

# SALE COMPARISON: LAND VS SITE



## 2023-2024 Fee Guide 01 Pre-Development Services

<b>Pre-Application Review (a)</b>		<b>Fee Amount</b>
Pre-application conference for already-built construction project – residential (b)		\$874
Pre-application conference for already-built construction project – commercial (b)		\$3,497
Pre-application conference for all other projects, each County staff person		\$874
Pre-application site visit, per trip		\$437
<b>Inquiries and Interpretations</b>		<b>Fee Amount</b>
Consultation or zoning certification letter:	existing zoning designation or development rights	\$291
	development potential, historic research or other	\$874
Code interpretation		\$250
<b>Critical Area Designation</b>		<b>Fee Amount</b>
Minimum fee amount <u>due at application</u> , per parcel		\$989
Additional fee(s) for review or resubmittal if critical area is present: (c)	ecological critical area(s)	\$730
	geological critical area(s)	\$730
<b>Work Without Permit Investigation (d)</b>		<b>Fee Amount</b>
Single family dwelling:	remodel without addition	\$480
	accessory structure 500 square feet or smaller	\$465
	accessory structure more than 500 square feet	\$980
	garage or living space addition or conversion	\$1,872
	new accessory dwelling unit	\$2,743
	new mobile home	\$1,165
	new custom home	\$4,893
Commercial structure:	alterations to existing building	\$1,165
	new building	\$4,893
Site improvements:	minor improvement not maintained by County	\$584
	requiring basic review with standardized conditions	\$1,224
	requiring standard or other review	\$2,178
Land disturbance:	clearing less than 0.2 acre	\$584
	grading less than 2,000 square feet	\$584
	grading between 2,000 square feet and 0.2 acre	\$1,021
	grading or clearing more than 0.2 acre	\$2,477

*Do the research!*

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*How much do on and off a site improvements cost?*

*A lot!*

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*How much of these costs are included in RCN?*

**None!**

# SALE COMPARISON: LAND VS SITE



DwellingCost “Replacement Cost results include contractor’s profit but do not include Entrepreneurial profit. Entrepreneurial profit refers to the incentive necessary for one to develop raw land. If a market has building sites available there is often a disparity between Cost to Build + Cost of Site and what the value would be for a similar site with a new house on it. The difference between the two is Entrepreneurial Profit, or the incentive to go through the process of constructing the improvements.

As part of developing the Cost Approach to value, we are estimating the Replacement Cost New (RCN) of the structure; therefore, Entrepreneurial Profit should not be included here as it would give the reader of the report flawed information. For instance, if the improvements were to be destroyed, Entrepreneurial Profit would not be necessary to rebuild it, as a party with an interest in the property (i.e., the property owner, lender, or insurance company) already has incentive to rebuild the structure.”

## But wait, there may be more!

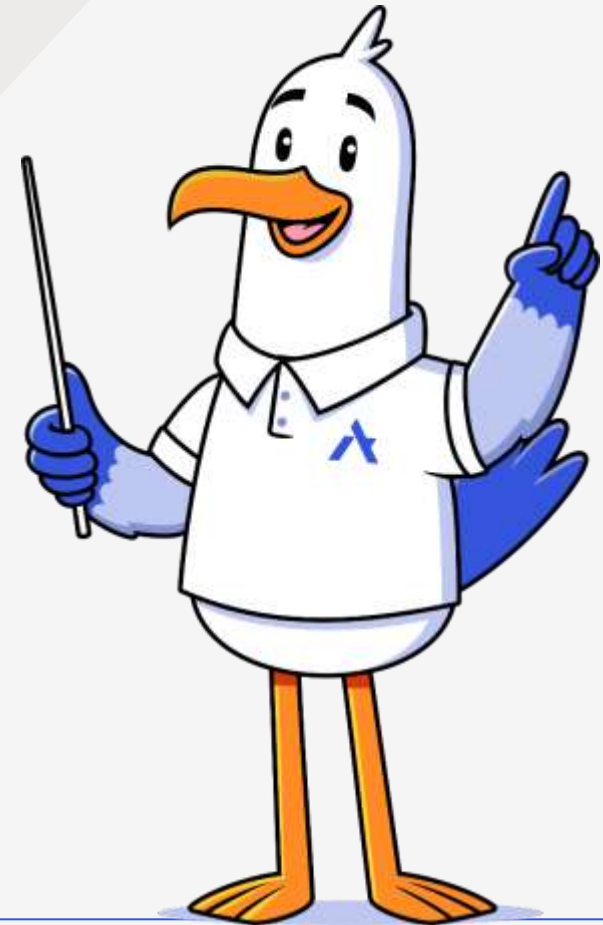
DO YOUR REPLACEMENT COST RESULTS INCLUDE CONTRACTOR’S PROFIT AND ENTREPRENEURIAL PROFIT?

