

# DAVIE COUNTY 2017 APPRAISAL MANUAL

## SALES UTILIZATION AND FAIR MARKET VALUE

### PREFACE

Sales Collection and verification is the single most important activity in the appraiser's office. There is no other activity necessary to the operation of the appraiser's office which is as important as the meticulous and regimented collection of sales data.

Ultimately, all valuation approaches, regression, cost/market, or income rely upon the analysis of VALID, QUALIFIED, SALES in order to properly value a subject property.

### MEETING LEGISLATIVE REQUIREMENTS

Decisions by legislators in recent years have mandated the assessment of real property at 100% of the "fair market value". This criteria has made it imperative for the property appraiser to have an accurate and supportable sales file from which the market approach can be properly implemented.

Regardless of how well or how accurate the data about a property may be, the data is useless without sales data against which the data may be compared.

The entire premise of the computerized appraisal system is that regardless of the appraisal approach used, the analysis of sales parcels is necessary in order to do the following:

- a. Develop regression equations
- b. Set cost/market base rates
- c. Determine depreciation schedules
- d. Determine income capitalization or discount rates

Without sales, the appraiser has to depend on the Cost and Income Approach to base his decisions. Therefore you need sales to support the Cost Approach. Sales also help to determine depreciation and obsolescence in the Cost Approach and cap rates in the Income Approach.

The basic sales information is available at the Registrar of Deeds. However, before a proper analysis can be made between the sales for the tax year and those of similar properties that did not sell, the sales must be checked or qualified to verify that an "arm's length" transaction has taken place and that the source of information is correct. The transaction must then be further checked to determine if all rights and benefits of property ownership were transferred and if any personal property was involved. This procedure is known as SALES QUALIFICATION.

### STEPS IN SALES QUALIFICATION

Sales of some residential, but primarily agricultural, industrial and commercial properties often include personal property. There are also a number of intercompany or intra-family transfers "distress" sales, etc., many of which have limiting terms and conditions which affect the sales price. For these reasons and others, further qualification of sales of this type through conversations with one or more of the parties involved may be necessary to determine if the sales price should be adjusted for terms, personal property, etc., or disqualified entirely.

For this purpose, we have designed a SALES QUALIFICATION FORM which will help standardize the procedure and also build a source of useful sales data. Since recent sales are the BEST indication of MARKET VALUE and because of their effect on the entire mass appraisal process, their careful handling and qualification cannot be overemphasized.

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<b>Davie County Tax Administration Office</b>
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Date:

DEAR PROPERTY OWNER:

North Carolina law requires that each county annual conduct a sales assessment ratio study.

This study is used to measure the sale price of real property in relation to the county's appraised value.

This study will also provide the county with the sales data needed for the next general reappraisal of real property.

The enclosed questionnaire is to confirm the following transfer of real property. Your assistance in completing the questionnaire and returning it within ten (10) days would be greatly appreciated. This information will be confidential and not open to the general public.

If you have any questions concerning the questionnaire, please call the Davie County Tax Appraisal Department at: (336) 753-6140 or (336) 753-6120

Thank you for your assistance;

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Davie County Administration Building 123 South Main Street Mocksville, NC 27028

## SALES QUESTIONNAIRE

Davie County

### OFFICE OF THE TAX ADMINISTRATOR

Official County records indicate that you purchased the property as identified below:

Parcel Number :  
Property Address :  
Neighborhood Number :  
Property Description :  
Deed Reference : Book \_\_\_\_\_ Page \_\_\_\_\_ Date \_\_\_\_\_ Price: \$ \_\_\_\_\_

In order to maintain a continuing analysis of current sales data, it is our procedure to request information on real estate transfers in DAVIE County. We, therefore, ask your cooperation in completing and returning this form within ten (10) days.

1. Total Purchase Price \$ \_\_\_\_\_
2. Type of financing: Conventional \_\_\_\_\_, FHA \_\_\_\_\_, VA \_\_\_\_\_, Loan Assumption \_\_\_\_\_, Owner Financing \_\_\_\_\_, Cash \_\_\_\_\_, Other \_\_\_\_\_
3. Was a trade involved? Yes \_\_\_\_\_, No \_\_\_\_\_, Value \$ \_\_\_\_\_, Details: \_\_\_\_\_
4. Was this an auction sale? Yes \_\_\_\_\_, No \_\_\_\_\_
5. If any furnishings, machinery, livestock, timber, a single-wide mobile home or other personal property was included in the sale price, please circle and state the value of such items. \$ \_\_\_\_\_
6. Was the sale a transfer between relatives? \_\_\_\_\_ Between known affiliated companies or corporations? \_\_\_\_\_ A transfer of convenience (i.e., to correct defects in title, create a joint tenancy, etc.)? A forced sale, etc. \_\_\_\_\_
7. Were there special financial considerations which affected the total sale price such as concessions? Yes \_\_\_\_\_, No \_\_\_\_\_, \$ \_\_\_\_\_, Details: \_\_\_\_\_
8. Do you consider the total sales price to be the fair market value of the real estate on the date of sale? Yes \_\_\_\_\_, No \_\_\_\_\_
9. Have improvements been made to the property since the date of the sale other than regular maintenance? Yes \_\_\_\_\_, No \_\_\_\_\_, If yes, explain \_\_\_\_\_
10. List other information pertaining to the sale of this property, which may be pertinent to this transaction:  
\_\_\_\_\_  
\_\_\_\_\_

