

BEING RURAL READY

No City, No Problem

RICK SHELLEY, FRI, REI



BEING RURAL READY

All registrants that are registered with RECO need to follow REBBA: Code of Ethics to sell rural and farm properties.

T F

These are specialized types of properties.

Registrants need to comply with Code of Ethics.

- Code #4 Best interest – promote and protect their client's best interest
- Code #5 Conscientious and competent service, etc. – shall demonstrate reasonable knowledge, skill, judgement and competence in providing these services
- Code #6 Providing opinion – Salesperson has education or experience related to valuation

BEING RURAL READY - WATER

One of the main concerns of a Purchaser of rural property is if the water is drinkable.

T F

Include a potability test as a condition in the APS.

When you test the water:

- Remove screen on faucet
- Clean spout with alcohol wipe
- Run cold water for 3 minutes or more
- Fill bottle and deliver to Health Unit

Could take up to 2 weeks for results.

BEING RURAL READY - WELLS

The two types of wells are dug and bored.

T

F

They are point and dug wells.

The cost varies on the type of soil.

POINTS OF INTEREST

- Depth – Point 25 ft. or less
 - Dug 30 – 40 ft.
- Well pump type - Submersible
- Check water quality every 6 months

DIFFERENT TYPES OF PURIFICATION SYSTEMS

- UV Filter
- Reverse Osmosis
- Carbon Filter

BEING RURAL READY - SEPTIC

A properly working septic system on a rural property is important to control the amount of bacteria that could reach the well.

T F

The control of waste water and sewage control.

Two main components:

