Land Valuation –
January 2011 Assessors' Conference

Jim Hemming
DLGF Assessment Field Representative
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Land

Land

- Agricultural Land - Detailed Soil Maps:

  Agricultural land is valued using a detailed soil map issued by the U.S. Department of Agriculture's Natural Resource Conservation Service (NRCS).

  Each county has a specific map showing the various soil types located throughout the county. The NRCS may have your county on a digitized disk.

Land

- Agricultural Land - Detailed Soil Maps:

Certain counties have had their maps amended since the 1995 General Reassessment. (I am aware of Harrison, Jackson and Wayne.)

A number of other counties have had or are in the process of having new soil maps issued since the 1995 General Reassessment.

Land

- Agricultural Land - Detailed Soil Maps:

Between 1994 and 2002:

Bartholomew	Perry
Clark	Pulaski
Elkhart	St. Joseph
Floyd	Scott
Owen	

Land

- Agricultural Land - Detailed Soil Maps:

Between 2002 and the present:

Boone	Johnson
Crawford	Lawrence
Harrison	Marshall (early 2011)
Jackson	Martin
Jennings	Orange

Land

- Agricultural Land - Detailed Soil Maps:

  If your county appears on any of these lists, it might be a good idea to research whether anything has been done to update your agricultural land data.

  One source would be to contact your local NRCS Office to confirm whether they have the data digitized and available for transfer.

Land

- Agricultural Land – Market Valuein Use:

The market value in use agricultural base rate is calculated using statewide cash rent and operating net income data over a six (6) year period. This data is then capitalized to arrive at a yearly rate for each type.

Land

- Agricultural Land – Base Rate:

  Both types are then added together to arrive at an average for the previous six (6) years. period.

  However in 2010, the Legislature changed the calculation to remove the highest average of the six (6) years and now only the lowest five (5) years are used.

Land

- Agricultural Land – Base Rate:

  A brief explanation of the process and the calculations can be viewed on our website at www.in.gov/dlgf under the document heading, “Supplemental Document for Valuing Agricultural Land Assessments’.

Land

- Agricultural Land – Base Rate:

A history of the base rates are:

2006	$880
2007	$1,140
2008	$1,200
2009	$1,250
2010	$1,290
2011	????

Land

- Agricultural Land - Narrative:

  The procedures for calculating an agricultural land assessment are described in the DLGF's Guidelines in Chapter 2.

Land

- Agricultural Land – Acreage Size:

  There is no magic number of acres that makes a parcel agricultural.

  In the1989 reassessment, the state determined that 5.00 acres was the cut-off and anything over that was considered agricultural.

Land

- Agricultural Land – Acreage Size:

  The 5.00 acre size definition was removed in the 1995 and 2002 reassessment and it became the <u>assessor's responsibility</u> to determine the property class by individual parcel use.

Land

- Agricultural Land – Woodland Memo:

  As part of the trending activity in 2006, a few counties began to re-examine their use of the agricultural productivity method of valuing land when it comes to land that is not being tilled, such as woods.

Land

- Agricultural Land – Woodland Memo:

  These counties were seeing sales disclosures on properties that were not being purchased for agricultural use but rather for recreational use or investment purposes.

  These counties began applying the applicable residential or agricultural excess acre base rates to the acreages.

Land

- Agricultural Land – Woodland Memo:

  Based on IC 6-1.1-4-13, these counties correctly interpreted the current statute. It states that land "devoted to agricultural use" shall be assessed as agricultural land. However, land "purchased for" industrial, commercial, or residential uses shall not be assessed as agricultural land.

Land

- Agricultural Land – Woodland Memo:

  This action, and ultimately, taxpayer reactions to their counties' efforts caused the DLGF to reach out to the Indiana Department of Natural Resources (DNR) for help in defining what procedures are necessary to determine when a tree covered parcel should be considered an agricultural crop versus some other use type.

Land

- Agricultural Land – Woodland Memo:

  The results of those conversations with DNR was the issuance of a DLGF memo dated February 12, 2008, titled, “Classification and Valuation of Agricultural Land”

  A further clarifying document was issued November 9, 2010, titled “Woodlands Guidance”

Land

- Agricultural Land – Woodland Memo:

  The Febuary 2008 memorandum basically states that if the wooded area is associated with a Farm Service Agency (FSA) number or a participant in the Classified Forest and Wild-land Certification Program, it should be valued using the agricultural productivity method.

