

INTRODUCTION

Article X of the Constitution of Virginia, mandates that all property shall be taxed, and that taxes shall be uniform among the same class of subjects within the territorial limits of the authority levying the tax. Contained in the Code of Virginia, Chapter 1, Section 58.1-3200, are requirements that property tax liabilities be distributed according to value. The standard for this valuation, as set forth in 58.1-3201, is 100% Fair Market Value.

Market Value

While Virginia does not have a statutory definition for fair market value, the following meaning of market value has been accepted by the courts for a number of cases spanning many years:

The price which a property will bring when offered for sale by one who desires, but is not obliged, to sell it, and is bought by one who is under no necessity of having it.

Other elemental related factors to the concept of market value are:

- . Was adequate time allowed to sell the property?
- . Were parties to the transaction typically motivated?
- . Was the property properly exposed to the open market?
- . Was the sale an "arm's length" transaction? Not involving love or affection or other non-monetary consideration?
- . Was the sale transacted on typical terms (e.g. cash, cash equivalent, etc.) with regard to financing and conditions of sale?

Since market value is generally considered a hypothetical concept of the most probable selling price at a particular point in time and not an established fact, there are other related terms which can be distinguished, as follows:

- . **Market Price:** A matter of fact. The price at which an asset transacts as of a given date when the conditions of market value are met.
- . **Price or Transaction Price:** May or may not equate to market value or market price.

General Reassessments

The Code of Virginia, Chapter 1, Sections 58.1-3250 thru 3255, requires periodic reassessments of real estate in every taxing jurisdiction. Reassessment frequency is determined by whether or not the locality is a county or city, population, or by direction of the governing body. The purpose of these periodic reassessments is to estimate the real property at 100% market value and to equalize the assessment burden according to value among all property owners. Safeguards are also written into law that limit revenue windfalls to 1% due to an

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increase in assessed values as a result of the reassessment process, so that increasing local government expenditures should not be borne by the assessing officer(s). This limitation only applies to the locality's total revenue, the actual increase of an individual property owner may be greater.

Mass Appraisal

When, as in the case of reassessments, many parcels of property must be valued as of a given date using common data and statistical testing, the technique commonly used is the *mass appraisal process*. Except for unique properties, individual analyses and appraisals of properties are not practical for ad valorem (according to value) tax purposes. There is a distinct difference in the way comparable sales data is examined and used in a mass appraisal project, as compared to individual property appraisals such as those used for mortgages, estate valuation, and/or individuals wishing to sell or buy. Individual appraisals will most probably identify at least 3 sales, which must be adjusted for differences in location, land size, square footage of dwellings or other improvements, etc. In a mass appraisal project, where thousands of properties are involved, a market study is made covering the entire locality. This study identifies benchmarks of value for differing property types in various neighborhoods and usually covers at least 2 years of sales data, and must include only arm's length transactions.

Reassessment Methodology

Included below, by reference, are sources for mass appraisal standards and methods commonly used in the context of real property mass appraisal. These sources, which are generally accepted within the reassessment segment of the appraisal discipline, include the guidelines for research and analyses necessary to develop credible results.

The International Association of Assessing Officers (IAAO) 2013 Standard on Mass Appraisal

The Virginia Department of Taxation Board of Assessors Manual (revised February 2014)

Standard 6 of the Uniform Standards of Professional Appraisal Practice as well as jurisdictional exception and state and local codes and ordinances.

The Appraisal Process

As given in Standard 6 of the Uniform Standards of Appraisal Practice, among the substantive steps an appraiser must be aware of, understand, and correctly employ to produce and communicate credible results are:

- (1) Identifying properties to be appraised.

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- (2) Defining market area of consistent behavior that applies to properties.
- (3) Identifying characteristics (supply and demand) that affect the creation of value in that market area.
- (4) Developing a model structure that reflects the relationship among the characteristics affecting value in the market area.
- (5) Calibrating the model structure to determine the contribution of the individual characteristics affecting value.
- (6) Applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised.
- (7) Reviewing the mass appraisal results.

In the mass appraisal process, an appraiser must identify and analyze the effect on use and value of the following factors:

Existing land use regulations and reasonably probable modifications of such regulations. The

relevant economic conditions at the time of valuation, including market acceptability of the property and supply, demand, scarcity, or rarity.

The physical adaptability of the real estate.

Neighborhood trends.

The highest and best use of the real estate.

Collect, verify, and analyze data to develop:

- The cost new of the improvements
- Accrued depreciation
- Value of the land by sales of comparable properties
- Value of the property by sales of comparable properties
- Value by capitalization of income or potential earnings

Reconcile the quality and quantity of data available and analyzed within the approaches used and the acceptability and relevance of the approaches, methods and techniques used, and employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.

Highest and Best Use

The highest and best use of a property is that reasonable and probable use that results in the highest present value of the land after considering all legally permissible, physically possible and financially feasible uses. In appraisal practice, the concept of highest and best use and its development for each property is essential when estimating market value.

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Approaches to Value

The three recognized approaches to value are known as the *cost, market and income approaches*. One or more approaches may be more applicable than others, depending on the property type, available data, and how the market participants view the benefits of ownership. Regardless which approaches are used or considered during the valuation process, proper reconciliation of the approach(es) with the highest degree of confidence and applicability into a value conclusion is critical in producing credible results.

The **Market Approach** estimates total property values (both the land and improvements) utilizing the sale price of properties similar to the subject and adjusting those prices to account for differences between the properties sold and the subject.

The **Cost Approach** separately values the land component as if vacant¹, then the appraiser must determine the suitable cost to construct, or replace with similar utility, the improvements on the subject property, then deduct the amount of accrued depreciation² from all sources.

The **Income Approach** equates the present worth of the subject to the future net benefits of ownership. The appraiser estimates net income and capitalizes that income into an estimate of value.

¹ Land value estimates are accomplished by using methods such as abstraction or land residual technique, allocation, anticipated use, capitalization, or market (sales) comparison.

² Depreciation is the difference in value between the cost new and the contributing value of the improvements. Sources of depreciation are physical, functional and economic. Physical depreciation is the wasting away of the asset due to wear and tear. Functional obsolescence (or depreciation) results from design features that do not represent current standards including super adequacies and inadequacies and absence of desired features. External problems resulting from adverse location or economic factors are examples of economic obsolescence (or depreciation).

