



**Saskatchewan Assessment
Management Agency**

CURRENT ISSUES IN SASKATCHEWAN PROPERTY ASSESSMENT

**A report on the
2005 Revaluation Consultation Meetings
held by the
Saskatchewan Assessment Management
Agency**

JANUARY 2006

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MESSAGE FROM THE SAMA BOARD

The SAMA Board has the pleasure of presenting this report on the current property assessment issues facing local governments and property owners in Saskatchewan, as they were presented to us at the series of 2005 Revaluation Consultation Meetings held throughout Saskatchewan last fall.

Local governments and property owners play an indispensable role in our property assessment system. The SAMA Board is very interested in knowing what direction they believe should be taken to continue developing, promoting and delivering a cost-effective property assessment system for Saskatchewan. This series of consultation meetings was scheduled to follow the 2005 revaluation, to receive public and local government input regarding assessment policy direction and the delivery of assessment valuation services.

The consultation meetings also provided the opportunity for stakeholders to raise important issues regarding individual properties and property taxation. Because these issues fell outside of the scope of the Board's inquiries, we decided to document and forward these additional comments to others with more direct responsibility for them. SAMA's administration has undertaken to meet with those property owners and municipalities with individual property valuation issues. The property taxation issues along with some board of revision administration issues have been forwarded to the Province for its consideration.

Local governments rely on the property assessment system to provide an objective base for their property taxation decisions. Property owners count on the property assessment system to fairly distribute property taxes within their community. We are very conscious of our responsibility to meet your respective needs.

We are responsible for providing a fair and equitable assessment system for Saskatchewan, and for providing quality assessment services to municipalities and school divisions. The issues you have raised, your comments and suggestions, will help shape Saskatchewan's property assessment system and will help us improve the valuation services we provide to you.

*SAMA Board of Directors
January 27, 2006*

FORUM FOR CONSULTATION MEETINGS

Purpose of the Consultation Meetings

A series of consultation meetings were held throughout the province in the Fall of 2005 by the SAMA Board to receive:

- comments on the 2005 assessment revaluation;
- input regarding assessment policy direction; and
- input on the delivery of assessment valuation services.

Participation at the Consultation Meetings

These consultation meetings were held at seven locations:

- Swift Current, October 4, 2005
- Battleford, October 5, 2005
- Yorkton, October 13, 2005
- Weyburn, October 14, 2005
- Melfort, October 19, 2005
- La Ronge, October 20, 2005
- Warman, October 21, 2005

The meetings were open to all local government officials, property owners and interest groups:

- 89 people registered their attendance;
- 36 written briefs, oral statements and letters were received; and
- 76 comments were recorded on property assessment and taxation matters.

Presentations were received from:

- 19 municipalities and local government associations;
- 15 individuals;
- one business; and
- one non-government association.

The 36 presenting organizations and individuals represented the following interests:

- residential properties (9);
- commercial properties (3);
- agricultural properties (4);
- community organizations (1);
- northern municipalities (1);
- urban municipalities (8).
- rural municipalities (9); and
- local government organizations (1).

Format of the Report

The purpose of this report is to summarize the comments and issues raised before the SAMA Board at the consultation meetings.

The participants' comments have been categorized into six major topics, with each topic forming a section of this report. Presentation of the issues within each section is organized as follows:

- an overall summary generalizing the comments expressed by the participants with respect to each of the major topics;
- background information for each of the issues raised by participants; and
- a listing of specific comments made by the participants for each issue.

Each submission (written brief, oral statement and letter) was reviewed to identify key comments on the issues. As much as possible, the key comments are presented in the form and words submitted by the presenter. Where a key comment is summarized, every attempt has been made to maintain the integrity of the presenter's comment.

Some presenters chose to make only oral statements without also presenting a written brief. Once again, every attempt has been made to capture and report the key comments of these presenters.

Letters submitted as briefs to the consultation meetings have been treated the same as written briefs. These letters are recorded according to the date on the letter.

The participants' comments are reported chronologically by meeting date and location, and letter dates.

GOVERNANCE

The Saskatchewan Assessment Management Agency was created in 1987 by *The Assessment Management Agency Act* to develop a fair property assessment system for Saskatchewan. In its governance capacity, the agency:

- regulates the rules of assessment through the Saskatchewan Assessment Manual; and
- audits municipal assessments and confirms municipal assessment rolls.

The agency also has a non-governance responsibility to provide assessment services to municipalities. Assessment services issues raised at the revaluation consultation meetings are reported starting on page 8.

SAMA's 11 member board of directors is appointed by the Lieutenant Governor in Council, and consists of:

- two members representing rural municipalities nominated by The Saskatchewan Association of Rural Municipalities;
- one member representing urban and northern municipalities nominated by the Saskatchewan Urban Municipalities Association;
- one member representing cities with a population exceeding 30,000 nominated by the Saskatchewan Urban Municipalities Association;
- two members representing boards of education nominated by the Saskatchewan School Boards Association;
- one person recommended by the Minister of Learning;
- three persons nominated by the Minister of Government Relations; and
- the chairperson of the Board, nominated by the Minister of Government Relations in consultation with SARM, SUMA and SSBA.

