Certification Standards

(Guidelines for Development of a Minimum Reassessment Program)
Revised April 2017

Bureau of Local Assessment
Informational Guideline Release 17-01
Bureau of Local Assessment
Informational Guideline Release (IGR) No. 17-01
April 2017

Supersedes IGR 16-401
and
Any Prior Written Inconsistent Statements

CERTIFICATION STANDARDS
GUIDELINES FOR DEVELOPMENT OF A MINIMUM REASSESSMENT PROGRAM

(G.L. c. 40, § 56; c. 58, §§ 1, 1A and 3; c. 59, §§ 2A and 38)

This Informational Guideline Release (IGR) provides guidance to local assessors on the minimum standards of assessment performance their proposed property valuations must meet for the Commissioner of Revenue to certify they are assessing at full and fair cash valuation.

Questions should be directed to the Bureau of Local Assessment.

Topical Index Key: Assessment Administration Valuation

Distribution: Assessors

Supporting a Commonwealth of Communities
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Informational Guideline Release (IGR) No. 17-01
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CERTIFICATION STANDARDS
GUIDELINES FOR DEVELOPMENT OF A MINIMUM REASSESSMENT PROGRAM

(G.L. c. 40, § 56; c. 58, §§ 1, 1A and 3; c. 59, §§ 2A and 38)

These guidelines provide guidance to local assessors on the requirements and policies that they must follow for the Commissioner of Revenue to certify they are assessing at full and fair cash valuation under Massachusetts General Laws c. 40, § 56 and c. 59, §§ 2A and 38.

The guidelines prescribe minimum standards of assessment performance that proposed property valuations must meet and set forth the policies that apply to the Commissioner’s review of proposed valuations for certification purposes. G.L. c. 58, §§ 1, 1A and 3.

These standards and policies are effective beginning with certification of assessed valuations as of January 1, 2017 for fiscal year 2018. They supersede those found in Informational Guideline Release (IGR) 16-401, Certification Standards (August 2016) and any prior written inconsistent publications or statements.
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SIGNIFICANT CHANGES FOR FY 2018

The following are significant changes incorporated in these standards. They are effective beginning with assessments as of January 1, 2017 for fiscal year 2018.

- 5 year certification review cycle as amended by St. 2016, c. 218, § 237
- 10 year reinspection cycle required for real property. See page 4.
- 5 year reinspection cycle required for personal property. See page 15.
- Land residual minimum statistical requirements no longer being reported (Evidence of land valuation methodology used to develop schedules is required).
- Local home price index may be applied if available and applicable to the community. See page 9.
- Multiple Regression changes with Standard Error of the Estimate (SEE) and Coefficient of Variation (COV). See page 13.
- Removal of 25% minimum field review requirement of proposed values once finalized for certification. Best practices still recommend a review to ensure uniformity and maintain equity between the property classes. See page 13.
- New valuation system or conversion requires full field review although with Bureau of Local Assessment (BLA) approval, a desktop review of data could be granted. Certain criteria must be met for approval which can be found on Commonly Used Forms CF-6 in this booklet.
- As of FY 2019, BLA will value State Owned Land using a statutory formula based on each community’s 2017 base valuation and updated every two years using the community’s equalized valuation. See page 16.
- Recommendation for Assessors website content. See page 20.

Changes to the Certification Check List: See CF-7-8

- Identify land valuation methodologies applied which include:
  - sales comparison approach, vacant land sales
  - abstraction (residual) method
  - allocation method
  - land residual capitalization
  - capitalization of ground rent
  - other (anticipated use method, discounted cash flow analysis, subdivision development analysis)
- Board of Assessors and assessing staff owning property in the town being reviewed shall submit their property record cards to field advisors.
INTRODUCTION

These materials have been prepared by the Bureau of Local Assessment (BLA) to assist assessors to plan and carry out the reassessment program necessary to achieve full and fair cash value in accordance with the requirements of G.L. c. 40, § 56 and c. 58, §§ 1, 1A and 3. These Certification Standards (The Guidelines for Development of a Minimum Reassessment Program) specify technical, procedural, administrative practices and assessing expectations.

An assessment is the value placed upon all real and personal property for the purpose of local property taxation. An analysis of market conditions along with the assessment level and uniformity must be performed annually as of January 1 whether for the five-year certification or for an interim year adjustment.

The five-year certification review is conducted by BLA staff to ensure the proposed values were derived utilizing a methodology based on generally accepted mass appraisal practices, are supported with current market evidence and are uniformly and equitably applied to all property. The data quality, all cost and depreciation tables, and land schedules will be reviewed for all real property. In addition, income producing property will be reviewed for income and expense analysis, development of the economic rent schedules, capitalization rates and correlation of the values derived from two appraisal approaches. Personal property accounts will be reviewed for appropriate listing and valuation of assets along with the cost and depreciation schedules.

The statistics must conform to the Commissioner’s minimum standards for certification as established in these Guidelines and will be used for the purpose of measuring the level and uniformity of assessments before and after the revaluation. Conforming statistics are not solely determinative that the proposed valuations are appropriately derived or applied.

Statistical medians and CODs alone are not to be considered market evidence.

Assessors may be requested to provide additional documentation, to supplement the standardized reports, during the certification review as questions arise.

Questions pertaining to these Standards or program development may be addressed to the Bureau at bladata@dor.state.ma.us or call:

<table>
<thead>
<tr>
<th>City</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>(617) 626-2300</td>
</tr>
<tr>
<td>Worcester</td>
<td>(508) 792-7300</td>
</tr>
<tr>
<td>Springfield</td>
<td>(413) 452-3800</td>
</tr>
</tbody>
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Information is also available on the DOR web site at www.mass.gov/dls
PROPERTY ASSESSMENT CONTRACTS

Municipalities for various reasons may need to contract with an independent revaluation contractor to perform revaluations or other property assessment services.

All requests for consulting services must conform to G.L. c. 30B, the Uniform Procurement Act. For additional information, please refer to the “Practical Guide to Drafting Effective Invitations for Bids and Requests for Proposals for Supplies and Services” (April 2005) issued by the Massachusetts Office of the Inspector General.

http://www.mass.gov/ig/publications/guides-advisories-other-publications/online-guide-to-drafting-ifbs-rfps-for-supplies-services.html

A contract by a municipality for revaluation or other assessing services should contain the following topics: The agreement, scope of work to be completed, time and expected delivery of the completed materials, compensation, general requirements pertaining to performance bonds, time frame for submission of the proposals, rights reserved by the municipality etc.

All contractual construction should be reviewed and discussed with town/city council.

FIVE-YEAR CERTIFICATION PROCESS

The Bureau of Local Assessment certification process consists of, but is not limited to, a data quality review, a statistical ratio studies review, and a valuation review to ensure that proper appraisal methodology was utilized while uniformly and equitably applied to all property.

A revaluation program should be based on the mass appraisal process utilizing the components of an acceptable mass appraisal system. The mass appraisal system is comprised of the following: data management, valuation, performance analysis, administration and appeals.

After determining the scope of the reassessment program, the assessors must prepare a work plan for its accomplishment and submit it to the BLA, as explained in detail under the Minimum Program Components section.

The valuation system should have the capability to maintain data, readily update the values, and produce all reports necessary to meet the minimum standards for certification.
Revaluation Workplan

BLA will require a Revaluation Workplan to be completed and submitted by the municipality on Gateway online prior to the start of the five-year revaluation. A carefully prepared and written workplan is a tool by which the assessors can define the specific tasks required, manage their staffing and financial resources and monitor the progress of the program, thereby ensuring the timely and satisfactory implementation of the new valuations.

When developing a workplan, the assessors must evaluate the capability, relevance, and cost effectiveness of the current assessment system, appropriate adequate funds to implement the program, and establish a realistic timetable allowing for the Bureau of Local Assessment’s review and the public’s notification of the proposed values.

The Revaluation Workplan should address the program components being utilized for each class of property, whether in-house and/or professional assistance is required to complete the project and the specific responsibilities of each participant.

The workplan should also include a work schedule with projected date of completion and the timeframe for obtaining adequate funding to complete the task. It is recommended that funding be appropriated two years in advance of the certification year.

See Bulletin 2014-02B on “Realistic Planning for Certification and Tax Rate Setting” (February 2014).

Basic workplan information shall be reported prior to the start of the revaluation program. The workplan should be completed in the “Revaluation Workplan” section of the “Certification Tab” in Gateway. Additionally, the workplan may be submitted by the appropriate field advisor on behalf of the assessors. (See Commonly Used Forms, page CF2)

If there are any prolonged certification delays or significant modifications to the workplan, the assessors shall submit a revised plan for review.

In addition, the BLA may request a copy of an appropriate valuation contract if necessary.

Data Collection Manual

A comprehensive data collection manual is essential to ensure that property data is collected and recorded in a consistent manner. The data collection manual should contain a set criteria used to identify building styles and story heights applied in the community. Any subjective data such as quality of construction (grade), condition, application of the depreciation and any applicable views should be clearly defined and illustrated in the data collection manual. This
manual must be retained in the assessors’ office and adhered to by all assessing and data collection personnel. A copy should be presented to the field advisor upon request or during the certification review process.

**Real Property Data Collection**

The collection and maintenance of current and accurate property inventory data is a critical element in the development of uniform and equitable market values.

The assessor should accurately measure to the nearest foot all improvements and prepare a complete outline sketch of the property noting all dimensions, story heights, additions, porches, and other attributes which contribute to value on the property record card (PRC) in accordance with the data collection manual.

The collection of property data can be the most costly part of the revaluation process. Unless such data is regularly maintained, a community will inevitably face the requirement of an expensive community-wide data recollection effort in order to provide uniform assessments and meet certification requirements.

There are a number of factors that must be considered in determining when a property inspection program meets certification requirements. These include, for example, the quality of the original data collection, the conversion to a new valuation system that may require different data components, the frequency of property renovation and remodeling in the community (which is often related to the frequency of property sales), and the presence of a systematic program to inspect all properties in addition to those that have sold or for which building permits have been issued.

The BLA requires that a periodic data inspection program provide for the inspection of each parcel at least once every ten years. An inspection of the property should be a full measure and listing of the exterior and a concerted effort demonstrated for interior inspections. All condo units must be included in the ten-year cyclical inspection program. It is recommended that this be an ongoing program to ensure that current accurate data be used in the valuation process and to spread out the data collection cost.

The BLA may require, for example, an inspection program be completed prior to its normal schedule if it is determined that the current data quality is insufficient or if the assessors are unable to determine when properties were last inspected.

**For Condominium data collection and sketches:**

- Assessor’s criteria for condo data collection should be discussed in the data collection manual for the community.
- All complexes should have a master card in which to record all amenities, common area structures and sketches.
Individual Condo Units

- For garden style (apartment building conversions) and 2 or 3 family conversions, the individual unit property record card should list the unit SF and interior data components (SF would typically be from Master Deed)

Townhouse and Free Standing

While BLA recommends that the exterior measurements of townhouse and free standing condo units be utilized, the following will be accepted as an alternative:

- Square footage must be segmented into living area such as first and second floor, basement, attic and garage areas.
- The assessor will review the master deed and reconcile the square footage with the “as built” plans (not the developers unit lay out plans).
- Unit property record cards must contain all interior unit data, percentage of common interest and square footage as reflected in the master deed and/or “as built” plans.
- If the square footages used for valuations is different than that recorded in the master deed, the master deed square footage should also be noted on the PRC.