APPROACHES TO VALUE, RECONCILIATION, AND DEPRECIATION

Market Approach

The Market Approach (also called the Sales Comparison Method) uses analysis to compare recent comparable sales to the subject properties. This approach is used to estimate property at its "fair market value" by abstracting data from actual sales and applying the results to unsold properties. This approach is valid for valuing both improvements and land.

The Sales Comparison Approach formula can be expressed as

$$\text{Market Value} = \text{Sales Price of Comparable Property} +/\text{- Adjustments}$$

The Market Approach steps are:

Collect and analyze the sales data and attributes of sold comparable and subject properties.

Select units of comparison.

Make adjustments based on the market.

Apply the data to the subject appraisal.

The data considered for analysis of improvements includes:

Overall quality

Architectural attractiveness

Age

Size (square footage, stories, number of units, number of bedrooms, and baths)

Amenities (special-purpose rooms, garage, swimming pool, parking)

Functional utility (architecture and appearance, layout, equipment)

Accrued depreciation (physical deterioration, maintenance, modernization, including remodeling and additions)

The data considered for analysis of land includes:

Cadastral Maps

Size

Physical attributes (land type, impediments to development, etc.)

Documentation (laws and ordinances governing development, deeds, plats, permits, etc.)

In the market approach, appraisers estimate a price per unit. When estimating a price per unit, the unit of comparison may be the property as a whole, or some smaller measure of the size of the property. Converting the sales price to a unit of measure makes it easier to compare and adjust properties that compete in the same market.

The appraiser compares the subject and comparable properties, then adjusts each comparable to the subject. After adjustments have been made, an estimate of value can be determined for the subject property.

APPROACHES TO VALUE, RECONCILIATION, AND DEPRECIATION - CONTINUED

Cost Approach

The Cost Approach estimates the depreciated reproduction cost or replacement cost of improvements plus the value of the land. This approach is used to value improvements. Land is valued separately as if vacant, using appropriate land valuation methods.

The Cost Approach formula can be expressed as

$$\text{Total Property Value} = (\text{Reproduction Cost of New Improvements} - \text{Depreciation}) + \text{Land Value}$$

The Cost Approach steps are

Inspect the property being appraised and create a sketch of the perimeter of the subject building showing each section of the building classified by structure type and number of stories with dimensions given in feet.

Estimate the present reproduction cost to construct a duplicate of the improvement on the subject property.

Estimate replacement cost (the cost of constructing an improvement with the same functional utility) where the improvement is impossible or impractical to duplicate.

Reduce the estimated cost by the loss in value due to depreciation.

Estimate the value of the site.

Add the depreciated improvement cost estimate to estimated site value.

Income Approach

The Income Approach estimates value by determining anticipated benefits to be derived from the ownership of property and is applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process. Land and Improvements are not considered as separate entities, but as a whole income producing property.

The basic Income Approach formula can be expressed as

$$\text{Present Value} = (\text{NOI} \div \text{capitalization rate})$$

The following terms apply to the Income Approach.

PGI (Potential Gross Income)

The total potential rental income of a property if leased without vacancy or unpaid rent during a given year.

EGI (Effective Gross Income)

PGI less actual vacancy and rent loss during that year.

NOI (Net Operating Income)

EGI less all operational expenses of property; management, maintenance, insurance, etc. for that year.

CAPITALIZATION RATE (Cap Rate) The recapture rate (rate of return) of net income expressed as percent per year.

APPROACHES TO VALUE, RECONCILIATION, AND DEPRECIATION - CONTINUED

EXAMPLE:

5 Rental units x \$500/month x 12 months = \$30,000 PGI

2 Units vacant for 1 month each / 60 possible months (5 units x12 months) 2/60 = .03 or 3%

\$30,000 PGI less 3% vacancy = \$29,100 EGI

\$29,100 EGI Less \$8,000 operating expenses = \$21,100 NOI

\$21,100 NOI / 8% recapture = \$263,700 present value rounded

The basic steps for appraising commercial property using the income approach are

1. Estimate potential gross income.
2. Deduct for vacancy and collection loss.
3. Add miscellaneous income.
4. Determine operating expenses.
5. Deduct operating expenses to determine net income before discount, recapture, and taxes.
6. Select the proper capitalization rate.
7. Determine the appropriate capitalization procedure to be used.
8. Capitalize the net income into an estimated property value

The basic steps for appraising single family, small multi-family, apartments, and some commercial properties using the income approach are

1. Estimate the subject property's monthly market rent.
2. Calculate gross rent multipliers from recently sold comparable properties that were rented at the time of sale.
3. Based on rent multiplier analysis, derive the appropriate Gross Rent Multiplier (GRM) for the subject property.
4. Estimate market value by multiplying the amount of the monthly market rent by the subject property's GRM.

Market rent is the rental income that a property would most likely command on the open market as indicated by current rentals paid for comparable space. To find market rent, an appraiser must know what rent tenants have paid, and are currently paying, on comparable properties. By comparing present and past performance of properties similar to the subject, the appraiser should be able to determine the subject property's rent potential. By analyzing sales prices of comparable properties, a factor or multiplier that represents the relationship between market rent and market value, can be determined. When the appropriate factor is applied to the net income or gross income the subject property is expected to produce, the result is an estimate of market value. Capitalization is the mathematical process for converting the income produced by a property into an indication of value.

The process evolves out of the principles of perpetuity and termination. Perpetuity assumes that the net income produced by land will continue for an infinite period of time. Termination assumes that the net income produced by a building (assuming normal repairs and maintenance) will stop after a certain number of years in the future and will cease to have an economic value.

APPROACHES TO VALUE, RECONCILIATION, AND DEPRECIATION - CONTINUED

If the income flow produced by a building will terminate in the future, it is reasonable to suggest that the investor in buildings is entitled to the return of his investment, as well as a return on his investment. In the capitalization process, this recovery of the investment is referred to as recapture. The recovered capital could be used to replace the present structure when it ceases to have value, or the investor could use the return capital for debt service or for reinvestment in other projects.

Several methods of capitalization are currently employed by appraisers. All the methods recognize that the investor is entitled to both a return on and the recapture of his investment. The most commonly used method in *Ad Valorem* valuation for commercial property is the band of investment method. This method combines the expected recapture for both the investor and the mortgagee. In this method, debt service expenditures as well as property taxes are not expenses, but components of the capitalization rate.

Reconciliation

Reconciliation brings all elements of the appraisal together to present a final market value of the subject property.

