

Country Residential Property

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Country Residential Property aka “Enhanced Market Areas”

- Your Agenda brochure:
 - ‘Enhanced Market Areas’
- A confusing term
- Not a term used in any statute, regulation of Saskatchewan or textbooks

- More accurate terms are:
- Country Residential Property
- Mixed Use property.

What Sets Country Residential Apart From Farmland?

The Manual States:

Market Value Land $>$ Productivity Value

AND

- A dwelling

How is it determined that $MV > \text{Productivity } V$?

- By sales of vacant land:

The prices must exceed the
productivity value.

AND

- Is there a dwelling on the property?

Where is Market Value > Productivity Value ???

Larger communities. e.g. Saskatoon,
Lloydminster, Maple Creek; or,

- A major employer:
e.g. Wynyard

What a Country Residential Area is NOT:

- It is not an additional kind of tax
- It is not an additional kind of assessment

Methodology

- The Manual is a Government Regulation passed by an Order in Council with the legal force of Law.
- The Manual says to... Array sales of comparable vacant land and pick the middle one of the array

For Example,

• Price	Acres	\$/acre
• \$30,000	3	\$10,000/ac
• \$20,000	2	\$10,000/ac
• \$27,000	3	\$9,000/ac
• \$18,000	2.5	\$7,200/ac
• \$27,000	2.5	\$7,200/ac

Example continued...

- Usually, for larger acreages, buyers will pay less for every additional acre.
- The assessments will reflect this *as shown* from sales in the market place.

Two Adjacent Neighbourhoods

- *Where the sales of vacant land indicate:*

that one area is higher priced than another area,

then

the assessments will follow step:
assessments in one area will be higher than in the other.

It's the Law

- The Manual requires that the assessor segregate property with different values into different neighbourhoods.

And...

It makes sense

Property worth more money in the market is assessed higher in an **ad valorem** tax system.

Why would anyone do that?

- Most property taxation systems, including Saskatchewan's...

levy taxes *in proportion to the value*

Two reasons:

- 1. The rest of North America is doing the same thing.
- 2. Fairness – everybody in a municipality pays the same share, say, 2% of their property's value.

Improved Property

- The Manual also says, where a buyer pays less for a house that sold for less than the same house sold for elsewhere, then the lower priced house will be assessed lower.

This adjustment is called the Market Adjustment Factor or MAF.

Market Adjustment Factors

- different MAFs for different neighbourhoods
- when the same house in one neighbourhood would sell for significantly more or less than in another neighbourhood.

Market Adjustment Factors

- Where the sales in two locations show that similar houses sell for about the same price in both locations, then the locations are lumped together.
- That “lump” is called a neighbourhood
- Both locations have the same MAF

One Neighbourhood or More?

- Whether to lump the locations together is not determined by the assessor, but rather by two things:
 - 1. The sales prices for similar houses in both locations are close to the same, and,
 - 2. The tax system wants taxes to be in proportion to value.

Two Adjacent Neighbourhoods

- Where buyers pay more for land and buildings in one neighbourhood compared to another neighbourhood, the assessment will reflect that, for both land and buildings.
- Differences in assessments between two neighbourhoods are estimated by assessors based on actions of buyers and sellers.

Neighbourhood Boundaries

- Neighbourhood boundaries are set based on how the sales naturally cluster and the economic factors affecting the neighbourhood.
- There may be sharp differences between adjacent properties on neighbourhood boundaries because the MAF is derived from different sales.

Sheer

- A sharp difference between adjacent properties that are in two different neighbourhoods is called “Sheer.”
- Without stratification, all properties in Saskatchewan would be grouped together and they would all have the same MAF

2009 Revaluation -- Land

- In 2009 Saskatchewan is moving towards a market value assessment system.
- What will be the differences in rural areas?

Answer: Virtually nothing

- 1. Ag land will still be valued based on its productivity rating.
- 2. Where land has a mixed use of residential/agric
AND Market Value > Productivity Value,
then Market Value will be used.
- 3. Where small parcels are zoned only for residential use, then Market Value will be used.
- That is essentially the case now. That will be the case in 2009.

2009 Revaluation -- Buildings

- For most jurisdictions the approach used, called the Adjusted Cost Approach will not be changed.
- The Direct Sales Comparison Approach, using a multiple regression model, may be used for country residential properties in areas, such as, around Saskatoon

- Questions?