The assessors may choose to conduct a study at the onset of a revaluation of all real property to determine the quality of their data or should the Bureau of Local Assessment determine that a data quality study be conducted.

Refer to the Appendix, pages A1-A2, for a guide in conducting a data quality study, should one be necessary.

Digital Imaging Technology

Assessors may wish to consider employing digital imaging technology programs to supplement not replace the data collection activities in the field.

These programs allow assessors to perform computer assisted office review using orthophotography, oblique, and street level imagery.

Tax Maps

Every community requires adequate tax maps, which may include a geographic information system (GIS) conforming to the MassGIS parcel mapping standard, which can be found at http://www.mass.gov/anf/research-and-tech/it-serv-and-support/application-serv/office-of-geographic-information-massgis/standards/standard-parcels.html. The recommended best practice for map maintenance with Mass GIS Standard for Digital Parcels can be found on A-18. Without tax maps, assessors may not have a readily accessible, complete parcel inventory or detailed land area information, such as frontage and square foot area, for each parcel. As a
result, they may be unable to precisely analyze market influences on the value of land, such as, size, shape and frontage, or develop a land valuation system based on these accurate measures of market value. Moreover, without accurate land information, existing appraisal systems cannot produce uniform assessments.

Assessors in communities that do not have adequate tax maps must include the development and implementation of a tax-mapping program as the initial component of their reassessment program.

Assessors in all communities must provide for the maintenance and updating of their tax maps as a component of their reassessment program.

Parcel Classification

Assessors shall classify all property as of January 1 according to its use. Assessors must refer to the *Property Type Classification Codes* booklet prepared by the BLA.

Property Record Cards

Property record cards (PRCs) shall be completed for all parcels indicating the name and mailing address of the property owner. PRCs should contain all information regarding improvements and land required by the appraisal system to produce equitable assessments along with the visit/inspection history, sale information and assessment history. Additionally, the PRC should contain a sketch and photograph or digital image.

Prior Certification Directives

The Bureau of Local Assessment certification directives **must** be reviewed for compliance when developing the revaluation program. Please note that failure to address prior directives could result in delays to your certification.

**APPROACHES TO VALUE**

As applicable, assessors shall consider the market, cost, and income approaches in the valuation of all vacant and improved parcels using the computer assisted mass appraisal system (CAMA) in place in the community.

The assessors must develop a program to collect and analyze three categories of data; general, specific and comparative to be used in all approaches to value. General data consists of neighborhood characteristics, trends and factors which affect value. Specific data consists of site, external influences and improvement information. Comparative data consists of cost, sales, and income and expense information.
To understand the current market conditions, the assessor should collect all sales data that has occurred in the community. Current asking prices, used as a guide in the determination of value, should be investigated and reviewed.

The validity of any sales analysis is dependent on the use of the arms-length sales. An arms-length, (market value) sale implies the consummation of a sale as of a specific date, the passing of a title from seller to buyer whereby certain conditions are upheld: the seller and buyer are typically motivated, well informed and acting in their own best interest; the property has been exposed to the open market for a reasonable amount of time; payment is made in terms of dollars; and the price represents the normal consideration for the sold property unaffected by special financing or sales concessions.

All sold properties should be inspected which will enable the assessors to validate the sale price, circumstances of the sale, verify existing property data and monitor property changes.

To obtain sales data and circumstances relevant to the sales, the assessors should send sales verification questionnaires to buyers and sellers to determine the type of transaction, financing arrangements and any special circumstances of the sale. Local real estate brokers and the Multiple Listing Services are also valuable sources for such information.

The assessors should obtain information necessary to determine the fair cash value of property by requesting that owners and/or lessees of such property make a written return in accordance with G.L. c. 59, § 38D (applicable to real property) and c. 59, § 38F (applicable to personal property). The returns can be used to request sale information, income and expense data, property descriptive information, cost, condition and age of personal property assets as well as annual reports filed with regulatory agencies or any other information required by the assessors to determine value.

**Sales Comparison Approach (Market Approach)**

The sales comparison approach is an interpretation of comparable sales data to arrive at an estimate of value for the subject property. Similarities and differences which affect market value including financing terms, market conditions, location, and physical characteristics of recently sold properties are analyzed and adjusted to estimate the market value of the subject property. The sales comparison approach is based on the principles of supply and demand (principle of change), contribution, and the principle of substitution. Adjustments to market conditions are based on the principle of change. Adjustments to individual items which affect value are based on the principle of contribution. The principle of substitution assumes that a prudent person will pay no more for a property than it would cost to purchase a comparable substitute property.

In developing the sales comparison approach the assessor should attempt to interpret and measure the actions of parties involved in the marketplace, including buyers, sellers and investors.
Cost Approach

Utilizing the cost approach, the value of a property can be estimated by totaling the land value and the depreciated value of any improvements. This approach is most reliable when used on newer structures and less reliable when applied to older properties. The cost approach may be the most reliable approach in dealing with specialty use properties.

The assessor shall value improvements in accordance with generally accepted mass appraisal practices, cost service manuals with applicable updates and or use of local building costs, where available. **All data must be documented and presented for certification.**

In using the cost approach, base costs shall be determined as appropriate for each improvement style or type. Current local modifiers and costs appearing in a generally accepted cost calculator can be adjusted where necessary and documented by an analysis of local construction costs and market sales data.

Accrued depreciation, including physical deterioration, functional and economic obsolescence must be accurately documented by market evidence prior to deduction from the replacement costs. Functional and economic obsolescence should be applied in accordance with generally accepted appraisal practices. These adjustments should be noted on the PRC, clearly defined and substantiation presented during certification.

In reference to commercial and industrial property, the CAMA system must utilize all cost components necessary to value the various uses within the community. This should include type and size of the structure(s), story height, paved areas, signage, lighting, etc.

Income Approach

The income approach is used primarily to value investment properties. Since this approach is intended to model the expectations and/or behaviors of a typical investor it is considered to be the most applicable valuation methodology for income producing properties.

For certification purposes, a second independent approach to value must be developed and applied to all properties bought and sold on investor’ expectations. The two approaches to value should correlate within 15%.

In valuing income producing properties, the assessor must collect current community specific information from owners, tenants, realtors, financial institutions and any other sources for use in the valuation process. There are sample forms and cover letters located at the DOR website at [www.mass.gov/dls](http://www.mass.gov/dls) in the Local Assessment section under General Information.

If sufficient data cannot be obtained locally then data should be obtained from alternate sources of information such as regional information from similar neighboring municipalities, the internet or national/regional services. This data must be sufficient to develop verifiable
schedules for all income producing property. Data to be analyzed shall include rental information, vacancy rates, and expense information.

The capitalization rate (cap rate) is the ratio between the net operating income and its capital cost (original price paid to buy the property) or current market value.

Proper cap rate development should represent market conditions such as financing terms, discount rates, recapture rates, yield requirements and local debt coverage ratios for the various uses within the community.

All data and analyses used in the determination of value should be documented and presented for certification.

**STATISTICAL ANALYSES**

Once the arms-length sales have been identified and verified, the assessors should undertake a statistical analysis to determine both the level and uniformity of existing assessments and to identify the source(s) of any existing inequities.

The total number of arms-length sales used in the analysis submitted on the LA3 Sales Report of all major use classes should be at least 2% of all parcels in that use class or 10 sales in the class, whichever number is greater. If insufficient sales exist to meet the applicable requirement in the base calendar year, twenty-four months of sales for that class must be analyzed and submitted to the BLA for review, time-adjusted as needed. A third year is not required. The major use classes referred to are listed on the next page. If a time-adjustment is performed an analysis must be presented for certification. The analysis of the various classes of property must use sales from the same time period when obtaining the required number of sales. Local home price index may be applied if available and applicable to the community. See pages A3–A7 in the Appendix for additional Time Trend Analysis information.

The effective date of the analysis is the January 1st prior to the fiscal year. For example, the assessment date for FY2018 is January 1, 2017, and the base year sales to be analyzed are those occurring in calendar year 2016 (January 1, 2016 through December 31, 2016).

Since the object of the valuation program is to estimate fair market value as of January 1st of a particular year, the ratio study used to evaluate that program should reflect market conditions as of that same January first. In the event that two years of sales are needed, the addition of the sales from the previous calendar year can also be used or assessors may supplement their calendar year analysis with sales that occurred, 6 months previous and 6 months after the calendar year. It should be noted that the calendar year sales along with any supplemental sales must meet all statistical requirements and that the same time period be used for all classes requiring additional sales.
The community-wide median assessment-sales ratio (ASR) and coefficient of dispersion (COD) about the median must be calculated first for the residential class of properties having the largest number of parcels. This is the predominant class. Then the ASR and COD for all other property classes should be calculated.

For certification purposes, the following chart describes the range in which the median ASR must fall and the maximum COD for all classes of property.

<table>
<thead>
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<th>TYPE</th>
<th>CLASS CODE</th>
<th>MEDIAN ASR</th>
<th>MAX COD</th>
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<tbody>
<tr>
<td>Single Family</td>
<td>101</td>
<td>90-110%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Condominiums</td>
<td>102</td>
<td>90-110%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Two Family</td>
<td>104</td>
<td>90-110%</td>
<td>12.0%</td>
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<tr>
<td>Three Family</td>
<td>105</td>
<td>90-110%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Multiple Dwellings</td>
<td>109</td>
<td>90-110%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Apartments</td>
<td>111-112</td>
<td>90-110%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Vacant Land</td>
<td>130-132</td>
<td>90-110%</td>
<td>20.0%</td>
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<tr>
<td>Commercial</td>
<td>300’s</td>
<td>90-110%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Industrial</td>
<td>400’s</td>
<td>90-110%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>013-031</td>
<td>90-110%</td>
<td>20.0%</td>
</tr>
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</table>

The difference in the median ASR of the predominant class and the median ASR of any other class should be 5% or less, but may not go below 90% or above 110%.

If a sufficient number of sales exist for any property class, the assessors should stratify the sales into subgroups, for example, date quartile (irregular quartile statistics may indicate a time adjustment is necessary), neighborhood (e.g. location), sales price quartile, style, grade, age, etc. The median ASR and COD must be computed for each group. The median ASR of the subgroups must be within 5% of the property class median. The COD should be no higher than that indicated for the appropriate class in the preceding chart. These group statistics, if outside the parameters when compared with the overall median ASR and COD for each class of property, may indicate assessment inequities.

For each property use class having 40 or more sales in the analysis period, the median ASR for each price quartile should be computed. Arraying the selling prices from low to high, and dividing them into four groups having approximately equal numbers of sold properties establishes the price quartiles. The median for each price quartile should fall within a range of 5% of the median for the entire class. The date quartiles are established by arraying sale dates from the beginning to the end of the year and dividing them into four three-month groups. If two years of sales were used, Gateway divides them into four six-month groups.
For each class of property having at least 20 but less than 40 sales, array the sales as directed for price analysis. However, analyze them in two rather than four groups.

