



# Assessment Valuations Process in the Commonwealth

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# Curriculum Agenda

The Consolidated County Assessment Law and a glossary of common terminology will be provided to all students. Unless otherwise noted, all definitions in this module are pulled from that glossary.

- Uniformity
- Appraisals
- Approaches to Value
  - Sales Comparison
  - Cost
  - Income
- Uniform Standards of Professional Appraisal Practices (USPAP) Compliance

# Glossary

**Ad Valorem Tax.** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, property tax is an ad valorem tax.

**Appeal.** A process in which a property owner contests an assessment either informally or formally.

**Appraisal.** (1) The act of estimating the monetary value of property. (2) The monetary value of property as estimated by an appraiser. (3) Of or pertaining to appraising and related functions, for example, appraisal practice, appraisal services.

# Glossary

**Arm's-Length Transaction.** (1) A sale between a willing buyer and a willing seller that are unrelated and are not acting under duress, abnormal pressure or undue influences. (2) A sale between two unrelated parties, both seeking to maximize their positions from the transaction.

**Assessed Value.** The assessment placed on real property by a county assessment office upon which all real estate taxes shall be calculated.

**Assessment Ratio.** (1) The fractional relationship an assessed value bears to the market value of the property in question. (2) By extension, the fractional relationship the total of the assessment roll bears to the total market value of all taxable property in a jurisdiction

**Base Year.** The year upon which real property market values are based for the most recent countywide revision of assessment of real property or other prior year upon which the market value of all real property of the county is based for assessment purposes. Real property market values shall be equalized within the county and any changes by the board shall be expressed in terms of base-year values.

**Board.** As defined in Title 53 (Municipalities Generally) of the Pennsylvania Consolidated Statutes (Pa.C.S.), Section 8802 (relating to definitions).

- The Board of Property Assessment, Appeals and Review in a county of the second class under the act of June 21, 1939 (P.L. 626, No. 294), referred to as the Second Class County Assessment Law, or a similar body established by a home rule county.
- The Board of Revision of Taxes and Appeals under Title 11 (Cities) of the Pa.C.S. Chapter 125, Subchapter A.
- The Board of Revision of Taxes in a county of the first class under the act of June 27, 1939, (P.L. 1199, No. 404), relating to taxation.

**Certification Date.** The statutory date by which formal real property valuations [post informal reviews, if applicable] are certified by the county assessment office. [In counties of the second class A through eighth class, this date is November 15. *See* 53 Pa.C.S. §8844(f).]

**Certified Pennsylvania Evaluator (CPE).** A person responsible for the valuation of real property for ad valorem taxation purposes who has satisfied the qualifications for certification as a Certified Pennsylvania Evaluator pursuant to the Assessors Certification Act and the Professional and Vocational Standards under Title 49 of the Pennsylvania Code, Chapter 36, Subchapter C (Certified Pennsylvania Evaluators).

**Common Level Ratio (CLR).** The ratio of assessed value to current market value used generally in the county and published by the State Tax Equalization Board on or before July 1 of the year prior to the tax year on appeal before the board under the act of June 27, 1947 (P.L. 1046, No. 447), referred to as the State Tax Equalization Board Law.

**Contract Rent.** The actual amount of rent, per unit of time, that is specified in the contract (lease).



# Glossary

**Cost Approach to Value.** One of the three approaches to value, the cost approach is based on the principal of substitution – that a rational, informed purchaser will pay no more for a property than the cost of building an acceptable substitute with like utility. The cost approach seeks to determine the replacement cost new of an improvement less depreciation plus land value; it is the method of estimating the value of property by: (a) estimating the cost of construction based on replacement or reproduction cost new or trended historic cost (often adjusted by a local multiplier), (b) subtracting depreciation, and (c) adding the estimated site value. The site value is most frequently determined by the sales comparison approach.

**Countywide Revision of Assessment.** A change in the established predetermined ratio or revaluation of all real property within a county.

# Glossary

**Depreciation.** Loss in value of an object, relative to its replacement cost new, reproduction cost new, or original cost, whatever the cause of the loss in value.

**Depreciation, Accrued.** The amount of depreciation, from any and all sources, that affects the value of the property in question on the effective date of the appraisal.