# SALE COMPARISON: LAND VS SITE



## KEY TAKEAWAYS

- 1** Raw land does not equal site value. Therefore, appraiser's need to be careful when relying on land sales.
- 2** As-is value of the site improvements may or may not already be included in the site value
- 3** You need to know how your cost data provider calculates costs. What's included, versus what is the appraiser's responsibility.



# SITE EXTRACTION METHOD



THE ALTERNATIVE

# SITE EXTRACTION METHOD



## THE MATH

OPINION OF SITE VALUE .....				= \$
Dwelling	Sq. Ft. @ \$		RCN	= \$
	Sq. Ft. @ \$			= \$
Garage/Carport	Sq. Ft. @ \$			= \$
Total Estimate of Cost-New				= \$
Less	Physical	Functional	External	Market Reaction
Depreciation				= \$( )
Depreciated Cost of Improvements .....				= \$
"As-is" Value of Site Improvements .....				= \$
Indicated Value By Cost Approach .....				= \$

$$\text{SALE PRICE} - \text{DEPRECIATED COST OF THE IMPROVEMENT} = \text{SITE VALUE}$$

# SITE EXTRACTION METHOD



## THE MATH

### COUPEVILLE EXAMPLE: SALE 1

#### REPLACEMENT COST NEW (RCN):

Feature	SF	Cost/SF	Cost
Dwelling Cost	1,144 sf	\$154.62	\$176,885
Garage Cost	410 sf	\$54.73	\$22,439
Porch Cost	261 sf	\$30.95	\$8,078
Deck Cost	289 sf	\$14.09	\$4,072
Shed Cost	120 sf	\$21.45	\$2,574
<b>Total Cost New</b>			<b>\$214,048</b>

#### DEPRECIATION:

Total Cost New	\$214,048
x (Effective Age/Economic Life)	x 0.33
<b>Total Depreciation</b>	<b>\$71,350</b>



# SITE EXTRACTION CALCULATION



## THE MATH

### COUPEVILLE EXAMPLE: SALE 1

#### THE EQUATION

	Sale Price
-	Depreciation Cost of Improvements
<b>=</b>	<b>Site Value + Site Improvements</b>

#### THE MATH: SALE 1

	\$417,200
-	\$142,698
	<b>\$274,502</b>

#### SITE IMPROVEMENTS

	\$274,502
-	\$60,000
	<b>\$214,502</b>

# SITE EXTRACTION METHOD



## SUBJECT ASSESSMENT HISTORY

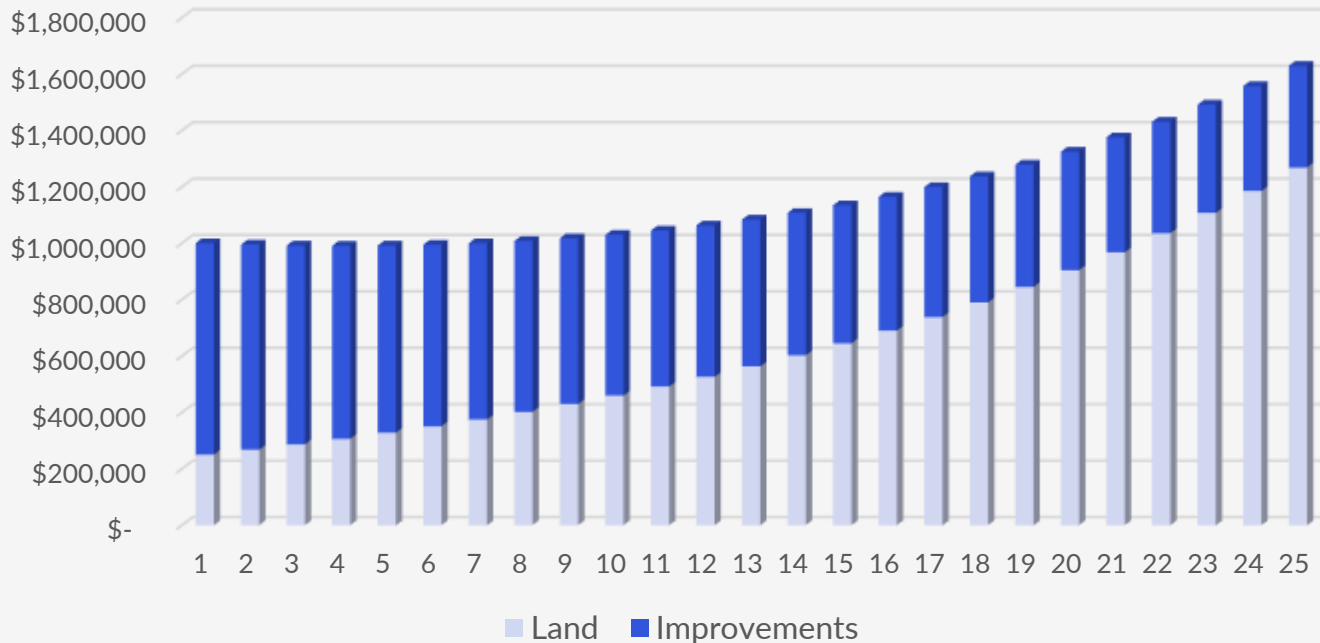
### ▼ Assessment & Tax

Assessment Year	2023	2022	2021
Assessed Value - Total	\$200,000	\$14,000	\$11,000
Assessed Value - Land	\$200,000	\$14,000	\$11,000
Market Value - Total	\$200,000	\$14,000	\$11,000
Market Value - Land	\$200,000	\$14,000	\$11,000
Yoy Assessed Change (\$)	\$186,000	\$3,000	
Yoy Assessed Change (%)	1,328.57%	27.27%	