The Price–Related Differential (PRD) statistic may also assist the assessor with measuring assessment regressivity or progressivity. (see Appendix A-8)

For each condominium complex having 5 or more sales, the median ASR should be within 5% of that of the condominium class as a whole and the COD no higher than 10%.

As a best practice, any group or sub group with a sample size of less than five sales can be can be enlarged if the assessor desires to increase the reliability of statistical measures. Assessors can use sales that span a period of up to five years; however, adjusting the sale price for time may be necessary and significant property characteristics must not change. While these sales are not included on the submitted LA3, they can be used as support.

When market value indicators, other than vacant land sales, are used for the development of land values (i.e., residual or abstraction analyses), the analysis should also be done by neighborhood, lot size and zoning if applicable. It should be estimated from the analysis that typical sites in the neighborhoods indicate a range in value.

Individual vacant land sales should correlate with the neighborhood indicated land value derived from the residual analysis.

The LA3 Sales Report must be signed and submitted through the Division of Local Services interactive internet program, Gateway. Reference should also be made to the BLA publication “Property Type Classification Codes, Non-arm’s Length Codes and Sales Report Spreadsheet Specifications” for information on sale coding and the spreadsheet report format.

**LAND VALUATION**

Neighborhoods for appraisal purposes must be delineated and analyzed by the prime lot indicated land value. A map depicting neighborhood delineations should be submitted at the start of the certification review. The map must clearly define all residential, commercial and industrial neighborhoods. The map shall be of adequate size employing distinct colors to enable the reader to identify the appraisal neighborhoods and street names.

It is also acceptable to present two separate maps one reflecting the residential neighborhoods and the other the commercial and industrial neighborhoods.

In addition to the vacant land sales analysis, an analysis using an alternative method should be conducted. See A-9 to A-14 for various methods. When estimating land values by the land residual method, the following contributory values must be considered: primary improvement
(dwelling), accessory improvements (garage, pools, etc.), and site improvements (water and sewer).

All land factors and/or value adjustments must be supported by market evidence within the neighborhood in which they are being applied. One sale is not considered support for multiple adjustments. Please see the Appendix page A15, for matched pair examples.

When analyzing sales to determine rear/excess acre values, the indicated prime lot value as demonstrated by the residual analysis and not the schedule value should be used. See A8 for indicated land value example. The excess acreage of any parcel must be of sufficient size to render a meaningful analysis. If the land schedule calls for a rear acre value adjustment by neighborhood, there must be market evidence to support this adjustment.

Additional land segmentation such as secondary lots, front foot and unbuildable land must use the above procedures and be supported by market data.

Land schedules for income producing properties (such as apartments, mixed use, commercial and industrial) should be supported with market evidence and model the expectations of typical investors.

The apartment land schedule, if a price per unit is utilized, should reflect neighborhood differences and/or the quality and desirability of the complex.

Mixed use land schedules should consider the primary use of the property in determining the appropriate land schedule.

Assessors must determine commercial and industrial land segments (e.g., prime site, secondary site, expansion, buffer and/or excess land) through set criteria.

Commercial and industrial land schedules should properly reflect the primary site as determined by land to building ratios considering local zoning requirements and property use which are defined and uniformly applied.

Land schedules must be supplied in Excel format. Please refer to the Commonly Used Forms section on page CF1 for the land schedule format and the Appendix, pages A9-A14 for valuation examples.

**MULTIPLE REGRESSION ANALYSIS**

To determine whether a certain Multiple Regression Analysis (MRA) model is the best predictor of a given group of sales, appropriate statistics and program outputs must be achieved in the modeling process. The following statistical standards should be represented in the overall model.
The Coefficient of Determination \((R^2)\) equals the percentage of the variation in sales prices explained by the MRA model. An \(R^2\) percentage equal to or above 90% is desirable.

Standard Error of the Estimate (SEE) provides an estimate of the variation (the amount of deviation between actual and estimated sale prices) that is likely to be observed when making estimates of value using a specific model. The SEE must be a positive number. A low number relative to the overall sale price is a better indicator of predictability.

Coefficient of Variation (COV) is the SEE expressed as a percentage. This statistic describes the standard of deviation of the regression as a percentage of the mean sales price. In general, residential models which have sale price as the dependent variable, a COV of approximately 20% is acceptable, while a COV of approximately 10% indicates a very good result. A COV is expected to be equal to or below 20%.

Average Percentage Error is the average absolute difference between the actual and the predicted sales price. A low number is a better indicator of predictability.

FIELD REVIEW

There are two types of field review to be undertaken by the assessors as noted below. The first to be discussed is a review of the valuations and the second is a field review of data due to a conversion.

Valuation Field Review

Regardless of the methodology applied to value property, as best practices, the assessors should visit assigned areas on an annual basis to observe changes in neighborhood conditions, trends and property characteristics, review of the proposed values once finalized for certification, ensure uniformity and maintain equity between the property classes.

New Valuation System or Conversion

The BLA recommends that a full data quality field review of all real property data be performed immediately upon implementation of a new valuation system and/or data conversion program. A field review is crucial whether the current property data is being retained or a new data collection program is being undertaken. A full field review ensures data components necessary for valuation in the new appraisal system have converted properly.

A request for a desktop review of the data from a conversion will be considered in place of a “full data quality field review” by BLA provided that initial physical inspections are timely completed and that an effective system of building permits or other methods of routinely identifying physical changes is in place. Jurisdictions should employ a set of digital imaging
technology tools to supplement field review with a computer-assisted office review. In order for us to consider the request, assessors should answer this list of questions and submit this request to their advisor for review. (See Commonly Used Forms – CF-6)

Assessors must keep comprehensive records documenting the review along with its results. If systemic errors are identified, it is expected that appropriate corrective measures will be undertaken to ensure accurate data. Therefore, the field or desktop review of data, must be completed early in the valuation process to allow for these corrections to be made.

BLA may require a full field review of data if it is determined through a data quality study there are sufficient systemic errors that necessitate correction.

**PERSONAL PROPERTY**

Personal Property market value can be defined as the price that dealers in the assets would accept and purchasers are willing to pay when the assets are bought and sold in the normal course of business.

Personal property should be valued annually in accordance with an acceptable appraisal methodology.

An annual review of personal property accounts should be undertaken to ensure accurate valuation. This review should include identifying the owners of personal property located in the community as of January 1 to determine taxable status, information on the taxable assets and the valuation of those assets.

Annual discovery of accounts should take place through a review of building permits, business permits issued by the town clerk, a review of the business directory and/or other newspaper and internet sources and by field review.

The assessors' record for each personal property account should include the owner's legal name, business name, tax billing address, business location in the community, asset listing and value. The asset listing should identify specific items and include for each item the age, count, replacement cost new, the depreciation percent and the replacement cost new less depreciation (RCNLD) value. After itemization, the taxable value of each category of personal property should then be totaled (e.g., fixtures, furniture, machinery, inventory, etc.).

Verifying or completing a listing of the individual items of taxable personal property for each account should be based on on-site inspections or review of Forms of List. Each account must be inspected at least once every five years and review of Forms of List should be performed annually. In the absence of either a current on-site inspection or Form of List the account assets...
should be estimated based on similar accounts or business models to account for any possible acquisitions or dispositions.

Valuation of the taxable property must be performed in accordance with an appropriate and uniformly applied appraisal methodology. All cost and depreciation tables need to reflect the current valuation date and be applied to each account in a consistent manner. Taxable items should be valued and depreciated through the tables and schedules established.

Non-taxable accounts must be set up in the appraisal system and contain the owner’s legal name, business name, tax billing address, business location in the community, asset listing, value and the reason the account is not taxable.

Accounts that are not taxable due to falling below a small personal property exemption adopted by the community must be reviewed annually for compliance.

**Second Home Personal Property**

Second home personal property may be valued by on-site inspections or Forms of List, as is business personal property, unless the allocation method is used.

The use of the allocation method requires an analysis of residential second home personal property which must be conducted **every 5 years**. This review must consist of inspecting or reviewing the Forms of List of a minimum of 2% of all second home accounts but under no circumstances should it be less than 10 accounts.

The allocation % must be derived from the study and applied consistently to all second home RCNLD.

**UTILITY ACCOUNT VALUATION**

The Electric Utility Restructuring Act, Chapter 164 of the Acts of 1997, separated the generation of electricity from its transmission and distribution. Independent, non-utility producers in a deregulated environment now generating electricity and the plants’ valuation must reflect market value. For information of the valuation of generating plants see IGR 98-403.

Transmission and distribution of electricity are still performed by regulated local electric utilities. Class 504 (locally assessed utility) values not based on the reported net book value require the submission of appraisal documentation for support. Please see the Appendix pages A16, Utility Property, for information on determining value. The Locally Assessed Utility Cover Letter can be found on Page CF3 of the Commonly Used Forms section.
STATE OWNED LAND VALUATION

The Commissioner of Revenue determines the fair cash value of certain tax-exempt state owned land (SOL) to be used to determine the Cherry Sheet Payment in Lieu of Tax (PILOT) distributed to the city or town each year. Criteria for reimbursement under the SOL PILOT program generally depends upon three factors: taxable status at the time of state acquisition, land use, and the particular state agency owning or “holding” the land (G.L. c. 58, § 13-17 (use next button for §§ 14-17) and c. 59, § 5G). Land valuation does not include any improvements to the properties (such as buildings) or personal property. All state owned lands are being used for public purposes and as such are exempt from local taxation.

The Department of Capital Asset Management (DCAM) notifies the BLA of acquisitions, deletions and agency transfers.

Upon receipt of an acquisition assessors will be notified and must supply the following documentation:

- property record card for last year taxed,
- recorded deed or order of taking,
- copy of commitment book entry for year prior to taking,
- assessor’s map marked with the location of the site,
- accepted street list from town clerk, and
- dimensional and use regulation tables from zoning by-laws.

Land no longer being used for reimbursable SOL purposes will be deleted and reimbursement will cease.

Should documentation be found, e.g. by the Bureau of Local Assessment (BLA) or another state agency, showing that land not previously reimbursed is eligible for reimbursement, the site will be added to the PILOT Program. Conversely, if it becomes evident that land was erroneously reimbursed in the past, it will be removed from the PILOT Program.

A legislation change occurred in 2016 that changed how BLA values state owned land (SOL) after 2017. Instead of BLA valuing the land every four years, the valuation will be based on a statutory formula. The formula will be based on each community’s 2017 valuation and a per-acre valuation derived from that valuation. The reference to the first step in the formula to the “base year valuation” for each city and town will be determined as of January 1st, 2017 and will be posted on or before June 1st, 2017. The “base year valuation” will be updated each year for the value of acquisitions and dispositions. The “base year valuation” and “per acre valuation” will be also updated every two years using the community’s equalized valuation. The procedure for valuation of state owned land for 2017, however, follows generally accepted practices for the appraisal of vacant land to arrive at full and fair cash value estimates requiring standardized procedures in order to achieve consistency in valuation application throughout the Commonwealth.
For 2017, referenced as the “base valuation”, land will be valued as vacant based on the requirements of local zoning laws of the municipality or predominant land use in the absence of zoning laws. If the land is zoned for governmental or institutional use (e.g. government buildings, schools etc.), the surrounding land use should be considered characteristic and applicable to the state owned land. Building restrictions such as those on protected watersheds, reservoirs, floodplains etc., should also be taken into consideration. Local zoning changes that are made only to state owned land to enhance reimbursement will not be considered valid. Assessors must notify BLA of any zoning changes affecting reimbursable state owned land.