**Effective Age.** The typical age of a structure equivalent to the one in question with respect to its utility and condition as of the appraisal date. Knowing the effective age of an old, rehabilitated structure or a building with substantial deferred maintenance is generally more important in establishing value than knowing the chronological age.

**Effective Gross Income.** The potential gross rent, less vacancy and collection loss, plus miscellaneous income.

**Excess Rent.** The difference between contract rent and market rent that occurs when contract rent exceeds economic rent.

**Gross Lease.** A lease under the terms of which the lessor (landlord) receives stipulated rent and pays the expenses of operating and maintaining the leased property.

**Gross Rent Multiplier (GRM).** (1) The factor by which gross rent is multiplied in order to obtain an estimate of value (2) The ratio between sale price and potential gross income or effective gross income. By convention, the gross rent multiplier is typically the term used when developing the relationship based on monthly rent.

**Highest and Best Use.** A principle of appraisal and assessment requiring that each property be appraised as though it were being put to its most profitable use (highest possible present net worth), given probable legal, physical, and financial constraints.

**Income Approach to Value.** One of the three approaches to value, based on the concept that current value is the present worth of future benefits to be derived through income production by an asset over the remainder of its economic life. The income approach uses capitalization to convert the anticipated benefits of the ownership of property into an estimate of present value.

# Glossary

**Market Area.** A geographic area, typically encompassing a group of neighborhoods, defined on the basis that the properties within its boundaries are subject to similar economic forces and supply and demand factors. A separate valuation model is often developed for each market area. Smaller or mid-sized jurisdictions may constitute a single market area.

**Market (Economic) Rent.** The rent currently prevailing in the market for properties comparable to the subject property. Market rent is capitalized into an estimate of value in the income approach.

**Market Value.** The price in a competitive market a purchaser, willing but not obligated to buy, would pay an owner, willing but not obligated to sell, taking into consideration all the legal uses to which the property can be adapted and might be reasonably applied. (*See Buhl Found. v. Board of Prop. Assessment*, 180 A.2d 900 (Pa. 1962).

# Glossary

**Neighborhood.** (1) The environment of a subject property that has a direct and immediate effect on value. (2) A geographic area (in which there are typically fewer than several thousand properties) defined for some useful purpose, such as to ensure for later multiple regression modeling that the properties are homogeneous and share important locational characteristics.

**Net Lease.** A lease which provides for the tenant to pay all property expenses.

**Net Operating Income (NOI).** Annual net income after operating expenses are subtracted from effective gross income. Does not include payments for interest or principal.

**Nonrealty Components.** These are items that were included in the sale price but should be excluded when the sale is used as a comparable property to the subject.

**Parcel.** A separate, tax map-designated piece or portion of all real property, taxable or nontaxable, or eligible for preferential assessments.

**Potential Gross Income (PGI).** The sum of potential gross rent and miscellaneous income, that is, the income from rent and other sources that a property could generate with normal management, before allowing for vacancies, collection losses, and normal operating expenses.

# Glossary

**Replacement Cost.** The current cost of producing a building or improvement with the same utility but with modern materials, design, and workmanship. This cost is less than the amount indicated by the reproduction cost method.

**Reproduction Cost.** The cost of producing an exact replica of a building or improvement using the same or very similar materials, design, and workmanship. This cost involves rebuilding the subject structure with any inherent faulty design super adequacies and inefficiencies. It is an unrealistic method for older, obsolete structures.

**Sales Comparison Approach to Value.** One of the three approaches to value, the sales comparison approach estimates a property's value (or some other characteristic, such as its depreciation) by reference to comparable sales. Also known as the Comparable Sales Approach or Market Approach.



# Glossary

- **Unit of Comparison.** A property as a whole or some smaller measure of the size of the property used in the sales comparison approach to estimate a price per unit.
- **Vacancy and Collection (Rent) Loss.** The amount of money deducted from potential annual gross income to reflect the effect of probable vacancy and turnover, or nonpayment of rent by tenants. Vacancy and collection loss is commonly expressed as a percentage of potential annual gross income, and it should be based on market research, not actual rental history of a property.
- **Valuation.** Developing and reviewing a new determination of market value for each parcel, based on current data for the County's identified base year of valuation by the appropriate use of one or more of the accepted three approaches to value (cost, market and income).