Land

- Agricultural Land – Woodland Memo:

  The February memo contains a number of hypothetical situations and the DLGF use determinations made about each situation.

  Not all of the above situations deal with wooded acreage, but many are actual situations discussed with the agency.

Land

- Agricultural Land – Woodland Memo:

  The November 9 memo further identifies documentation that a taxpayer may present to the assessor to have a wooded area considered as agricultural when it does not have a FSA number or participate in an existing DNR program.

Land

- Agricultural Land – Woodland Memo:

  Documentation to be considered in the determination of woodlands, includes but is not limited to, the following:

- Stewardship Plan with a primary objective of producing timber. The plan must be prepared by a professional forester.

Land

- Agricultural Land – Woodland Memo:

  At minimum, the requirements for a Stewardship Plan would include:

  1) listing of the owner objectives, one of which would be timber production.

  2) current condition of existing timber resources.

Land

- Agricultural Land – Woodland Memo:

  3) current condition of existing timber resources.

  4) the future desired condition of the forest.

  5) a list of management activities needed to reach the future desired condition.

Land

- Agricultural Land – Woodland Memo:

- The owner can prove the existence of an active timber management plan by presenting a timeline of management activities completed or planned.

Land

- Agricultural Land – Woodland Memo:

Typical management activities may include:

1) Timber stand improvement – activities that select for or improve the environment for crop trees such as grape vine control, pruning, deadening of undesirable trees, etc.

Land

- Agricultural Land – Woodland Memo:

  2) Invasive species control – activities that treat undesirable new species of fast growing species that interrupt the growing of the desirable trees within the forest.

  3) Access road establishment and improvement – activities associated with making access to forest more desirable

Land

- Agricultural Land – Woodland Memo:

  4) Timber inventory – measurement of a sample of trees to get an estimate of the species of trees present, sizes, and volume of wood they represent. This indicates what management activities should be conducted.

  5) Timber harvest – represents that a harvest has been scheduled for the forest products.

Land

- Agricultural Land – Woodland Memo:

  6) Enrollment in a forestry related program – means that property has been enrolled in an existing DNR program to promote woodland development.

Land

- Agricultural Land – Additional Memo:

- Financial records documenting money invested in timber resource management:

  1) Contracts with professional foresters.

  2) Contracts for activities such as timber stand improvement, road work, invasive species control, and forest inventories.

Land

- Agricultural Land – Additional Memo:

  3) Receipts for the purchased of equipment or supplies for management activities.

Land

- Agricultural Land – Additional Memo:

- Documentation of past forest harvests are:

1) Sale notices.
2) Sale contracts.
3) Log yard tickets.
4) Sale inventories.

Land

- Agricultural Land – Woodland Memo:

  As time allows, the DNR foresters will work with any taxpayers who wish to develop a forest management plan for their property. <u>However</u>, the parcel must contain 10 acres of woods or more for them to develop a plan.

  Acreages under 10 acres will need to contact a professional forester. (List is on Purdue website)

Land

- Agricultural Land – Woodland Memo:

  On those properties in your county where there is a definite possibility that the woodland is being switched from agricultural to a different classification, <u>it may be advisable to notify the taxpayer of this reality before March 1, 2012</u>.

Land

- Agricultural Land – Woodland Memo:

  Notification would give the taxpayer the opportunity to decide if a woodland management plan is the best option for the property and the time to contact a forestry expert.

Land

- Agricultural Land:

QUESTIONS?

Land

Subdivided Land

Land

- Subdivided Land - IC 6-1.1-5-3:

  Sec.3. Except as provided in section 9 of this chapter, the plat must be presented to the county auditor before it is recorded. The county auditor shall enter the lots or parcels described in the plat on the tax list in lieu of the land included in the plat.

  (Sec. 9 – Civil twp. containing 1st class city)

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Land

- Subdivided Land - IC 6-1.1-5-3:

What does IC 6-1.1-5-3 mean?

Upon acceptance of the plat, the auditor assigns a parcel number to each lot or tract of land described on the plat. Thus, a 40 lot subdivision now becomes 40 parcel numbers for the assessor to value.

