Assessor Continuing Education

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Before the Duplex discussion, even though we only have 1.5 hours

- You should be aware that the fee appraisers for lenders are required, starting in November, to use an updated report format.
- Should be easier to read and easier to find what you are looking for in the appraisal report. It will probably be the reason a number of older appraisers will retire this fall rather than learn new software.
- Suggested tips when presented to an assessor as support by a taxpayer in their quest for a reduction in their assessment.

Weaknesses in Many Residential Appraisal Reports

No indicated market support for adjustments. Ask for and expect market support for all adjustments in the sales comparison approach. If market support is not included in the appraisal or their work file, I would tell your governing board that the appraisal does not meet the “record keeping” portion of USPAP and should not be considered. I would then send it in to your state appraisal licensing board for review. Fannie Mae sending many reports to state regulators if no market support in appraisal report or work file.

Often times the effective age and remaining economic life are pulled from the air and not supported with the cost approach or market support.

Additional Tips

Make sure the most comparable comps from the neighborhood or market area were included on the appraisal report, including all FSBOs that "lazy" appraisers don't look for. They only want to look through their local MLS and use sales that support the contract price. In fact, the training is so bad for new appraisers that they have received from their trainers or mentors, that most of them are only looking for comparables by matching the contract price, which is not the proper way to look for comparable sales.

Read the appraiser's description of the neighborhood or market area in the new format

- Many appraisers have not been properly trained in analyzing market trends for a specific area or type of housing, style of housing, and are unable to properly do a market analysis, time adjustment, determine, and properly explain if the market is going up or down for the market area for the subject's type of housing.
- It is my opinion that much of the **assessor** training in some areas of the region is superior to the training **appraisers** are getting from their trainers/mentors.

Duplex

Legal definition=

Duplex: What You Need to Know About Its Legal Definition

Definition & meaning

https://legal-resources.uslegalforms.com/d/duplex

A duplex is a residential building that contains two separate living units. Each unit is designed to accommodate a family, allowing for independent living while sharing the same structure. The specific definition and requirements for a duplex can vary by locality, so it is essential to consult local laws for accurate information.

Considered a small income property by banks, as is the triplex and 4 plex

Duplex

A duplex means a residential building with two living units, an apartment on two floors, or a system that handles two things at once. The word comes from Latin roots meaning "twofold" or "double“.

Two-family house: A single building split into two separate homes sitting on one piece of land. Units can be side-by-side or stacked top and bottom.

Duplex

A structure is not a duplex if it has **three or more units**, sits on **separately deeded individual lots**, or consists of a **single home with an accessory dwelling unit (ADU)**

If you are looking at a specific property and trying to figure out its legal type, tell me:

How many front doors or units you see

Whether the building shares a **single tax parcel or separate lots**

The first step is to identify and properly list the subject duplex

A typical duplex is not a twin home or a single-family with a basement apartment that has no separate entry, with a locking door to the single-family.

It also isn't a single-family with an ADU (accessory dwelling unit)

Two Typical Assessor Scenarios

Example 1: A family purchases a duplex in a suburban area, living in one unit while renting out the other. They must ensure they comply with local rental laws.

Example 2: A developer seeks to build a new duplex in a city that requires a building permit. They must submit plans that meet the city's zoning requirements.

Estimating the Assessment Value of the Duplex per your State Statutes

We are going to assume, for purposes of the discussion, that market value is “actual market” or a required level or percentage of market value that the assessor is trying to conclude.

Is Market Value the Most Recent Sale Price?

1. Maybe?
2. What about market changes since the sale price?
3. What about improvements that have been made since the purchase?
4. Not uncommon for new flooring, bathrooms, and kitchens to be updated. Including exterior work, such as exterior repairs and possibly newer roof covering?

Short discussion on ADUs

So what is an ADU?

A main single-family house with a small secondary detached or attached unit (like a backyard cottage or basement suite) on the same lot. ADUs are gaining discussion in larger cities regarding zoning recently.

An **ADU** stands for an **Accessory Dwelling Unit**. It is a secondary, self-contained residential living space located on the same property or lot as a primary single-family home.

Common Types of ADUs

Detached ADU: A stand-alone structure built separately in the yard, like a backyard cottage or guest house, or a unit above a detached garage.

Attached ADU: A unit added on as an expansion or new addition to the side or top of the main house.

Internal ADU: A converted space inside the existing home, such as a finished basement, attic, or spare room.

Garage Conversion: Turning an existing detached or attached garage into a livable apartment

ADU=The main disadvantages of accessory dwelling units (ADUs) include **high construction costs**, **loss of yard space**, and **complex zoning rules**.

