A LOOK AHEAD

TO 2017

SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY
SAMA AND THE 2017 REVALUATION

The Saskatchewan Assessment Management Agency (SAMA) is the recognized leader of property assessments in Saskatchewan. The Agency is responsible for a $173 Billion property assessment base, which is used by local governments to levy a $1.83 Billion property tax base.

SAMA conducts revaluations based on a four-year cycle. 2013 was the year of the last revaluation, and the 2017 Revaluation will see assessed values updated to reflect a new base date of January 1, 2015. The legislated base date means that 2017 values reflect a property's value as of January 1, 2015.

The 2017 Revaluation will continue to use the market valuation standard for the assessment of residential and commercial properties. The regulated property assessment valuation standard will continue to be used for the assessment of agricultural land, heavy industrial property, railway roadway, pipelines and resource production equipment (mines and oil and gas wells).

For the 2017 Revaluation, all property types will have their values updated in relation to the January 1, 2015 base date, regardless of being subject to a market valuation standard or a regulated property valuation standard.

The 2017 Revaluation will seek to stabilize the assessment system from a governance perspective by not introducing any major changes to assessment policy. However, SAMA has introduced a simplification of the cost approach for residential property to increase efficiency and reflect more of an industry standard approach.

THREE PROPERTY VALUATION APPROACHES

There are three generally accepted appraisal techniques used to value property that falls within the market valuation standard: the cost approach, the sales comparison approach and the property income (rental) approach.

The cost approach estimates the replacement cost of a building, less depreciation, adding land value primarily based on sales. This approach is most useful when there are few comparable sales. The cost approach will continue to be used in smaller municipalities and for specific property types across Saskatchewan.

The sales comparison approach is based on the concept of valuing property based on what similar property in the same market area is selling for. This approach is appropriate for determining property assessments for areas and property types with active sales markets such as residential property in medium to large cities.

The property income (rental) approach to value is based on the premise that the value of a property is directly related to the rental income it will generate. The assessment appraiser analyzes the property's ability to produce a future income stream, and then estimates the property's value. The property income (rental) approach provides the most fair, reliable and accurate assessed values for commercial property and rental apartments in areas where there are active lease and rental markets.

To ensure assessed values are as accurate as possible, SAMA's professional assessment appraisers collect and analyze available cost, market and property rental income information and use the valuation approach that provides the best estimates of value for each property type, based on available information.
Since the 2013 Revaluation and its base date of January 1, 2011, the province of Saskatchewan continued to experience substantial economic growth, and the value of property in the province is no exception.

The result of this active and strong real estate market in Saskatchewan will bring with it significant increases to property assessments that will be reported with the 2017 Revaluation.

Based on provincial averages, preliminary numbers indicate that arable and non-arable agricultural properties will, on average, be increasing approximately 2.1 to 2.2 times over their assessed values from the 2013 Revaluation. This reflects the change in agricultural land selling prices between January 1, 2011 (the base date for the 2013 revaluation) and January 1, 2015 (the base date for the 2017 revaluation).

For 2017, again based on provincial averages, residential properties are set to increase approximately 15%, and commercial properties approximately 30%. It is important to note that this is the anticipated increase to the provincial average for residential and commercial property. Specific local increases in property values between 2013 and 2017 may vary from this figure depending on the overall trend in market values between 2011 and 2015.

While a revaluation updates property assessments, the overall impact on property tax is designed to be revenue neutral on a municipal basis.

Provided that a municipality’s budget requirements remain the same in a revaluation year as in the previous year, changes in taxable assessments will only result in changes to tax levels if a property’s assessment increases or decreases substantially, relative to the average for that jurisdiction.

Based on the current provincial government practice of establishing common provincial education mill rates, education revenue neutrality and potential education tax shifts will be based on how a specific assessment change relates to the overall provincial average increase in assessments for that same category of properties.
NEW PUBLICATIONS

The SAMA Board of Directors has approved two new publications for use in preparing 2017 Revaluation assessments:

1. **Saskatchewan Assessment Manual (2015 Base Year)**
2. **SAMA’s 2015 Cost Guide**

SAMA also uses the Market Value Assessment in Saskatchewan Handbook for valuing properties to meet the market valuation standard.