Land

- Subdivided Land – IC 6-1.1-4-12:

A major change was made in the 2006 Legislative Session and the result was made retroactive to January 1, 2006.

Land

- Subdivided Land – IC 6-1.1-4-12:

Circumstances under which undeveloped land may be reassessed.

Sec. 12.(a) As used in this section, “land developer” means a person that holds land for sale in the ordinary course of the person’s trade or business.

Land

- Subdivided Land – IC 6-1.1-4-12:

(b) As used in this section, “land in inventory” means:

(1) a lot; or

(2) a tract that has not been subdivided into lots; to which a land developer holds title in the ordinary course of the developer’s trade or business.

Land

- Subdivided Land – IC 6-1.1-4-12:

  (c) As used in this section, “title” refers to legal or equitable title, including the interest of a contract purchaser.

Land

- Subdivided Land – IC 6-1.1-4-12:

(d) Except as in subsection (h) and (i), if:

(1) land accessed on an acreage basis is subdivided into lots; or

(2) land is rezoned for, or put to, a different use, the land shall be reassessed on the basis of its new classification.

[careful: see (h) and (i)]

Land

- Subdivided Land – IC 6-1.1-4-12:

(e) If an improvement is added to real property, the improvement shall be assessed.

(f) An assessment or reassessment made under this this section is effective on the next assessment date.

Land

- Subdivided Land – IC 6-1.1-4-12:

(g) No petition to the DLGF is necessary with respect to an assessment or reassessment made under this section.

(h) Subject to subsection (i), land in inventory <u>may not</u> be reassessed until the next assessment date following the earliest of:

Land

- Subdivided Land – IC 6-1.1-4-12:

(1) the date on which the title to the land is transferred by:

(A) the land developer; or

(B) a successor land developer that acquires title to the land; to a person that is not a land developer;

Land

- Subdivided Land – IC 6-1.1-4-12:

  (2) the date on which construction of a structure begins on the land; or

  (3) the date on which a building permit is issued for construction of a building or structure on the land.

Land

- Subdivided Land – IC 6-1.1-4-12:

  (i) Subsection (h) applies regardless of whether the land in inventory is rezoned while a land developer holds title to the land.

Land

- Subdivided Land – IC 6-1.1-4-12:

Let's go through some examples to illustrate the 2006 changes made to IC 6-1.1-4-12.

Call it stump the Assessor!

Land

- Subdivided Land – IC 6-1.1-4-12:

- Example #1. Developer A buys a 10 acre tract of tillable agricultural land and has it rezoned from agricultural to commercial before the end of 2009.

  Question #1: Is the assessed value of the 10 acres changed to commercial usable undeveloped for March 1, 2010?

Land

- Subdivided Land – IC 6-1.1-4-12:

  Answer #1: According to IC 6-1.1-4-12(c)(2), its sounds as if it could be changed because of the rezoning, but subsection (i) put that to rest. It specifically states that "subsection (h) applies regardless of whether the land in inventory is rezoned while the land developer holds title to the land".

Land

- Subdivided Land:

The criteria of subsection (h) states:

(1) the title of the land must pass to a non-developer, or

(2) there must be construction of a structure started, or

(3) there must be a building permit issued for construction of a structure.

Land

- Subdivided Land:

As far as the March 1, 2010, assessment of Developer A's 10 acres, the assessed value should be changed to reflect the trended value of tillable agricultural acreage for that particular year.

Land

- Subdivided Land – IC 6-1.1-4-12:

- Example #2. Developer B purchased 20 acres of tillable agricultural land in May 2009, had it rezoned to residential, and filed a plat to make the parcel into a 20 one (1) acre lot subdivision. In January 2010, Developer B sold lots 1 thru 10 to Max's Home Building & Development Co. (MHB&DC). Before March 1, 2010, MHB&DC sold lot 1 and lot 2 to the local county assessor, applied and received building permits on lots 3 thru 6, and retained lots 7 thru 10 for future development.

Land

- Subdivided Land – IC 6-1.1-4-12:

<u>Question #2</u>: How should all of the 20 one (1) acre lots be assessed for the March 1, 2010, assessment date?

Land

- Subdivided Land – IC 6-1.1-4-12:

<u>Answer #2:</u>

#2a) Lots 11 thru 20: Developer B retained these lots and their assessed value should reflect the equivalent of 10 acres of 2010 tillable agricultural land.