If you have any questions, please contact:

Davie County Tax Assessor  
ATTN: Revaluation Department  
123 South Main Street Mocksville, NC 27028  
Ph: 336-753-6140 Fax: 336-751-0154

Name \_\_\_\_\_  
Address \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Area Code \_\_\_\_\_

Phone Number \_\_\_\_\_

**SALES UTILIZATION  
AND FAIR MARKET VALUE**

**(SECTION 2)  
DAVIE COUNTY-2017 REVALUATION**

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**STEP 1 DEED QUALIFICATION OF ALL SALES.** This step entails examining deeds for any conditions or statements which might indicate the sale was not an "arm's length" transaction. For single family residences, this is usually all that is necessary to obtain accurate sales data.

Those deeds having ANY of the following conditions should be entered on the maintenance document as "U" or as an unqualified sale using the Deed Edit Sheet

1. Quit claim, corrective or tax deeds
2. State documentary stamps, \$6.00 or less
3. Same family name as to grantee and grantor
4. Deeds from or to banks or loan companies
5. Deeds indicating a trade or exchange or conveying less than whole interest, i.e. life estates, etc.
6. Deeds including live stock or personal property, i.e. trucks, equipment, cattle, etc.
7. Multi-parcel sales unless the amount paid for each parcel is specified
8. Deeds including exchanges of real or personal property
9. Deeds to or from any of the following
  - Administrators
  - Executors
  - Guardians
  - Receivers
  - Sheriffs
  - Masters
  - Churches
  - Lodges
  - Fraternal Institutions
  - Benevolent Institutions
  - Clerks of Court
  - County Commissioners
  - Counties
  - Trustees of Internal Imp. Fund
  - Cities and/or municipalities
  - United States of America or Federal Agencies
  - Utility Companies
  - Educational Institutions
10. Foreclosures and Short Sales

## STEP 2 SALES RESEARCH.

Support staff is to qualify sales from sales questionnaires, property owners, or information provided by appraisers and realtors. Sales qualified are typically researched by staff to determine is the sale amount can be qualified according to the standards provided by the Department of Revenue. The type of deed can be found on the tax record in the office. The type of financing must be closely reviewed because of the effects it can have on the sales price of the real property.

Changes in sales prices can and should be made to compensate for personal property included in the sales. Having done this, a sale can be treated as qualified and used as a guide for establishing values for similar properties. The qualification process enables the property appraiser to gather the information necessary to adjust sales prices so they will reflect "fair market" sales.

During the investigation of sales, other factors may come to light indicating that an adjustment is necessary to the sales price for what appears to be an otherwise qualified sale. These include market and economic factors. For example, if a property has to remain on the market for an excessive period of time prior to selling, an adjustment may be appropriate. The property appraiser can find themselves in a most advantageous position in determining the type of adjustments required because of his familiarity with the local market conditions. Adjustments SHOULD be made for any VALID reason in order to supply qualified comparable for valuing similar properties.

It is most important to remember that the sales qualification form should be PROPERLY filled out and filed for FUTURE REFERENCE.

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**For a sale to be disqualified, use the disqualification codes as follows:**

## DEED EDIT SHEET

### CODE REASONS FOR REJECTION:

- A. The transaction includes the conveyance of two (2) or more parcels.
- B. Sales for which the improvements sold are not included in the tax assessment or the assessment included improvements built after the sale.
- C. Deed shows \$6.00\* or less in revenue stamps. \*Transaction is for \$3,000 or less.
- D. The date the deed was made, entered or notarized is outside the dates of the study period. (The study period runs from January 1 to December 31.)
- E. The transaction is between relatives or related businesses.
- F. The grantor is only conveying an undivided or fractional interest to the grantee.
- G. The deed reserves until the grantor, a life estate or some other interest.
- H. The deed reserves unto the grantor the possession of, or lease of, the property for specified period following the sale.
- I. One or both of the parties involved in the transaction is governmental, a public utility, lending institution, or a relocation firm.
- J. The deed conveys a cemetery lot or other tax-exempt property.
- K. One or both of the parties involved in the transaction is a church, school, lodge, or some other educational organization.
- L. The Deed of Trust indicates an amount that is in excess of the purchase price as reflected by the excise stamps.
- M. The deed indicates that the property conveyed is situated in more than one county.
- N. The transaction is for minerals, timber, etc. or the rights to mine or cut same.
- O. The transaction includes the conveyance of personal property, and the value of such is not specified separate from the real property value in the deed.
- P. The transaction is the result of a forced sale or auction.