**Valuation Date.** All real property is valued as of this date. In Pennsylvania, also known as the base year date.

**Zoning.** The exercise of the police power to restrict land owners as to the use of their land and/or the type, size and location of structures to be erected thereon.

# Uniformity

Article VIII, § 1 of the Pennsylvania Constitution provides:

*"All taxes shall be uniform, upon the same class of subjects, within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws."*

"The Constitutional imperative of **uniformity** means that it becomes necessary to periodically step back and look at every property in order to ensure that the burden of taxation is properly distributed and no one is paying more or less than their fair share of taxes. Property values change over time. Unless a county undertakes a countywide revision of assessment, the tax assessments remain static regardless of fluctuations in market value resulting from various factors."<sup>1</sup>

<sup>1</sup> *Pennsylvania Property Assessment: A Self-Evaluation Guide for County Officials*, the Local Government Commission, June 13, 2018, adopted as "best practices" by the AAP Board of Governors and the CCAP Board of Directors on July 13, 2018 and August 5, 2018, respectively, Appendix A.

## The Seven Steps in the **Appraisal** Process<sup>2</sup>

1. Define the problem.
2. Identify the scope of work.
  - a. Intended User – **Board of Appeals**
  - b. Intended Use – **Ad Valorem** Taxation
3. Preliminary survey and planning
4. Data collections and analysis

<sup>2</sup> *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 63.

## The Seven Steps in the **Appraisal** Process<sup>2</sup>

5. **Highest and Best Use** analysis
6. Application of the data and the approaches to value
7. Correlation/Reconciliation

<sup>2</sup> *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 63.

## Influences Affecting Market Data

**Neighborhood** – (1) The environment of a subject property that has a direct and immediate effect on value. (2) A geographic area (in which there are typically fewer than several thousand properties) defined for some useful purpose, such as to ensure...that the properties are homogeneous and share important locational characteristics.

# Appraisals

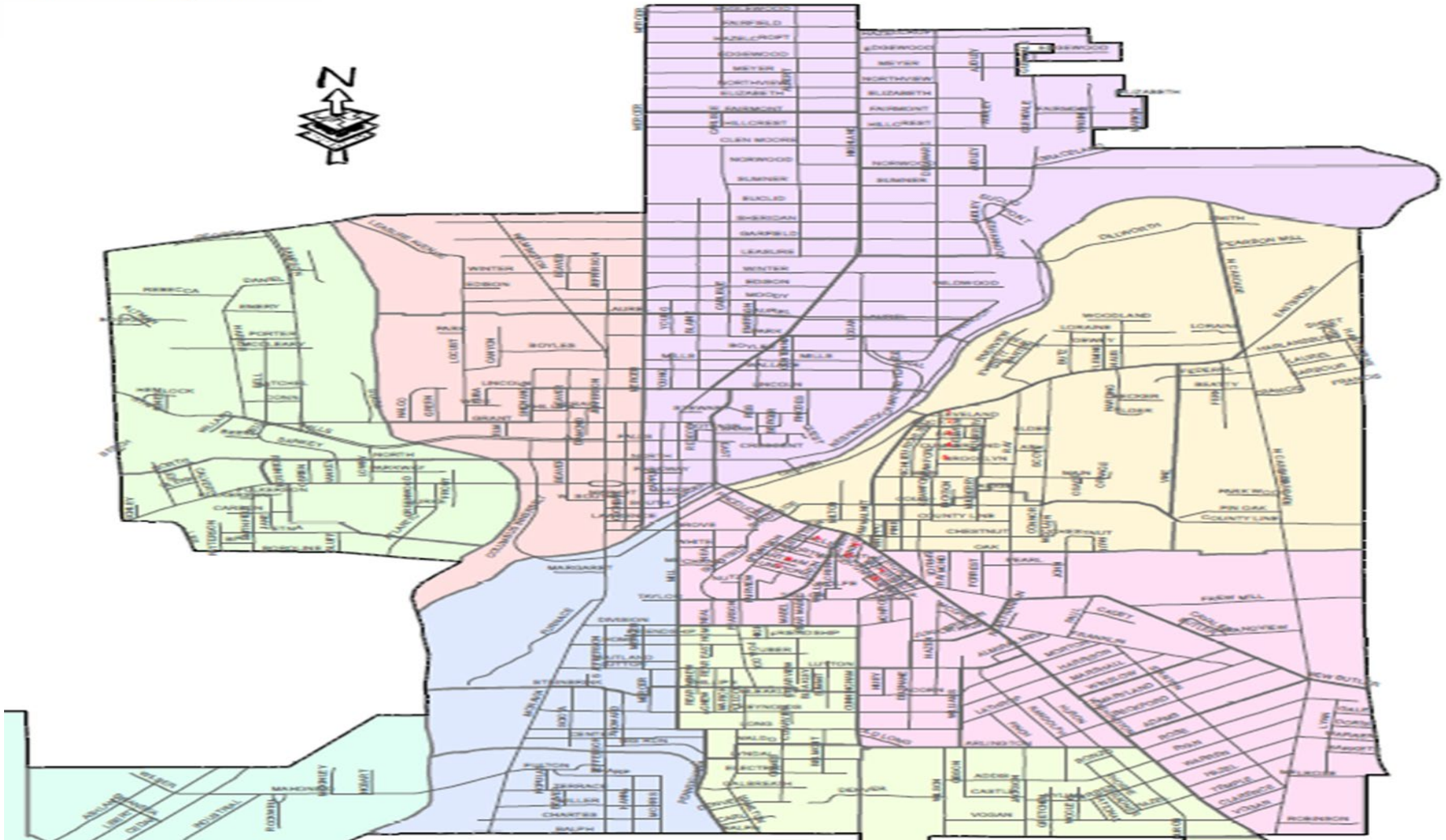
Appraisers analyze the neighborhood to identify and evaluate factors that may influence property values (PEGS).<sup>3</sup>