(approximately $1,290 for each lot using the 2010 agricultural land rate of $1,290 / acre).

Land

- Subdivided Land – IC 6-1.1-4-12:

#2b) Lots 7 thru 10: MHB&DC is a developer that bought these lots from Developer B. Subsection (h)(1)(B) states, “that land in inventory may not be reassessed until a successor land developer exchanges title to a person that is not a land developer. These lots are still in his inventory and should be valued at approximately $1,290 each.

Land

- Subdivided Land – IC 6-1.1-4-12:

#2c) Lots 3 thru 6: MHB&DC applied and received building permits on these parcels and should be assessed on March 1, 2010, at the market value (unimproved value) for each lot. Subsection (h)(3) states, “that land in inventory can be reassessed if a building permit has been issued.

Land

- Subdivided Land – IC 6-1.1-4-12:

#2d) Lots 1 and 2: These lots were purchased by the county assessor before March 1, 2010, and she is not a developer. Title of the land has been exchanged from a developer to a non-developer. Land should be assessed at the market value (unimproved value) of each lot until lots are developed.

Land

- Subdivided Land –Land in inventory:

Land “in inventory” pricing can be done in any of three (3) different ways:

1) Site Value.
2) Front Foot.
3) Acreage.

Land

- Subdivided Land – Land in inventory:

  1) Site Value: The assignment of a specific dollar amount to represent the value of the parcel's land.

  Example: Developer B's one acre lots 11 thru 20 from the previous example #2 could be assigned a site value of $1,290 (2010 rate) per lot for March 1, 2010.

Land

- Subdivided Land – Land in inventory:

  2) Front Foot: The valuation method of applying a whole dollar amount to the most desirable frontage of a parcel. The advantage of using this method from the start is that it forces the assessor to price the entire subdivision “up-front” versus on a “piece meal” basis as the lots are sold.

Land

- Subdivided Land – Land in inventory:

  2) Front Foot (cont.): The assessor must complete any lot sizing calculations, establish a standard depth table, group the subdivision's parcels into a neighborhood designation, and establish an **improved** lot value dollar amount.

Land

- Subdivided Land – Land in inventory:

  2) Front Foot (cont.): Once these factors are established and entered into the computer, a high percentage negative influence factor needs to used to reduce the extended value to a specified amount. The advantage: only the influence factor needs adjusted as the parcel changes hands.

Land

- Subdivided Land - Land in inventory:

  2) Front Foot (cont.):

  Example: The assessor determines that the improved lot value of Developer B's one acre lots are $40,000, the depth table is the 200' standard, and the size of each lot is 200' x 218.8'.

Land

- Subdivided Land - Land in inventory:

  2) Front Foot (cont.):

  To calculate the front foot rate:

  $40,000 = 200’ x 1.02 x ?

  $40,000 = (204) x ?

  $40,000/204 = $196.08 per front foot

  (Front foot rounded to $195 per front foot)

Land

- Subdivided Land - Land in inventory:

2) Front Foot (cont.):

To calculate the negative influence factor:
200’ x 1.02 x $195 = $39,780 (ext. value)
Tillable Ag. Acre = $1,290
$1,290/$39,780 = .0324283
.0324283 minus 1.00 = -.9675717 or -97%
$39,780 - 97% = $1,190 or $1,200

Land

- Subdivided Land - Land in inventory:

3) Acreage: The application of a base acre rate times the number of acres judged for that particular usage. Commonly used to value agricultural homesites, rural residential homesites, and commercial/industrial land.

Land

- Subdivided Land – Land in inventory:

  3) Acreage Con't):

  Example: Developer A bought 10 acres of tillable agricultural land and had it rezoned commercial. Suppose he paid $38,000 per acre for the land but the assessor knows that the land needs to be assessed at the rate of $1,290 per acre until either sold or developed.

Land

- Subdivided Land – Land in inventory:

  3) Acreage (con't):

To calculate the negative influence factor:

$1,290/ $38,000 = .0339473

.0339473 minus 1.00 = -.9660527 or -97%

10 acres @ $38,000 / acre = $380,000

$380,000 - 97% = $11,400 ($1,140 / acre)

Land

- Subdivided Land:

QUESTIONS?

Land

Land

- Residential Land:

The directions that I received for the preparation of this class was:

How do you determine land value?

