NOTE: Unlike Standard Measures of Value established by section 195.032, Florida Statutes, the Uniform Market Area Guidelines (UMAG) are not appraisal guidelines. The UMAG are specifically required by sections 193.114 and 193.1142, Florida Statutes, and are intended to provide technical guidance to property appraisers for placing market area codes on real property assessment rolls.
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1.0 INTRODUCTION AND LEGAL PARAMETERS

1.1 Overview of Legal Framework and Roles. Section 4, Article VII, of the Florida Constitution requires a just valuation of all real property for ad valorem taxation, with certain exceptions. As one of their tasks, Florida property appraisers have the statutory responsibility to list and appraise all real property in each county each year for purposes of ad valorem taxation. The Florida Department of Revenue is a state agency with the statutory responsibility of general supervision of the assessment and valuation of real property for ad valorem tax purposes. The roles of property appraisers and the Department of Revenue are distinct and separate, as described below.

Section 193.085(1), Florida Statutes, states the following: “The property appraiser shall ensure that all real property within his or her county is listed and valued on the real property assessment roll…”

Section 195.002(1), Florida Statutes, states the following: “The Department of Revenue shall have general supervision of the assessment and valuation of property so that all property will be placed on the tax rolls and shall be valued according to its just valuation, as required by the constitution…”

1.2 Department’s Responsibility for Market Area Guidelines. Florida Statutes require the Department of Revenue to provide guidelines for the establishment by property appraisers of market area codes on assessment rolls. Subsections 193.114(2) and (2)(l), Florida Statutes, provide the following in pertinent part:

“(2) The real property assessment roll shall include: …

(l) The market area code, according to department guidelines.”

Subsection 193.1142(1)(a), Florida Statutes, provides the following in pertinent part:

“Each assessment roll shall be submitted to the executive director of the Department of Revenue for review in the manner and form prescribed by the executive director on or before July 1.”

Subsection 193.1142(1)(b), Florida Statutes, provides the following in pertinent part:

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1 The legislative intent for chapter 195 is described in section 195.0012, Florida Statutes, as follows: “It is declared to be the legislative purpose and intent in this entire chapter to recognize and fulfill the state’s responsibility to secure a just valuation for ad valorem tax purposes of all property and to provide for a uniform assessment as between property within each county and property in every other county or taxing district.”

2 NOTE: Unlike Standard Measures of Value established by section 195.032, Florida Statutes, the Uniform Market Area Guidelines (“UMAG”) are not appraisal guidelines. The UMAG are specifically required by sections 193.114 and 193.1142, Florida Statutes, and are intended to provide technical guidance to property appraisers for placing market area codes on real property assessment rolls.
“In addition to the other requirements of this chapter, the executive director is authorized to require that additional data be provided on the assessment roll submitted under this section and subsequent submissions of the tax roll.”

Subsection 193.1142(1)(c), Florida Statutes, provides the following in pertinent part:

‘Additional parcel-level data that may be required by the executive director include, but are not limited to codes, fields, and data pertaining to:

1. The elements set forth in s. 193.114; and

2. Property characteristics, including location and other legal, physical, and economic characteristics regarding the property, including, but not limited to, parcel-level geographical information system information.”

As noted above, market area codes are part of the required elements set forth in section 193.114, Florida Statutes. Market area codes reflect property characteristics on the location of real property groups and the legal, physical, and economic characteristics of the real property groups. Together, the statutory laws referenced above in sections 1.1 and 1.2 describe the legislative intent and the Department’s authority for the Florida Uniform Market Area Guidelines.

1.3 Description of Geographic Stratification. The delineation and use of market areas under Florida law is an application of geographic stratification. In the context of the Florida Uniform Market Area Guidelines, geographic stratification means to divide, or stratify, the real property parcels within a county into geographic groups, known as market areas. Any other applications of geographic stratification are not addressed in these uniform guidelines. The discussion of geographic stratification in the Florida Uniform Market Area Guidelines may be different from the discussions of the subject found in the professional literature pertaining to single-property appraisal, real estate market analysis, and the direct use of geographic units in mass appraisal modeling.

Users of these uniform guidelines are cautioned that the delineation of market areas for individual properties often does not directly apply to the delineation and use of market areas on assessment rolls under Florida law. Based on their intended use and intended users, the Florida Uniform Market Area Guidelines are focused on the delineation of market areas for groups of real property, not for individual properties.