To hold membership on the SAMA Board, the municipal and board of education members must themselves be an elected local government official. Board members are appointed for a maximum three-year term, and may be reappointed to subsequent terms.

Summary of Submissions on Governance

Submissions were made on the consultation efforts undertaken by the agency, market value assessment systems, and confirmation of assessment rolls.

An overall concern was expressed that SAMA has not been successful in making the assessment system more understandable, and a call was made for open public debate on assessment policy.

Specific concerns were expressed that municipalities were not consulted on the application of the infrastructure adjustment on rural residential properties, and that the policy was unfair and inequitable.

Comments on market value assessment systems included both criticism and support. Concerns were expressed with using market valuations for resort properties, and with introducing market value assessments without moving to an annual revaluation cycle. With respect to agricultural land, there was both criticism of and support for a market value assessment system.

A concern was also expressed that assessment rolls were not being confirmed in a timely manner for municipalities.

Consultations

Background

The Assessment Management Agency Act requires the agency to consult with the public, municipal councils, boards of education, the province, local government organizations (SUMA, SARM, SSBA) and taxpayer organizations when it is:

- preparing or revising the Saskatchewan Assessment Manual;
- reviewing assessment policies and legislation; and
- carrying out any research or study.

The agency's consultation program includes:

- regional meetings with municipalities and school divisions in 1995 and 1998 to discuss assessment policies for the 1997 and 2001 revaluations respectively;
- public hearings in 2001 and 2005 to receive comments on the revaluations that were conducted in those years, input on long and short term assessment policy direction, and input on the delivery of assessment valuation services;
- advisory committees (urban, rural, cities, commercial, technical development, and agricultural land review committees) to review and make recommendations to the Board with respect to assessment policies and practices;
- administrative committees (city assessors committee, legal and legislative review committee, and issues specific development committees) to review and resolve assessment valuation issues;
- annual budget consultations with SUMA, SARM, SSBA and the Department of Government Relations; and
- meetings with individual municipalities, school divisions, associations and organizations, companies and property owners to discuss their specific issues.

Comments made by participants on SAMA's consultation efforts

- ❑ SAMA has not made the assessment system more understandable for the average person. *Town of Maple Creek, Swift Current, October 4, 2005*
- ❑ Called for open public debate on assessment policy. Debate at SAMA Annual Meeting and SARM Conventions has not been adequate. *P. Harmon, Property Owner, Swift Current, October 4, 2005*
- ❑ Concerned there were no consultations with rural municipal officials prior to the implementation of "site improvement adjustments" on dwellings in rural municipalities. *The Saskatchewan Association of Rural Municipalities, Yorkton, October 13, 2005*

- Concerned with the application of the infrastructure adjustment on rural residential properties because it was implemented without proper notification to municipalities. *R.M. of Edenwold No. 158, Letter, October 19, 2005*

Market Value

Background

Saskatchewan currently uses a regulated property assessment system. The rules of assessment of this system are set out in the Saskatchewan Assessment Manual and regulated by a SAMA Board Order.

Under a regulated system a property's assessment is determined by following specific rules and procedures. While many of the procedures are designed to arrive at a value that is close to market value, it is not a requirement that the property's assessment is in fact its market value.

Market value assessment systems are the most commonly used system throughout North America. All Canadian provinces, except Saskatchewan, are currently using market value assessment systems. Divergence from the market value standard is an exception and is not common.

Implicit in the market value standard is that:

- all property be assessed on the basis of its market value; and
- on average the assessment ratio of all properties (the relationship between assessed values and market values of a group of properties) be equal to 1.

Mass appraisal standards and techniques have been developed by the International Association of Assessing Officers for use by market value assessment systems. Mass appraisal methods value groups of properties as of a given date, using standard property appraisal methods and statistical testing.

Comments made by participants on the market value assessment system

- Concerned that the market system is not right for resort properties, and was brought in without any checks and balances. *M. Shaw, Property Owner, Battleford, October 5, 2005*
- Agricultural land values must also have some reflection of local market factors. *R.M. of Churchbridge No. 211, Yorkton, October 13, 2005*
- Concerned that market value is being used to reflect the difference between agricultural and other property classes, by the application of a provincial market index (PMI) to bring the total assessment of agricultural land for the province up to what it would be under a market value system. Concludes that market value should not be considered in the assessment of agricultural properties. *The Saskatchewan Association of Rural Municipalities, Yorkton, October 13, 2005*
- Concerned with the move to market value assessments unless revaluations are done every year. *D. Lasuita, Property Owner, Melfort, October 19, 2005*

**Confirmation
of Municipal
Assessment
Rolls**

Background

The SAMA Board confirms municipal assessment rolls annually. The municipality initiates the process each year with the preparation of the assessment roll, mailing of assessment notices to property owners, and the hearing of appeals by the board of revision. Once the board of revision has rendered its decisions, the municipal assessor then amends the assessment roll and submits an assessment return to the agency for confirmation of the assessment roll.