That's easy: SALES,

SALES,

and more SALES!

Land

- Residential Land - Improved Land:

That was easy for me to say but it does not always work out that way, does it?

As you well know, residential land is normally valued as if it was improved and then we adjust the value for factors either negatively or positively based on circumstances affecting the subject.

Land

- Residential Land - Improved Land:

Improved land: Land that has been prepared for most uses by constructing either on-site or off-site improvements.

1) On-site: grading, landscaping, drainage construction, buildings, etc.

2) Off-site: bring water lines, utilities, sanitary and storm sewers, and access roads.

Land

- Residential Land - Improved Land:

  In other words, we value a residential parcel as if it has a dwelling on it and make adjustments based on the situation. (unimproved, size, etc.)

  The exception: When using the excess acre rate to calculate the assessment.

Land

- Residential Land - Improved Land:

  By valuing residential lots as improved, we are capable of establishing the correct rates for a large percentage of the residential parcels within our jurisdiction and there is no need to make further value adjustments by applying influence factors.

Land

- Residential Land - Improved Land:

  Remember what improved means?

  On-site: drainage construction, grading, landscaping, buildings, etc.

  Off-site: bringing water lines, utilities, sanitary and storm sewers, and access roads to the site.

Land

- Residential Land - Improved Land:

  If you remember from our Subdivision discuss, we valued the new subdivision at the improved value of $40,000 and then gave an influence adjustment of -97% to adjust the subject back to a “land in inventory” value of approximately $1,290.

Land

- Residential Land - Trending:

One of the biggest misconceptions that I have heard through the trending process has been how taxpayer still want to criticize a residential assessed value based on components of the assessment.

For example, “Why did my land value increase 20%?”.

Land

- Residential Land – Trending:

The total assessed value should be the topic of discussion with the taxpayer. It makes no difference if I have high land value and a low neighborhood factor or a low land value and a high neighborhood factor.

The bottom line: “assessed value compared to market value”.

Land

- Residential Land – Trending:

If the property's correct value is $130,000, what is the difference?

L: $40,000	Imp:	$90,000
L: $30,000	Imp.	$100,000

They both equal the correct $130,000.

Land

- Residential Land – Trending:

The residential lot values for an established area of a community are arrived at through the study of sales information from the preceding year or preceding years (when adjusted for time) for each geographic neighborhood.

Land

- Residential Land – Trending:

  For most established neighborhoods there are no vacant land sales to get a true sense of worth for the land. If there were, then you would have a starting point to add sufficient development costs to equal an improved lot value for the neighborhood. In older established neighborhoods, this is a rarity.

Land

- Residential Land – Trending:

Example: A vacant 50 feet wide lot in an established neighborhood sells (arms-length) for $15,000 and the estimated site improvement dollar amount is estimated to be $5,000 per lot.

$15,000 + $5,000 = $20,000 (improved)

[$20,000 / 50’ = $400 per FF]

Land

- Residential Land – Trending:

However, the $20,000 improved lot value should be analyzed to determine if it is realistic against any other improved sales within the neighborhood.

Why? Because you estimated the $5,000 developmental costs and it truly, only got you near the “ballpark”

Land

- Residential Land - Trending:

A way to further check the preceding lot values is to evaluate the improved property sales within that same neighborhood using a “land percentage of over-all sales” method.

Nicknamed: Percentage of Sale

Land

- Residential Land - Trending:

As we know, most every dwelling sale includes the value of the land and improvements placed upon that land.

The percentage of sale method assumes that that percentage is constant throughout <u>similar</u> properties.

(and I am stress similar!)

Land

- Residential Land - Trending:

For instance, a sale on a special feature, such as a lake, would probably have a much different percentage of sale for land when compared to a sale not associated with the lake. In the comparison these are <u>not</u> similar properties. Lake properties could be similar and off-lake properties could be similar.

Land

- Residential Land - Trending Residential Land:

  Compare the following two slides to see if they are similar.

  Both were built in the mid-seventies, have two baths, three bedrooms, partial basements, and similar square footages. The houses are located across the street from each other.

Land

Land

Land

- Residential Land – Trending:

Similar? No way, Jose!

The green house is probably twice as valuable as the gray one. Its sits on 3 high-bluff lots overlooking a lake.