- Physical Factors
- Economic Factors
- Governmental Factors
- Social Factors

<sup>3</sup> *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 76.



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# Approaches to Value – Sales Comparison

The most frequently used approach to determining value in real estate appraisal practice is the sales comparison approach. This approach estimates a property's value (or some other characteristic, such as its depreciation) by reference to comparable sales.

These properties are adjusted for time, acreage, size, amenities, etc. as compared to the property that is being valued. A property characteristic that is highly valued in one neighborhood may not be valued to the same degree in a different area.

# Approaches to Value – Sales Comparison

## Elements of Comparison for Improvements

**Non Realty Components** – These are items that were included in the sale price but should be excluded when the sale is used as a comparable property to the subject.

- Drapes
- Furniture
- Outdoor Equipment
- Appliances
- Liquor License
- Franchise Name

# Approaches to Value – Sales Comparison

## Elements of Comparison for Improvements<sup>4</sup>

**Rights Conveyed** – Need to determine if all rights are being conveyed. (Fee Simple)

- Air Rights
- Mineral Rights
- Oil and Gas Rights
- Leasehold Interest

## Financing

- Creative or Special Financing – atypical
- Concession – points or closing cost included in the sale

<sup>4</sup> *Property Assessment Valuation*, 3rd ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 204.

# Approaches to Value – Sales Comparison

## Applying Adjustments

- Always compare the SALE to the SUBJECT.
  - If the comparable property is inferior to the subject the adjustment is made upward (Increase).
  - If the comparable property is superior to the subject the adjustment is made downward (Substract).
- Typically, the sale with the fewest adjustments is the most comparable and often the most reliable value to the subject.

# Approaches to Value – Sales Comparison

## Elements of Comparison for Improvements:

- **Units of Comparison** – A property as a whole or some smaller measure of the size of the property used in the sales comparison approach to estimate a price per unit.

### Typical Units of Comparison by Various Property Types<sup>5</sup>

	Single-Family	Apartments	Retail	Office	Industrial	Agricultural
Total Property	X					
Sq. Ft. of Living Area	X					
Room		X				
Bedroom		X				
Unit		X				
Gross Income/Rent Multiplier	X	X	X		X	
Gross Sq. Ft. Building Area		X	X	X	X	
Net Sq. Ft. Rentable Area				X		
Front Foot			X			
Cubic Foot					X	
Acre					X	X
Animal Unit (Pasture)						X
Board Foot (Timber)						X

<sup>5</sup> Adapted from *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 209.