1.4 Intended Users of These Uniform Guidelines. Based on the statutory provisions referenced in sections 1.1 and 1.2 above, the intended users of the Florida Uniform Market Area Guidelines are Florida property appraisers and the Department of Revenue.

1.5 Intended Uses of These Uniform Guidelines. The primary intended use of the Florida Uniform Market Area Guidelines is for Florida property appraisers and their staff to use them in establishing market areas and market area codes on real property assessment rolls. These uniform guidelines are not intended for use as a reference for any of the following or similar subjects: valuation theory, valuation approaches, or valuation methods. Any and all uses of these uniform market area guidelines and the
market area codes on Florida assessment rolls must be consistent with the provisions of these uniform guidelines and with the responsibilities of property appraisers and the Department of Revenue pertaining to market area codes.

2.0 DEFINITIONS AND CONCEPTS

2.1 Overview. This section includes definitions and concepts relevant to the Florida Uniform Market Area Guidelines. In the event of any conflict between these definitions and concepts and those from other external sources, the ones below shall apply. These definitions and concepts are based on the following: 1) Florida law and manual of instructions; 2) the considerations for market areas as described herein; and 3) information from external sources. Any information from external sources may be considered only to the extent that it is consistent with Florida law and manual of instructions.

2.2 Ratio Study. Ratio study has been defined in a ratio study reference as “A study of the relationship between appraised or assessed values and market values. Indicators of market values may be either sales (sales ratio study) or independent ‘expert’ appraisals (appraisal ratio study). Of common interest in ratio studies are the level and uniformity of the appraisals or assessments.”

2.3 Useable Sales. In the context of the Florida Uniform Market Area Guidelines, useable sales are defined as those real property sales accepted as arm’s length transactions by the Department and then filtered by the Department’s analysis programs to enhance the accuracy and representativeness of the sale data. Such useable sales are referred to in these uniform guidelines as sales or sale counts.

2.4 Population. In the context of ratio studies, a population is defined as all real property parcels within a specified real property group. Such a real property group may be composed of all real property parcels within a county, all real property parcels within a statutory stratum within a county, all real property parcels within a market area, or all real property parcels within some other specified group.

2.5 Sample. In the context of ratio studies, a sample is defined as the useable sales that may occur within a population of real property within a specified time frame or is defined as the real property parcels that may be randomly selected from a population for appraisal ratio studies. “The sample consists of those parcels for which sales or expert independent appraisals are available.”

2.6 Representativeness. Representativeness is a condition where the characteristics or statistics of a sample may be considered typical of the characteristics or parameters of the population from which the sample is drawn. See the discussion of representative

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3 International Association of Assessing Officers, Standard on Ratio Studies (Kansas City, MO: International Association of Assessing Officers, 2013), page 43.

sample in section 2.7, and also see the discussion of geographic stratification and geographic representativeness in section 2.9.

2.7 **Representative Sample.** Representative sample is defined in one mass appraisal text as “A sample of observations from a larger population of observations that is similar in relevant features to the population; thus statistics calculated from the sample can be expected to be representative of the population being studied.”\(^5\) Sample representativeness can be enhanced by stratification.\(^6\)

2.8 **Stratification.** Stratification means to divide, or stratify, real property populations or samples into two or more groups based on some defined criteria, resulting in property groups with one or more shared characteristics. Stratification facilitates a more complete and detailed picture of appraisal performance and can enhance sample representativeness.\(^7\) The appropriate level of stratification may range from general, with only one criterion, to detailed, with several criteria. The term “stratum” means one group, and the term “strata” means more than one group. Section 195.096(3)(a), Florida Statutes, specifies seven real property classes, or strata.

2.9 **Geographic Stratification.** For purposes of the *Florida Uniform Market Area Guidelines*, geographic stratification means to divide, or stratify, the real property parcels within a statutory stratum within a county into geographic groups, known as market areas. Geographic stratification can improve geographic representativeness in ratio studies. The beneficial uses of market area stratification include evaluating geographic uniformity of assessments, identifying areas that require improvement in appraisal performance, and valuation planning.