The land would have a higher percentage of sale than the gray house.

Land

- Residential Land - Trending:

  Most appraisers believe a “non-special” property’s percentage of sale to be somewhere between 15% and 25%.

  That is still a 10% range difference but it gets us close to the “ballpark” again.

Land

- Residential Land - Trending:

Now let's try to get into the "ballpark".

An analysis of all sales within that neighborhood using the 15% to 25% range will help you understand and establish an improved lot value for the subject neighborhood.

Let's post some sales and see:

Land

- Residential Land - Trending:

Sale Price	15%	25%
$98,000	$14,700	$24,500
$100,000	$15,000	$25,000
$103,500	$15,525	$25,875
$110,000	$16,500	$27,500
$115,000	$17,250	$28,750

Land

- Residential Land - Trending:

Our analysis of the percentages indicates a range of improved land values from $14,700 to $28,750. That is quite a difference but, the median of the 10 sale percentages for the 5 sales is $20,875, which is real close to our vacant lot estimate.

Land

- Residential Land - Trending:

For this neighborhood the use of an improved land value of $20,000 seems like a good fit. Remember, an analysis of the neighborhood factor to be applied to the improvements is forthcoming so that it will even out any shortcomings made to the land.

Land

- Residential Land - Trending:

The mechanics we have just completed should be done for every neighborhood that contains vacant land sales mixed with improved dwelling sales. By doing this, you develop a “feel” for what’s happening within your geographic jurisdiction.

Land

- Residential Land - Trending:

The data from the previous analysis may become very useful when analyzing neighborhoods that do not experience vacant land sales. Many of these neighborhoods have similar characteristics and a comparison can be made between like neighborhoods.

Land

- Residential Land - Trending:

  One point of interest within the data is knowing the exact percentage of sale attributable to land for the $20,000 improved land generated.

  We can calculate that percentage for each sale.

Land

- Residential Land - Trending:

Land Value		Sale Price		
$20,000	/	$98,000	=	20.4%
$20,000	/	$100,000	=	20.0%
$20,000	/	$103,500	=	19.3%
$20,000	/	$110,000	=	18.2%
$20,000	/	$115,000	=	17.4%

average	19.1%
median	19.3%

Land

- Residential Land - Trending:

The percentage of sale we established with the $20,000 improved land value for the neighborhood was about 19%.

For similar neighborhoods where there are no vacant land sales, the assessor may feel that the 19% percentage to sale is applicable in calculating the land values.

Land

- Residential Land - Trending:

  If so, the assessor can use the 19% against all sales within that similar neighborhood and go through the analysis of determining an acceptable improved lot value for that neighborhood.

Land

- Residential Land – Excess acres:

  The excess acre base rate for March 1, 2011 represents the 2010 acreage value of land when purchased for residential purposes.

Land

- Residential Land – Excess acres:

  The Guidelines state that if there is no dwelling unit on the parcel, the amount of acreage in the entire parcel is multiplied by the appropriate excess acre rate.

Land

- Residential Land – Excess acres:

But, the excess acre base rate must be high enough to reach the 2010 market value of the land purchased for residential purposes.

Land

- Residential Land – Excess acres:

  In many cases a $1,000 or $2,000 per acre base rate just won't make it anymore.

  Suppose I purchase a 3 acre residential parcel for $25,000. The average price paid per acre is $8,333.33 per acre.

Land

- Residential Land – Excess acres:

As the assessor you could price my land at $8,300 per acre but what is wrong with using one of these rate combinations:

$15,000	1st acre	$17,500
$5,000	2nd acre	$5,000
$5,000	3rd acre	$2,500
$25,000		$25,000

Land

- Residential Land – Excess acres:

  There is not a thing wrong with any of these excess acreage methods since the end results are $25,000. However, when I do add $10,000 of land improvement costs to the parcel when a dwelling is added, what kind of value will the assessor have on the land at that time?

Land

- Residential Land – Excess acres:

  As the assessor, that is the kind of question you need to be thinking and planning for when you determine your excess acre prices and your application method. The first acre will become a homesite but what about that second and third acre?

Land

- Residential Land – Excess acres:

The answer to that question can only come from analyzing residential sales larger than one acre. That, along with the process of testing estimated rates to a number of samples, can the assessor determine what method and rates fits their jurisdiction.