When the agency receives the assessment return it conducts a primary audit and a confirmation audit. If satisfied that the assessment roll is accurate and that the provisions of the applicable municipal Act have been complied with, the Board then issues a Board Order and confirmation certificate for the assessment roll.

The municipality may levy property taxes anytime after the assessment roll has been finalized. However, it cannot enforce property taxes until after the assessment roll has been confirmed.

Comments made by participants on the confirmation of assessment rolls

- Concerned the agency is taking too long to confirm assessment rolls. *Town of La Ronge, La Ronge, October 20, 2005*

ASSESSMENT SERVICES

Summary of Submissions on Assessment Services

Submissions were made on the provision of assessment services by the agency, assessment valuations, property inspections, the availability of information from the agency, and the appeal process.

A concern was expressed that municipalities have to pay SAMA to provide assessment valuation services, with the suggestion being made that if a different property tax system was adopted then SAMA would not be needed and municipalities could reduce their expenses.

Concerns were expressed that significant valuation changes can occur in revaluation years on properties that have not changed physically. An issue was raised with the quality of the sales data used, and it was noted that people find it difficult to budget for major changes in property taxes.

Concerns were also expressed that properties are not physically reinspected on a timely basis to ensure properties are correctly assessed.

A positive comment was received on the practice that some municipalities have undertaken to provide property owners information on their estimated property taxes at the same time as the assessment notice for their property.

Concerns were expressed with the adequacy of the agency's assessment field sheets, which were criticized as not being user friendly, fraught with errors, and difficult to understand because of the coding used.

A concern was also raised that SAMA did not adequately inform municipalities of major changes or shifts to individual property assessments within a property class.

Municipalities were concerned with the increased administrative workload associated with preparing a new assessment roll. These included the need to obtain extensions for preparation of their assessment roll because SAMA was late in providing assessment valuations, and the time and effort needed to reapply section 331(1)(q) tax exemptions to rural residential properties.

Property owners and municipalities both raised a number of comments and concerns with the appeal process. One municipality observed that property owners feel there isn't any use in appealing their assessment. Whereas, a property owner observed that quality problems cannot be fixed through the appeal process because small town property owners cannot verify the large number of sales from other municipalities that have been used to value their property.

SAMA was also criticized in its handling of the appeal process. Concerns were expressed that the agency charges fees for assessment field sheets, that the district office overrode agreements between the appraiser and property owner, and that the agency's lawyer is copied on correspondence. Concern was also expressed that some appraisers lack sufficient experience to handle a board of

revision, and others have a lackadaisical attitude in their explanations to the board of revision.

**Provision of
Assessment
Services**

Background

One of the SAMA's primary responsibilities is to provide assessment services to all municipalities, with the exception of the four largest cities and those municipalities that decide to provide their own valuation services. The agency charges municipalities an annual requisition to cover the cost of this service.

Assessment services provided to municipalities by the agency include:

- conduct annual inspections of new properties and changes to existing properties, and prepare assessment values for those properties;
- conduct periodic reinspections of all properties in the municipality and prepare revised assessment values to account for any changes made to the properties since they were last inspected;
- conduct a revaluation of all properties every four years (1997, 2001, 2005, 2009, etc.) to update the valuation base date and ensure property assessment values remain relatively current;
- meet with property owners to review and explain how their property assessment is determined; and
- if a property owner appeals an assessment value, attend the board of revision and appeal board hearings, to explain and defend the assessment valuation provided by the agency.

Comments made by participants on the provision of assessment services

- If municipalities could charge each property a percentage of what it costs to run the town, then SAMA would not be needed and the municipality could reduce its expenses by not having to pay SAMA for assessment services.
Town of Maple Creek, Swift Current, October 4, 2005

**Assessment
Valuations**

Background

Assessment revaluations occur on a fixed four-year cycle as set out in *The Assessment Management Agency Act*. Revaluations were conducted in 1997, 2001 and 2005, and will continue in 2009 and every four years thereafter.

A revaluation involves the reassessment of all property in the province and the determination of new assessment values. The new assessment values take into account:

- an update to the base date (the current base date is June 30, 2002 which means current property assessments are supposed to reflect property values on that date);
- implementation of changes to the regulated valuation methods and procedures set out in the Saskatchewan Assessment Manual; and
- legislative changes in the assessment provisions set out in the municipal Acts or *The Assessment Management Agency Act*.

Comments made by participants on assessment valuations

- ❑ Credibility is lacking when there is a revaluation and property assessments change significantly on properties that have not changed physically. Either the assessments were wrong four years ago or they are wrong now. *Town of Kyle, Swift Current, October 4, 2005*
- ❑ Concerned there are problems with the quality of the sales data that is being used to establish market adjustment factor neighbourhoods. *B. Arnold, Property Owner, Swift Current, October 4, 2005*
- ❑ Concerned there are major assessment changes from one assessment year to the next. People get comfortable paying a certain level of taxation and being able to budget for these and then you have a major change again. *City of Estevan, Letter, October 18, 2005*
- ❑ Concerned that property taxes have taken a huge jump on their 40 acre farm because of changes to the assessment. Their proximity to the City of Saskatoon has not changed and the use of the land has not changed. *J. & E. Sikora, Property Owner, Letter, October 23, 2005*

**Property
Inspections**

Background

Physical property data is recorded for all residential, commercial and agricultural properties and is used in the valuation process.