2.10 **Market Area Concepts and Definition.** The definition of a market area depends on the intended use of the market area, along with applicable legal and regulatory provisions. The primary intended uses of market area codes on real property assessment rolls is for property appraisers to conduct ratio study analysis using the codes and for property appraisers to report the codes to the Department of Revenue as required by law. Subsections 2.10.1 through 2.10.4 below contain information from professional sources regarding markets, market areas, and market area delineation, and subsection 2.10.5 concludes with the definition of market areas that applies to these uniform market area guidelines under Florida law.

2.10.1 **Market.** One professional text defines a market as “(1) The arena in which buyers and sellers interact. (2) The collective body of buyers and sellers for a particular product. Real property markets are often delineated by property type and geographic area.”\(^8\) This information is consistent with the approach provided by Florida law and these

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\(^5\) Same source as preceding note, page 395.  
uniform guidelines of delineating market areas by property type (statutory strata) and by geographic area (market areas).

Another professional source defines a market as “(1) The topical area of common interest in which buyers and sellers interact. (2) The collective body of buyers and sellers for a particular product.”\(^9\) These references to buyers and sellers indicate that sale transactions occur within a real property market area.

2.10.2 Market Areas Are Geographic Areas. One professional reference defines a market area as “See economic area”\(^10\) This same reference defines an economic area as “A geographic area, typically encompassing a group of neighborhoods, defined on the basis that the properties within its boundaries are more or less equally subject to a set of one or more economic forces that largely determine the value of the properties in question.”\(^11\) This definition of a market area correctly recognizes that a market area is a geographic area; however, this definition is deficient because it refers to only one (economic) of the three interactive property characteristics that affect real property market areas. See section 2.10.5 below for information on these three characteristics.

2.10.3 Market Areas Are Local Geographic Areas. The following excerpt from a professional text on real estate market analysis describes market area delineation in the context of localized real estate markets, the geographic dimension, and the local geographic area.

“The consequence of localized real estate markets is that a house located in one urban area can be valued differently from an identical house in another urban area or in different sections of the same urban area solely because of its locational attributes. Moreover, such value differences can also occur in different sections of the same urban area. Therefore, once the market is disaggregated on use, tenure, and physical characteristics, the geographic dimension of the submarket must be specified. The area specification, or market area delineation, could be central city versus suburban, northern suburbs versus western suburbs, neighborhood A versus neighborhood B, for example. However the local geographic area is differentiated, the process of disaggregation by location is another major step.”\(^12\) [underlined emphasis added]

2.10.4 Market Areas Have Legal, Physical, and Economic Characteristics. Standard 6 on Mass Appraisal of the Uniform Standards of Professional Appraisal Practice (USPAP) provides for the identification of the appropriate market area, the location of the market area, and the identification of the legal, physical, and economic characteristics of the real property parcels within the market area.\(^13\) USPAP may offer

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\(^10\) Same source as preceding note, page 100.

\(^11\) Same source as preceding note, page 57.


useful guidance on specific issues and is referenced herein only for that purpose. See the last sentence in section 2.1. Consistent with this professional standard and Florida law, the Florida Uniform Market Area Guidelines provide for the identification of the legal, physical, and economic characteristics of geographic real property groups.

2.10.5 Market Areas Under Florida Law. For purposes of the Florida Uniform Market Area Guidelines, market areas are geographic real property groups based on the statutory real property strata within each county. Market areas have legal, physical, and economic characteristics that are interactive and variable in their influence on geographic real property groups. Homogeneity of these legal, physical, and economic characteristics is not required or intended by these guidelines. Market areas are geographic divisions within Florida counties that do not cross county lines. The delineation of market areas is not based on any non-geographic stratification of real property. A market area is not synonymous with a comparable search area for a particular property or group of real property; a market area may be smaller or larger than an appropriate comparable search area.

2.11 Market Area Codes. A market area code is required for each parcel on the real property assessment roll, as provided by sections 193.114 and 193.1142, Florida Statutes. The function of market area codes is to identify the real property groups, within the statutory strata, that have been geographically stratified into market areas.

2.12 Neighborhood. A neighborhood is a geographic real property group that is different from a market area. Neighborhood codes are different from market area codes. Generally, market areas are larger geographic areas than neighborhoods. Neighborhoods and neighborhood codes are not addressed in these uniform guidelines.