State owned land is valued by site. For the purposes of state owned land valuation, a site is land held or controlled by a particular agency, for a particular purpose, such as the Department of Fisheries and Wildlife or a state park. Sites generally have a name, are often made up of more than one parcel and may overlap municipal bounds. A holding agency may have more than one site in a community. If a site is in more than one community it must be valued separately in each. Site acreage must be analyzed and may consist of one or all of the following categories:

**Prime Lots** – land on municipally-accepted public ways, pursuant to Chapter 82 or statutorily-accepted state highways (roadways) with direct and complete access, is eligible for the prime lot value attribution. Prime lots must meet local zoning requirements in effect as of the appraisal date (January 1 of the valuation year). Zoning requirements include permitted uses, size, frontage, width, and setbacks. Prime lots must be readily-developable, such that a local building inspector may issue a building permit (e.g., not requiring any special site review, permitting, or other discretionary regulatory approval). The roadway may be unpaved but must be maintained and passable year round. Prime lot attribution will not be considered for land lying within the 100-foot buffer zone of any wetland area. Irregularly shaped lots with minimal frontage, sometimes called “pork chop lots,” will not be considered for prime lot attribution. Notwithstanding G. L. c. 40A, § 3, any zoning within a community that prohibits building and any land that requires authorization under G.L. c. 91 for construction on both coastal and inland waterways will not be eligible for prime lot attribution.

- If the accepted roadway is unpaved but it is maintained (ploughed, sanded, graded, etc.), whether there are houses and utilities on it or not, the lots fronting on the roadway should be considered as prime lots if they meet all other criteria for this category.
- If the accepted roadway is impassable or only passable in certain seasons of the year or portions of the day, the lots fronting on the roadway will not be considered as prime lots.
- Where the state has constructed roads in a site or has assumed ownership and maintenance of them for site use, such roads will not be considered for prime lot frontage determination. (Board of Assessors of Sandwich v Commissioner of Revenue, 393 Mass.580 (Mass.1984))
- Prime lots will not be designated if guard rails are situated along the road frontage.
Rear/Excess Land – land that does not qualify for front lot attribution, has limited or no access, but is potentially buildable. This category includes land on accepted municipal public ways and accepted state highways (roadways) that meet the minimum local zoning requirements, but are not readily developable due to minor topography issues or other negative influences.

Undevelopable/Wet Land – land that is unbuildable due to physical conditions such as wetness, extreme slope, governmental restrictions or land that is a water body (lake, pond, marsh etc.). Due to an ATB decision, the water body portions of DCR Water Supply Protection property (G.L. c. 59, § 5G) are not eligible for reimbursement. (Town of Boylston v Commissioner of Revenue, Metropolitan District Commission and Massachusetts Water Resources Authority, ATB Docket No. F183626, F22902 (2000).

Rear/excess land and wet land determinations should be based upon U.S. Geodetic Maps, local conservation commission maps, U.S. and state agency maps, holding agency reports and visual observations, etc.

Up to FY 17, BLA reviewed and certified all communities’ real and personal property values on a triennial basis to ensure that they are at full and fair cash value. The resulting certified land schedule is used as a starting point for SOL valuation. Since this process occurred over a three-year period, equalizing or standardizing the values is necessary so that all SOL values are at the same level at one point in time.

Assessors’ property record cards must show the proper use class codes for reimbursable SOL, reflect the full and fair cash value as well as the reconciled segmentation using the Bureau’s guidelines. While municipal land values may change annually due to the real estate market, SOL values for reimbursement remain fixed until the next SOL valuation every two years. SOL valuation, for reimbursement purposes, will only change between SOL valuations when there are additions or deletions to the SOL inventory (except watershed).

The Bureau has developed and applied adjustments for size and absorption rate using standard tables. Specifically large acreage discounts were applied to sites larger than 100 acres and excess primary lot adjustments will be applied to sites with road frontage allowing for 26 or more prime lots. For sites over 100 acres in a community that utilizes a size adjustment curve, the value at 100 acres, applying the curve, was used by the bureau before applying the standard land discount table.

The Farmland Valuation Advisory Commission (FVAC) adopts the range of recommended agricultural, horticultural and forest land use values for the various categories of land classified under G.L. c. 61 and c. 61A. These value ranges are to be used in conjunction with the
assessors’ appraisal knowledge, judgment and experience as to agricultural, horticultural and forest land values.

When a Board of Assessors determines local valuations for land classified as agricultural, horticultural or forest land under these chapters, they must consider only those indicia of value that such land has for agricultural, horticultural or forest uses. Any income, sales or other appraisal information considered by the assessors is limited to data specific to the crop or product being grown or produced.

If a Board of Assessors adopts values outside the range of values recommended by the FVAC, the determination must be supported by a comprehensive study of local factors influencing the agricultural, horticultural or forest use value, and include a detailed description of the selected valuation models and resulting use value estimates. The FVAC valuations must be considered in all local analyses.

Any sales of farmland, income data or other appraisal information being considered by the assessors should be limited to data specific to the crop or product being grown or produced. Any indicia of use value derived from sales must come from comparable sales of agricultural, horticultural or forest land to buyers who purchase the property to continue its current agricultural, horticultural or forest use. Assessors should ensure that sales used to support their valuations are comparable with respect to tillable land, pasture, meadow, woodland, mountainside and marsh, etc. In addition, they should identify and consider all other circumstances about the transactions that may have influenced the prices paid for the land, e.g., sales during crop growing season, irrigation and personal or business motivations of the parties.

When analyzing these sales, they should be grouped into crop or product categories similar to those recognized by the FVAC. If the number of sales is inadequate, regional data from comparable communities should be considered.

Rental income is a reliable means for deriving an estimate of market value using the income capitalization approach. When income data is available, local farm rental rates per acre for various land classifications should be used. Care should be taken to ensure that only the productivity of the land is evaluated and not the other income sources such as retail sales. The rental income method requires fewer assumptions, less dependence on management performance, and rental patterns are relatively consistent within the farming community.

PUBLIC DISCLOSURE

It is important to build and maintain public trust and confidence in the assessment administration system. This can be accomplished by keeping taxpayers informed of the legal requirements regarding assessments and of the assessors’ responsibilities and actions in complying with those requirements. An informed taxpayer can alert the assessor to any
inadvertent data inaccuracies preventing unnecessary abatement applications and undue burden on the overlay account. Assessor’s websites should be informative and provide easy access to information. Websites should include the following features:

- Office hours, locations, contact information
- Annual update of property information, including property characteristics, sales history and current valuation
- News releases
- Appeals Process
- Exemptions
- FAQ
- Maps
- Taxpayers Forms

All communities are required to undertake a public disclosure program of all real and personal property valuations prior to receiving final certification. The program must be undertaken for a minimum of five (5) business days after the Bureau’s issuance of preliminary certification.

For certification communities, a comprehensive, formal notice must appear the general circulation in the community. The public disclosure notice can be listed in the local newspaper, be posted on the municipality’s website or both. Public disclosure of values must occur for a minimum of five (5) business days following the date of publication. The notice is not required to be a paid legal notice. A copy of the notice (or notices) should be uploaded into Gateway under the “Certification Tab” in the LA10, Assessment Adjustment List section.

The public disclosure notice must address the basis of the valuation changes, the program's overall effect on assessments, and the manner and time period in which taxpayers may review the proposed new assessments prior to tax billing.

It is expected that communities with a significant number of non-resident taxpayers will send or email impact notices. It should be noted that communities sending or emailing impact notices are still required to submit the public information release for publication in the newspaper or on the municipalities website.

The assessors must provide adequate opportunity, either during or after regular office hours, for taxpayers to make telephone or office inquiries regarding the proposed new values. Any changes to assessed values as a result of public disclosure should be made prior to submission of the LA10 and not through the abatement process. The LA10 should be completed and submitted on Gateway, even if there are no changes, the assessor must sign and submit.

If the assessors conducted a full revaluation program, which includes a full recollection of all property data and the development of a new valuation system, they are required to send impact notices to all taxpayers and must hold informal hearings. The impact notice must contain all pertinent legal information along with the previous and proposed values.
INTERIM YEAR ADJUSTMENTS

Performance analyses should be calculated to determine assessment levels and uniformity within the assessing jurisdiction. If there has been a change in market conditions which warrant property valuation adjustments, property values must be adjusted in a fair and equitable manner to reflect full and fair cash value as of January 1 in accordance with **G.L. c. 59, § 2A**.

Assessors must annually adjust valuations to reflect changes in the tax base due to new construction, alterations, or demolitions. In years between five-year certification, the assessors may undertake and complete a valuation adjustment program without the prior review or approval of the Bureau of Local Assessment. This is called an interim year adjustment. A plan, which includes analyses and application of appropriate appraisal methods, must be used to develop any valuation adjustments. After completion of the program, the community’s assessments should be equitable and consistent within and between all property classes, as evidenced by conformity with accepted mass appraisal measures of assessment level and uniformity.

Documentation to support valuation changes must be prepared and retained by the assessors for a period of five (5) years or in accordance with the records retention schedule as determined by the Secretary of State (whichever is longer). This documentation should include a complete market analysis, sales ratio studies, income, expense and capitalization rate analyses and any data which supports the valuation changes being made.

All assessors must annually submit their sales report (LA3) of all real property to the Bureau of Local Assessment for analysis whether or not an adjustment was necessary. The sales report should be compiled according to the LA3 submission guidelines and signed and submitted via Gateway, the Division of Local Services online program. The statistical results of the sales are automatically calculated on the form “Interim Year Adjustment Report” (LA15). The LA15 should be reviewed and signed and submitted.

Valuations must conform to the assessment level and uniformity outlined in the Statistical Analyses section of these guidelines. It must be received with the Form LA4 “Assessment/Classification Report.”

The completed form will be sufficient, although more detailed information may be requested. Examples of forms LA4 and LA15 online in Gateway are located on Pages CF4 & CF5 of the Commonly Used Forms section.
APPENDIX
Completion and documentation of an initial data quality study is essential to establish that the quality of the existing data currently on file is acceptable.

**Sampling Method and Sample Size**

Selection of a random, representative sample of 2% to 5% of all properties is necessary. The sample should consist of all classes of property from within each of the neighborhoods of various styles and ages. The sampling process should be sufficient to ensure that existing property data is accurate for each significant type of property. Heterogeneous areas of the community may require a larger number in the sample selected to ensure accuracy of the existing data.

After an inspection (including an interior inspection) of each property subject to review has been completed, the assessors should correct any errors in the data. The values should then be rerun using the schedules from the mass appraisal system currently in place.

The original value is then compared with the value that would have been generated had the data on the property been accurate (old versus new). If the average level of discrepancy is in excess of 10% the assessor must evaluate whether there is sufficient data integrity to produce certifiable values.