On an annual basis, SAMA's appraisers inspect new properties and changes to existing properties. Municipalities identify the properties that need to be inspected and submit a Maintenance Request List to the agency.

On a periodic basis, all properties in a municipality are reinspected and assessment valuations are revised to account for any changes made to the properties since they were last inspected. *The Assessment Management Agency Regulations* require that agricultural and non-arable lands be reinspected at least once every 16 years, and that all other properties be reinspected at least once every 12 years.

Comments made by participants on property inspections

- ❑ Concerned with apparent significant inadequacies in the current assessment of rural residential properties, and the need for a physical reinspection of these properties. *R.M. of Cambria No. 6, Weyburn, October 14, 2005*
- ❑ Concerned that property assessors rarely inspect the locations [properties] because without regular visitations the true value of the property may change significantly, robbing the rural municipality of legitimate tax dollars, or possibly the property owner through excessive taxation. *Lakeview Bed & Breakfast, Letter, October 12, 2005*

**Information
Available from
Assessment
Services**

Background

SAMA, the province, the municipality and the school division all make decisions that ultimately result in the amount of property taxes that will be paid by any particular property owner. The agency makes assessment valuation decisions (fair value assessments). The province makes tax policy decisions (percentages of value and statutory exemptions). Municipalities and school divisions also make tax policy decisions (mill rates and local bylaw exemptions).

In revaluation years (1997, 2001, 2005, 2009, etc) the process is more complicated and highly interactive. A step-wise decision process is followed in that provincial tax policy decisions cannot be made until preliminary assessment values are provided by the agency, and local tax policy decisions cannot be made until provincial tax policy decisions have been made and the final assessed values are calculated by the agency.

The agency is responsible for providing preliminary assessment values and for calculating final assessed values. Supporting information and explanations of how the assessment values are determined and the resulting shifts in assessment values is also provided to the municipality's administration (assessor) and council, and ultimately to property owners. The assessment information for any specific property is documented on a property profile sheet, which is sometimes referred to as an assessment field sheet.

Municipalities are in a better position to explain overall changes in property taxes to property owners because they make the final tax policy decisions (mill rates, phase-in, exemptions) and manage the timing of information released to property owners.

Comments made by participants on the availability of information

- ❑ A good practice undertaken by some municipalities is to provide an estimate of taxes when they send out assessment notices. *Mattila Appraisals, Battleford, October 5, 2005*
- ❑ SAMA assessment work lacks credibility because assessment field sheets were fraught with errors and virtually impossible to understand because of the coding utilized. *Lakeview Bed & Breakfast, Letter, October 12, 2005*
- ❑ Concerned that SAMA does not have user friendly assessment field sheets, and that the only explanation appraisers can give for some questions is "it's in the manual". *R.M. of Cana No. 214, Yorkton, October 13, 2005*
- ❑ Concerned that SAMA did not inform the city of major shifts in assessment within property classes or because a property was moved to a different category. *City of Estevan, Letter, October 18, 2005*
- ❑ Concerned with the time and effort required to reapply RMA s.331(1)(q) exemptions to rural residential properties in rural municipalities with every revaluation. *R.M. of Moose Range No. 486, Melfort, October 19, 2005*
Note: Effective January 1, 2006 this exemption became *The Municipalities Act, s.293(2)(e)*.

- ❑ Concerned that SAMA is not providing revaluation and maintenance information to municipalities early enough, which delays preparation of the assessment roll. Municipalities have to get Ministerial extensions to the deadline for preparation of their assessment roll. *Town of Dalmeny, Warman, October 21, 2005*

Appeal Process Background

The appeal process is a formal dispute resolution process for property owners who believe an error has been made in the assessment valuation of their property. The appeal process is mandated by legislation and is subject to strict rules of process.

The formal process is initiated when a property owner lodges an appeal to the local board of revision alleging an error exists. If prior to the board of revision deciding on the appeal, all parties (property owner, municipality and SAMA) reach an agreement to settle the appeal, then that assessment value is entered onto the assessment roll.

If the board of revision hears the appeal, then the property owner provides evidence the assessment is in error, the agency on behalf of the municipality provides evidence defending the accuracy of the assessment, and the board of revision decides which evidence best determines the fair value of the property in accordance with the rules of assessment set out in the Saskatchewan Assessment Manual. Subsequent appeals may be made to the Saskatchewan Municipal Board and the Court of Appeal.