The separate value estimates reached by the different appraisal approaches are rarely identical. The appraiser compares and analyzes the estimates derived from the approaches used (sales comparison, cost, and/or income). By considering appropriateness of each approach for the property appraised, the value estimate that most accurately represents the market value of the subject can be determined.

The process of reconciliation is not an averaging of figures. One approach may have more validity for a certain property, while another approach may have little utility for the property being appraised.

Depreciation

Depreciation is the loss of utility and value from any cause. For these losses, there are three forms of depreciation:

Physical depreciation/deterioration: Wear and tear, decay, dry rot, weather, cracks, encrustations, or structural defects. This is the most common form of depreciation.

Functional obsolescence: Due to poor house plans, mechanical inadequacy or over adequacy and/or style and age. Caused by conditions within the dwelling.

Economic obsolescence: External and/or location obsolescence is caused by factors outside the property or home, such as a dwelling abutting commercial or inferior properties, or the home site being located close to a major highway.

Residential Improvements

The appraiser must attempt to identify an overall economic or useful life for various structural types, then set out remaining percentages of useful life for any structure based on its actual age. The term "age" is intended to be understood as effective age.

This would only be a guide at best but its use in mass appraisal efforts is well founded and generally considered sufficient.

APPROACHES TO VALUE, RECONCILIATION, AND DEPRECIATION - CONTINUED

Examples of Functional Obsolescence:

- Dated bathroom and kitchen features
- Inadequate hot water or heating systems
- Inadequate placement of electrical outlets
- Poor room arrangements

Examples of Economic Obsolescence:

- Inharmonious land uses
- Location of obnoxious commercial or industrial businesses in a residential neighborhood
- Narrow streets with poor traffic access

Commercial/Industrial Structures

Commercial and industrial structures are usually built to a special design for a special purpose.

All commercial and industrial properties are appraised at replacement cost less normal depreciation. The income approach is used when data is available and reliable. Factors influencing the amount of depreciation given to a commercial or industrial property are as follows:

- *Age*
Consideration for life expectancy and normal wear.
- *Functional*
Consideration for current use and the intended use of building.
- *Economic*
Consideration for the location of the building.

Examples of Functional Obsolescence:

- Inadequate column spacing in a warehouse.
- Multi-story construction in an old industrial building.
- Undesirable shape or location.
- Low hanging pipes
- Absence of ventilating facilities
- Poor room arrangements

Examples of Economic Obsolescence:

- Narrow streets with poor traffic access.
- Location where automobile and/or foot traffic patterns decreased.
- Lack of adequate parking in a retail business district.

APPROACHES TO VALUE, RECONCILIATION, AND DEPRECIATION - CONTINUED

In the IAAO 2012 Standard on Mass Appraisal, the three approaches to value are ranked according to their applicability to various property types.

Table 1. Rank of typical usefulness of the three approaches to value in the mass appraisal of major types of property

	Cost approach	Sales comparison approach	Income approach
Single-family residential	2	1	3
Multifamily residential	3	1,2	1,2
Commercial	3	2	1
Industrial	1,2	3	1,2
Non-agricultural land	—	1	2
Agricultural*	—	2	1
Special-purpose**	1	2,3	2,3

*Includes farm, ranch, and forest properties.

**Includes institutional, governmental, and recreation properties

SITE/HOMESITE VALUATION

All residential and agricultural properties with a residence, and properties of 10 acres or less that are judged to have an available building envelope, regardless of whether or not a residence is present, shall be assessed with a site/homesite value. Sites will not be assigned if zoning or other restrictions prohibit development of the property. Typical site acreage is 1 acre or less. Estate properties and farms may have larger sites and/or multiple sites.

Poor Perk/Non-Perk Parcels:

In the past it was standard practice to value non-perk parcels without a homesite. This meant that a parcel could not support a standard septic system because of poor soils, severe topography, high water table, or other issues. In recent years, however, new technologies for alternative sewerage systems have advanced significantly, making parcels that had once been unsuitable for development now suitable by utilizing these newer systems.

The installation costs of these systems are a good deal more than standard septic systems, requiring a discount to a homesite value to reflect this cost. For the 2018 general reassessment, parcels that had been previously assessed as non-perk for a standard system will be assessed as a homesite, discounted approximately 50% of the value of suitable perk sites. This discount would be removed once a sewerage system is installed. If the property owner has had a recent soil test or site evaluation by a qualified person, showing the parcel cannot be improved with any septic system, either standard or alternative, then a site value will not be assessed.

Summary of Zoning Ordinance Requirements for Residential Lots:

Zoning Districts	Minimum Lot Size	Road Frontage	Front Setback	Side Setback	Rear Setback	Lot Width at Dwelling
Agricultural District A-1	20,000 SF		*	10'	40'	
Residential Estates District RE	5 Acres	150'	**	20'	40'	150'
Residential Suburban Subdivision District R-1						
R-1 Public Water/Sewer	10,000 SF	75'	35'	10'	30'	75'
R-1 Public Water Only	15,000 SF	75'	35'	10'	30'	100'
R-1 Public Sewer Only	15,000 SF	75'	35'	10'	30'	100'
R-1 Private Well/Septic	20,000 SF	75'	35'	10'	30'	100'
Residential Combined Subdivision District RC-1						
	Same as R-1	75'	35'	10'	40'	Same As R-1

*Front setback will be 60' from centerline of right of way or 35' from edge line of right of way.

**Front setback will be 60' on a 50' right of way and 65' on a 60' right of way.

Reference Source: Pittsylvania County Code, Chapter 35; Zoning.

LAND VALUATION APPROACHES

There are five standard approaches when determining land valuation during a mass appraisal:

1. **Comparable sales:**
Compare recent sales of similar vacant parcels to the subject property. Make adjustments for differences among the properties to create indicators of value for the land under appraisal.
2. **Abstraction and allocation:**
Analyze sales of improved properties and allocate the value between land and improvements.
3. **Anticipated use or development:**
Subtract total development costs from projected sales prices of developed land to derive a value for the land in its current state.
4. **Capitalization of ground rent:**
Establish a current value for land through its future income potential.
5. **Land residual capitalization:**
Calculate land value by first estimating net income earned by a property and then subtracting income that can be attributed to the improvements, leaving a residual value attributable to the land.

Each of these approaches is appropriate for determining land value. The majority of the County will be valued on a per acre basis, using comparable land sales. Other methods that may be used in land valuation are rate per square foot or site value. The field appraiser will determine the most appropriate method by observing the trends in the market.

Sales Comparison Approach:

There are two principle applications when using the Sales Comparison Approach to value land.