There are two principle methods for inspecting the properties in the study and recording the results. The first is to use a new, blank property record card in the field and conduct the data verification inspection similar to a full measure and list inspection of the property for the first time. The second method is to use the existing property record card in the field and mark where the differences are identified.

Assessors must keep copies of the data inspection records documenting the changes in a separate file for review if requested by the BLA.

Properties should be coded as follows to track the severity of the data issue.

1) No discrepancies found  
2) Discrepancies that would have been identified by a field review  
3) Discrepancies that would only have been found by an exterior inspection  
4) Discrepancies that would only have been found by an interior inspection

The mean and median of both value (dollar) and percentage differences should be computed for the entire sample, as well as for each of the four categories listed above.
The assessors should also stratify the sample by characteristics such as neighborhood, style, age, date, price quartiles, etc.

**Corrective Action (as necessary)**

A median in excess of 10% in any category, class, or type of property may indicate a need for prompt appropriate corrective action (full field review or complete measure and list as deemed necessary).

A median below 10% in any category may be corrected through the cyclical reinspection program.

Results of any data quality study performed must be reviewed with the BLA certification advisor before certification planning proceeds.
Time Trend Analysis

Resale Analysis

Sale Price 2 - Sale Price 1
_______________________ = Time Adjustment Factor for Entire Period

Sale Price 1

Time Adjustment Factor
____________________ = Time Adjustment Factor per Time Unit

Time Period

Example: A three bedroom Ranch sells twice during the year

Sale Date 1 : 1/16/15  Sale Price 1 : $250,000
Sale Date 2 : 9/16/15  Sale Price 2 : $300,000

300,000 - 250,000 = 50,000
____________________ = _______________ = .20 or 20%
250,000

Time Period between Sales = 8 Months
Time Adjustment Factor = .20 / 8 = .025 or 2.5 % Per Month
2.5 % x 12 Months = Time Adjustment Factor of 30 % Per Year

Paired Sales Analysis

This technique is rooted in the Sales Comparison Approach to Value. Similar properties sold at different times are adjusted to account for physical differences, leaving any remaining difference attributed to time.

Example: The similar properties are two homes in the same neighborhood built by the same developer.

Property 1 : Ranch 3 Bedrooms 1 Bath $285,000 Sold 2/15
Property 2 : Ranch 3 Bedrooms 2 Baths $330,000 Sold 12/15

Assume that appraisal models indicate that the 2nd bath is valued at $15,000. The older sale is then adjusted to the more recent sale.

$285,000 Property 1 Sale Price (includes only 1 Bath)

+ $15,000 Value difference of 2nd Bath

$300,000 Adjusted Sale Price of Property 1
Apply Formula:

\[
\frac{\text{Property 2 Sale Price} - \text{Property 1 Adjusted Sale Price}}{\text{Property 1 Adjusted Sale Price}} = \frac{330,000 - 300,000}{300,000} = \frac{30,000}{300,000} = .10 \text{ for 10 months}
\]

\[
= \frac{.10}{10} = .01 \text{ or } 1\% \text{ per month}
\]

**Multiple Regression Analysis**

If Time of Sale is one of the Independent Variables, its effects on Sales Prices can be estimated to determine a Time Adjustment Factor.

**Example:** If the Regression Analysis determines a Value, or Coefficient, for month of sale of $5,250, and the Average Sale Price is $350,000, then the indicated rate of change is:

\[
\frac{\text{Time Value}}{\text{Average Sale Price}} = \text{Indicated Rate of Change Per Month}
\]

\[
\frac{5,250}{350,000} = .015 \text{ or } 1.5\% \text{ Per Month}
\]

\[
1.5\% \times 12 = 18\% \text{ Per Year}
\]

**Sales Ratio Trend Analysis**

Normally, Sales Ratios are computed by this formula: \( R = \frac{\text{Assessment}}{\text{Sale}} \)

But comparing Ratios is not the same as comparing Sale Prices!

**For Example:**

\[
\text{Sale 1: } A / S = \frac{250,000}{200,000} = 1.2500
\]

\[
\text{Sale 2: } A / S = \frac{250,000}{300,000} = 0.8333
\]

*Note that the Assessment remains constant which is a critical assumption in using this method.*
Sale 2 - Sale 1
\[
\frac{300,000 - 200,000}{200,000} = \frac{100,000}{200,000} = .50 \text{ or } 50%
\]

But, using the Ratios in the same manner produces different results.

\[
0.8333 - 1.2500 = -.4167
\]
\[
\frac{0.8333}{1.2500} = -.3333 \text{ or } -33%
\]

**Sale/Assessment Ratios (S/A)**

Reciprocal Ratios, called Sale/Assessment Ratios, must be computed and used in the formula in order to get the correct results. Computing the S / A Ratio for the example:

Sale 1: \( S / A = \frac{200,000}{250,000} = 0.8000 \)
Sale 2: \( S / A = \frac{300,000}{250,000} = 1.2000 \)

When these Sale / Assessment Ratios are used, they produce the same Time Adjustment Factor found by comparing Sale Prices.

\[
1.200 - .8000 = .4000
\]
\[
\frac{.4000}{.8000} = .50 \text{ or } 50%
\]

Since Ratios are Fractions,

\[
\text{Ratio 2 - Ratio 1 =} \quad \frac{\text{Assessment}}{\text{Sale 2}} - \frac{\text{Assessment}}{\text{Sale 1}} \quad \text{Cannot be subtracted since denominators are different}
\]

But,

\[
\frac{\text{Sale 2}}{\text{Assessment}} - \frac{\text{Sale 1}}{\text{Assessment}} \quad \text{Can be subtracted since the denominators are exactly the same.}
\]
**Time Adjusting Sales to the Assessment Date**

To apply the Time Adjustment Factor to the Sales Database, the following formula is used:

\[
TAS = S (1 + rt)
\]

Where,

"TAS" is the Time Adjustment Sale Price

"S" is the Unadjusted or Original Sale Price

"r" is the monthly (or quarterly) rate of change

"t" is the number of months (or quarters) from the sale date to the assessment date

**Example:**

A $150,000 sale occurring 6 months before the assessment date would be adjusted as follows, using the 2.5 % per month time adjustment factor from above:

\[
TAS = \$150,000 \cdot (1 + .025 \cdot 6) \\
= \$150,000 \cdot (1 + .15) \\
= \$150,000 \cdot 1.15 \\
= \$172,500
\]

**Time Adjusting Sales Using Sales Ratio Analysis**

When using this method, the Assessment Date Median Ratio is used as the point of reference - whether the sale occurs before or after this date.

\[
\text{Mdn S/A Ratio} \quad = \quad \text{Time Adj Factor for Entire Period}
\]

Quarterly (or Monthly) Median S/A Ratio

**Consider the following Table of Median Sales/Assessment Ratios:**

<table>
<thead>
<tr>
<th>Qtr</th>
<th>Year</th>
<th>Sale Price</th>
<th>Jan 1, 2016 Assessment</th>
<th>S/A Ratio</th>
<th>Trend Factor Per Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2015</td>
<td>180,000</td>
<td>200,000</td>
<td>0.900</td>
<td>0.08325</td>
</tr>
<tr>
<td>2</td>
<td>2015</td>
<td>200,000</td>
<td>200,000</td>
<td>1.000</td>
<td>0.06666</td>
</tr>
<tr>
<td>3</td>
<td>2015</td>
<td>220,000</td>
<td>200,000</td>
<td>1.100</td>
<td>0.04545</td>
</tr>
<tr>
<td>4</td>
<td>2015</td>
<td>240,000</td>
<td>200,000</td>
<td>1.200</td>
<td>0.00000</td>
</tr>
<tr>
<td>1</td>
<td>2016</td>
<td>240,000</td>
<td>200,000</td>
<td>1.200</td>
<td>0.00000</td>
</tr>
<tr>
<td>2</td>
<td>2016</td>
<td>250,000</td>
<td>200,000</td>
<td>1.250</td>
<td>-0.02000</td>
</tr>
</tbody>
</table>

The Median S/A Ratio for the Assessment Date of 1/1/16 is the average of the 4th Quarter of 2015 and the 1st Quarter of 2016 or 1.20.
Example: Time Adjustment Factor for the 1st Quarter of 2015:

\[
\frac{1.20 - 0.90}{0.90} = \frac{0.30}{0.90} = 0.333 / 4 = 0.08325 \text{ Per Quarter}
\]

Time Adjustment Factor for the 2nd Quarter of 2016:

\[
\frac{1.20 - 1.25}{1.25} = \frac{-0.04}{2} = -0.02 \text{ per Quarter}
\]

Multiple Time Adjustment Factors

Sometimes, a series of Time Adjustment Factors are needed to accurately reflect Sale/Assessment Ratio Analysis results. These market trends can be seen on a graph plotting time against S/A Ratios.

Assume a S/A Ratio Analysis reveals a 2% per month inflation for the first 6 months and a 1% per month inflation for the next 6 months. A formula reflecting this trend would be:

\[
TAS = S \left[1 + (.02)(t1) + (.01)(t2)\right]
\]

Where,

\[
t1 = \text{the number of months in the first time period}
\]
\[
t2 = \text{the number of months in the second time period}
\]

Example:

A sale of $400,000 occurs 9 months before the assessment date. It would be adjusted as follows:

\[
TAS = $400,000 \left[1 + (.02)(3) + (.01)(6)\right]
\]
\[
= $400,000 \left[1 + .06 + .06\right]
\]
\[
= $400,000 \times 1.12
\]
\[
= $448,000
\]
The **Price-Related Differential (PRD)** is a statistic for measuring assessment progressivity or regressivity. It is calculated by dividing the mean by the weighted mean. PRD’s should typically, except for in small samples, range from .98 to 1.03. A PRD below .98 would indicate progressivity, where high-value properties are over-assessed relative to low-value properties. A PRD greater than 1.03 would indicate regressivity, where high-value properties are under-assessed relative to low-value properties. The PRD only provides an indication of assessment bias or inequity. Assessors should utilize it as a supporting method in determining assessment levels. *(Small sample size is only used to illustrate PRD calculations)*

### Example 1 – NO BIAS

<table>
<thead>
<tr>
<th>Sale Number</th>
<th>Assessed Value</th>
<th>Sales Price</th>
<th>ASR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$130,000</td>
<td>$120,000</td>
<td>1.083</td>
</tr>
<tr>
<td>2</td>
<td>$124,000</td>
<td>$130,000</td>
<td>.954</td>
</tr>
<tr>
<td>3</td>
<td>$131,000</td>
<td>$140,000</td>
<td>.936</td>
</tr>
<tr>
<td>4</td>
<td>$140,000</td>
<td>$150,000</td>
<td>.933</td>
</tr>
<tr>
<td>5</td>
<td>$160,000</td>
<td>$160,000</td>
<td>1.000</td>
</tr>
<tr>
<td>6</td>
<td>$179,000</td>
<td>$170,000</td>
<td>1.053</td>
</tr>
</tbody>
</table>

Mean = .993 (5.959/6)  
Weighted Mean = .993($864,000/$870,000)  
PRD = 1.000 (.993/.993)