<u>**The point is to get the Duplex identified properly.**</u>

ADU

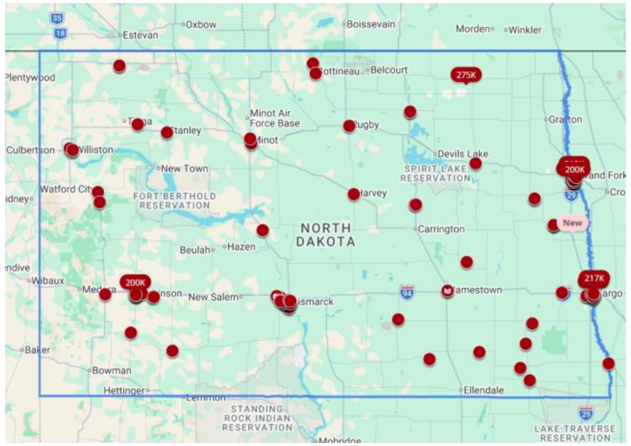
Assessors should be somewhat familiar with the apparent hottest new type of living unit in metro areas.

The link below is for fee appraisers. You, as an assessor, may have a state statute that you need to follow regarding whether it is an ADU or Duplex. If not, this information may assist you.

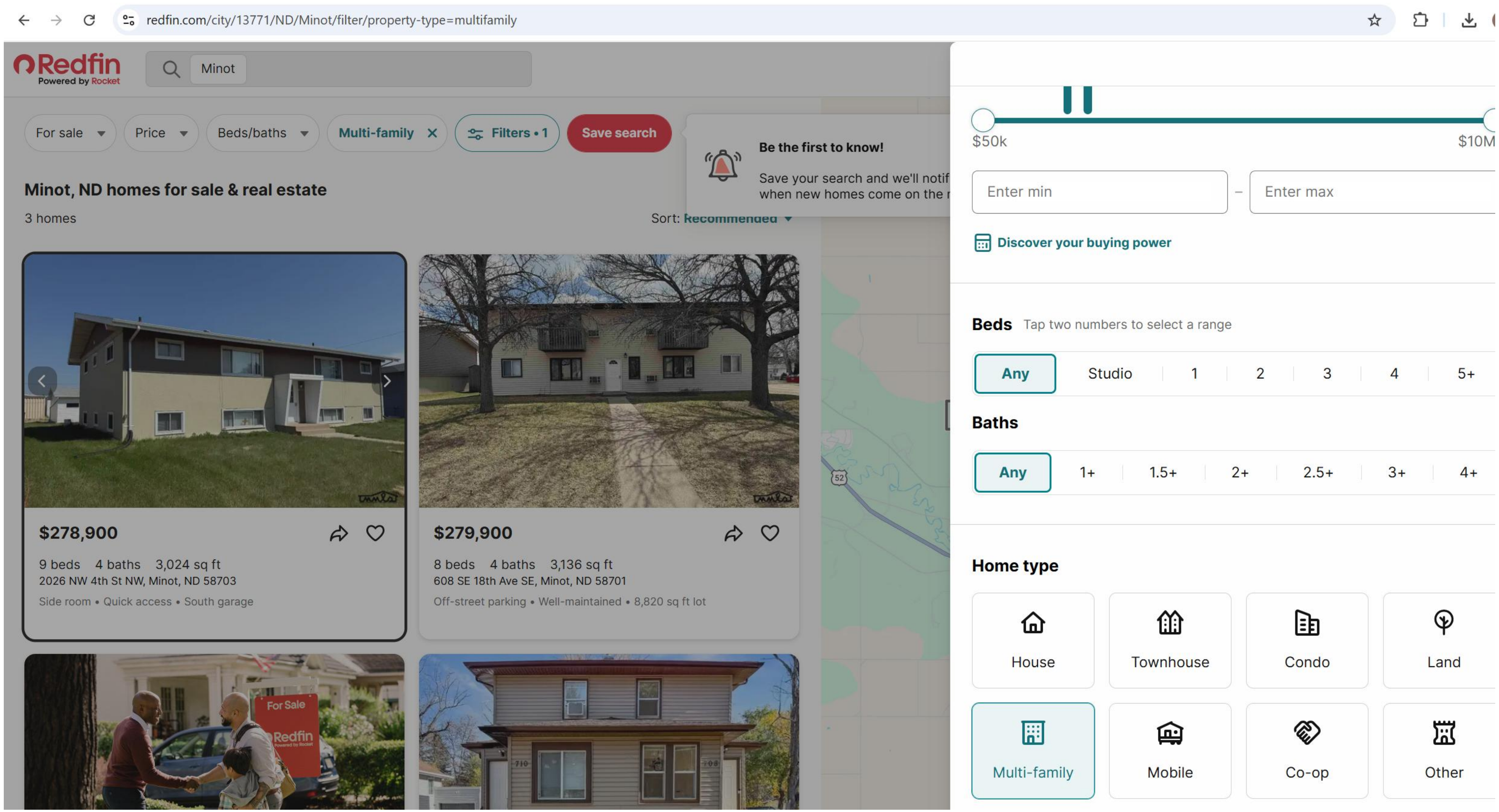
https://www.mckissock.com/blog/appraisal/adu-vs-two-family-property/

Sources of Sales/Rental Information of Duplexes

1. Your local MLS or Realtor friend. Always have friends who are realtors........(wink)
2. FSBO listings on Facebook Marketplace, or an actual sign in the front yard.
3. Zillow- sources of some sales, listings, and rental listings. Now, of course, some of these are not actual duplexes etc.
4. Realtor.com, Redfin



Redfin as a source of information



Assessment of a Duplex

- Cost approach: most regional assessment software probably uses this approach primarily.
- Sales Comparison provides a range of comparables to support your cost approach. If your CAMA system runs Sales Comparison, the Cost approach is a good check and can run secondary then.
- Income Approach-Because it is usually purchased as an income-producing property, your office should have an updated, annual list of small income-producing properties in a file that you can view for defending duplex assessments that have comparable rents and sales. Certainly, you may have to use older sales in this file, and that’s okay if you are in a smaller rural city, town, village, county, or Po Dunk Egypt.