Land

- Residential Land – Excess acres:

  I am from the pencil age and it should be stressed that your county's computer system may limit how you can apply the excess acre rates as described previously.

Land

- Residential Land – Excess acres:

  Remember from our agricultural land discussion, there is no pre-established land size that determines the pricing method. It is an assessor responsibility as to whether the land is properly classed as residential or agricultural.

Land

- Residential Land – Excess acres:

  However, there is an agricultural land use type of number 92, which is identified as agricultural excess acres. Chapter 2 page 105 of the 2002 Guidelines contains the following: This area is presently dedicated to a non-agricultural use normally associated with the homesite.

Land

- Residential Land:

Questions?

Land

Land

- Commercial / Industrial Land :

The pricing methods of assessing C/I land:

1) Front foot

2) Square Foot

3) Acreage

Land

- Commercial / Ind. Land – Pricing methods:

  1) Front Foot: Pricing by the front foot method is pretty much the same as it is with residential. The lot value it generates is based on an improved lot value and influence factors are then applied to adjust the value for differences from the norm.

Land

- Commercial / Ind. Land – Pricing methods:

1) Front Foot (continued):

The front foot method is usually used where there are platted lots, most commonly in the downtown areas and along major streets within the town.

Land

- Commercial / Ind. Land – Pricing methods:

  2) Square Foot: A square foot is an area measuring one foot by one foot. By using the square foot pricing method, the assessor is stating that each square foot, no matter where it is located within the parcel, has the same dollar amount of value.

Land

- Commercial / Ind. Land – Pricing methods:

2) Square Foot (continued):

Like the front foot method, the square foot method is based on an improved lot value versus an unimproved lot value.

Land

- Commercial / Ind. Land – Pricing methods:

2) Square Foot (continued):

The square foot method is typically used in smaller platted areas or in areas where small acreage tracts with metes and bounds descriptions are used for commercial purposes.

Land

- Commercial / Ind. Land – Pricing methods:

2) Square Foot (continued):

However, it can be used for valuing large acreage tracts as well. There are 43,560 square feet in an acre so a calculation can be made to determine the number of square feet in a partial acre.

Example: .25 ac x 43,560 = 10,890 SF

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage: Using the acreage method of pricing commercial or industrial land utilizes the development of an improved land value, a "semi" improved land value, an unimproved land value.

The acreage land types are:

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

a) Primary land – the primary building site, which includes land located under the building, regularly used parking areas, roadways, regular used yard storage, and necessary support land (possibly established by zoning)

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

a) The primary land classification is based on an improved value of an acre of land. This rate includes the cost per acre of the vacant land plus the development costs associated with improving that acreage.

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

a) Development costs for acreage designated as <u>primary land</u> are:

Grading for general improvements of site, sanitary sewers, potable water lines, fire prevention lines, gas lines, septic systems, water wells, and landscaping.

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

b) Secondary Land – the land areas that are used for purposes secondary to the primary use of the land, such as parking and storage areas that are not used regularly.

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

b) The “semi” improved developmental costs associated with <u>secondary land</u>

are:

Grading for general improvement to the site and storm sewers, if applicable.

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

b) The <u>secondary land</u> acreage rate includes the cost of vacant land and the costs of any applicable secondary land improvements, such as site grading and storm sewers.

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

c) Usable Undeveloped land represents the cost of commercial or industrial vacant land. This type of land has incurred no on-site development costs as yet.

Land

- Commercial / Ind. Land – Pricing methods:

3) Acreage (continued):

d) The Unusable Undeveloped land rate represents the cost of vacant land which has no on-site development costs. This type of land normally is commercial or industrial land that experiences some sort of restrictions upon it.

Land

- Com. / Ind. Land – Development costs:

We have previously identified the various land improvements that need to be considered in developing a sufficient C/I land value base rate.

Probably the biggest variable in determining these costs at the local level is the affect that zoning plays.

Land

- Com. / Ind. Land – Development costs:

  Zoning? Why zoning?

  Because local zoning dictates to the developer what development costs he/she must invest within the land before the project can go forward.

Land

- Com. / Ind. Land – Development costs:

  A one acre C/I building site in the rural area of a township would probably have a minor number of zoning requirements to meet versus a one acre building site located in a fast growing portion of a town in the same township.