1. **Comparative Unit Method:**
Determines the average or typical unit value by calculating the median or mean sale price per unit.
2. **Base Lot Method:**
Base parcel is selected to represent the stratum from a neighborhood sales file. Once the base lot is selected, it is used as a benchmark to establish values for individual parcels for that neighborhood.

Abstraction Method:

The Abstraction Method, also called the Extraction Method, subtracts the depreciated replacement cost new of the improvement value from the sales price to arrive at the residual land value estimate.

Sales with newer improvements make it easier to estimate depreciation, which, in turn, gives a better land value estimate. When using the abstraction method, ensure that the correct comparative unit is used to enhance uniformity and consistency among parcels in the market.

Note: If there are not a significant number of vacant land sales to make a market value assessment, then another method should be used to value the land.

LAND VALUATION APPROACHES - CONTINUED

Allocation Method:

The Allocation Method, also known as the land ratio and improvement values, is based on the premise that there is a constant relationship between the land value and the total property values in certain locations. This method compares land sales in comparable areas to determine the typical ratio to sales of improved parcels in the subject area. This method is useful in established neighborhoods with few vacant land sales.

Anticipated Use or Cost of Development Method:

The Anticipated Use Method projects a value based on the principle that the projected improvement must represent the highest and best use of the land. The results, based on the principle of surplus productivity, indicates the price a developer will pay for land in its present underdeveloped state, and by subtracting the total development cost from the projected sales price of the lots as if developed. Residual land is calculated after the satisfaction of labor, capital, and management has been met. This method is generally used when there are few sales.

When studying income property, or the ability for a parcel to generate income, all properties have one common appraisal characteristic: the capitalization of income generated by land is an important indication of value. Value is based on the quantity, quality, and durability of their estimated net income before debt and after expenses are deducted.

Capitalization of Ground Rents:

Capitalization of ground rents is most applicable when the land is rented or leased independently of improvements. This method can be used with farmland or commercial land that is leased on a net basis, when the lessee is responsible for property taxes and all other expenses. This is best achieved if the lease is new, otherwise, the appraiser will need to make adjustments to reflect current land rents.

Land Residual Capitalization:

In the land residual technique, the net operating income attributable to the land is isolated and capitalized to produce an indication of the land's contribution to total property value. To use this method, the following must be true:

- . The parcel of land has an improvement on it;
- . The improvement is relatively new;
- . The improvement represents the highest and best use of the property; and
- . The improvement has no depreciation.

The following information must be available and known:

- . A net operating income;
- . A building value;
- . A proper discount rate;
- . A recapture rate;
- . An effective tax rate.

LAND VALUATION APPROACHES - CONTINUED

When valuing land, a standard of unit of comparison is needed to establish an average or typical value for an area or neighborhood. There are several different units of comparison. Each different type of comparison can be used for different property classes. There are typically six different unit comparison types.

1. Acreage ("A")
Used when the market analysis shows that tracts of land sell for a per acre rate. Typically rural tracts of land and industrial property use this type of comparison since they are commonly in larger portions.
2. Front Foot ("F")
Used when a property value indicates that the amount of exposure significantly contributes to value. Typically used when a parcel is more desirable and valued based on how much frontal exposure there may be. Some examples are commercial and water front residential property.
3. Fair Value ("FV")
Used when market data supports a unit of comparison not related to size or other quantifiable measures. This method gives the appraiser a qualitative method of value assessment.
4. Lot ("L")
Used when the market does not indicate a difference in land size. This is typically used in residential subdivisions that are planned or developed in such a way that there is some degree of uniformity to the neighborhood.
5. Square Foot ("S")
Used mostly for commercial property, since this type of property sells on a square foot basis.
6. Use Value ("U")
Used to apply the corresponding land use value to qualifying land use acreage as provided for by County ordinance. There is no relationship between market value and land use value.

LAND INFLUENCE FACTORS

Location:

Since no characteristic is more unique to real estate than a property's location, it is of utmost importance that locational influences be properly evaluated. Many of the following influence factors incorporate elements of location and desirability.

Topography:

This category allows the reviewer's judgment of the degree of difficulty due to poor topography in erecting a suitable improvement on the subject parcel.

Normally, if a dwelling or commercial improvement is present on the subject lot, the topography problem has been corrected. Therefore, an improved site typically should have no allowance for topography. However, a topography influence may need to be applied in significant cases of improved parcels where poor topography represents an actual detriment to the utilization of the parcel.

Typical topography factors include:

- . Irregular land contour
- . Poor drainage
- . Potential subsidence or Karst landforms
- . Sub-surface rock ledge
- . Potential erosion
- . Flood plain areas

Topography Influence Factors

Type	Condition	Factor
Normal	Problem corrected or not significant.	0%
Slight	Problem moderate handicap to full utilization of lot, but is correctable. Lot is buildable, but less desirable than typical lots in area due to topography problem.	10% to 25%
Severe	Problem significant but correctable. Prevents development of lot until topography problem is corrected.	25% to 75%
Unbuildable	Problem so severe it is not economically feasible to develop. For example: Parcel cannot pass health and safety perk tests for any type of septic system.	75% to 90%

Shape/Size:

The shape/size factor is normally a negative adjustment to account for loss of value due to highly irregular shape or insufficient size for the presumed utilization of the parcel.

Utilizing the shape/size factor is a review judgment and may apply to all land types. The basis for any factor is a negative adjustment reducing the subject lot value to the amount and degree of land utility applicable for the presumed utilization.

LAND INFLUENCE FACTORS - CONTINUED

Shape/Size Influence Factors

Type	Condition	Factor
Normal	Shape or size is not significant detriment.	0%
Minor	Lot is buildable and/or economically useable for presumed utilization, but irregular shape or insufficient size precludes full utilization of parcel.	10% to 25%
Major	Irregular shape or insufficient size represents significant handicap to presumed utilization and/or development of land; category is restricted to significant under-utilization of parcel.	25% to 75%
Unbuildable	Shape/size problem is so severe that land category unusable and/or unbuildable for presumed utilization. For example: Undersized lot subject to minimum zoning restrictions which effectively prevents any economical utilization.	75% to 90%

Restrictions:

A negative land influence adjustment for restrictions is applicable for cases where the property is subject to a legal or physical restriction to its utilization.