# Approaches to Value – Sales Comparison

**Special Purpose Properties** – “the sales comparison approach is applicable to special purpose properties when suitable comparable sales are available and worthwhile units of comparison can be developed.”<sup>6</sup>

For example:

- Number of seats in a theater
- Number of lanes in a bowling alley
- Number of bays in a garage or car wash
- Number of holes on a golf course

<sup>6</sup> *Property Assessment Valuation*, 3rd ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 220.

# Approaches to Value – Sales Comparison

## Gross Income/Rent Multiplier<sup>7</sup>

**Gross Income Multiplier (GIM)** – relationship between gross ANNUAL income and the value of property

- $GIM = \text{Property value or Selling Price} \div \text{Gross Income at time of Sale}$

**Gross Rent Multiplier (GRM)** - relationship between MONTHLY rental income and the value of property

- $GRM = \text{Sale Price} \div \text{Monthly rent}$

## Gross Rent Multipliers for Single-Family Properties

Sale	Sale Price	Monthly Rent	Annual Rent	GRM	GIM
1	\$192,000	\$1,175	\$14,100	163	9.66
2	\$176,000	\$1,100	\$13,200	160	13.33
3	\$220,000	\$1,400	\$16,800	157	13.09

<sup>7</sup> *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, pp. 220-222.



# Sample Residential Appraisal Report

1. Intended Users
2. Intended Use

## ++ Residential Appraisal Report

File No. 170113B

The purpose of this appraisal report is to provide the client with a credible opinion of the defined value of the subject property, given the intended use of the appraisal.

Client Name/Intended User **George Mozes**

E-mail N/A

Client Address **157 Alyssa Drive**

City **New Castle**

State **PA**

Zip **16105**

Additional Intended User(s) **Lawrence County Board of Tax Appeals**

Intended Use The intended use of this appraisal is to provide an opinion of the property's value for a tax appeal.

Property Address **157 Alyssa Drive**

City **New Castle**

State **PA**

Zip **16105**

Owner of Public Record **George and Gina Mozes**

County **Lawrence**

Legal Description **Refer to legal description on attached copy of Lawrence County deed (2006-011250)**

Assessor's Parcel # **25-2488.-0113.-000 and 25-2488.-0114.-000**

Tax Year **2016**

R.E. Taxes \$ **11,977.23**

Neighborhood Name **Club Estates Phase IV**

Map Reference **Lots 21 and 23**

Census Tract **108**

Property Rights Appraised

☒ Fee Simple

☐ Leasehold

☐ Other (describe)



