



Market Value Assessment in Saskatchewan Handbook

Preface

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This document is a derivative work based upon a handbook entitled the "Market Value and Mass Appraisal for Property Assessment in Alberta" ("Alberta Handbook"), which has been adapted for use by the Saskatchewan Assessment Management Agency under license granted by the co-owners of the Alberta Handbook, the Alberta Assessors' Association and Alberta Municipal Affairs, Assessment Services Branch.

Preface

Background

The Saskatchewan Assessment Management Agency (SAMA)¹ co-ordinates a full revaluation of all properties in the province every four years to coincide with the new valuation base date. The 2009 revaluation (2009 to 2012 assessment roll years) uses June 30, 2006 as the base date. The 2013 revaluation (2013 to 2016 assessment roll years) uses January 1, 2011 as the base date.

For the 2009 revaluation, the Market Valuation Standard was implemented for the first time. Key components of SAMA's "Vision for the 2009 Revaluation" were as follows:

"To build public trust by providing fair, transparent, understandable and defensible property valuations in a results based, mass appraisal, market value assessment system, used for the distribution of taxation.

The principles for the 2009 revaluation are to implement a market value system that:

- 1. Permits the use of the cost, sales comparison, and income approach where appropriate in all jurisdictions;*
- 2. Uses regulation for properties such as agricultural land, oil and gas well production equipment, linear property and heavy industrial property..."*

The implementation of this vision required a significant mind set change for all involved. The vision contemplated a move from a sheltered and isolated view of property appraisal methodology to one that embraces contemporary valuation methodologies that accurately measure the economic realities of the real estate market using mass appraisal.

Legislative amendments were necessary to bring about the implementation of this vision. Amendments were made to *The Assessment Management Agency Act*, *The Municipalities Act*, *The Northern Municipalities Act, 2010* and *The Cities Act*, which include, for example, definitions of the Market Valuation Standard, market value, the Regulated Property Assessment Valuation Standard, and regulated property assessment.

The following publications are in use for the 2009 and 2013 revaluations:

- *The Saskatchewan Assessment Manual ("Manual")* - a regulated document that has the force of law. It applies to properties that fall under the Regulated Property Assessment Valuation Standard.
 - *Saskatchewan Assessment Manual – 2006 Base Year* (for the 2009 revaluation)
 - *Saskatchewan Assessment Manual – 2011 Base Year* (for the 2013 revaluation)

¹ SAMA manages the province's property assessment system, which has been developed in consultation with municipalities, school divisions, the provincial government, and assessment stakeholders from across Saskatchewan. SAMA also provides assessment and other related services to most cities, towns, villages and rural municipalities in the province.

- *Market Value Assessment in Saskatchewan Handbook* (“Handbook”) - a non-regulated document that does not have the force of law.
- *SAMA’s Cost Guide* (“Guide”) - a non-regulated document that does not have the force of law.
 - *SAMA’s 2006 Cost Guide* (for the 2009 revaluation)
 - *SAMA’s 2011 Cost Guide* (for the 2013 revaluation)
- The *Marshall Valuation Service*, published by Marshall & Swift/Boeckh, LLC.
- The *Residential Cost Handbook*, published by Marshall & Swift/Boeckh, LLC.

The primary function of the Handbook is to provide guidance for the assessment of properties valued using the Market Valuation Standard. The Handbook provides a general outline of the market value based assessment process as well as individual Valuation Guides on multi-residential, manufactured home communities, warehouses, strip commercial properties, office buildings, shopping centres, gas stations, hotels/motels, golf courses, special purpose properties and grain elevators. The Handbook describes the three approaches to value but primarily focuses on the income approach.

The Handbook is intended to effectively integrate with the *Guide* and Marshall and Swift’s *Marshall Valuation Service* and *Residential Cost Handbook*. For the application of the cost approach, the *Guide*, *Marshall Valuation Service* and *Residential Cost Handbook*, or any other applicable cost guide can be used for the assessment of residential and commercial property. The *Marshall Valuation Service* is used for the majority of commercial properties valued using the cost approach. It is an authoritative guide for developing replacement costs of buildings and other improvements. The *Residential Cost Handbook* can be used for estimating replacement costs for both single and multi-family residences, including costs for manufactured housing, and yard and unit-in-place costs.

