

A LOOK AHEAD

TO 2021



sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY

SAMA AND THE 2021 REVALUATION •••••

The Saskatchewan Assessment Management Agency (SAMA) is the leader and authority on property assessment, and Saskatchewan's service provider of choice (Agency Vision). The Agency is responsible for assessment governance of the \$24.2 Billion property assessment base, and a \$2.1 Billion property tax base. In 2019, the Agency provided assessment valuation services to 759 urban, northern and rural municipalities. It is directly responsible for the assessed values of approximately 868,000 properties in the province.

SAMA conducts revaluations based on a four-year cycle. 2017 was the year of the last revaluation, and the 2021 Revaluation will see assessed values updated to reflect a new base date of January 1, 2019. The legislated base date means that 2021 values reflect a property's value as of January 1, 2019.

Assessments in Saskatchewan are retrospective. In other words, the date of valuation for a property is in the past. For 2021 to 2024, property values are reflective of the market conditions as of a base date of January 1st, 2019.

SAMA cannot consider market data from after January 1, 2019 when implementing new values with the 2021 Revaluation. Market data from January 1, 2019 - January 1, 2023 will be used for the subsequent 2025 Revaluation.

SAMA is already conducting advance work for the 2025 Revaluation. This preliminary work for 2025 includes a full oil and gas well assessment model review. This model review will engage assessment professionals and industry technical experts to review and update the current oil and gas models used by SAMA. The review is required in order to ensure the models reflect current oil and gas practices and technologies and ultimately provide accurate assessment valuations that are fair and equitable.

The 2021 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 2021 Revaluation, all property types will have their values updated in relation to the January 1, 2019 base date, regardless of being subject to a market valuation standard or a regulated property valuation standard.

The 2021 Revaluation continues SAMA's goal of stabilizing the assessment system from a governance perspective by not introducing any major changes to assessment policy.

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.

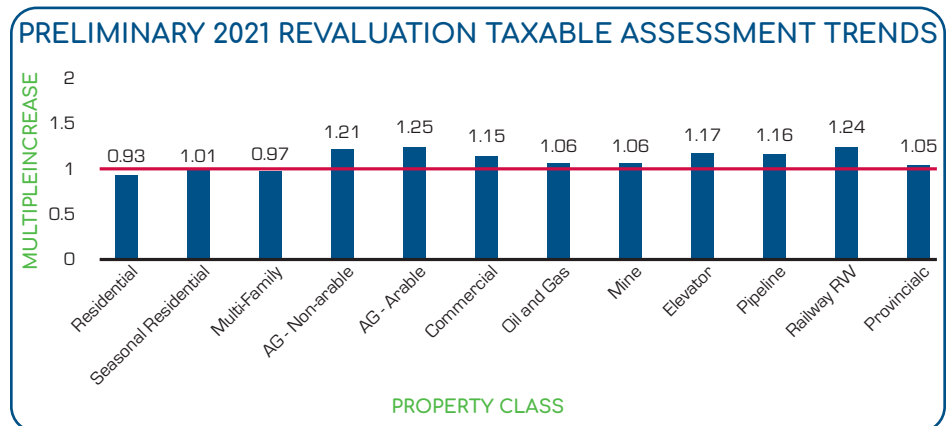


PRELIMINARY ASSESSED VALUES FOR 2021 •••••

Preliminary trend information for the 2021 Revaluation shows smaller shifts for most property types as compared with the 2017 Revaluation.

The following chart uses provincial averages to show preliminary provincial assessment trends for various property types. It should be noted these are preliminary trends for the entire province. Local property specific taxable assessment trends may vary from the indicated provincial trend depending on how local market conditions compare with the provincial averages used to establish the taxable assessment trends noted below.

Property types that fall below the red line in the following chart are seeing an overall decrease to the average assessed value, whereas property types that are above the red line are seeing an overall increase to the average property value.



The 2021 Revaluation is showing relative assessment stability compared to previous revaluations. There is a modest increase on an overall basis, with total provincial assessments only increasing by 1.05 times.

REVENUE NEUTRALITY •••••

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 2021 Revaluation assessments:

1. *Saskatchewan Assessment Manual (2019 Base Year)*
2. *SAMA's 2019 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 2019 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 2021 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. *[Continued on reverse side]*



NEW PUBLICATIONS (continued)

Like *SAMA's 2019 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 2021 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 (2019 Base Year)* and *SAMA's 2019 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 (Core Logic Inc.), 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 with the application of the cost approach.



LOOKING FORWARD TO 2021 - WHAT'S NEXT?

Detailed property specific values were provided to the Saskatchewan Ministry of Government Relations in April 2020. Government Relations then uses this information to determine percentages of value and associated provincial property tax policies. Preliminary 2021 property values were also distributed to municipalities starting in June 2020.

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 2021.

SAMA expects government to announce the 2021 percentages of value for each property tax class later in 2020, communicating them with SAMA and other independent assessment service providers so that we can prepare final assessed values for 2021.

SAMA is targeting to start delivery of final assessed values to municipalities in January 2021. We will work closely with our client municipalities to meet their needs regarding these new values. SAMA will be completing maintenance in late 2020 and early 2021 to be ready to implement the revaluation in 2021.

SAMA will have 2021 Revaluation information on our website (www.sama.sk.ca) and updated individual property values will be available on our SAMAView service in early 2021.

The Agency will be making use of SAMAView, our tool that allows the general public access to individual property assessments for all SAMA client jurisdictions, to communicate assessed values for the 2021 Revaluation. However, SAMA will not post any final 2021 Revaluation property assessments before they have been seen by government and municipalities.

QUESTIONS ON THE 2021 REVALUATION?

If you would like more information, please see the Revaluation 2021 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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