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Q. Transaction made by the use of a Contract for Deed, the agreement for which is executed and sale actually made prior to the study.

R. The transaction involves the trade or exchange of real property.

S. The transaction is for real property, which cannot be clearly identified on the county tax records.

X. Other (An explanation must be provided when this code is used.)

## STEP 3 QUALIFICATION OF SALES BY DEED:

### BENCHMARK SALES

In large counties, sales are relatively numerous for single family properties and usually available for some commercial type properties. However, the necessity of determining "market value" for all properties complicates the task of appraising certain types of property uses with few or, more often, no "qualified" sales. In these instances PASCO is designed to utilize BENCHMARK (surrogate) SALES.

The term benchmark refers to properties which have been appraised using conventional fee appraisal techniques. When sufficient sales data is unavailable, fee appraisers have relied on the cost and income approaches to value for indications of market value. For the property appraiser faced with the wide variety of property types, the utilization of the income and cost techniques can provide supportable evidence for appraisal purposes when no "qualified" sales are available which would be applicable.

When faced with a valuation problem dealing with a property type for which there are no qualified sales, the appraiser's first step is to choose a few parcels representative of the particular type or, if there is just one property, the subject can be used. The next step, collecting pertinent data about the properties, is similar to that of the fee appraiser. Depending on available information, either the cost approach or income approach may be employed to give good value indications.

### Cost Benchmarks

If the improvements under investigation are relatively new, local contractors can be consulted for estimates of the cost to replace. Also, the property appraiser can utilize such cost services as MARSHALL & SWIFT BUILDING COST SERVICE to give good cost estimates for a wide variety of building types. After a cost per square foot, unit and/or total building cost new has been estimated, it is necessary for the appraiser to review the property to determine depreciation in the case of less than new structures.

After the appropriate amount of depreciation is calculated, it is subtracted from the replacement cost new. The resulting figure is the depreciated replacement cost new to which is added the market land value. With accurate figures, this value can be utilized and entered as a benchmark sale as described on the following pages under PROCEDURE FOR ENTERING BENCHMARK SALES.

### Income Benchmarks

Another useful method of deriving benchmark sales involves the income approach to value. PASCO makes available seven methods which are discussed in greater detail in a later chapter but for the purposes of benchmarking a few other comments are necessary.

The basic income data regarding income and expenses is critical and care should be taken to verify information gathered. When this is done and entered into the system using one of the seven approaches, the resultant value can

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be entered in the sales portion of the appraisal card. The justification for the use of the income approach in the valuation process rests with the reason the income property is used. Income property is used to generate an income stream of revenues in the form of money. It is one of the basic economic building blocks and the property can be valued in terms of its ability to generate income. Income property is held, developed and sold for the income producing potential it possesses.

## USE OF SALES ANALYSIS REPORTS IN THE QUALIFICATION PROCESS

For counties with a large volume of sales activity, PASCO enables the property appraiser to limit his sales qualification activities to those sales which show the most extreme assessed value ratios.

Reports can be generated based on location, improvement type, model number, etc. The sales with extreme ratios can be subjected to the sales qualification procedure. The parameters for those to be analyzed can be set by the property appraiser (i.e. all ratios greater than 100 and less than 75, etc.) based on his requirements, available staff, etc.

PASCO is designed so that the property appraiser does not have to manually research his own files for various property types but can receive a computer printed worksheet detailing only those parcels he wishes to research based on the parameters he has selected (location, age, improvement type, land use,...).

During the Revaluation process sales ratio studies are normally performed by neighborhood using the sales that were recorded in the year preceding the effective date of the revaluation. It is the intent of Davie County to appraise all neighborhoods within the performance standard of the Standard on Ratio Studies of the international Association of Assessing Officers (IAAO) as follows:

<b>Types of Property</b>	<b>Measure of Central Tendency</b>	<b>Coefficient of Dispersion</b>	<b>PRD</b>
<i>Single Family Residential</i>			
Newer, more homogenous areas	.90 -1.10	10.0 or less	.98-1.03
Older, heterogeneous areas	.90 -1.10	15.0 or less	.98-1.03
Rural residential	.90 -1.10	20.0 or less	.98-1.03
<i>Income producing properties</i>			
Largers, urban jurisdictions	.90 -1.10	15.0 or less	.98-1.03
Smaller, rural jurisdictions	.90 -1.10	20.0 or less	.98-1.03
Vacant Land	.90 -1.10	20.0 or less	.98-1.03
Other real property	.90 -1.10	Varies	.98-1.03

\*The standards for PRD are not absolute when samples are small or wide variations in price exist.