- Septic tank
- Leaching bed

Regulated by the Ontario Building Code

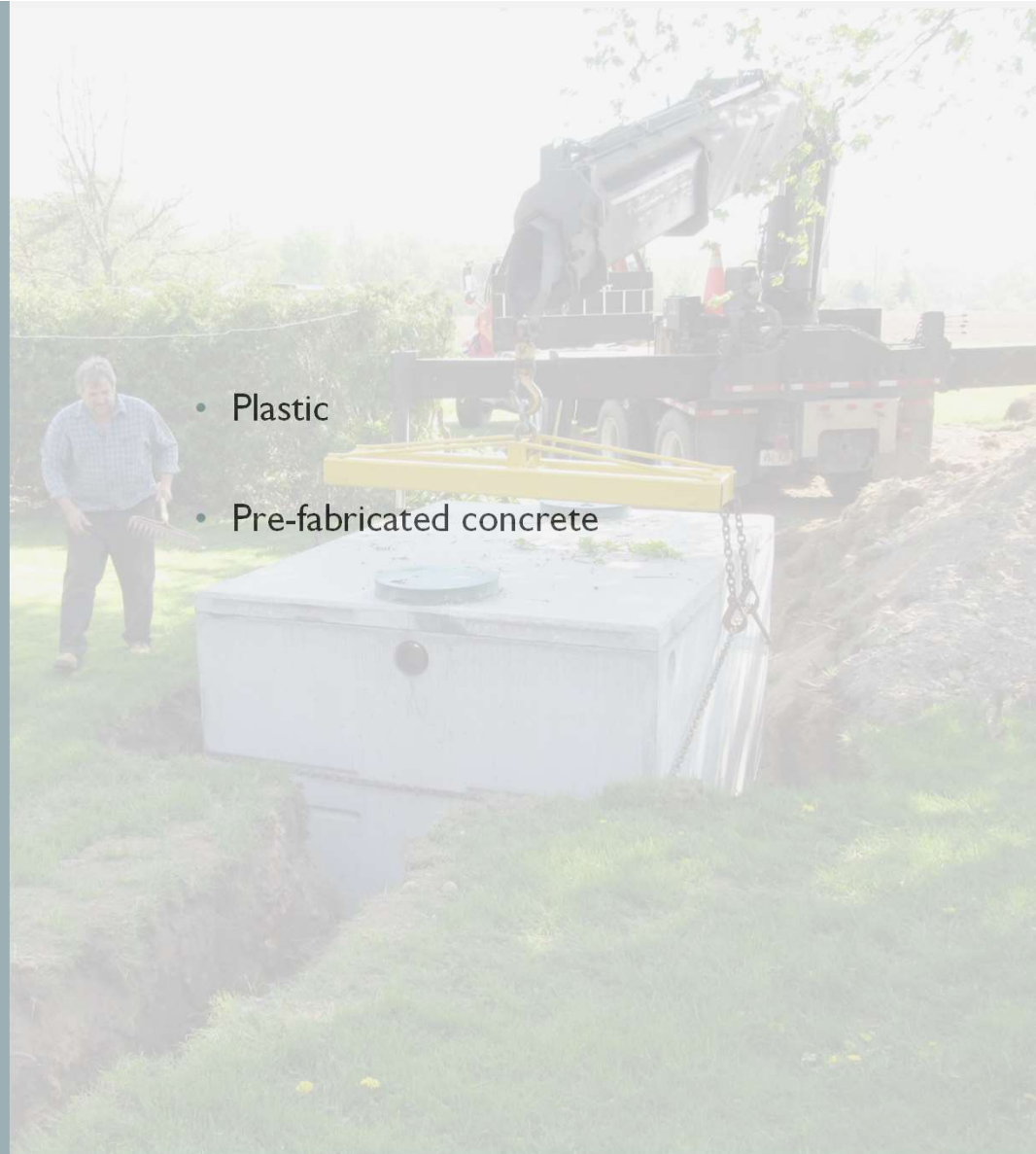
5 TYPES OF SEPTIC SYSTEMS

- Portable toilets
- Grey water system
- Cesspool
- Holding tank
- Leaching bed – Most used *



NEWER TANKS

- Plastic
- Pre-fabricated concrete



Where is it?

How old is it?

Does it work properly?

What would it cost to replace?

MOST FREQUENTLY ASKED QUESTIONS

A FEW GREAT TIPS TO GIVE YOUR CLIENT

1. Familiarize yourself with the location of the system
2. Keep an “as built” system diagram
3. Keep a record of maintenance and service calls
4. Have a sludge and scum inspection every 3 - 5 years
5. Have your affluent filter checked and cleaned yearly

REMEMBER

A residential rural property has all of the same concerns as a city property except for WELL and SEPTIC issues.

OTHER IMPORTANT ISSUES TO BE
FAMILIAR WITH WHEN PURCHASING
RURAL PROPERTIES

- Schools and school bus transportation
- Wi-fi options
- Garbage collection
- Mail delivery
- Heating sources

BEING RURAL READY - ZONING

For a rural property to be classed as a farm property, it must be 4 acres or more and zoned agricultural.

T F

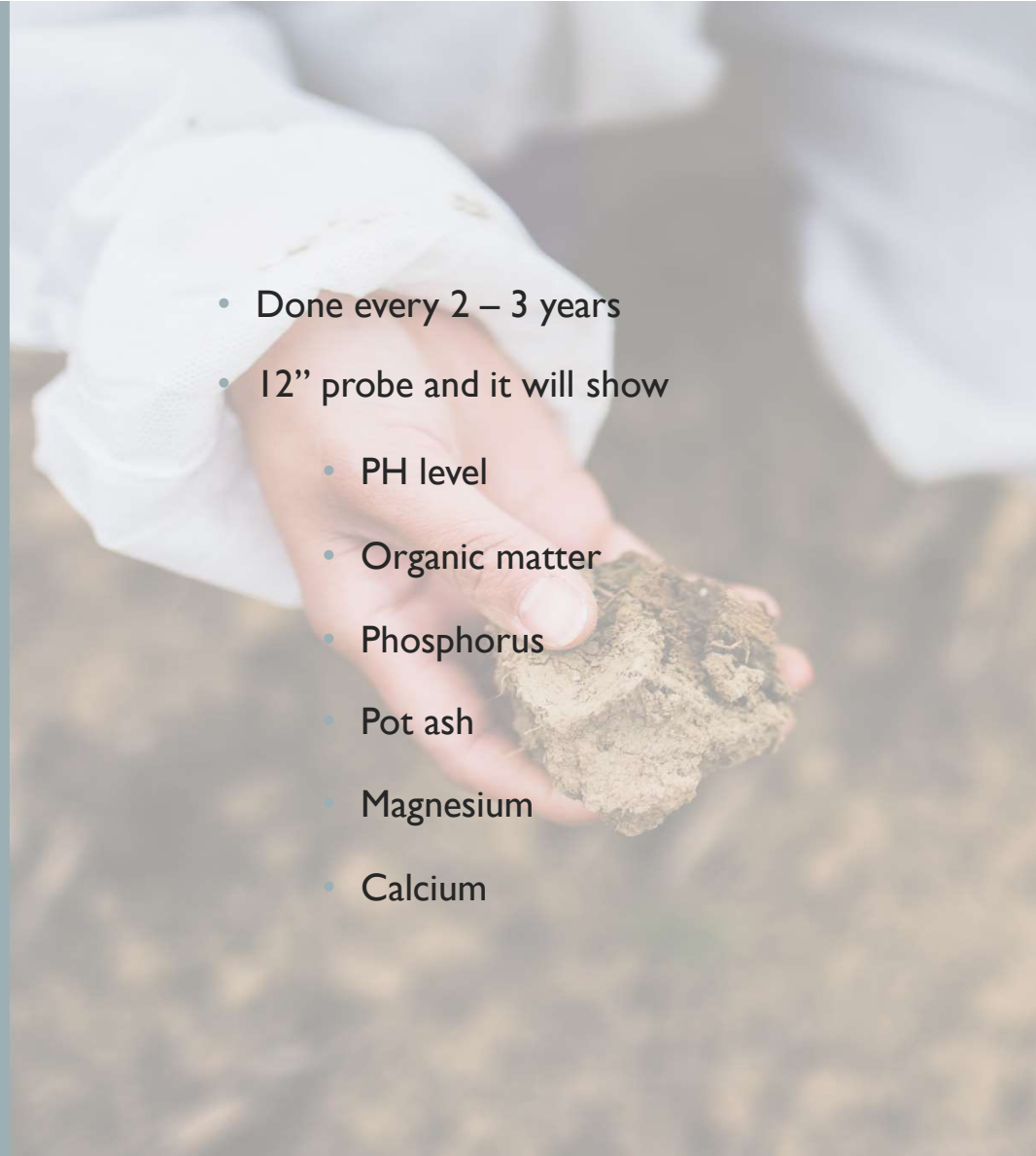
This will have a significant impact on property taxes.