Typical restrictions would include:

- . Utility easements, such as power lines and sewer lines
- . Zoning or deed restrictions to the property, limiting the utilization to a less than normal use for typical lots in the neighborhood
- . Physical barriers to the property (bridges, highway medians, fences or abutment)

Restrictions Influence Factors

Type	Condition	Factor
Normal	No significant restriction to property.	0%
Minor	Restriction of moderate significance (legal or physical) causing property to be less desirable than similar lots in area not subject to restriction. Does not prevent utilization of property for presumed use.	10% to 25%
Major	Restriction of major significance (legal or physical) causing the property to be restricted to a less than full utilization compared to similar lots in the area not subject to restriction. For example: Power lines bisecting a lot which prevent the building of dwelling, but would be suitable for garage or secondary structure.	25% to 75%
Unbuildable	Restriction of very severe impact (legal or physical) causing property to be virtually unusable for any significant utilization compared to similar lots in area not subject to restriction. For example: Lot rendered inaccessible by highway right-of-way.	75% to 90%

LAND INFLUENCE FACTORS - CONTINUED

Economic Mis-Improvements:

This category is reserved as a reviewer's judgment of the comparative loss of land value (either under-improvement or over-improvement). In essence, this judgment is expressing the appraiser's opinion that the existing structure represents an encumbrance to the full utilization of the land.

The application of a mis-improvement factor for residential/agricultural property is possible but very rare. Most instances occur in commercial-industrial property or transitional residential-commercial situations where market evidence indicates a different economic utilization of the land than the current utilization. It is important to recognize in the application of economic mis-improvement factors that the land is presumed to be valued on the basis of typical "highest and best" utilization and the existing structure is non-contributory to this most economical utilization. Obviously, vacant tracts are not encumbered by any structure, and are not subject to economic mis-improvement factors. Further, the appraiser should recognize that the economic mis-improvement condition is "curable" (i.e., if the structure is removed, the previously applied economic mis-improvement factor is normally no longer applicable.)

Typical mis-improvements include:

- . Dwellings in areas converting to commercial development
- . An old warehouse located in an area where market evidence indicates modern office and complex development

Mis-Improvement Influence Factors

Type	Condition	Factor
Normal	Property unimproved (no major structures present) or existing structure is consistent with economical utilization of land.	0%
Minor	Property encumbered with structure that represents economic mis-improvement. Structure has assigned value of land value at highest and best use.	10% to 25%
Major	Property encumbered with structure that represents economic mis-improvement. Structure has assigned value of 50% or more of land value at highest and best use.	25% to 75%

Corner and/or Alley Influence:

This category is reserved for the recognition of the enhancement in land value attributable to the potential utilization of a corner lot, over and above the value of an otherwise comparable interior site. The enhancement due to the presence of a rear or side alley is normally common to all lots in a given area or block. Therefore, recommended procedure for enhancement due to alley influence, if any, is to consider this factor in the land rate itself.

The amount of enhancement, if any, to a corner lot must be based on the individual merits of each corner location.

Normally, corner influence is not applicable to residential/agricultural property. Corner influence factors should be applied to only those cases of commercial or industrial property where the corner is an actual enhancement to the land.

LAND INFLUENCE FACTORS - CONTINUED

Corner and /or Alley Influence Factors

Type	Condition	Factor
Normal	Presence of corner or alley has no significant enhancement or impact.	0%
Minor	Lot value moderately enhanced by presence of corner or alley exposure. For example: Intersection of two secondary streets or major arterial street and secondary street.	10% to 25%
Major	Lot value significantly enhanced by presence of corner or alley exposure. For example: Intersection of two major arterial streets.	25% to 100%

View Influence:

This factor is normally a positive adjustment for lots or parcels where the land value is significantly enhanced by the presence of a scenic or waterfront view when compared to similar lots in the area where no significant view is present. This factor also applies to golf course lots.

It is highly recommended that the appraiser exercise due caution in the application of view influence. It is useful to remember that while the subject may have an appealing view, if this condition is common to most parcels in the area, then comparatively there is probably no real view enhancement. The appraiser should also consider the permanency of the view (i.e., the probability of potential obstruction).

View Influence Factors

Type	Condition	Factor
Normal	The view is considered common to area, and market evidence indicates no actual value enhancement exists.	0%
Minor	Property has moderate enhancement due to an appealing view and market evidence supports value enhancement.	10% to 25%
Major	Property has significant enhancement due to an appealing view, and is not common to similar lots in area. Little or no potential for obstruction of view by other parcels.	25% to 50%
Negative	Property has less than normal or typical views; appraiser should apply negative factors to the affected properties as indicated by market analysis and evidence.	-10% to -75%

DWELLING GRADES DESCRIPTION

GRADE "AA" DWELLING

EXCELLENT/SUPERIOR QUALITY homes are generally found on estate-type properties and in some residential developments. They are designed by well known architects for individual owners and built by reputable contractors specializing in high quality mansion-type construction.

This class of home contains the highest quality materials and workmanship and encompasses the mansion-type, very expensive residences. Very detailed attention has been given to interior and exterior refinements. Cabinets, paneling, molding, and trim are of the best available materials, and on many occasions, some imported materials are used.

Exterior front elevations are elaborate, with superior fenestration and customized ornamental features.

GRADE "A" DWELLING

VERY GOOD QUALITY homes are generally built in the better residential districts of a community. They are designed by an architect for individual owners and built by reputable contractors specializing in quality construction.

Although this class of home includes high-quality materials and workmanship, it does not encompass the mansion-type residences.

Considerable attention has been given to interior refinements and detail. Custom designed cabinets, paneling, molding, and trim are usually well finished hardwood. Counters are higher grade stone or solid surface. Care has been taken in the selection of high-quality fixtures and built-in appliances.

Exterior front elevations are attractive, with good fenestration and custom ornamental features.

GRADE "B" DWELLING

Homes of GOOD QUALITY may be custom built for individual owners or mass produced in above-average residential developments.

Good standard materials are used throughout and workmanship is usually above average. The good quality homes generally exceed the minimum building requirements of lending institutions, mortgage insuring agencies, and building codes.

Architectural design is attractive, with attention given to refinements and detail. Interiors are well finished, usually having some good-quality flooring, fixtures, and built-ins. Cabinetry will have hardwood fronts on plywood cases. Counters will be solid surface synthetic or granite.

Exterior front elevations frequently have an appealing combination of ornamental materials and other refinement.