Land

- Com. / Ind. Land – Development costs:

  It seems that every time a zoning requirement is added to a project it means more cost to the person developing the land.

  Example: Think of the cost of having no water drainage system ($0) versus the installation of storm sewers and a retention pond system ($?) for a shopping center.

Land

- Com. / Ind. Land – Development costs:

  Developmental costs could vary significantly between local communities based on their requirements. To develop a effective base rate, the local assessor needs to research various new projects within those jurisdiction to arrive at a per acre rate to add to known vacant land cost per acre.

Land

- Com. / Ind. Land – Development costs:

Let's do an example of calculating a development cost for 2 acres:

Site grading:	$5,000 / 2 = $2,500 / ac.
Gas lines:	$6,000 / 2 = $3,000 / ac.
Water lines:	$5,000 / 2 = $2,500 / ac.
Sewer lines:	$8,000 / 2 = $4,000 / ac.
Landscaping:	$4,000 / 2 = $2,000 / ac.

Land

- Com. / Ind. Land – Development costs:

The total cost to development one acre for all these items is $14,000 per acre.

{2,500 + 3,000 + 2,500 + 4,000 + 2,000}

Land

- Com. / Ind. Land – Development costs:

Suppose that vacant 2 acre parcel sold for $50,000. The average per acre cost of the vacant parcels is:

$50,000 / 2 = $25,000 per acre

Land

- Com. / Ind. Land – Development costs:

Now we can use the information we have calculated to build a PRIMARY base rate.

Vacant land rate per acre:	$25,000
Full development cost per acre:	$14,000
Total PRIMARY Base Rate:	$39,000

Land

- Com. / Ind. Land – Development costs:

We can use that same information to calculate a SECONDARY base rate.

Vacant land rate per acre:	$25,000
Site grading cost per acre:	$2,500
Total SECONDARY Base Rate:	$17,500

Land

- Com. / Ind. Land – Development costs:

  Of course, the USABLE UNDEVELOPED rate by definition is the vacant land rate developed from the sale, which in this example was $25,000 per acre.

Land

- Com. / Ind. Land – Development costs:

  Developmental rates produced by this method on strictly zoned properties could reach a high percentage when compared to the average rate per acre paid for the property.

  Research of local developmental costs is the key in getting an acceptable base rate.

Land

- Com. / Ind. Land – Sale of existing property:

  If possible, the C/I sales may be analyzed as the residential were explained earlier.

  If there are vacant land sales distributed throughout an area, a development cost can be created for the area as we did for residential land.

Land

- Com. / Ind. Land – Sale of existing property:

  This gives us a starting point where we can insert the developed vacant lot pricing method against the land specifics associated with the improved sales to analyze the affects against the improved sales within the area.

Land

- Com. / Ind. Land – Sale of existing property:

  For example, a 50 foot vacant lot sells for $20,000 and the development cost is estimated at $5,000. The improved lot's value would equal $25,000 or $500 per front foot.

  ($25,000 / 50 feet = $500 per front foot)

Land

- Com. / Ind. Land – Sale of existing property:

  For analysis purposes the $500 per front foot rate is plugged into the land pricing calculations of the improved sales to compare the new calculated lot value plus the building value with the sale price recorded for the improved sale.

Land

- Com. / Ind. Land – Sale of existing property:

  A comparison of each area in this manner will, hopefully, be an indication of any adjustments needed to the base rate previously used within the area. The possibility exists from this data that all comparable areas may need an adjustment similar to what was determined through your analysis.

Land

- Com. / Ind. Land – Sale of existing property:

  The previous method sounds great but the problems lie in the availability of commercial and industrial sales.

  There is a much smaller percentage of C/I parcels within a jurisdiction and those parcels do not sell at the frequency level as residential properties.

Land

- Com. / Ind. Land – Sale of existing property:

  Without commercial and industrial sales there is no evidence for the assessor to support any adjustment to C/I land values.

  C/I values are affected by local economic conditions and without sales that economic demand cannot be measured.

Land

- Commercial / Industrial Land:

Questions?

Contact the Department

- Jim Hemming
  - Telephone: 317.650.9126
  - Fax: 317.232.8779
  - E-mail: jhemming@dlgf.in.gov
- Web site: www.in.gov/dlgf
  - "Contact Us": www.in.gov/dlgf/2338.htm.