### Example 2 – REGRESSIVITY

<table>
<thead>
<tr>
<th>Sale Number</th>
<th>Assessed Value</th>
<th>Sales Price</th>
<th>ASR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$180,000</td>
<td>$120,000</td>
<td>1.500</td>
</tr>
<tr>
<td>2</td>
<td>$131,000</td>
<td>$140,000</td>
<td>.936</td>
</tr>
<tr>
<td>3</td>
<td>$140,000</td>
<td>$150,000</td>
<td>.933</td>
</tr>
<tr>
<td>4</td>
<td>$179,000</td>
<td>$170,000</td>
<td>1.053</td>
</tr>
<tr>
<td>5</td>
<td>$175,000</td>
<td>$230,000</td>
<td>.761</td>
</tr>
<tr>
<td>6</td>
<td>$230,000</td>
<td>$260,000</td>
<td>.885</td>
</tr>
</tbody>
</table>

Mean = 1.011 (6.067/6)  
Weighted Mean = .967($1,035,000/$1,070,000)  
PRD = 1.045 (1.011/.967)

### Example 3 – PROGRESSIVITY

<table>
<thead>
<tr>
<th>Sale Number</th>
<th>Assessed Value</th>
<th>Sales Price</th>
<th>ASR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$75,000</td>
<td>$115,000</td>
<td>.652</td>
</tr>
<tr>
<td>2</td>
<td>$90,000</td>
<td>$125,000</td>
<td>.720</td>
</tr>
<tr>
<td>3</td>
<td>$115,000</td>
<td>$130,000</td>
<td>.885</td>
</tr>
<tr>
<td>4</td>
<td>$135,000</td>
<td>$150,000</td>
<td>.900</td>
</tr>
<tr>
<td>5</td>
<td>$160,000</td>
<td>$160,000</td>
<td>1.000</td>
</tr>
<tr>
<td>6</td>
<td>$179,000</td>
<td>$170,000</td>
<td>1.053</td>
</tr>
</tbody>
</table>

Mean = .868 (5.210/6)  
Weighted Mean = .887($754,000/$850,000)  
PRD = .978 (.868/.887)
LAND ANALYSIS—ABSTRACTION METHOD  
(LAND RESIDUAL ANALYSIS)

Sale Price (SP) minus RCNLD of Buildings equals Indicated Land Value (ILV)

\[ SP - RCNLD = ILV \]

Indicated land value, not the land schedule value, should be analyzed to determine all land segment values.

Land segments consist of:

Prime Lot = size per zoning or predominant lot size  
Excess/Rear = size in excess of the zoning or predominant lot size  
Secondary Lot, Front Feet or Front Acre = Criteria must be established by the Assessor (zoning, predominant lot size or other)

**Applicable zoning for all examples:** 1 acre with 200 feet of road frontage

**Example 1:** Prime Lot Value Determination

Sale Price: $430,000  
RCNLD: $230,000  
Size/Shape: 1 acre with 200 feet of road frontage

\[ SP - RCNLD = ILV \text{ Prime} \]  
\[ SP ($430,000) - RCNLD ($230,000) = ILV ($200,000) \]

**Example 2:** Excess/Rear Land Value Determination

Sale Price: $460,000  
RCNLD: $240,000  
Size/Shape: 3 acres with 200 feet of road frontage

\[ SP - RCNLD = ILV - ILV \text{ Prime} = ILV \text{ Excess} \]  
\[ SP ($460,000) - RCNLD ($240,000) = $220,000 - ILV \text{ Prime ($200,000) = ILV Excess ($20,000)} \]

ILV Excess / Number of Acres = Excess Land Value per Acre  
ILV Excess ($20,000) / 2 acres = Excess Land Value per Acre ($10,000)
Example 3: Secondary Lot Determination (Front Feet and Front Acre calculation not shown)

Sale Price: $570,000  
RCNLD: $250,000  
Size/Shape: 4 acres with 400 feet of road frontage  
Criteria: Each segment of 1 acre with 200 feet of road frontage above zoning requirements

\[
\text{SP} - \text{RCNLD} = \text{ILV} - \text{ILV Prime} - \text{ILV Excess} = \text{Secondary Lot Value}  
\text{SP ($570,000)} - \text{RCNLD ($250,000)} = \text{ILV ($320,000)} - \text{ILV Prime ($200,000)} - \text{ILV Excess ($20,000)} = \text{Secondary Lot Value ($100,000)}
\]
The Allocation Method, also known as the land ratio method, essentially creates land sale comparables by calculating the ratio of the contributory value of land from improved property sales, based on the ratio of land value to improved property value from sales in other, similar areas or uses.

Points to consider and keep in mind−
- Used to support land value when no land sales are available
- Properties used in analysis should be improved to their highest and best use or technique is less applicable
- The ratio from one area or property type is not necessarily transferable to another area or property type
- Is less reliable on older properties because estimating accrued depreciation is too subjective
- Should not be used to establish land values directly, more effective as a supporting method

<table>
<thead>
<tr>
<th>Office Sale Price</th>
<th>- RCNLD</th>
<th>= Land Portion</th>
<th>Land/Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$750,000</td>
<td>$480,000</td>
<td>$270,000</td>
<td>36%</td>
</tr>
<tr>
<td>$900,000</td>
<td>$585,000</td>
<td>$315,000</td>
<td>35%</td>
</tr>
<tr>
<td>$1,025,000</td>
<td>$630,000</td>
<td>$390,000</td>
<td>38%</td>
</tr>
<tr>
<td>$1,200,000</td>
<td>$755,000</td>
<td>$445,000</td>
<td>37%</td>
</tr>
<tr>
<td>$1,300,000</td>
<td>$780,000</td>
<td>$520,000</td>
<td>40%</td>
</tr>
</tbody>
</table>

Indicated land portion = 37%

Now you could test this indicated land portion against the portion you are currently using. In this case you could sum all the assessed office land values in your community and divide by the sum of all the total assessed values of office properties and adjust as needed. You should consider performing this exercise for different property classes and/or market areas as deemed necessary.

Once you have reconciled to an adjusted percentage you could apply to the entire population as follows:

<table>
<thead>
<tr>
<th>Total Assessed Value X</th>
<th>Land Factor</th>
<th>Land Value</th>
<th>Lot Size</th>
<th>Per SqFt</th>
</tr>
</thead>
<tbody>
<tr>
<td>$875,000</td>
<td>.37</td>
<td>$322,750</td>
<td>20000</td>
<td>$16.14</td>
</tr>
<tr>
<td>$1,075,000</td>
<td>.37</td>
<td>$397,750</td>
<td>30000</td>
<td>$13.26</td>
</tr>
<tr>
<td>$1,300,000</td>
<td>.37</td>
<td>$481,000</td>
<td>43560</td>
<td>$11.04</td>
</tr>
<tr>
<td>$1,450,000</td>
<td>.37</td>
<td>$536,500</td>
<td>60000</td>
<td>$8.94</td>
</tr>
</tbody>
</table>
LAND RESIDUAL CAPITALIZATION

Technique

To assist in the development of land values for commercial & industrial property, including apartments, in the absence of market sales or land leases, assessors can use the land residual capitalization technique to estimate a land value and develop land value per unit (sq.ft.) tables.

The first requirement to use this technique is that the building value must be known. Properties selected for analysis should include newer buildings where replacement cost and accrued depreciation can be estimated by the assessor and where the existing building is considered the highest and best use for the land. If the land is vacant, or the existing building is not considered the highest and best use, the improvement can be hypothetical.

Technique Steps:

1. Estimate the value of the building & other improvements using the cost approach (RCNLD).
2. Estimate the annual net income to the property before recapture (depreciation) and real estate taxes (effective tax rate) as of the assessment date.
3. Estimate a capitalization rate for:
   4. Land (discount rate + effective tax rate)
   5. Building (discount rate + recapture rate + effective tax rate)
4. Calculate the Building Income by multiplying the RCNLD times (x) the Building Cap. Rate
5. Calculate the Land Income by subtracting the Building Income from the Total Income
6. Calculate the Land Value by dividing the Land Income by the Land Cap. Rate
7. Divide the Indicated Land Value by the Land Area to Estimate the Land Value per Unit.

Capitalization Rate Development [For Demonstration Purposes]

<table>
<thead>
<tr>
<th>Land Capitalization Rate</th>
<th>Building Capitalization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate = 5.0%</td>
<td>Discount Rate = 5.0%</td>
</tr>
<tr>
<td>Effective Tax Rate = 1.0%</td>
<td>Recapture Rate = 2.0% (1/50-year life)</td>
</tr>
<tr>
<td>Effective Tax Rate = 1.0%</td>
<td>Effective Tax Rate = 1.0%</td>
</tr>
</tbody>
</table>

Example: Solve for Land Value; given the following assumptions:
   LAND 6.0% - BUILDING 8.0% $200,000 - TOTAL NOI $25,000, Lot size: 3000 sq. ft

<table>
<thead>
<tr>
<th></th>
<th>Income</th>
<th>Cap Rate</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$9000</td>
<td>6.0%</td>
<td>$150,000</td>
</tr>
<tr>
<td>Building</td>
<td>$16,000</td>
<td>8.0%</td>
<td>$200,000</td>
</tr>
<tr>
<td></td>
<td>$25,000 (NOI)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Once the land value is estimated it can be used on a per unit basis for comparable parcels. Indicates: Land value at $150,000 divided by 3000 SF = $50 per SF
CAPITALIZATION OF GROUND RENT

This procedure is used when land rents and land capitalization rates are readily available. Net ground rent, the net amount paid for the right to use and occupy the land, is estimated and divided by a land capitalization rate. Either actual or economic rents can be capitalized using rates that can be supported in the market.

What is ground rent?
Ground rent is the amount paid for the right to use and occupy the land according to the terms of the ground lease. It corresponds to the value of the landowners’ interest in the land, the lease fee interest.

For specialty properties, such as cell tower, billboards, and solar facilities, it may be necessary to value the land and the improvements separately. If the tenant is responsible for paying the taxes for the entire property, as if in fee simple, remember to include this rent as an expense item on the income and expense report for the tower, billboard or solar facility. In order to value the land using the capitalized ground rent, it is important to know how much of the land is being leased, and a copy of the lease should be reviewed. Only that portion of the land included in the lease should be capitalized and valued.

Example
For this example, a cell tower is located on a 10,000 square foot parcel of land which is being leased for $2,500 per month, and you have established that the land capitalization rate is 10%. All expenses are paid by the tenant in this scenario, and the annual rent is $30,000.

Using the IRV formula (Income/Rate = Value), the estimated land value for this parcel, using the capitalized ground rent method is $300,000.

<table>
<thead>
<tr>
<th>ANNUAL INCOME</th>
<th>CAP RATE</th>
<th>INDICATE FULL AND FAIR CASH VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30,000</td>
<td>divided by .10 equals</td>
<td>$300,000</td>
</tr>
</tbody>
</table>
The rationale to use this appraisal method is to estimate a price an investor would pay to purchase land which has subdivision potential.

To apply the method properly, the assessor must be familiar with the development process and perform analyses of all market conditions which affect the indicated land value. The analyzed market data must come from the community in which the appraised property is located. Any unsupported adjustments will destroy the credibility of the approach.