Comments made by participants on the appeal process

- ❑ Concerned that citizens feel there isn't any use in appealing their property assessment. *Town of Kyle, Swift Current, October 4, 2005*
- ❑ Concerned the appeal process makes it very difficult for the property owner to challenge the market adjustment factor for small town neighbourhoods. A property owner in a small town cannot verify the 2000 sales from many different municipalities that have been used to assess their town. As a result, quality problems cannot be fixed through the appeal process. *B. Arnold, Property Owner, Swift Current, October 4, 2005*
- ❑ Concerned with intimidation in the appeal process and how SAMA handles board of revisions. SAMA charges \$15 for field sheets to check out comparable properties, the district office overrides agreements between the appraiser and property owner, and the agency treats ratepayers from a position of power by copying everything to their lawyer. *P. Harmon, Property Owner, Swift Current, October 4, 2005*
- ❑ Concerned some appraisers do not have the experience needed to handle the board of revision. *Northern Village of Air Ronge, La Ronge, October 20, 2005*
- ❑ Concerned with the un-professional comments and lackadaisical attitudes of some appraisers in explaining the high frequency of errors in assessment field sheets to the board of revision. *Lakeview Bed & Breakfast, Letter, October 12, 2005*

RESIDENTIAL VALUATIONS

Summary of Submissions on Residential Valuations

Submissions were made on the valuation of residential properties, rural residential properties, and resort properties.

Concerns with residential property valuations focused around questioning differences in assessment that may not be recognized in the market place. Comparisons were made between residential properties in towns and adjacent rural municipalities, urban municipalities in the same market place, houses and garages on the same property, and residential and trailer park lands.

Concerns were also expressed with assessment valuations for rural residential property. Specific issues were raised with site infrastructure adjustments, assessment valuations that are higher than the market place, and the impact when residential assessments increase but the overall assessment of the municipality decreases.

There was some recognition that the higher values being paid for resort properties are now being reflected in the assessment valuation. However, resort property owners and municipalities also questioned differences in assessments that may not be reflective of the market place, and were concerned with increasing resort assessments in rural municipalities.

Residential Property

Background

Residential property is assessed by either the cost approach to value or the sales comparison approach to value. The cost approach to value is used in most municipalities. The sales comparison approach to value is used only in the cities of Moose Jaw, Prince Albert, Regina, Saskatoon, and Swift Current.

Under the cost approach to value, the value of the land is added to the value of the building. Land sale prices are used to assess the land and market adjusted depreciated replacement cost is used to assess the buildings.

The average selling price is a key consideration in valuing residential land. Neighbourhoods subject to similar market influences (present use, location and zoning) are identified and average selling prices are determined for the land.

The market adjusted depreciated replacement cost of residential buildings is based on the type and quality of construction, average construction costs, the age and condition of the building, and average selling prices. The replacement cost is determined using standard residential construction cost tables regulated by the Saskatchewan Assessment Manual. All forms of depreciation are considered (physical deterioration, and functional and economic obsolescence). Physical deterioration is determined using tables set out in the assessment manual. Normal economic and functional obsolescence are accounted for with a market adjustment factor (MAF). An additional adjustment for abnormal economic or functional obsolescence may also be made for unique situations that are not accounted for by the market adjustment factor.

The market adjustment factor is derived from the average selling price of comparable residential buildings subject to similar market influences and the depreciated replacement cost of those buildings. Where the average selling price of residential buildings is less than their depreciated replacement cost, the market adjustment factor will reduce the assessed value to reflect the average selling price. The resulting fair value assessment should be fairly close to the market value of the building on the base date for the valuation.

Comments made by participants on residential assessment valuations

- ❑ Concerned that a house in town is assessed lower than a similar house in the adjacent rural municipality. *R.M. of Preeceville No. 334, Yorkton, October 13, 2005*
- ❑ Concerned that the same market adjustment factor (MAF) is being applied to all buildings on the same property. New garages are valued differently because they get the same MAF as the house on the property on which they are located. *R.M. of Moose Range No. 486, Melfort, October 19, 2005*
- ❑ Concerned residences in Air Ronge are assessed with a higher market adjustment factor (MAF) than residences in La Ronge, whereas they sell for the same in the market place. *Northern Village of Air Ronge, La Ronge, October 20, 2005*
- ❑ Concerned trailer parks are assessed as residential land when they should be assessed as commercial because they are renting out lots. *R.M. of Lakeland No. 521, Warman, October 21, 2005*

**Rural
Residential
Property**

Background

Rural residential properties are assessed by the cost approach to value where the value of the land is added to the value of the improvements. Both the building and site improvements (water, sewer, roadway infrastructure, etc.) are valued as improvements.

The land is assessed as if it is vacant and undeveloped using vacant land sales. Market adjusted depreciated replacement cost is used to value the buildings, and sales of developed land are used to value the site improvements.

The assessment valuation procedures for rural residential properties are the same as described for residential properties on page 14.

The resulting fair value assessment of rural residential properties should be fairly close to their market value.