GRADE "C" DWELLING

The AVERAGE QUALITY or Grade "C" dwelling is encountered more frequently than homes of other qualities. They are usually mass produced and will meet or exceed the minimum construction requirements of lending institutions, mortgage insuring agencies, and building codes. By most standards, the quality of materials and workmanship are acceptable, but do not reflect custom craftsmanship. Cabinets, doors, hardware, plumbing, and heating are usually stock items. Architectural design will include ample fenestration and some ornamentation.

Description Breakdown

Foundation - Concrete perimeter foundation with continuous foundation or piers under interior bearing walls.

Floor Structure - Wood structure and subfloor on first and upper floors.

Floor Cover - Carpet, hardwood, tile, or vinyl flooring. Floor cover costs are included in basic residence cost.

Exterior Wall - Ample fenestration, using standard vinyl, aluminum, or wood sash. Front elevations usually have some wall ornamentation.

DWELLING GRADES DESCRIPTION - continued

Roof - Rafters are pre-fab trusses with exterior grade plywood or wood sheathing. Medium weight asphalt shingles or built-up roofing with a rock surface. Roof slope is usually 5 in 12 or less. Moderate eave.

Interior Finish - Walls are taped and painted drywall. Prefinished hardwood fronts on particle board case cabinets. Laminated plastic or ceramic tile countertops. Medium grade hollow core doors with average grade hardware. Stock base and casing. Adequate wardrobe and guest closets. Shelved linen closet.

Heating - Central heat (electric, hot air, or hot water) included in basic residence cost. Does not include heat pump.

Electrical - Adequate number of outlets.

Plumbing - One full bath, one water heater, and one kitchen sink are included in the basic residence cost.

Insulation - Wall, ceiling, and floor insulation are included in basic residence cost.

Built-Ins - Average cabinets.

Fireplace - None included in basic cost. Add from lump sum adjustments.

Basement - None included in basic cost.

GRADE "D" DWELLING

Homes of FAIR QUALITY are frequently mass produced for sale to families of moderate income. Low-cost production is a primary consideration.

Although, overall, quality of materials and workmanship is below average, these homes are not substandard and will usually meet minimum requirements of lending institutions, mortgage insuring agencies, and building codes.

Architectural attractiveness is limited by the low cost. Interior finish is plain, with few refinements.

The exterior front elevation may have a combination of inexpensive finish materials which add to its appearance.

GRADE "E" DWELLING

Homes of LOW QUALITY are competitive, low cost dwellings. They are specifically designed to minimum building code requirements.

Interior and exterior finishes are plain and inexpensive, with little attention given to detail.

Architectural design is primarily concerned with function, not appearance.

RESIDENTIAL GRADE EXAMPLES



Arch Style:
2 Story Traditional
Grade:
AA+50
Factor: 3.00



Arch Style:
2 Story Greek Revival
Grade:
AA+30
Factor: 2.60



Arch Style:
2 Story Traditional
Grade:
AA+50
Factor: 3.00



Arch Style:
Traditional
Grade:
AA+30
Factor: 2.60



Arch Style:
2 Story Queen Anne
Grade:
AA+30
Factor: 2.60



Arch Style:
Custom
Grade:
AA+25
Factor: 2.50



Arch Style:
2 Story Traditional
Grade:
AA+30
Factor: 2.60



Arch Style:
Custom Log
Grade:
AA+20
Factor: 2.40



Arch Style:
2 Story Traditional
Grade:
AA+30
Factor: 2.60



Arch Style:
2 Story Rustic
Grade:
AA+20
Factor: 2.40



Arch Style:
2 Story Georgian
Grade:
AA+30
Factor: 2.60



Arch Style:
Traditional
Grade:
AA+20
Factor: 2.40

RESIDENTIAL GRADE EXAMPLES



Arch Style:
2 Story Traditional
Grade:
AA+20
Factor: 2.40



Arch Style:
2 Story Newer
Grade:
AA
Factor: 2.00



Arch Style:
2 Story Colonial
Grade:
AA+15
Factor: 2.30



Arch Style:
2 Story Newer
Grade:
AA-5
Factor: 1.90



Arch Style:
2 Story Older
Grade:
AA+10
Factor: 2.20



Arch Style:
Custom Spec
Grade:
AA-5
Factor: 1.90



Arch Style:
2 Story Newer
Grade:
AA
Factor: 2.00



Arch Style:
Custom
Grade:
AA-10
Factor: 1.80



Arch Style:
2 Story Older
Grade:
AA-5
Factor: 1.90



Arch Style:
2 Story Newer
Grade:
AA-10
Factor: 1.80



Arch Style:
2 Story Older
Grade:
AA-10
Factor: 1.80



Arch Style:
Custom Log
Grade:
AA-15
Factor: 1.70

RESIDENTIAL GRADE EXAMPLES



Arch Style:
2 Story Newer
Grade:
A+20
Factor: 1.75



Arch Style:
2 Story Newer
Grade:
A+5
Factor: 1.50



Arch Style:
2 Story Newer
Grade:
A+20
Factor: 1.75



Arch Style:
2 Story Older
Grade:
A+5
Factor: 1.50



Arch Style:
Custom
Grade:
A+20
Factor: 1.75



Arch Style:
2 Story Older
Grade:
A
Factor: 1.45



Arch Style:
Custom
Grade:
AA-15
Factor: 1.70



Arch Style:
Custom
Grade:
A
Factor: 1.45



Arch Style:
Custom
Grade:
AA-15
Factor: 1.70



Arch Style:
2 Story Older
Grade:
A
Factor: 1.45



Arch Style:
Ranch
Grade:
A+10
Factor: 1.60



Arch Style:
1+ Story Newer
Grade:
A-5
Factor: 1.40

RESIDENTIAL GRADE EXAMPLES



Arch Style:
2 Story Older
Grade:
A-5
Factor: 1.40



Arch Style:
2 Story Newer
Grade:
B+10
Factor: 1.30



Arch Style:
2 Story Newer
Grade:
B+15
Factor: 1.35



Arch Style:
2 Story Newer
Grade:
B+10
Factor: 1.30



Arch Style:
2 Story Newer
Grade:
B+15
Factor: 1.35



Arch Style:
2 Story Older
Grade:
B+10
Factor: 1.30



Arch Style:
1+ Story
Grade:
B+15
Factor: 1.35



Arch Style:
2 Story Newer
Grade:
B+10
Factor: 1.30



Arch Style:
1+ Story
Grade:
B+15
Factor: 1.35



Arch Style:
2 Story Older
Grade:
B+10
Factor: 1.30



Arch Style:
1+ Story
Grade:
B+15
Factor: 1.35



Arch Style:
Cape Cod
Grade:
B+10
Factor: 1.30

RESIDENTIAL GRADE EXAMPLES



Arch Style:
Ranch
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
B+5
Factor: 1.25