The hypothetical lot subdivision of the appraised property must be physically possible, legally permissible and economically feasible.

Projected Selling Price (PSP) of developed lots minus Total Development Costs, direct and indirect (TDC) = Indicated Land Value (ILV)

\[
PSP - TDC = ILV
\]

**Simplified Example:**

Prime Lot Value (PLV) = $200,000 (PLV is determined utilizing sales comparison approach to value)
Prime Lot Total (PLT) = 22 lots

\[
PLV \times PLT = PSP
\]

\[
(PLV) \times 22 = (PSP) \times 22
\]

Direct Cost (DC) + Indirect Cost (IC) + Profit (P) = Total Dev. Cost (TDC)

\[
(DC) \times 1,100,000 + (IC) \times 1,100,000 + (P) \times 1,100,000 = (TDC) \times 3,300,000
\]

\[
PSP - TDC = ILV
\]

\[
(PSP) \times 22 - (TDC) \times 22 = (ILV) \times 22
\]

\[
ILV \div PLT = PLV
\]

\[
(PLV) \times 22 = (PLT) \times 22
\]
Matched Pair Analysis

Appraisal technique used to determine the contributory value of one particular attribute of a property.

The appraiser analyzes two or more sales where the only difference is the value of the attribute sought.

**EXAMPLE 1 (Beach Front)**

<table>
<thead>
<tr>
<th></th>
<th>Sale 1</th>
<th>Sale 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beach Front</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Lot size</td>
<td>10,000 sf</td>
<td>10,000 sf</td>
</tr>
<tr>
<td>Loc./Valuation Neighborhood</td>
<td>Green Harbor</td>
<td>Green Harbor</td>
</tr>
<tr>
<td>Style</td>
<td>Colonial</td>
<td>Colonial</td>
</tr>
<tr>
<td>Effective Age</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Grade</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Condition</td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>Gross Living Area</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Amenities</td>
<td>deck</td>
<td>deck</td>
</tr>
<tr>
<td>Sales Price</td>
<td>$1,000,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>Sales Date</td>
<td>01/05/2015</td>
<td>01/14/2015</td>
</tr>
<tr>
<td>TASP</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Sale 1 price ($1,000,000) – Sale 2 Price ($750,000) = Contributory value of the Beach Front ($250,000)

**EXAMPLE 2 (Fireplace)**

<table>
<thead>
<tr>
<th></th>
<th>Sale 1</th>
<th>Sale 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot Size</td>
<td>15,000 sf</td>
<td>15,000 sf</td>
</tr>
<tr>
<td>Neighborhood</td>
<td>R1</td>
<td>R1</td>
</tr>
<tr>
<td>Style</td>
<td>Cape</td>
<td>Cape</td>
</tr>
<tr>
<td>Fireplace</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Effective Age</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Grade</td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>Condition</td>
<td>Average</td>
<td>Average</td>
</tr>
<tr>
<td>Gross Living Area</td>
<td>1,600 sf</td>
<td>1,600 sf</td>
</tr>
<tr>
<td>Amenities</td>
<td>Shed</td>
<td>Shed</td>
</tr>
<tr>
<td>Sales Price</td>
<td>$350,000</td>
<td>$356,500</td>
</tr>
<tr>
<td>Sales Date</td>
<td>09/02/2015</td>
<td>09/10/2015</td>
</tr>
<tr>
<td>TASP</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Sale 2 price ($356,500) – Sale 1 price ($350,000) = Contributory Value of the Fireplace ($6,500)
Utility Property

Data Collection — Transmission and Distribution

As of the valuation date the assessors should collect the following data and information for each utility account:

a) Information on the physical plant located in the community and subject to taxation. This information may be obtained from the Form of List submitted by each utility company.

b) Information on the dollars invested in the physical plant in the community. This information may be obtained by requesting the utility company’s historical (gross and net book) costs.

c) System-wide financial and statistical data. This data may be obtained by requesting a copy of the annual return filed by each utility company with the Accounting Division of the Massachusetts Department of Telecommunications and Energy. In addition, rate base information, such as the rate of return allowed on the book cost and the return on common stock equity should be obtained.

Valuation

a) Cost

(1) Historical

(a) Net book
(b) Gross book less an approved rate of depreciation.

(2) Reproduction cost new less depreciation, provided proper allowances are made for physical and functional depreciation and economic obsolescence.

(a) Trending, using a generally accepted manual or index
(b) Re-pricing.

b) Income

Income attributable to taxable personal property must be isolated from system-wide income data.

c) Market

(a) Stock and debt approach
(b) Comparable sales approach.

Documentation

For certification purposes, the assessors must submit the appraisal documentation used to arrive at an opinion of fair market value. The appraisal documentation must include:
a) A complete inventory listing the proposed values for each category of inventory, including the Form of List;
b) Depreciation estimates fully documented by type;
c) Relevant data supporting any opinion of value. This data must:

(1) Identify the existence of special circumstances that might indicate a fair market value in excess of net book. Special circumstances enumerated by the Supreme Judicial Court that might induce a buyer to pay more than net book and might indicate a fair market value in excess of net book include, but are not limited to:

(a) The return actually being earned by the utility may exceed or be expected to exceed the rate of return approved by the regulatory agency in the allowed rate.
(b) The prospective buyer's allowed return on its investment may exceed the return available in the market for an investment having the same or greater risk.
(c) The applicable rules of law or regulatory agency policies may be changed so as to make the investment more attractive. For example, the regulatory agency may allow an increase in the rate of return allowed the utility or may abandon its existing carry-over rate base policy which provides that when a utility company sells an asset to another regulated utility company, the buyer's return is limited to the rate base value in the hands of the seller and not in any higher purchase price that the buyer might have paid. The prospect of any change must be a reasonable one.
(d) The potential for growth in a utility's business may warrant paying more than the utility's net book cost of particular property.
(e) A non-utility buyer, not subject to the governmental restrictions on its earnings, might purchase part of the property in the system.
(f) A municipality may be considering forming a municipal utility and might purchase the property.

(2) Show why, because of the special circumstances, a buyer would not be influenced by the net book cost of the property and would reasonably be expected to pay the value placed on the property by the assessors when by investing the same dollars elsewhere the buyer could obtain a better return on its investment. Boston Gas Company v. Assessors of Boston, 458 Mass. 715 (2011)(Valuation methodology giving equal weight to net book value and reproduction cost new less depreciation (RCNLD) of utility personal property upheld where evidence showed that (1) the Department of Public Utilities no longer follows a strict carry-over rate base regulatory policy so that a buyer may be able to earn a return on any acquisition premium paid for the utility assets, i.e., any amount paid above net book, and (2) sales activity in the marketplace indicates that, in practice, purchasers of utility property have paid substantially more than net book value.)

d) The final total estimate of the full and fair cash value of the property.
Recommended Best Practice for Map Maintenance

The recommended best practice for map maintenance is compliance with the *MassGIS Standard for Digital Parcels*. Implement this best practice by using the specification below in contracts or scopes of work for parcel map maintenance. Use the specification either with consultants or with in-house providers of map maintenance services. Edit the list of delivered products to include only those products you want.

**Advantages of the MassGIS Standard:**

- The MAAO endorses the MassGIS Standard as a best practice.
- In many communities the standardized data provides better quality mapping
- It ensures a very high match rate between maps and assessing data and vice versa
- It provides seamless integration with parcel data from adjacent communities, whether for supporting emergency response, complete abutter notifications, planning, or development review.
- It is a complete specification for a map maintenance consultant
- It lowers software application costs because consultants don’t have to customize their application for non-standardized parcel mapping.
- It enables tight integration between parcel data and other land records (for example, permit records and registry records)
- It enables much better address matching (mapping addresses as point locations)
- It enables state or regional level on-line viewing of parcel data

**Specification Template**

The assessor parcel mapping for *<your city/town name>* must be maintained in full compliance with all aspects of Level 3 of the current version of the MassGIS Standard for Digital Parcel Files (hereafter “the standard”).

Compliance includes:

a) incorporating a CAMA extract provided by *<your city/town name>* Assessing Department and containing the standard’s unique location identifier (“LOC_ID” for short), and

b) meeting or exceeding the standard’s requirements for a match rate between the parcel mapping and the CAMA extract and vice-versa.

*Note: In complying with this specification, it is essential that existing LOC_IDs be changed only when a parcel is subdivided or combined with others or is otherwise substantially reconfigured; a parcel is considered to be substantially reconfigured if its area changes by more than 10%.*
**Stages in implementing this specification:**

1) Assemble the deeds, plans, and other source materials from which to complete the map updates and give them to your map maintenance service provider.

2) The map maintenance service provider completes map updates and returns a “CAMA update list” list of new or changed parcels identified by map ID (e.g., map and lot number or equivalent); each map ID on the list has its corresponding LOC_ID created by the service provider.

3) The assessor finds the CAMA record for each map ID in the CAMA update list and uses computer mouse controls to “copy” and “paste” each LOC_ID to its correct location in the CAMA record. If the new parcel has condominiums, then each condominium record needs to receive the LOC_ID for that single parcel.

4) Once the LOC_IDs are updated, the assessor delivers to the map maintenance service provider a) a fresh “MassGIS extract” from their CAMA system and b) a description of any custom use codes identified by the map maintenance service provider as needing a description.

5) The map maintenance service provider returns the products below.

**Products to be Delivered:**

1) Printed maps (hard copy or in PDF format)

2) A fully standards-compliant updated digital parcel file in ESRI file geodatabase format and in shape file format (on mutually agreed upon medium)

3) The <name of third-party or internal service provider> loads a copy of the ESRI file geodatabase to MassGIS' web site.

**Website:**

Commonly Used Forms
Square Foot Gradations should be incremental have a range starting, at least, at 5,000sf and continue, at least, up to the maxim square footage required for a primary lot within each neighborhood.

A. Gradation intervals should contain, at least, principle break points as applicable to the municipality. These could be 1000sf, 2000sf, 2500sf or other intervals as applicable to the zoning or custom.

B. If the size of the prime lot varies by zoning and zoning can vary within a neighborhood then the schedule should separate each neighborhood into the various allowable zones. If a neighborhood has two separate zones then it should be broken down into two separate lines. (For example: Neighborhood 3, Zone 10,000sf should be one line and Neighborhood 3, Zone 20,000sf should be another line)
1. **Revaluation Workplan is submitted in Gateway:**

![Printed version .pdf](image)

**Revaluation Workplan - Fiscal Year 2017**

**Certification**

- Since Last Certification: N
- Residential: N
- Mixed Use/C&I: N
- Personal Property: N

**Data Collection Cycle**

- Number of Years: Ending FY:
  - % Inspections Complete to Date: N

**Program Components**

- Residential
- Mixed Use/C&I
- Personal Property

**Work Schedule Dates**

<table>
<thead>
<tr>
<th>Task</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value review</td>
<td></td>
<td></td>
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<tr>
<td>DOR review</td>
<td></td>
<td></td>
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<tr>
<td>Public disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax rate set</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
LOCALLY ASSESSED UTILITY COVER LETTER

Municipality

Bureau of Local Assessment
Division of Local Services
PO Box 9569
Boston, MA 02114-9569

The Board of Assessors has accepted the Utility Net Book Personal Property Values as reported by the following companies:

$ __________________

$ __________________

$ __________________

$ __________________

$ __________________

$ __________________

$ __________________

Board of Assessors:
This form must be signed by the majority of the Board

Date

____________________

____________________

____________________

____________________
LA-15 Interim Year Adjustment Review

The LA-15 report has been moved to the LA-3 Tab in Gateway. To complete the submission process for the Interim Year Adjustment program, you must go to the LA-15 form. The Parcel Counts for the LA-15 will be auto filled from prior year’s LA4. Statistics will display.