Comments made by participants on rural residential assessment valuations

- ❑ Concerned with how properties are clustered into neighbourhoods and the application of site values in areas adjacent to Maple Creek. *L. Doig, Property Owner, Swift Current, October 4, 2005*
- ❑ Concerned the current “site improvement adjustment” on dwellings in rural municipalities bears no relationship to actual market value, and that it is applied to dwellings that already have the value of any infrastructure built into

it. *The Saskatchewan Association of Rural Municipalities, Yorkton, October 13, 2005*

- ❑ Concerned with the application of the infrastructure adjustment on rural residential properties because it is unfair and inequitable. The infrastructure adjustment appears to have been applied to compensate for the removal of the local market index (LMI). *R.M. of Edenwold No. 158, Letter, October 19, 2005*
- ❑ Concerned with a significant increase in the assessment of residential property in rural municipalities where the overall assessment of the municipality decreased. *Unidentified, Property Owner, Melfort, October 19, 2005*
- ❑ Concerned that their rural residential property is assessed significantly more than it is worth in the market place. *F. Stushnoff, Property Owner, Melfort, October 19, 2005*
- ❑ The sales used from one neighbourhood should not have been used to determine the infrastructure adjustment in another neighbourhood. *R.M. of Edenwold No. 158, Letter, October 19, 2005*

Resort Property

Background

Resort properties are assessed by the cost approach to value where the value of the land is added to the value of the building. Land sale prices are used to assess the land, and market adjusted depreciated replacement cost is used to assess the buildings.

The assessment valuation procedures for resort properties are the same as described for residential properties on page 14.

The resulting fair value assessment of resort properties should be fairly close to their market value.

Comments made by participants on resort property assessment valuations

- ❑ Concerned that resort communities with different markets are assessed in the same market neighbourhood. *D. Lasuita, Property Owner, Melfort, October 19, 2005*
- ❑ Concerned with significant increase in assessment of resort properties when values haven't increased that much. Resort communities that are different are combined into the same market neighbourhood. *T. Battrum, Property Owner, Battleford, October 5, 2005*
- ❑ Property owners have been paying higher values for resort properties, and the assessment is now reflecting those higher values better. *Mattila Appraisals, Battleford, October 5, 2005*
- ❑ Concerned with significant increases in the assessment of resort property in rural municipalities. *Lakeview Property Owners Association, Melfort, October 19, 2005*

- Concerned that lakefront lots with a public reserve in front of them are not assessed lower than those without the public reserve. The use of the public reserve by the general public decreases the value of the lot. *R.M. of Lakeland No. 521, Warman, October 21, 2005*

- Concerned that large parcels of lake front land owned by church camps are assessed too low because of the land size multiplier curve. The lakefront portion should be assessed higher because they are being rented out on a commercial basis. *R.M. of Lakeland No. 521, Warman, October 21, 2005*

COMMERCIAL VALUATIONS

Summary of Submissions on Commercial Valuations

Submissions were made on the valuation of commercial properties, grain elevators, and railways.

Concerns with commercial property valuations focused on some significant changes in assessment values and the resulting impact on property taxes for commercial property owners. A concern was also expressed that it is unfair to assess newer buildings higher than older buildings.

There was support for using the income approach to assess commercial property in 2009.

Concerns were also raised with significant decreases in grain elevator and mainline railway assessment valuations in some municipalities.

Commercial Property

Background

Commercial property is assessed by the cost approach to value where the value of the land is added to the value of the building. Land sale prices are used to assess the land, and market adjusted depreciated replacement cost is used to assess the buildings.

Neither the sales comparison approach to value nor the income approach to value are used to assess commercial property in Saskatchewan.

The average selling price is a key consideration in valuing commercial land. Neighbourhoods that are subject to similar market influences (present use, location and zoning) are identified and average selling prices determined for the land.

The market adjusted depreciated replacement cost of commercial buildings is based on the type and quality of construction, average construction costs, the age and condition of the building, and average selling prices. The replacement cost is determined using standard commercial construction cost tables regulated by the Saskatchewan Assessment Manual. All forms of depreciation are considered (physical deterioration, and functional and economic obsolescence).

Physical deterioration is determined using tables set out in the assessment manual. Normal economic and functional obsolescence are accounted for with a market adjustment factor (MAF). An additional adjustment for abnormal economic or functional obsolescence may also be made for unique situations that are not accounted for by the market adjustment factor.

The market adjustment factor is derived from the average selling price of comparable commercial buildings subject to similar market influences and the depreciated replacement cost of those buildings. Where the average selling price of commercial buildings is less than their depreciated replacement cost, the market adjustment factor will reduce the assessed value to reflect the average selling price. The resulting fair value assessment should be fairly close to the market value of the building on the base date for the valuation.

Comments made by participants on commercial property assessment valuations

- ❑ Assessing newer buildings more than older buildings is patently unfair and results in a business community that has no incentive to spruce itself up. *Town of Maple Creek, Swift Current, October 4, 2005*
- ❑ Concerned that there are problems with the assessment values on commercial properties. *Royal LePage Premier Realty, Yorkton, October 13, 2005*
- ❑ Supports the move to using the income approach for the assessment valuation of commercial properties in 2009. *Royal LePage Premier Realty, Yorkton, October 13, 2005*
- ❑ Concerned with huge increases in taxable assessment of 30% for condominiums and 50% for most retail and office buildings. Difficult to explain to a property owner that, despite making no changes to the property, that property taxes are going to increase because of an adjustment in the way the assessment values are calculated. *Town of Wynyard, Melfort, October 19, 2005*
- ❑ Concerned with significant increases and decreases in commercial property assessments. *Northern Village of Air Ronge, La Ronge, October 20, 2005*

Grain Elevators

Background

Grain elevators are assessed by the cost approach to value where the value of the land is added to the value of the building. Land sales prices are used to assess the land and depreciated replacement costs are used to assess the grain elevator. The replacement cost is determined using standard commercial construction cost tables regulated by the Saskatchewan Assessment Manual.