3.0 USES OF MARKET AREAS BY PROPERTY APPRAISERS

3.1 Overview. This section provides information on the use of market area codes in conjunction with the seven statutory real property strata. This information is provided to assist property appraisers with the appropriate delineation and coding of market areas on assessment rolls.

3.2 Stratification by Property Type. Section 195.096(3)(a), Florida Statutes, provides for the following seven real property classes, or strata.

1. Residential property that consists of one primary living unit, including, but not limited to, single-family residences, condominiums, cooperatives, and mobile homes

2. Residential property that consists of two or more primary living units

3. Agricultural, high-water recharge, historic property used for commercial or certain non-profit purposes, and other use-valued property
4. Vacant lots
5. Nonagricultural acreage and other undeveloped parcels
6. Improved commercial and industrial property
7. Taxable institutional or governmental, utility, locally assessed railroad, oil, gas and mineral land, subsurface rights, and other real property

To proactively evaluate appraisal level and uniformity, property appraisers should conduct stratified statistical and analytical reviews on these statutory real property strata. Additionally, to achieve the benefits of geographic stratification for their ratio studies, property appraisers should use the market area codes provided by Florida law in conjunction with the seven statutory strata referenced above.

3.3 Stratification Using Market Areas. Geographic stratification is part of maximizing representativeness and evaluating appraisal uniformity in ratio studies. The following excerpts from a professional text describe the appropriateness of stratifying ratio studies by real property type and geographic area.

“As with any ratio study, a major issue is stratification.”

“Property class, geographic area, and value range are good candidates for stratification.”

3.4 Using Market Areas to Evaluate Assessment Uniformity. Property appraisers should use the results of ratio studies stratified by statutory strata and market areas to identify real property groups that require reappraisal to achieve assessment uniformity. The following excerpts from a ratio study standard address the use of ratio study results to improve assessment performance.

“A properly designed ratio study is a powerful tool for analyzing assessment performance, evaluating CAMA system models, and suggesting strategies for improvement. A ratio study also can identify weaknesses in appraisal system performance.”

“When the purpose of the study is to evaluate appraisal quality, flexibility in stratification is essential. The general goal is to identify areas in which the assessment levels are too low or lack uniformity and property groups for which additional reappraisal work may be required. In such cases, it also is highly desirable to stratify on the basis of more than one characteristic simultaneously.”

15 Same source as preceding note, page 322.
17 Same source as preceding note, page 9.
“Stratification can help identify differences in level of appraisal between property groups.”\textsuperscript{18}

At a minimum, property appraisers should calculate measures of appraisal level for sale ratio studies stratified by market area and statutory strata and should then use these calculated measures to help identify real property groups in need of improved assessment performance. These calculated measures of appraisal level should include the median, mean, and value-weighted mean.

4.0 CRITERIA FOR MARKET AREA DELINEATION

4.1 Overview. For the delineation of market areas and the establishment of market area codes by property appraisers under sections 193.114 and 193.1142, Florida Statutes, these uniform market area guidelines provide several criteria as described below in sections 4.2 through 4.10.

4.2 Sample Sizes Within Market Areas. As discussed in sections 2.10.1 and 4.4, the existence of a market indicates the occurrence of sales within a market area. A useful number of sales is an important consideration in the statistical and analytical review of assessment rolls. Therefore, the need to achieve an adequate sample size (number of useable sale transactions) is a factor in the delineation and coding of market areas on real property assessment rolls. Accordingly, the market areas reported on Florida assessment rolls should be delineated and coded to achieve, to the greatest extent possible, a useful number of useable sale transactions within a calendar year. However, when delineating market areas in counties with lower total parcel counts or with real property strata with limited sale counts, it may be preferable to focus more on the benefits of stratification than on achieving a certain minimum number of parcels or sales within a particular market area. Lower parcel counts and/or sale counts within a market area can still be useful to property appraisers for evaluating and improving geographic uniformity. When delineating market areas in larger counties where sales are plentiful and where achieving a useful number of sales within market areas is not difficult, property appraisers should focus on the benefits of stratification in order to facilitate their effective evaluation of the geographic uniformity of assessments. The establishment of market area codes under these uniform guidelines involves appropriately balancing the need for stratification with the need for useful sale counts within market areas.