SAMA’s stakeholders, through the Agency’s advisory committees, reviewed and contributed to these publications. The **Saskatchewan Assessment Manual** has the force of regulation and must be complied with, while the Cost Guide and Market Value Handbook do not – they are documents within the market valuation standard.

There are two parts in the **Saskatchewan Assessment Manual**. Part I, “Median Assessed Value to Sale Price Ratio,” and Part II, “Regulated Property.” Part I of The Saskatchewan Assessment Manual relates to Quality Assurance and applies to properties that fall under the market valuation standard in the Municipal Acts. Part II of the manual contains the formulas, rules and procedures that must be followed to value properties that fall under the regulated property assessment standard in legislation.

The five chapters in Part II of the Saskatchewan Assessment Manual are used to value agricultural land, heavy industrial property, railway roadway, pipelines and resource production equipment (mines and oil and gas wells).

**SAMA’s 2015 Cost Guide** is a non-regulated document to be used as a reference for SAMA assessment appraisers and the public regarding the application of the cost approach for the valuation of vacant urban land, residential property and selected commercial property for the 2017 Revaluation.

The **Market Value Assessment in Saskatchewan Handbook** provides guidance for the assessment of market valuation standard properties with a focus to commercial property and the property income (rental) approach.

Similar to the **SAMA’s 2015 Cost Guide**, the handbook is a non-regulated document. It is intended as a reference tool for assessment appraisers and the public in determining assessments for the 2017 Revaluation.

Hard copies of these publications will be provided for a fee that covers the cost to print the documents and any applicable licence fees, and will include an update service.

The **Market Value Assessment in Saskatchewan Handbook**, portions of the **Saskatchewan Assessment Manual (2015 Base Year)** and **SAMA’s 2015 Cost Guide** for which a licence fee is not payable, are available free of charge on SAMA’s Internet site (www.sama.sk.ca).
OTHER COST GUIDES

When applying the cost approach, assessment service providers may refer to publications from Marshall & Swift/Boeckh, LLC., a recognized industry leader in costing of commercial and residential property. SAMA uses the Marshall Valuation Service for the majority of commercial properties valued using the cost approach. *The Residential Cost Handbook* can be used for estimating replacement costs for both single and multi-family residences. SAMA’s Cost Guide, the Handbook and Marshall and Swift’s Marshall Valuation Service complement each other in regards to the application of the cost approach.

LOOKING FORWARD TO
2017 - WHAT’S NEXT?

SAMA submitted preliminary assessment values to the province in April, 2016. The preliminary 2017 property values are being distributed to municipalities starting in June, 2016.

Although local governments and the education sector already have the authority to mitigate overall/average assessment changes through their annual budget and mill rate processes, all parties will benefit from time to examine the assessment shifts and make tax policy decisions prior to 2017.

SAMA expects government to announce the 2017 percentages of value for each property tax class in fall 2016, communicating them with SAMA and other independent assessment service providers so that we can prepare final assessed values for 2017.

The Agency will complete the final assessments and be prepared to send out updated values by the end of 2016. We will work closely with our client municipalities to meet their needs regarding these new values. SAMA will be completing maintenance in late 2016 and early 2017 to be ready to implement the revaluation in 2017.

The Agency will be making use of SAMAView, our website application that allows the general public access to individual property assessments for all SAMA client jurisdictions, to communicate assessed values for the 2017 Revaluation. However, SAMA will not post any final 2017 Revaluation property assessments before they have been seen by government and municipalities.
QUESTIONS ON THE 2017 REVALUATION?

If you would like more information, please see the Revaluation 2017 section on our website at www.sama.sk.ca.

If you have further questions, comments or suggestions, please contact SAMA directly:

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