Different rules apply for determining the amount of depreciation applied to grain elevators licensed as primary or terminal elevators by the Canadian Grain Commission than applied to unlicensed elevators.

Licensed elevators are depreciated for physical deterioration. Either a throughput adjustment factor (TAF) is applied where a licensed elevator is handling a low volume of grain that is less than five times its licensed capacity, or a market adjustment factor (MAF) is applied where there are sales.

Unlicensed elevators are depreciated for both physical deterioration and functional obsolescence, and a market adjustment factor (MAF) is applied.

Comments made by participants on grain elevator assessment valuations

- ❑ Concerned that grain elevator assessments have decreased significantly. *Town of Kyle, Swift Current, October 4, 2005*
- ❑ Concerned the application of a market adjustment factor (MAF) to commercial crib elevators has caused grain elevator assessments to drop 75% even after spending \$1.5 million on upgrades. *Town of Yellowgrass, Weyburn, October 14, 2005*

- Concerned that the fair value assessments for operating grain elevators and farm grain storage elevators have no reflection on the sale price. One local grain elevator sold for more than twice its fair value assessment. *Town of Shellbrook, Warman, October 21, 2005*

Railways

Background

Railway roadway or right-of-way is assessed by a rate schedule that is set out in the Saskatchewan Assessment Manual. There are five railway roadway class designations based on the net tonnage carried per mile of roadway.

The rate assigned to each class is based on the depreciated replacement cost (without market adjustments) of the trackage plus a land rate.

Railway station grounds, abandoned railway roadway and buildings located on railway property are assessed by the same rules of assessment as any other commercial land and buildings. Land sales prices are used to assess the land, and market adjusted depreciated replacement cost is used to assess the buildings. The assessment valuation procedures are the same as described for commercial properties on page 18.

Comments made by participants on railway assessment valuations

- Concerned with major decreases in mainline railroad assessments. *R.M. of Cana No. 214, Yorkton, October 13, 2005*

AGRICULTURAL VALUATIONS

Summary of Submissions on Agricultural Valuations

Submissions were made on agricultural land assessment practices focusing primarily on the removal of the local market index (LMI) and the use of productive potential in the valuation formula.

Comments included both support and criticism for the removal of the local market index (LMI) from the valuation formula for agricultural land.

Concerns were also expressed that some relevant factors and current data were not used in developing the productivity ratings for arable agricultural land.

Agricultural Land

Background

Arable agricultural land is assessed by a schedule of rates method that is productivity based.

The potential productive capacity of agricultural land is based on the type of soil and average long-term wheat yield data. Economic adjustments are made for cost of production factors that are regulated by the Saskatchewan Assessment Manual. Cost of production factors are limited to landscape features that tend to increase production costs, such as topography, stones, natural and man-made hazards, and tree cover.

A provincial factor (PF) is used to adjust the productive capacity to a monetary assessment value for the property. The same provincial factor is applied to all arable agricultural land in the province.

Comments made by participants on agricultural land assessment valuations

- Supports the decision to remove the local market index (LMI) on agricultural land. Application of the LMI was not done right in the past, so better to not have it at all. *Mattila Appraisals, Battleford, October 5, 2005*
- Concerned fairness and equity is thoroughly lacking from the assessment system. The removal of the local market index (LMI) while still retaining the provincial market index (PMI) did not address any inequities, but only reversed what had taken place with the 1997 revaluation. *R.M. of Preeceville No. 334, Yorkton, October 13, 2005*
- Concerned with the decision to drop the market value system for agricultural land after it had been used for two revaluation cycles because market indexing should have worked. With the local market index (LMI) there was some correlation between selling price and fair value assessments, so removal of the LMI had a big impact on agricultural land. Market value can be explained but how productivity is determined can't be explained. *R.M. of Elcapo No. 154, Yorkton, October 13, 2005*