In summary, the Handbook provides guidance for determining the market value based assessment of property that is subject to the Market Valuation Standard, but does not have the force of law. The *Guide*, as well as *Marshall Valuation Service* and *Residential Cost Handbook*, are publications used in the application of the cost approach to value; they also do not have the force of law. The *Manual* applies to property subject to the Regulated Property Assessment Valuation Standard as per legislation and has the force of law. Use of the above noted or any other publication must still be in conjunction with relevant Saskatchewan legislation and accompanying regulations and SAMA Board Orders.

Introduction

In preparation for the implementation of the Market Valuation Standard for the 2009 revaluation, SAMA prepared a non-regulated Handbook. The source material in this Handbook was drawn from the Alberta Assessors’ Association’s Handbook describing the best practices to value property using the three approaches to value.

The Handbook has been created for assessors within the province who are responsible for preparing market value based assessments for municipalities according to legislation in Saskatchewan. The Handbook is not a detailed instructional manual and is not meant to be prescriptive. Its purpose is to provide a summary view, frequently to a lay audience, of how market value based assessments are determined for a given group of properties.

SAMA prepared this Handbook to serve a number of audiences and purposes by providing:

- Assessors with a general guide to determining fair and equitable market value based assessments using mass appraisal methodology in accordance with the requirements of provincial legislation;
- Assessors with information regarding preferred approaches for valuing various property types using the Market Valuation Standard in accordance with the requirements of provincial legislation;
- Assessment appeal tribunals and public officials with the background and basis of how market value based assessments are determined in Saskatchewan; and
- Property owners and the general public with a summary of the assessment valuation process and a general understanding of how market value based assessments are determined.

Assessors within the province are responsible for preparing assessments according to relevant Saskatchewan legislation and accompanying regulations and SAMA Board Orders, such as the Order establishing the base date.

The Handbook is not intended to provide a fully detailed explanation of the valuation process. Assessors must be familiar with all three approaches to value - sales comparison, cost and income and mass appraisal techniques in order to achieve the maximum benefit of applying the information contained in this Handbook. The Handbook and the associated guides are not intended to be a substitute for an assessor's judgment in arriving at a market value based assessment for a particular property.

Purpose

Property assessment is the cornerstone of municipal and education financing. Therefore, the importance of ensuring that the highest quality assessment services are provided to every urban and rural municipality cannot be overemphasized.

There are many assessment industry clients including all property taxpayers, mayors, reeves, council members, other assessment jurisdictions, the provincial government, school boards, assessment appeal tribunals and the courts. In preparing market value based assessments it is critical that Saskatchewan assessors make a concerted effort to ensure that their respective assessment bases are as fair and equitable as possible to ensure the provision of a stable tax base to benefit all municipalities and their citizens.

Tax revenue losses would inevitably result if tribunals and courts find inequities in property assessments. Developing property assessments of the highest quality will minimize such losses.

SAMA wishes to ensure that valuation principles are applied by assessors throughout the province in an objective, consistent and equitable manner.

Structure

The Handbook's Introduction Chapter begins with a general outline of the assessment process and provides:

- An explanation of the Market Valuation Standard and the Regulated Property Assessment Valuation Standard required by legislation in Saskatchewan.
- An overview of the three approaches to value and how mass appraisal techniques are used to determine market value based assessments according to the Market Valuation Standard. A description of the critical differences between assessment and taxation; and
- A comparison of the differences between mass appraisal and single property appraisal.

The core of the Handbook is comprised of a series of Valuation Guides corresponding to different property types. The Guides discuss various issues such as:

- The types of buildings covered;
- Analysis of the income, cost and sales comparison approaches, with one or more approaches recommended;
- The steps in the valuation process (i.e. collecting appropriate data, establishing valuation parameters, capitalization rates and special considerations);
- Testing results; and
- Examples of calculations and forms used in the valuation process.

The Handbook appendices include examples of data collection forms and assessment resources. There is also a Glossary with definitions of common appraisal and assessment terms.

Availability

The Handbook is available on the SAMA web site (www.sama.sk.ca). Printed copies may be obtained for a fee.

To ensure the Handbook remains as current and accurate as possible, assessors are encouraged to provide SAMA with ongoing feedback and suggestions for improvement. The Handbook will be updated on a periodic basis with amendments supported or initiated by SAMA.

To obtain printed copies or to forward feedback and suggestions for amendments, please contact:

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