Arch Style:
1+ Story
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
B+5
Factor: 1.25



Arch Style:
1+ Story
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Older
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
B+5
Factor: 1.25



Arch Style:
Cape Cod
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
B+5
Factor: 1.25



Arch Style:
Ranch
Grade:
B+5
Factor: 1.25

RESIDENTIAL GRADE EXAMPLES



Arch Style:
Ranch
Grade:
B+5
Factor: 1.25



Arch Style:
2 Story Newer
Grade:
C+15
Factor: 1.15



Arch Style:
1+ Story
Grade:
B+5
Factor: 1.25



Arch Style:
Ranch
Grade:
C+15
Factor: 1.15



Arch Style:
2 Story Older
Grade:
B
Factor: 1.20



Arch Style:
Ranch
Grade:
C+15
Factor: 1.15



Arch Style:
Cape Cod
Grade:
B
Factor: 1.20



Arch Style:
1+ Story
Grade:
C+15
Factor: 1.15



Arch Style:
2 Story Newer
Grade:
B
Factor: 1.20



Arch Style:
2 Story Newer
Grade:
C+15
Factor: 1.15



Arch Style:
2 Story Newer
Grade:
C+15
Factor: 1.15



Arch Style:
Ranch
Grade:
C+15
Factor: 1.15

RESIDENTIAL GRADE EXAMPLES



Arch Style:
Ranch
Grade:
C+15
Factor: 1.15



Arch Style:
2 Story Newer
Grade:
C+10
Factor: 1.10



Arch Style:
1+ Story
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Newer
Grade:
C+10
Factor: 1.10



Arch Style:
1+ Story
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Older
Grade:
C+10
Factor: 1.10



Arch Style:
1+ Story
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Older
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Newer
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Older
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Newer
Grade:
C+10
Factor: 1.10



Arch Style:
2 Story Older
Grade:
C+10
Factor: 1.10

RESIDENTIAL GRADE EXAMPLES



Arch Style:
Cape Cod
Grade:
C+10
Factor: 1.10



Arch Style:
Ranch
Grade:
C+10
Factor: 1.10



Arch Style:
Log
Grade:
C+10
Factor: 1.10



Arch Style:
Round House
Grade:
C+10
Factor: 1.10



Arch Style:
Ranch
Grade:
C+10
Factor: 1.10



Arch Style:
S/F
Grade:
C+10
Factor: 1.10



Arch Style:
Ranch
Grade:
C+10
Factor: 1.10



Arch Style:
S/F
Grade:
C+10
Factor: 1.10



Arch Style:
Ranch
Grade:
C+10
Factor: 1.10



Arch Style:
S/F
Grade:
C+10
Factor: 1.10



Arch Style:
Ranch
Grade:
C+10
Factor: 1.10



Arch Style:
1 Story
Grade:
C+5
Factor: 1.05

RESIDENTIAL GRADE EXAMPLES



Arch Style:
1 Story
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Older
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Newer
Grade:
C+5
Factor: 1.05



Arch Style:
Modular
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Newer
Grade:
C+5
Factor: 1.05



Arch Style:
Modular
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Newer
Grade:
C+5
Factor: 1.05



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Newer
Grade:
C+5
Factor: 1.05



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Newer
Grade:
C+5
Factor: 1.05



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05

RESIDENTIAL GRADE EXAMPLES



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05



Arch Style:
S/F
Grade:
C+5
Factor: 1.05



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05



Arch Style:
S/F
Grade:
C+5
Factor: 1.05



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05



Arch Style:
S/L
Grade:
C+5
Factor: 1.05



Arch Style:
Ranch
Grade:
C+5
Factor: 1.05



Arch Style:
1 Story
Grade:
C
Factor: 1.00



Arch Style:
S/F
Grade:
C+5
Factor: 1.05



Arch Style:
1 Story
Grade:
C
Factor: 1.00



Arch Style:
S/F
Grade:
C+5
Factor: 1.05



Arch Style:
2 Story Newer
Grade:
C
Factor: 1.00

RESIDENTIAL GRADE EXAMPLES



Arch Style:
2 Story Newer
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
Cape Cod
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
Log
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
S/F
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C
Factor: 1.00



Arch Style:
S/L
Grade:
C
Factor: 1.00

RESIDENTIAL GRADE EXAMPLES



Arch Style:
S/L
Grade:
C
Factor: 1.00



Arch Style:
Ranch
Grade:
C-5
Factor: 0.95



Arch Style:
1 Story
Grade:
C-5
Factor: 0.95



Arch Style:
Ranch
Grade:
C-5
Factor: 0.95



Arch Style:
Ranch
Grade:
C-5
Factor: 0.95



Arch Style:
S/L
Grade:
C-5
Factor: 0.95



Arch Style:
Ranch
Grade:
C-5
Factor: 0.95



Arch Style:
1 Story
Grade:
C-10
Factor: 0.90



Arch Style:
Ranch
Grade:
C-5
Factor: 0.95



Arch Style:
1 Story
Grade:
C-10
Factor: 0.90



Arch Style:
Ranch
Grade:
C-5
Factor: 0.95



Arch Style:
1 Story
Grade:
C-10
Factor: 0.90

RESIDENTIAL GRADE EXAMPLES



Arch Style:
Log
Grade:
C-10
Factor: 0.90



Arch Style:
1 Story
Grade:
D
Factor: 0.85



Arch Style:
Ranch
Grade:
C-10
Factor: 0.90



Arch Style:
DW
Grade:
D-5
Factor: 0.80



Arch Style:
Ranch
Grade:
C-10
Factor: 0.90



Arch Style:
DW
Grade:
D-5
Factor: 0.80



Arch Style:
Ranch
Grade:
C-10
Factor: 0.90



Arch Style:
DW
Grade:
D-5
Factor: 0.80



Arch Style:
Ranch
Grade:
C-10
Factor: 0.90



Arch Style:
DW
Grade:
D-5
Factor: 0.80



Arch Style:
1 Story
Grade:
D
Factor: 0.85



Arch Style:
1 Story
Grade:
D-10
Factor: 0.75

RESIDENTIAL GRADE EXAMPLES



Arch Style:

DW

Grade:

D-10

Factor: 0.75



Arch Style:

SW

Grade:

