair Value” is replaced by “Assessed Value” or “Assessment” in legislation.

Fee simple interest

See definition above for “Estate in fee simple”.

Functional obsolescence

A loss or decrease in value caused by an inability of an improvement to perform the function for which it is used; may be attributable to deficiencies, defects, inefficiencies or super-adequacies of a property.

Highest and best use

That use which will generate the highest net return to the property over a period of time, given probable legal, physical, locational and financial constraints. (A more or less similar term is “most probable use”.)

Improvement

- (1) An improvement is a building or structure erected or placed on, over or under land or over or under water but does not include machinery and equipment unless the machinery and equipment is used to service the building or structure.
- (2) Anything affixed to or incorporated in a building or structure affixed to land but does not include machinery and equipment unless the machinery and equipment is used to service the building or structure.
- (3) The resource production equipment of any mine or petroleum oil or gas well; and any pipeline on or under land.

Income approach (also referred to as the “rental income” approach)

Approach for estimating market-value-based assessments that analyzes the anticipated future benefits or income from a property and converts this income into an estimate of present value.

Market valuation standard

The standard that is achieved when the assessed value of the non-regulated property: is prepared using mass appraisal; is an estimate of the market value of the estate in fee simple in the property; reflects typical market conditions for similar properties; and meets any quality assurance standards established by order of the agency.

Market value

The amount that a property should be expected to realize if the 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.

Marshall Valuation Service

This is the version of the Marshall Valuation Service published by Marshall & Swift, L.P. as of the July 2006 service update. The Marshall Valuation Service is used to determine replacement costs for the majority of commercial properties valued using the cost approach.

Mass appraisal

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.

Median

Middle ratio or mid-point when a number of values are ranked in order of size; the base for calculating the coefficient of dispersion.

Multiple regression analysis

MRA is a statistical technique that analyzes market (independent) variables, such as lot size, building size, building quality and location, and then predicts the value of a single (dependent) variable, that being sale price (market value). MRA is a commonly used sales comparison approach method.

Municipal Act

The CA, the MA or the NMA, as the case may be.

Neighbourhood

Environment of a subject property or group of properties that has a direct and immediate effect on value.

Net operating income

Income that remains after deducting all fixed and operating expenses and before any deductions are taken for such things as debt service costs and such non-cash items as depreciation and amortization

Non-regulated property assessment

An assessment for property other than a regulated property assessment (i.e. commercial and residential).

Operating expenses

Potential operating expenses for real estate leased under a gross lease includes: administration, repairs and maintenance, utilities, insurance, property taxes (not to be included in valuations for property tax assessments) and replacement reserves

Owner

An owner is defined in municipal and cities legislation as a person who has any right, title, estate or interest in land or improvements other than that of an occupant, tenant or mortgagee.

Property

Property is land, buildings, improvements and special franchises and includes pipelines and the resource production equipment of oil and gas wells and mines.

Regulated property assessment

Assessments for agricultural land, resource production equipment, railway roadway, heavy industrial property, or pipelines.

Regulated property assessment valuation standard

The standard is achieved when the assessed value of the property is determined in accordance with the formulae, rules and principles set out in the relevant municipal Act, its Regulations, the Assessment Manual or any other guideline established by the agency to determine the assessed value of a property.

Replacement cost new less depreciation means the replacement cost new of a building or structure less the amount of deterioration.

Replacement costs

Costs required constructing a substitute structure having similar utility using current design, materials and building standards.

Respondent

The respondent is the person with whom an appeal has been taken and who defends the appeal; or one who answers in various legal proceedings.

Revaluation

The valuation of a property on which a valuation has already been performed, to reflect a new base date for valuation established by the agency in accordance with this Act and the regulations; changes in the assessment manual or other orders or rules established by the agency; or changes in legislation.

Sales comparison approach

The sales comparison approach is an approach for estimating market-value-based assessments by comparing it to the sale price of similar properties that have sold recently.

SAMA

This agency is responsible for establishing and administering the policies that govern assessment practices in Saskatchewan. The agency undertakes property valuations in most Saskatchewan municipalities.

Saskatchewan Municipal Board: provincial agency responsible for the AAC, Local Government Committee, Municipal Boundary Committee, Planning Appeals Committee, Fire Prevention Committee, Property Maintenance Committee and the Condominium Property Act Apportionment Committee. Governed by *The Municipal Board Act*. Members are appointed by the Lieutenant Governor in Council for a period up to 10 years.

Single property appraisal

The valuation of a particular property as of a given date.

Valuation

The determination of the value of property for assessment purposes in accordance with a municipal Act, as of a base date established by the agency in accordance with this Act and the regulations, by methods that may include the inspection or re-inspection of property to determine the physical characteristics and condition of the property.

Other Sources of Information on the Valuation Process

1. Relevant legislation includes the following Acts:

- *The Assessment Management Agency Act*
- *The Municipalities Act*
- *The Cities Act*
- *The Northern Municipalities Act*

These may be purchased in paper format from the:

Office of the Queen's Printer
B 19 – 3085 Albert Street
Regina, Saskatchewan S4S 0B1
Phone (306) 787-6894
Toll Free: 1-800-226-7302

Electronic versions are also available at the Queen's Printer web site at:

<http://www.qp.gov.sk.ca>

2. Publications about the Assessment Appeal Process available on the Ministry of Municipal Affairs web site include:

- Appealing Your Property Assessment (brochure)
- Assessment Appeal Process
- Assessment Appeal Hearing Process
- Assessment Appeal Decision Writing Process
- Assessment and Tax Roll Schedule
- Property Tax Tools Guide for Municipalities
- 2005 Property Revaluation Report
- Education Property Tax Relief Options Report

Web site: www.municipal.gov.sk.ca/publications_subject.html

You may also contact the Ministry directly at:

Ministry of Municipal Affairs
1855 Victoria Avenue
Regina, Saskatchewan
S4P 3T2
Phone: (306) 787-2635
e-mail: muninfo@gr.gov.sk.ca

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3. Available SAMA 2009 Revaluation Publications (2006 Base Year) include:

- Saskatchewan Assessment Manual 2006 Base Year
- SAMA's 2006 Cost Guide
- Market Value Assessment in Saskatchewan Handbook

These may be viewed at no cost on the SAMA web site at:

<http://www.sama.sk.ca>

Information regarding the purchase of these publications is available on the SAMA web site.

For a more comprehensive listing of resources see Appendix 2 of the "Market Value Assessment in Saskatchewan Handbook".

Bibliography

Saskatchewan Assessment Management Agency, (2006). Market Value Assessment in Saskatchewan Handbook.

Saskatchewan Assessment Management Agency, (March 2007) SAMA's 2006 Cost Guide.

Saskatchewan Assessment Management Agency, (March 22, 2007) Saskatchewan Assessment Management Agency 2006 Base Year Manual.

Acts

The Assessment Management Agency Act

The Municipalities Act

The Cities Act

The Northern Municipalities Act

Web sites

Saskatchewan Assessment Management Agency web site materials:

<http://www.sama.sk.ca>

Saskatchewan Ministry of Municipal Affairs materials:

<http://www.municipal.gov.sk.ca>

Saskatchewan Municipal Board

<http://www.smb.gov.sk.ca>