Agricultural Appraisal Concepts

Agricultural Issues Facing Assessors
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The Appraisal Process

- Definition of the problem
- Preliminary survey and appraisal plan
- Data collection and analysis
- Application of the three approaches
- Reconciliation of value indications
- Final estimate of defined value
RPTL §302

- Taxable Status Date
  - The taxable status of real property in cities and towns shall be determined annually according to its condition and ownership as of the first day of March and the valuation thereof determined as of the applicable valuation date. ...

- The courts have clarified the term condition to mean current use.

Opinion of Counsel 10-45

In establishing assessments, the assessor must value property in accordance with its current use, rather than its highest and best use.

The one exception is for vacant land that is used for no purpose; its value may be based upon highest and best use.
Opinion of Counsel 10-45

Real Property should be valued based on "its condition on the taxable status date, without regard to future potentialities or possibilities and may not be assessed on the basis of some use contemplated in the future"


one apparent exception to the rule . . .

- in the case of vacant and unimproved land

"if it is found that the land has no current existing use beyond that of its potential sale for a further use, there is nothing improper in establishing its assessed value by considering its market value as enhanced by potential uses"

- (Weingarten v. Town of Ossining, 85 A.D.2d 697, 445 N.Y.S.2d 480 (2d Dept., 1981)).
Op Con 10-45 and Ag Lands

Justice Rossetti has held that agricultural or horticultural use is to be distinguished from the case of idle, vacant land and that land put to such uses must be valued accordingly, irrespective of whether farming is the highest and best use of such property.

Valuation Challenges

- Establishing current use value for farmland
- Comparable sales
- Contrast current ag value to agricultural assessment
An Appraisal is an unbiased estimate or opinion of value.

**What gives something value?**

- Utility,
- Scarcity,
- Desire or need,
- Effective purchasing power.
Types of Value

- Assessed Value
- Use Value or Value in Use
- Investment Value
- Going Concern Value or Business Value
- Insurable Value
- Liquidation Value

Market Value

- In real estate, market means that property is being bought and sold, and value refers to the collective opinion of informed buyers and sellers as to prices.

- The behavior of people is what creates the market and thus indicates value.
One sale does not indicate market value or the collective opinions of people in the area.

- There is a difference between market price and market value.
- **Market Value** represents the rational of buyers collectively within the area.
- **Market Price** is the amount for which an individual property is sold.

**Market Value**

- Buyer & Seller are typically motivated.
- Both parties are well informed or advised.
- Reasonable time is allowed for exposure in the open market.
- Payment made in U.S. dollars or financial arrangements comparable there to.
- Price reflects normal consideration for the property sold.
Nature of Real Property

- Real Estate
  - Physical Land and structures affixed thereto.
- Real Property
  - Tangible and intangible
- Personal Property
- Fixtures
- Trade Fixtures

Personal Property Test

- The manner affixed. Can it be removed easily?
- Is it intended to be of a permanent nature?
- The character of the item and its adaptation to the real estate.
Four Forces That Affect the Behavior of People

- Social Forces
- Economic Forces
- Political Forces
- Physical Forces

Legal Real Estate Terms - Partial Interests

- Fee Simple Title
- Life Estate
- Lease Interest
- Tenancy
- Vertical Interests
- Easements
### Bundle of Rights

- Right to occupy and privilege to use
- Right to convey rights (sell or lease)
- Right to bequest (give)
- Right to do none of these things

### Public Limitations on Rights of Use

- Taxation
- Eminent Domain
- Police power
- Escheat
Private Limitations Upon Rights of Use

- Restrictive covenants in deeds
- Easements
- Reservations

Value Considerations

- Size
- Location, Location, Location
- Highest and Best Use
- Nuisances, Hazards and Detriments
Look at the farm as a unit.

house, barn and land should be in balance.

IMPORTANT FACTORS IN FARM VALUE

Distance to town
Size of community
Proximity to services
Road condition
Community reputation
Soils
Climate
Precipitation
Growing season
Hazards/ Environmental concerns
Approaches to Value

• Income
• Cost
• Sales Comparison

Typical Operator Concept

• "Typical" is that which most frequently exists or occurs in the particular situation under consideration.

• The purpose of the typical operator concept is to separate the farm from the farmer. It is used to eliminate the influence of management.
Cost (summation) approach

Land + Improvements = Total Value

The sum of the components is usually greater than the whole.

New buildings do not add their cost to the market value except in unusual cases.

Verification and circumstances of the sale

Personal property

Changes made since purchase

Price level change since the date of the sale

Financing terms
More on Verification

Property rights been excluded?

Verification of sale prices with ...

Motivating forces

Sale to a condemning body

TERMS

"I'll pay your price if you accept my terms"
arm's length transaction (unless there are some special considerations), the seller receives cash.
Comparability

Some of the physical areas of similarity or dissimilarity which may be the basis for accepting or rejecting a sale as a comparable property are:

1. Location and neighborhood
2. Soils productivity
3. Improvements
4. Size and shape of property
5. Time of sale

Two Significant Areas That Are Often Overlooked By Appraisers:

Adjacent ownership benefits

Investment in growing crops
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