Cost Approach

- The cost approach can become difficult on older buildings, where depreciation estimates become too subjective to be reliable in some instances.
- Some fee appraisers don’t use the cost approach on a building over 10 years based on lenders’ preferences. Assessors however aren’t obligated to follow those preferences.

Assessors typically have CAMA programs with Cost Approach

- Be sure you have classified the duplex properly. Is it a single-family home with a basement and an apartment? Should you be using the duplex rating from your CAMA program, or rather a single-family house with a finished basement CAMA classification?
- Can your depreciation be supported?
- Have you considered all other amenities and building characteristics properly?
- Do you have a reasonable estimate of the land value supported with sales, even if they are older sales?

Sales Comparison Approach

- Sales comparison — often expressed as price per unit, price per square foot, or a gross rent multiplier — provides an important cross-check to your CAMA result, particularly in markets where small multi-family trades to owner-occupants and local investors rather than institutional buyers.

Comparable Sales Data

- Do not rule out older, expired listings. If a comparable was offered some time ago and didn't sell, why not? Condition too high for the offering price? An expired listing can assist the assessor in estimating the current assessment of a similar duplex.
- Use comparable duplex sales from similar cities, villages, or adjacent counties if you have to. That is what a fee appraiser would do to estimate market value.

Basic Elements in the Sales Comparison Approach

There are at least ten basic elements of comparison that must be considered in the sales comparison approach:

1. Real property rights
2. Financing terms
3. Conditions of sale
4. Expenditures made immediately after purchase
5. Market conditions (Time)
6. Location
7. Physical characteristics – GBA, lot size, quality, condition, appeal, etc.
8. Economic characteristics – rental rates, expenses, concessions, etc.
9. Use - zoning, density, utility, etc.
10. Non-realty components– personal property

Sales Comparison Continued

- Do your sales comparables provide a bracket or a low-to-high value range of per-unit comparables that are in line with or support your current assessment?
  - Per Bedroom
  - Per Gross Building Area
  - Per Room
  - Per Site
  - We won't be using per Unit because comparing duplexes to a 3-plex or 4-plex becomes problematic for a variety of reasons.

Income Approach

- Generally, not appraised with a view to net operating income in the income approach in the same manner as a 5-unit county and above is generally appraised.
- The first place to start after listing the subject and measuring is to estimate a rental schedule from other comparable properties as best you can.

Sample of a Rent Collection Record for File

Format Painter
Clipboard | Font | Alignment | Number

A16 fx

	A	B	C	D	E	F	G	H
1		Rent #1		Rent #2		Rent #3		Subject
2	**Component**							
3	Year Built							
4	Condition							
5	Air Conditioning							
6	Rent/Mo.							
7	Size (Sq.Ft.)							
8	# Bedrooms							
9	Rent/Sq.Ft.							
10	Parking							
11	-Garage							
12	-Onsite							
13	Tenent-Paid Utilities							
14								

Estimating Subject’s Market Rent

- Rent Roll

  The appraiser starts with the actual rent roll but does not stop there. Contract rents get compared against market rents for comparable units in the same submarket. A building where long-tenured tenants pay 25% under market has real upside — and real risk, since capturing that upside depends on turnover, unit condition, and local rent regulation. Conversely, rents propped up by concessions, short-term leases, or a related-party tenant will be adjusted downward. Expect the appraiser to request a current rent roll, copies of leases, and a vacancy history.

Estimating the Gross Rent Multiplier(GRM)

- Gross Rent Multiplier is typically estimated by dividing the sale price of a comparable sale by the total monthly rent at the time of the sale.
  - $250,000/2200=113
  - $189,000/1950=97
  - $205,000/2300=89

  - Estimate the appropriate GRM based on comparability to the subject and multiply it by the market rent of the subject for a cross-check.

Income Approach continued

- When an assessment is challenged, have the owner provide:
- - current rent roll
- - two years of operating statements
- - a schedule of recent capital improvements(windows, roof)
- - interior access to units
- -no adjustment to a duplex assessment should be made without an assessor inspection

Be aware that many banks now believe Artificial Intelligence (AI) is their ticket to eliminating many attorneys' fees for opinions and valuation questions, and for eliminating Broker Price Opinions/Appraisals.

The "MAGIC" computer

How many of you think this is going to work flawlessly? Especially in rural America, where there are limited sales to build a computer model for residential and commercial sales. I still remember the concept of the paperless office discussion about 30 years ago.

Questions/Discussion

contact anytime

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