# Residential Appraisal Report

File No. 170113B

FEATURE		SUBJECT		COMPARABLE SALE NO. 1		COMPARABLE SALE NO. 2		COMPARABLE SALE NO. 3	
157 Alyssa Drive				226 West Parkside Drive		1146 Chapin Road		3334 South Parkside Drive	
Address New Castle, PA 16105				New Castle, PA 16105		New Castle, PA 16105		New Castle, PA 16105	
Proximity to Subject				1.26 miles NE		0.37 miles NE		1.20 miles NE	
Sale Price		\$ N/A		\$ 375,000		\$ 365,000		\$ 379,450	
Sale Price/Gross Liv. Area		\$ N/A sq. ft.		\$ 108.38 sq. ft.		\$ 96.95 sq. ft.		\$ 159.30 sq. ft.	
Data Source(s)				West Penn MLS #1224010		West Penn MLS #1232386		West Penn MLS #1055065	
Verification Source(s)				Agent/County records		Agent/County records		Agent/County records	
VALUE ADJUSTMENTS		DESCRIPTION		DESCRIPTION		DESCRIPTION		DESCRIPTION	
Sale or Financing				Cash		Cash		Conventional	
Concessions				None noted		None noted		None noted	
Date of Sale/Time				11/09/2016		07/08/2016		04/27/2016	
Location		Suburban		Suburban		Suburban		Suburban	
Leasehold/Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Site		1.93 acres +/-		0.50 acre		4.31 acres		0.41 acre	
View		Residential		Residential		Residential		Residential	
Design (Style)		Contemporary		Contemporary		Contemporary		Contemporary	
Quality of Construction		Good		Good		Good		Good	
Actual Age		3 years		19 years		18 years		8 years	
Condition		Good		Inferior		Inferior		Good	
Above Grade		Total	Bdrms.	Baths	Total	Bdrms.	Baths	Total	Bdrms.
Room Count		10	4	2.1	8	4	3.1	9	4
Gross Living Area		4,217 sq. ft.		3,460 sq. ft.		3,765 sq. ft.		2,382 sq. ft.	
Basement & Finished		Full		Full		Full		Full	
Rooms Below Grade		Finish started		Partial finish		Unfinished		Partial finish	
Functional Utility		Good		Good		Good		Good	
Heating/Cooling		FWA/central air		FWA/central air		FWA/central air		FWA/central air	
Energy Efficient Items		None noted		None noted		None noted		None noted	
Garage/Carport		3 car/attached		2 car/attached		3 car/attached		3 car/attached	
Porch/Patio/Deck		Patios		Porch/patio/pool		Patios		Porch/patio/pool	
Fireplaces		1 fireplace		2 fireplaces		1 fireplace			
Net Adjustment (Total)				<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 47,900		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 26,800		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 53,500	
Adjusted Sale Price of Comparables				\$ 422,900		\$ 391,800		\$ 432,950	

SALES COMPARISON APPROACH



# Approaches to Value – Cost Approach

The **cost approach** seeks to determine the replacement cost new of an improvement less **depreciation** plus land value.

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# Approaches to Value – Cost Approach

1. Estimate the cost of construction based on **replacement** or **reproduction cost** new or trended historic cost (often adjusted by a local multiplier).
2. Subtract depreciation.
3. Add the estimated site value, most frequently determined by the sales comparison approach.

# Approaches to Value – Cost Approach

The cost approach is considered to be more reliable when used on newer construction.<sup>8</sup> The methods and results of the cost approach are considered to be less reliable with older construction.<sup>9</sup>

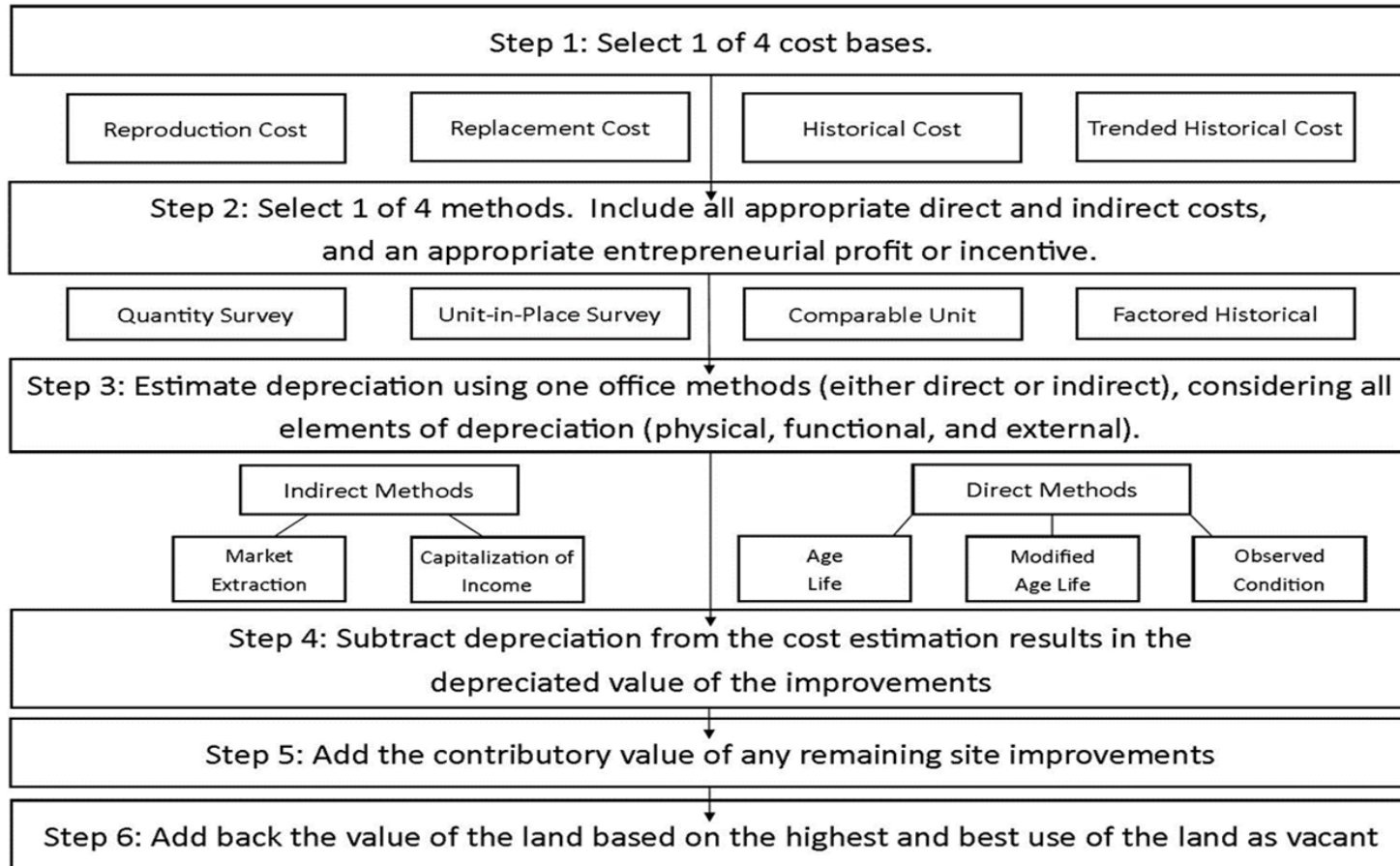
The cost approach appraisal is frequently the only approach that is considered to be reliable when appraising special use properties such as certain commercial and/or industrial properties or public properties such as libraries, schools or churches which are not traded on the open market.<sup>10</sup>