After reviewing the resulting sales statistics for compliance with program requirements, and answering the questions pertaining to the C & I updates, if ready for formal submission, the majority of the Board of Assessors (or its authorized designee) should save and sign and submit the form at the bottom of the screen.

Note: When reviewing C&I adjustments, “No” is the default (for having no adjustments.) When you click Yes, all the boxes become active.
LA4 – Assessment Classification Report

New on Gateway as of FY 2017:

In the Chapter Land Columns, Mixed Use chapter parcel count is broken out.

- The count for mixed chapter land goes on the left.
- The count for regular chapter land goes on the right.
- The count for regular mixed use goes under mixed use but does NOT contain the count for mixed use chapter.

Classes 450-452 and 550-552 are segregated on the report:

Exempt Parcel count is added.
The Bureau of Local Assessment would like to consider your request for a desktop review of a CAMA conversion. Please answer the following questions and submit your responses to your advisor.

1. Is funding in place to fully implement this program, and if not, please explain the community’s plan?
2. Provide a list of the (potential) hardware and/or software required for successful implementation and when it will be installed.
3. Who will provide technical support and is in-house training included with conversion?
4. When was the last cyclical inspection cycle completed? Also, when was the last full field review conducted?
5. Will this process (desk top review) be used for all classes of properties?
6. There must be appropriate criteria (e.g. Data Collection Manual) in place that make use of proper appraisal practices. Who will determine the proper physical elements of the conversion?
7. How much of the process is automated and how much requires manual data entry? For example, will commercial sketches require data entry?
8. How will income data be converted?
9. How will the condo class property details be converted?
10. How will exempt class be converted? Are there sketches?
11. What digital tools will be used for street views? For example, there are many software tools that integrate oblique (3D) imagery and orthogonal imagery, that will assist you.
12. Please include information on who will be performing the various functions, including their job titles and expertise.
13. What type of quality control program and performance measures will be in place to assure the data is being reviewed accurately and consistently?
14. What’s the timeframe for implementation?
15. Which party is responsible for the valuation tables and producing final assessed values?
## Certification Check List

<table>
<thead>
<tr>
<th>Certification Standard</th>
<th>Date Received</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Review the status of Previous Directives</td>
<td></td>
</tr>
</tbody>
</table>
| **2** Revaluation Workplan:  
  A. Upload or fill out the Revaluation Workplan on Gateway: Assessor to Save and Submit; Advi: |
| **3** Upload LA-3 Sales File into Gateway (*1)  
  A. "N" Code Explanations should be on LA3 (In the comments column)  
  B. Check all medians and COD's for compliance (overall, quartiles or half's)  
  C. Sign and Submit LA3 in Gateway  
  D. Time Adjustment Sales Study - if applicable - (*1) |
| **4** Final ASR Studies by: - (With resulting medians & COD's)  
  a. State Use Code  
  b. Style  
  c. Selling Price  
  d. Neighborhoods  
  e. Age Groups  
  f. Dates (Optional - This is a Gateway process)  
  g. Other  
  Condominium Studies by: (With resulting medians & COD's) |
| **5** Preliminary LA-4 from the CAMA system (*2) |
| **6** Enter Preliminary LA4 on Gateway and Save and Submit |
| **7** Check: Land Methodology(ies) used for Residential: Class (130-132, 101-109)  
  Sales Comparison (Vacant Land Sales)  
  Abstraction (Land Residual) (A-9) |
| **8** Neighborhood Map - @ the beginning of the certification review (*2) |
| **9** Copy of land rate tables  
  A. Land Form 1 - Neighborhood Land Pricing Schedule (*1)  
  B. Copy of additional land rate tables including excess, and front foot price (*1) |
| **10** Land pricing instructions that describes method of pricing for the following - Could be included  
  A. Primary lots  
  B. Excess/residual  
  C. Un-developable |
| **11** Waterfront adjustments/condition factors |
| **12** Copy of vacant land discount analysis -- if applicable -- (*1) |
| **13** Land Analysis Studies - (*1)  
  A. Vacant Land Sales Analysis  
  B. P code Study (vacant land sales improved as on Jan 1st) |
| **14** Land Residuals Analysis (*1)  
  A. Overall Land Residual Study: Provide number of total sales and percentage of sales used in  
  B. Land Residuals By NBHD  
  C. Land Residual By Lot Size - Three strata w/ lot size  
  a. By Primary lot size or by zoning (if schedule is applied)  
  b. Oversized by primary lot size or by zoning  
  c. Oversized by NBHD if excess varies by NBHD |
<p>| <strong>15</strong> Analysis by zoning may be requested if difficulties setting excess value or high excess rate |
| <strong>16</strong> Residential Cost &amp; Depreciation Tables (including Base Rate Cost Study) - Could be included in |</p>
<table>
<thead>
<tr>
<th></th>
<th>Certification Check List</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Review Residential Spreadsheets (*1)</td>
</tr>
<tr>
<td>A.</td>
<td>Condo Review Spreadsheet</td>
</tr>
<tr>
<td>B.</td>
<td>Residential Review Spreadsheet</td>
</tr>
<tr>
<td>C.</td>
<td>Residential Land Review Spreadsheet</td>
</tr>
<tr>
<td>16</td>
<td>Check Land Methodology (ges) used for Apt, Cl, &amp; Mixed Use Classes</td>
</tr>
<tr>
<td></td>
<td>Sales Comparison (Vacant Land Sales)</td>
</tr>
<tr>
<td></td>
<td>Abstraction (Land Residual) (A-9)</td>
</tr>
<tr>
<td></td>
<td>Allocation (A-11)</td>
</tr>
<tr>
<td></td>
<td>Land residual capitalization (A-12)</td>
</tr>
<tr>
<td></td>
<td>Capitalization of ground rent (A-13)</td>
</tr>
<tr>
<td></td>
<td>Residential applied (e.g. rural communities)</td>
</tr>
<tr>
<td></td>
<td>Other</td>
</tr>
<tr>
<td>17</td>
<td>Apartment &amp; Commercial Land Tables (*1 and/or *2)</td>
</tr>
<tr>
<td>18</td>
<td>Apartment &amp; Commercial Cost &amp; Depreciation Tables - Including CI Cost Development - (*1 and/or *2)</td>
</tr>
<tr>
<td>19</td>
<td>Apartment &amp; Commercial Neighborhood Map @ the beginning of the certification review (*2)</td>
</tr>
<tr>
<td>20</td>
<td>Capitalization Rate Development &amp; Support (*2)</td>
</tr>
<tr>
<td>21</td>
<td>Economic Rent, Expense, &amp; Vacancy Analysis (*2)</td>
</tr>
<tr>
<td></td>
<td>A. Include the number of I&amp;E's received for 111's, 112's, Mixed Use (013's, 031's) and C&amp;I's</td>
</tr>
<tr>
<td>22</td>
<td>Economic Rent, Expense, Vacancy, &amp; Cap Rate Tables (*2)</td>
</tr>
<tr>
<td>23</td>
<td>Review Cl, APT &amp; Mixed Use Spreadsheets (*1):</td>
</tr>
<tr>
<td>A.</td>
<td>Commercial &amp; Industrial Review Spreadsheet</td>
</tr>
<tr>
<td>B.</td>
<td>Commercial &amp; Industrial Income Review Spreadsheet (include correlation with cost approach)</td>
</tr>
<tr>
<td>C.</td>
<td>Commercial &amp; Industrial Land Review Spreadsheet</td>
</tr>
<tr>
<td>D.</td>
<td>Apartment Review Spreadsheet</td>
</tr>
<tr>
<td>E.</td>
<td>Apartment Income Review Spreadsheet (include correlation with cost approach)</td>
</tr>
<tr>
<td>F.</td>
<td>Apartment Land Review Spreadsheet</td>
</tr>
<tr>
<td>G.</td>
<td>Mixed Use Review Spreadsheet</td>
</tr>
<tr>
<td>H.</td>
<td>Mixed Use Income Review Spreadsheet</td>
</tr>
<tr>
<td>I.</td>
<td>Mixed Use Land Review Spreadsheet</td>
</tr>
<tr>
<td>24</td>
<td>Specialty Appraisals (*2)</td>
</tr>
<tr>
<td>25</td>
<td>Top Five Taxpayers (*2)</td>
</tr>
<tr>
<td></td>
<td>A. List the Top Five Taxpayers of the last Fiscal Year.</td>
</tr>
<tr>
<td></td>
<td>(Do not include classes 504-508. Include the use code, current value and proposed value.)</td>
</tr>
<tr>
<td></td>
<td>B. Provide the PRC’s for each of the Top Five.</td>
</tr>
<tr>
<td>26</td>
<td>Exempt Spreadsheet (*1)</td>
</tr>
<tr>
<td>27</td>
<td>Chapter Land - provide access to liens for review</td>
</tr>
<tr>
<td>28</td>
<td>Reimbursable State-Owned Land PRC’s (Review with Advisor prior to printing) (*2)</td>
</tr>
<tr>
<td>29</td>
<td>Personal Property:</td>
</tr>
<tr>
<td>A.</td>
<td>Provide access to Personal Property Cost &amp; Depreciation Tables</td>
</tr>
<tr>
<td>B.</td>
<td>Provide access to Personal Property Record Cards or Account listings</td>
</tr>
<tr>
<td>C.</td>
<td>Second Home Analysis (*1 and/or *2)</td>
</tr>
<tr>
<td>D.</td>
<td>How many Forms of List: returned, inspected, estimated by model? (*1 and/or *2)</td>
</tr>
<tr>
<td>E.</td>
<td>Provide access to Standard CAMA Reports by Old to New, Listing by Business, Owner, and</td>
</tr>
<tr>
<td>30</td>
<td>Generating Plant Valuation: FMV (*2)</td>
</tr>
<tr>
<td>31</td>
<td>Generating Plants - PILOTS: (38h)</td>
</tr>
<tr>
<td>32</td>
<td>Signed Utility Letter - See Certification Standards: Commonly Used Forms (*2)</td>
</tr>
<tr>
<td>A.</td>
<td>Copies of letters from each utility siting Net Book Value (*2)</td>
</tr>
<tr>
<td>B.</td>
<td>Appraisal evidence if NBV is not used (*2)</td>
</tr>
<tr>
<td>33</td>
<td>Copy of Board of Assessors property record cards and assessing staff</td>
</tr>
</tbody>
</table>
For Assistance or Guidance

Contact your BLA Community Advisor
Or Email us at
bladata@dor.state.ma.us