Important to look at soil classification:

1. No significant limitations
2. Moderate limitation on crops
3. Moderately severe limitation on crops and special conservation practices
4. Severe limitations

SOIL

- Done every 2 – 3 years
- 12" probe and it will show
 - PH level
 - Organic matter
 - Phosphorus
 - Pot ash
 - Magnesium
 - Calcium



SOIL

Soil test cannot determine if ginseng has been grown on the land

The 3 different types of soil are:

- Sand
- Loam
- Gravel

To add value to the available acreage, tile drainage can be added.

A client purchasing a farm would have to take a pesticide course to purchase certain chemicals.

Weekend course - \$125

License is good for 5 years

PESTICIDES

Home and one acre will be full residential rate and a 75% tax break on the remainder

Key points regarding eligibility

- Has MPAC assessed the property as farmland?
- The arable acreage must be productive
- The farmer's annual income must be at least \$7000
- If rented, the owner must give the farm business registration number registered to that farmer when filing their income tax

FARM PROPERTY TAXES

Key elements where a Salesperson can misjudge a property when talking with a client:

- 1) Outbuildings
- 2) Barns
- 3) Equipment

- Appraiser looks at contributory value which means no value can be given to outbuildings that do not enhance the operation of the farm
- Appraiser will show 6 ways to get to the total value

APPRAISAL PERSPECTIVE

POINTS OF INTEREST

Appraiser does not see the water test or septic test

APPRAISER'S BREAKDOWN

Appraiser's Breakdown

Workable Land	90.00 acres @ \$6,388/acre -	\$ 575,000
Bush	30.00 acres @ \$2,500/acre -	\$ 75,000
Homestead	14.88 acres @ \$6,388/acre -	<u>\$ 95,000</u>

Total Value of Land **\$ 745,000**

Contributory Value of Improvements

Dwelling	\$100,000
Pack Barn	\$ 20,000
Implement Shed	\$ 10,000

Total Contributory Value of Improvements **\$ 130,000**

Total Value **\$875,000**

HST

Harmonized Sales Tax will not be an issue when purchasing a farm that is classified mixed-use.

T

F

HST will almost always be In Addition To the purchase price.

HST

- 1) A farm is classified as a mixed-use property.
- 2) HST exempt would be a portion of the land that includes the residential home and land used for residential purposes.
- 3) The remaining portion of land used for commercial purposes is subject to HST.
- 4) Use the proper Agreement of Purchase and Sale (Form 500) where the HST clause says ***In Addition To.***

But always remember to tell them to ***seek outside professional advice*** before signing the APS.

APPRAISAL PERSPECTIVE

If building additional sheds or barns, the owner would have to comply with the Ontario Building code.

T

F

Ontario Farm Building Code

APPRAISAL PERSPECTIVE

A rural property will be very limited in the type of heating systems they could use.

T

F

Forced air: Oil, Gas, Propane, Electric

Water Source Heat Pump

Wood and oil combination

APPRAISAL PERSPECTIVE

When purchasing a rural woodlot property, you will be able to clear the trees for a home with no approvals needed.

T

F

The Ministry of Natural Resources will have input regarding wetland and species at risk before approval is given.

MANAGED FOREST TAX INCENTIVE PROGRAM

An owner who clears trees without approval can be fined \$5,000 - \$15,000 or \$1,000 per tree. The ministry has a six month window to fine the owner.

To apply for the Managed Forest Tax Incentive Program (MFTIP), the acreage has to be 9.88 acres or more, excluding the home. Owner then receives a 75% tax break on their property taxes.

Application is for a 10 yr. period. Ministry of Natural Resources then plants trees and after 5 yrs., a progress report is done.

RECOMMENDED CLAUSES
WHEN PURCHASING A RURAL
RESIDENTIAL PROPERTY

Recommended clauses when purchasing
a rural residential property:

1. Financing
2. Insurance
3. Home inspection
4. Potability Test
5. Septic Test
6. Soil Test (Farms)
7. Phase I Environmental Audit (Farms)

But always remember to ask the advice of your Broker
of Record or Brokerage Manager.

THANK
YOU

BEING RURAL READY –
No City, No Problem

RICK SHELLEY, FRI, REI