<sup>8</sup> *Standard on Mass Appraisal of Real Property*, International Association of Assessing Officers, Kansas City, MO., July 2017, Sec. 4.2.

<sup>9</sup> *Property Assessment Valuation*, 3rd ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, pp. 237, 257.

<sup>10</sup> *Standard on Mass Appraisal of Real Property*, Sec. 4.6.

# Approaches to Value – Cost Approach



<sup>11</sup> *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 231.



# Approaches to Value – Cost Approach

COST APPROACH TO VALUE (not required by Fannie Mae)					
Provide adequate information for the lender/client to replicate the below cost figures and calculations.					
Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) _____					
65 Renmont Place      10,000 sq.ft.    sold 11/11/05 for \$35,000					
4 Red Barn Drive      10,500 sq.ft.    sold 12/12/05 for \$42,000					
65 Renworth Lane      10,000 sq.ft.    sold 01/10/05 for \$38,000					
COST APPROACH	ESTIMATED	<input type="checkbox"/> REPRODUCTION OR	<input checked="" type="checkbox"/> REPLACEMENT COST NEW	OPINION OF SITE VALUE ..... - \$      60,000	
	Source of cost data Marshall & Swift			Dwelling      1,655 Sq. Ft. @ \$      70..... - \$	115,850
	Quality rating from cost service Average      Effective date of cost data 01/01/2018			Bsmt: 1655      Sq. Ft. @ \$      28..... - \$	46,340
	Comments on Cost Approach (gross living area calculations, depreciation, etc.)				
				Garage/Carport 399      Sq. Ft. @ \$      24..... - \$	9,576
				Total Estimate of Cost-New ..... - \$      171,766	
				Less 70      Physical      Functional      External	
				Depreciation      \$7,826                - \$ (      7,826)	
				Depreciated Cost of Improvements ..... - \$      163,940	
				"As-is" Value of Site Improvements ..... - \$      10,000	
Estimated Remaining Economic Life (HUD and VA only)      67 Years			INDICATED VALUE BY COST APPROACH ..... - \$      233,900		

# Approaches to Value – Income Approach

The third approach to value is called the **income approach**, which is based on the concept that current value is the present worth of future benefits to be derived from the income produced by an asset over the remainder of its economic life.