4.3 Parcel Counts Within Market Areas. Sale counts within market areas may be subject to significant annual variation. Generally, parcel counts per market area are subject to less variation than sale counts per market area and are easier to determine and maintain. Therefore, the delineation and maintenance of market areas under these uniform guidelines should be based on consideration of both parcel counts and sale counts within market areas. Generally, smaller counties are expected to have fewer market areas than larger counties. However, even the smallest counties are expected to

\textsuperscript{18} Same source as preceding note, page 9.
have more than one market area in order to achieve the benefits of geographic stratification. Larger counties are expected to have more market areas than smaller counties. For example, counties with more than 150,000 parcels are expected to have substantially more market areas than counties with less than 50,000 parcels, and counties with more than 600,000 parcels are expected to have substantially more market areas than counties with less than 400,000 parcels. Very large market areas with very high parcel counts and sale counts subvert the goal of evaluating the geographic uniformity of assessments and are not expected under these uniform guidelines.

4.4 The Legal, Physical, and Economic Characteristics of Market Areas. As noted in section 2.10.4, USPAP references the identification of the appropriate market area, the location of the market area, and the identification of the legal, physical, and economic characteristics of the real property parcels within the market area. This is consistent with the following excerpt from a professional text on real estate market analysis.

“A market is formed by the interaction of the forces of supply and demand. The supply side is represented by sellers. Each property has a set of physical, locational, legal, and design attributes that makes it suitable for different uses. Sellers auction these attributes to the highest bidders. The demand side is represented by buyers, who bid for the attributes that the properties offer.”

The interaction of sellers and buyers described above provides the economic characteristics that correspond to the legal and physical characteristics within market areas and also indicates the occurrence of sales within market areas. Another professional text on real estate market analysis provides useful guidance on the following three discrete units of property characteristics as being relevant to real estate market analysis: 1) legal characteristics, 2) physical characteristics, and 3) economic/financial/locational characteristics. The following excerpt from the same source describes the need to consider these three types of property characteristics.

“In addition to the legal and physical characteristics, the subject property also possesses economic characteristics in the form of location or accessibility features and economic features.”

Subsection 193.1142(1)(c)2., Florida Statutes, provides for the maintenance and reporting on real property assessment rolls of property characteristics, including location and other legal, physical, and economic characteristics. The delineation of market areas by property appraisers under Florida law requires the identification and evaluation of the legal, physical, and economic characteristics of geographic real property groups within statutory real property strata.

22 Same source as preceding note, page 86.
4.5 The Life Cycle Stages Within Market Areas. A professionally recognized text refers to the four possible life cycle stages that may exist within market areas. These four life cycle stages are:

(1) Growth – a period during which the market area gains public favor and acceptance;
(2) Stability – a period of market equilibrium without marked gains or losses;
(3) Decline – a period of diminishing demand; and
(4) Revitalization – a period of renewal, redevelopment, modernization, and increasing demand.\(^{23}\)

In some cases, different parts of a delineated market area may experience their own life cycle stage at a particular point in time. Thus, multiple life cycle stages may occur simultaneously within a single market area. In other cases, particularly in the larger counties, a market area may experience only a single life cycle stage at a given point in time. The identification and consideration of the life cycle stages is useful in delineating and coding market areas on real property assessment rolls.

4.6 Census Geographic Entities. There are some census geographic entities that are useful in the delineation of market areas. Useful census geographic entities include census tracts, census block groups, census places, and traffic analysis zones. Census tracts are geographic entities required by the U.S. government and that cover the entire United States. Like those within market areas, the geographic real property groups within census tracts have legal, physical, and economic characteristics. The following excerpt from a professionally recognized market analysis text illustrates the relevance of census tracts to market area delineation.

“If the subject property is a subdivision or an apartment complex, the census tracts represent the area from which the subdivision or complex will draw prospective home buyers or renters, who are part of the population of the census tracts. If the subject is a neighborhood shopping center, the census tracts represent the area from which its retail customers will be drawn. Population and employment projections for census tracts that delineate the market area will constitute the population and employment base for that market area.”\(^{24}\)

The excerpt above is helpful for understanding the relationship between census tracts and the legal, physical, and economic characteristics of real property groups. Since census geographic entities divide all of the real property parcels within Florida counties into geographic units that are widely used for real property market analysis, census geographic entities provide useful guidance for the delineation and coding of market areas on Florida assessment rolls.


