

ITEM 5
MANAGER'S REPORT NO. 67
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assessed values for land and buildings must be produced for each improved property and the other two approaches to value (market data and income) are only capable of producing the total value of any improved property.

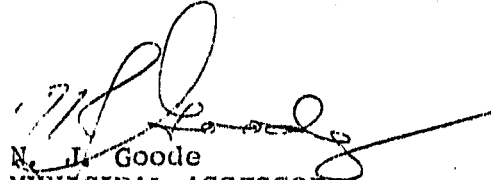
It is normal practice to use as many of the three approaches to value as practicable when establishing an assessed value. Thus, for single family residences the income approach is of no use as few are rented. Instead, for the common types of residences the market approach is useful for establishing the value of the total package and the cost approach is useful for checking the value of the building. For the less common residential properties which sell infrequently only the cost approach is useful for establishing the value of the house.

The use of the market approach on sales of vacant lots is the principal way of establishing the value of all types of land. An alternative is to establish the value of an improved property which sells by the market approach and then subtract the value of the buildings determined by the cost approach. The remaining value is then attributed to the land.

For revenue producing properties, such as the common types of apartments and warehouses, the income approach and the cost approach are both useful, while only the cost approach is useful for the less common rental buildings.

A number of commercial and industrial properties are constructed and used for special purposes (milk processing plants, oil refineries, can manufacturing plants, etc.), are rarely sold, and often are owned by the occupier. Thus, it is not practical to use the market or income approach to establish the total value of these properties. Instead, the cost approach is used for the building values and the market approach, applied to similar vacant parcels, for the value of the land.

There is a substantial amount of well researched data available about different types of construction to provide current replacement costs and depreciation schedules so the cost approach results for these plants are relatively uniform and reproducible. The valuation of land on which these special purpose plants are located, however, is more of an art as rarely can comparisons be made with lots which are similar in size, location, zoning etc. and to obtain as much background as possible for such valuation it is common practice to search well beyond the municipal boundaries for evidence of value.


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