The income approach uses a capitalization rate to convert the anticipated income stream into an estimate of present worth.

# Approaches to Value – Income Approach

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# Approaches to Value – Income Approach

## Types of Leases

A **gross lease** provides for the landlord to pay all maintenance, utilities, insurance, and taxes. The **net net net lease** provides for the tenant to pay all property expenses. Net leases and net net leases are degrees between the gross lease and the net net net lease, and may require specific expenses to be paid by either the tenant or the landlord.<sup>12</sup>

<sup>12</sup> *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 322.

# Approaches to Value – Income Approach

## Steps in the Income Approach To Value<sup>13</sup>

1. Estimate **potential gross income** (PGI).
2. Deduct for vacancy and collection loss.
3. Add miscellaneous income to determine **effective gross income** (EGI).
4. Estimate expenses: fixed, operating and reserves.<sup>14</sup>
5. Subtract expenses from EGI to determine **net operating income** (NOI).

# Approaches to Value – Income Approach

6. Subtract lease up expenses for applicable properties.
7. Develop CAP Rate.
  - Use of Loaded Cap Rate (Cap Rate + Effective Tax Rate)
8. Apply IRV (Divide NOI by the Cap Rate to arrive at value).

<sup>13</sup>Adapted from *Property Assessment Valuation*, 3<sup>rd</sup> ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 318.

<sup>14</sup> Nationally Recognized publications are used for CAP Rates, Vacancy and Average Expenses such as Korpacz Reports, Realty Rates, etc.

# Approaches to Value – Income Approach

Expenses that are typically removed from Income/Expense statements for ad-valorem appraisals<sup>15</sup>

- Real Estate Taxes
- Depreciation
- Mortgage Payments
- Mortgage Interest
- Income Taxes (payroll taxes are allowed)
- Capital Improvements
- Owner's Business Expenses

<sup>15</sup> *Property Assessment Valuation*, 3rd ed., International Association of Assessing Officers, Kansas City, MO., June 1, 2010, p. 330.



# Sample Income Appraisal Report

## INCOME APPROACH (continued)

### Summary

Potential Gross Income (PGI)	\$ 78,840	
Less Vacancy and Collection Loss (15%)	\$ <u>11,826</u>	
Effective Gross Income (EGI)		\$ 67,014
Less Expenses:		
Real Estate Taxes <sup>7</sup>		
Insurance	\$ 2,000	
Repairs/Maintenance	\$ 3,500	
Utilities	\$ 16,000	
Supplies	\$ 1,000	
Lawn/Snow Removal	\$ 2,400	
Legal/Acct./Misc.	\$ <u>1,000</u>	
Total Expenses (33.8% of EGI)		\$ <u>26,000</u>
Net Operating Income (before debt service)		\$41,014

The "mean" of the foregoing rates is 13.41%. Based upon the subject's location, our interpretation of the market, etc., we have concluded that a base rate of 13% fairly represents the subject property's risk. However, the overall rate must now be loaded for taxes.

The common level ratio (CLR) is the relationship of assessed value to current market value. Presently, the CLR for Lawrence County is 91.7%. The calculation of the tax load is as follows:

Millage	x	Common Level Ratio	=	Tax Load
0.026508	x	0.917	=	0.0243

After adding the tax load (0.0243) to the basic rate ( $R_b$ ) (0.13), the tax loaded  $R_o$  is 0.1543. Thus, the value of the appraised property from the Income Approach is calculated as follows:

NOI	÷	$R_o$	=	Value
\$41,014	÷	0.1543	=	\$265,807

### CPE's role during Assessment Appeals:

- CPEs shall not develop their opinion in anyway when discussing sales. May only give factual information.
- Read vs Review of Appraisal
- Sales vs Comparable Sales

### Penalty – CPE in violation of USPAP<sup>16</sup>

- Certificate revoked by the State Board of Certified Real Estate Appraisers (SBCREA).
- Fine of up to \$10,000 per occurrence plus cost of prosecution

<sup>16</sup> 1992, P.L. 155, No. 28, § 7; 49 Pa. Code § 36.51.