Subsections 193.114(2) and (2)(s), Florida Statutes, require that the real property assessment roll include the census block group number for each parcel, as stated below.

“(2) The real property assessment roll shall include: …”

“(s) The United States Census Bureau block group in which the parcel is located.”

4.7 Other Criteria for Market Area Delineation. It is appropriate to delineate market areas in a manner that maximizes the stability of market area boundaries and coding systems and minimizes the need to adjust them. During the initial delineation of market areas, the life cycle stages that may occur within each market area should be addressed. For example, in growth areas, market areas with lower parcel counts should be delineated in order to minimize the need to create new market areas when parcel counts within existing market areas become large due to market growth. This consideration would be less important for stable market areas that are built out and have limited potential for growth.

4.8 Criteria for Determining Market Area Boundaries. Market area boundary criteria based on the legal, physical, and economic characteristics of real property groups provide practical and useful guidance for identifying reasonable market area boundaries in accordance with the items listed in section 4.9. Such criteria include the following:

(1) Future land use classification boundaries;
(2) Zoning classification boundaries;
(3) County lines and section lines;
(4) Rivers, lakes, oceans, bays, etc.;
(5) Major streets, expressways, railroads, canals, etc.;
(6) Significant changes in real property type;
(7) Significant changes in real property size;
(8) Significant changes in real property construction quality and features;
(9) Significant changes in real property age;
(10) Significant changes in real property condition;
(11) Boundaries of census geographic entities; and
(12) Significant changes in the rate of real property market activity, particularly sale counts expressed as a percent of parcel counts.

The appropriate market area boundary may vary by statutory strata. For example, a major street may be a good boundary for a stratum 1 market area but may be inappropriate for a stratum 6 market area if commercial properties line both sides of the street. A better boundary for a stratum 6 market area may be a future land use classification boundary. In some cases, all or part of the boundaries of one or more census geographic entities may be appropriate boundaries for a market area.

A market area boundary does not extend beyond a county line. Market area boundaries for different statutory strata can overlap. In almost all cases, the boundaries of a particular market area will form a single geographic unit, but there may be limited exceptions for unique situations within a county where a market area could be composed of two or more non-contiguous geographic areas.
4.9  **Summary of Criteria for Delineating and Coding Market Areas.** Below is a summary of criteria for consideration in the delineation and coding of market areas for each of the statutory strata.

1. The benefits of geographic stratification described in sections 2.8 and 2.9;
2. The description of a market area under Florida law in section 2.10.5;
3. The sample size and parcel count criteria provided in sections 4.2 and 4.3;
4. The legal, physical, and economic characteristics of market areas referenced in section 4.4;
5. The life cycle stages within market areas referenced in section 4.5;
6. The census geographic entities referenced in section 4.6;
7. The other criteria for market area delineation provided in section 4.7; and
8. The criteria for determining market area boundaries provided in section 4.8.

4.10  **Market Area Coding Systems.** Market area codes are reported by property appraisers each year to the Department of Revenue for each real property parcel on assessment rolls. Market area codes may be one to three alphanumeric characters, and market area codes that are less than three characters do not need leading zeros. Many counties use a numeric coding system with codes ranging from 1 to 99, which the Department recommends where possible. Other coding criteria include the following.

1. Market area codes under these uniform guidelines are based on the statutory strata referenced in section 3.2. Subject to the exceptions listed below and under these uniform guidelines, a separate market area coding system is needed for each of the seven statutory strata composing real property assessment rolls.

2. Counties with large numbers of a particular property use code within stratum 1 may choose to develop a separate system of market area codes for that particular property type, provided that more than one market area is delineated and coded for such separate system. All other criteria for stratum 1 property would still apply.

3. A county may select the option of using stratum 1 market area boundaries to establish stratum 4 market area boundaries. If a county selects this option, then all stratum 4 properties within a stratum 1 market area boundary also need to be coded using the corresponding stratum 1 market area code.

4. A county may select the option of using stratum 6 market area boundaries to establish stratum 5 market area boundaries. If a county selects this option, then all stratum 5 properties within a stratum 6 market area boundary also need to be coded using the corresponding stratum 6 market area code.