- The fair value assessment for agricultural land in northeast Saskatchewan is much higher than actual land sales that transpired in the last year. Farm land in northeast Saskatchewan is less valuable than in the rest of the province because rail truck freight rates are higher, frost free growing season is shorter, and need more and larger equipment to complete farming in a shorter season. *B. Westerlund, Property Owner, Yorkton, October 13, 2005*
- Concerned that a number of factors were not considered in developing the productive potential model that has been used for agricultural land. The productive potential model should consider cost of production (input costs, weed pressure, soil abrasion, excess moisture), value of production (quality, grade, type of crop, percentage of time that quality can be achieved), risk factors (frost free, excess moisture, growing degree days), and distance to major markets. *R.M. of Churchbridge No. 211, Yorkton, October 13, 2005*
- Concerned that agricultural land is assessed based on long-term spring wheat yields from 1942 to 1961. Agricultural practices have changed dramatically and crop diversity, crop quality, transportation freight rates, and deductions for lack of access to land between waste sloughs should be reflected in the assessment system. *The Saskatchewan Association of Rural Municipalities, Yorkton, October 13, 2005*
- Concerned the assessment of agricultural land based on its productive potential is a tax on development, which is a regressive tax system that discourages development. *R.M. of Churchbridge No. 211, Yorkton, October 13, 2005*
- Concerned with the removal of the local market index (LMI) from agricultural land. With the LMI there was some correlation between selling price and the fair value assessment. Now property owner doesn't understand how the assessment is determined because can't answer the question on how productivity is determined. *R.M. of Golden West No. 95, Weyburn, October 14, 2005*
- Concerned with the shift from heavier to lighter soils caused by the removal of the local market index (LMI) on agricultural land. *A. Spriggs, Property Owner, Melfort, October 19, 2005*

PROVINCIAL ISSUES

Submissions were made that focussed directly on tax policy, tax fairness, education taxes, and board of revision administration.

While property taxation and administration of the board of revision do not come within the agency's mandate, it was anticipated that some issues in these areas would be raised at the Revaluation Consultation Meetings.

Comments relating to property taxation and board of revision administration have been forwarded to the Province for its consideration.

Tax Policy

Comments made by participants on tax policy

- ❑ Concerned the government has not taken steps to tax any user other than the agricultural user of Crown lands. Holders of other interests in land and holders of intellectual property rights are ignored by the taxation system. *B. Backman, Property Owner, Swift Current, October 4, 2005*
- ❑ The oil and gas sector should be taxed on the value of the subsurface resource and not on the value of in-place production equipment. *B. Backman, Property Owner, Swift Current, October 4, 2005*
- ❑ SAMA appraisers should be given full discretion in using common sense when preparing assessments and place limits on both the increases or decreases that can happen to an assessment of property in any given revaluation period. *Town of Wynyard, Melfort, October 19, 2005*
- ❑ Recommended a cap be placed on tax increases because the new assessment resulted in a 100% increase in property taxes. *F. Stushnoff, Property Owner, Melfort, October 19, 2005*

Tax Fairness

Comments made by participants on tax fairness

- ❑ Those that take the initiative to build new or upgrade their property pay more than their fair share of police, fire, roads, recreation and other services that cost the same for every house on the block, whether it is new or old, fixed up or left to deteriorate. *Town of Maple Creek, Swift Current, October 4, 2005*
- ❑ The assessment system implemented by SAMA results in a system of taxation whereby the agricultural producer bears a totally unfair portion of providing municipal services, health services and education in the Province of Saskatchewan. *B. Backman, Property Owner, Swift Current, October 4, 2005*
- ❑ Concerned that cottages used for a few weeks a year are paying the same taxes as expensive full time residential homes. *M. Shaw, Property Owner, Battleford, October 5, 2005*

- ❑ Concerned unfair property taxes will contribute to chasing people out of Saskatchewan. *Lakeview Property Owners Association, Melfort, October 19, 2005*
- ❑ Concerned that privately developed and operated recreational facilities (golf courses, skating arenas, curling arenas, indoor soccer pitches, tennis courts) face huge assessments and tax bills and must compete with recreational facilities that are not assessed or taxed at all because they are owned by municipalities or located in parks. *C. Teichrob, Property Owner, Warman, October 21, 2005*
- ❑ Concerned that the new assessment is not fair and that the resulting 20.5% increase in farm property taxes is not acceptable. Total farm assessment increased 39.4%, while the municipal mill rate decreased 19.2% and the school board mill rate decreased 10%. *B. Westerlund, Property Owner, Yorkton, October 13, 2005*

**Education
Taxes**

Comments made by participants on education taxes

- ❑ Other avenues are needed to fund education because 60% on property tax is too high. There is no tax relief from government. Larger towns are subsidizing smaller towns. *L. Doig, Property Owner, Swift Current, October 4, 2005*
- ❑ Called for the elimination of the education tax on farmland, then the assessment would not be much of an issue. *R.M. of Churchbridge No. 211, Yorkton, October 13, 2005*
- ❑ Concerned with the inequity of school tax paid by agricultural property that is related to switching the assessment burden from one side of the province to the other, and widening the assessment burden between urban and rural municipalities. *R.M. of Preeceville No. 334, Yorkton, October 13, 2005*

**Board of
Revision
Administration**

Comments made by participants on administration of the board of revision

- ❑ Concerned that property owners have a problem getting a fair hearing. The appeal deadline is not conspicuous on the notice of assessment, city assessors may be influencing the selection of board of revision members, and municipal administrators sit as board of revision secretaries. *Mattila Appraisals, Battleford, October 5, 2005*
- ❑ Concerned the appeal process lacks transparency. Municipal administrator convinced property owners to withdraw appeals that would have been successful. SAMA mailed appeal documents within the required 10 days, but by the time the documents were received by the appellant it was too late to make use of the information. *Lakeview Bed & Breakfast, Letter, October 12, 2005*