E

Factor: 0.70

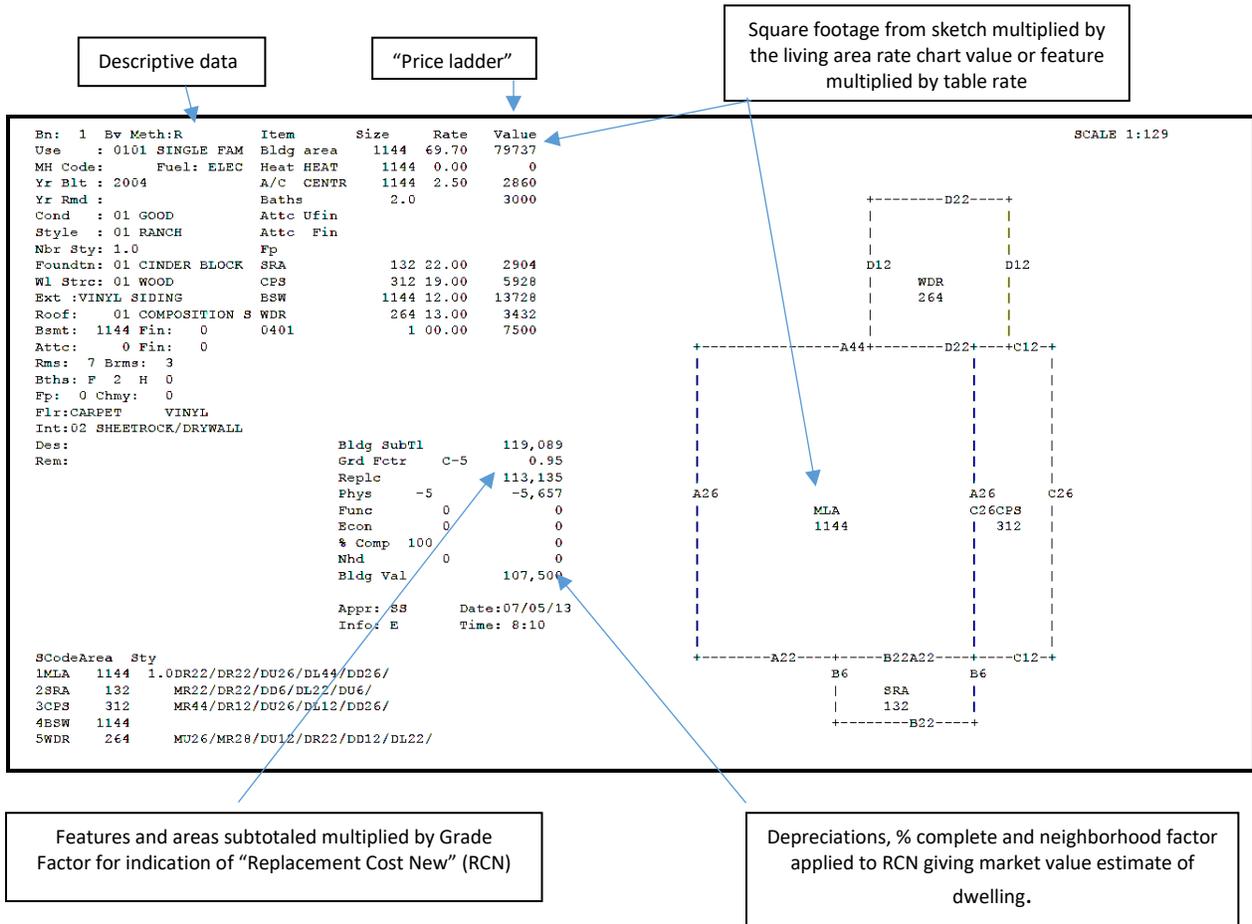
DWELLING EVALUATION

Dwellings are typically valued using the residential model in the County's computer assisted mass appraisal software (CAMA software). Once the assessment staff has taken measures to calibrate value tables, individual property data can be applied to those tables so that the various dwelling types may receive a uniform assessment according to their various attributes. The list below outlines those attributes, areas, and characteristics the appraiser typically considers.

1. Architectural style
2. Dwelling grade
3. Heated living area
 - a. Expressed as square footage with exterior dimensions rounded to the nearest whole foot increment
 - b. Above grade area - basements with finished areas accounted for as a feature
4. Exterior finish
 - a. Three value categories according to predominant exterior surface
 - i. Stucco, concrete block, cinder block
 - ii. Wood siding, hardboard siding, vinyl siding etc.
 - iii. Brick, stone, etc.
5. Features - other features not listed shall be considered typical for class of dwelling
 - a. Heat type
 - b. Central air conditioning
 - c. Baths
 - d. Fireplaces
 - e. Attics
 - f. Basements, basement finish
 - g. Carports
 - h. Garages
 - i. Porches, decks, patios
 - j. Utility rooms
6. Depreciation and overall condition
 - a. Physical depreciation
 - b. Functional obsolescence
 - c. Economic or locational obsolescence
7. Percent of completion
8. Neighborhood factor (applied only to residences)

DWELLING EVALUATION - CONTINUED

The following illustration is an overview on how a typical dwelling is calculated:



YARD AND FARM BUILDINGS

Contributing value of this category of improvement can vary due to a number of factors. For instance, a storage building may represent more value to a property where there is no basement or limited storage within the dwelling, than it would to a dwelling with ample storage. For this reason, the appraiser is given latitude to evaluate this type of improvement based on the circumstances of each property.

Acceptable methods of valuation are:

1. Replacement rate per unit less depreciation
2. Depreciated rate per unit
3. Lump sum amount per structure or item

The appraiser or field technician will collect data on outbuildings, yard items, and freestanding accessory buildings. This data will include size, type of structure or item, condition and year built (if unknown default to age of dwelling if reasonable).

COMMERCIAL/INDUSTRIAL VALUATION

Property records express the value of commercial and industrial structures as:

Units X Replacement Cost (-) Accrued Depreciation = Value

OR

Units x Depreciated Rate = Value

OR

Lump Sum or Fair Value

If other approaches to value are developed then they are ultimately reconciled and expressed using the cost approach.

Found in the commercial section of this manual are tables which give ranges of basic replacement cost for commonly found commercial and industrial improvements. Due to the many variations and complexities of this property class, it may be necessary to further refine these basic costs by use of the Marshall and Swift Commercial Cost Explorer. This cost service sets forth detailed instructions on the necessary data required to estimate replacement cost.