# ALLOCATION METHOD

## SITE VALUE

Land to Value Ratios Over Time



- Land values generally appreciate over time.
- Improvement values depreciate over time due to physical, functional, and external obsolescence.
- Depreciation of improvements depends on their remaining economic life.
- Differences in improvements or site characteristics lead to varying land-to-value ratios.
- There is no one size fits all allocation percentage.

# ALLOCATION METHOD



## THE MATH COUPEVILLE EXAMPLE

### THE EQUATION

Site Value

÷ Total Value

= Site to Value Ratio

### The Math: Sale 1 - 8,441 sf

SALE	ASSESSMENT
\$274,502	\$275,000
÷ \$417,200	÷ \$476,272
<b>.66 or 66%</b>	<b>.58 or 58%</b>

### The Math: Sale 2 - 10,173 sf

SALE	ASSESSMENT
\$283,304	\$200,000
÷ \$410,000	÷ \$377,914
<b>.69 or 69%</b>	<b>.53 or 53%</b>

# SITE ADJUSTMENTS



**SUBJECT**  
**\$275,000**  
8,527 sf; Res

**SALE 1**  
**\$274,502**  
8,441 sf; Res

**SALE 2**  
**\$283,304**  
10,173 sf; Res

**SALE 3**  
**\$345,500**  
16,823 sf; Wtr

**SALE 4**  
**\$300,115**  
19,602 sf; Res

THE EQUATION:	THE MATH: SALE 1
SUBJECT'S SITE VALUE	$\$275,000 - \$274,500 = \$498$
- COMPS SITE VALUE	Site Size Adjustment = \$0
<b>TOTAL SITE ADJUSTMENT</b>	View Adjustment = \$0

# SITE ADJUSTMENTS



**SUBJECT**  
**\$275,000**  
 8,527 sf; Res

**SALE 1**  
**\$274,502**  
 8,441 sf; Res

**SALE 2**  
**\$283,304**  
 10,173 sf; Res

**SALE 3**  
**\$345,500**  
 16,823 sf; Wtr

**SALE 4**  
**\$300,115**  
 19,602 sf; Res

THE EQUATION:	THE MATH: SALE 2
SUBJECT'S SITE VALUE	$\$275,000 - \$284,304 = -\$8,304$
- COMPS SITE VALUE	Site Size Adjustment = $-\$8,500$
<b>TOTAL SITE ADJUSTMENT</b>	<b>View Adjustment = \$0</b>

# SITE ADJUSTMENTS



## SUBJECT

\$275,000  
8,527 sf; Res

## SALE 1

\$274,502  
8,441 sf; Res

## SALE 2

\$283,304  
10,173 sf; Res

## SALE 3

\$345,500  
16,823 sf; Wtr

## SALE 4

\$300,115  
19,602 sf; Res

### THE EQUATION:

SUBJECT'S SITE VALUE
- COMPS SITE VALUE
<b>TOTAL SITE ADJUSTMENT</b>

### THE MATH: SALE 3

$\$275,000 - \$345,500 = -\$70,500$
<b>Site Size Adjustment = -\$25,000</b>
<b>View Adjustment = -\$45,000</b>

# SITE ADJUSTMENTS



## SUBJECT

\$275,000  
8,527 sf; Res

## SALE 1

\$274,502  
8,441 sf; Res

## SALE 2

\$283,304  
10,173 sf; Res

## SALE 3

\$345,500  
16,823 sf; Wtr

## SALE 4

\$300,115  
19,602 sf; Res

### THE EQUATION:

SUBJECT'S SITE VALUE
- COMPS SITE VALUE
<b>TOTAL SITE ADJUSTMENT</b>

### THE MATH: SALE 4

$\$275,000 - \$300,115 = -\$25,115$
<b>Site Size Adjustment = -\$25,000</b>
<b>View Adjustment = \$0</b>



# SITE VALUATION



## THE TRUTH OF THE MATTER



We were surprised to find that appraisers often do not adjust for large differences in site size. For example, when the comparable site is at least three times as large as the subject (top row in the table), appraisers made no adjustment nearly half the time. When they did adjust, the average adjustment was only about 3% of the comparable price. Contrast that with the average CU adjustment rate of more than five times greater. This pattern implies that many appraisers find little contributory value from land in high-density locations, which is counterintuitive. We encourage appraisers to re-examine their approach to site size adjustment.”



<https://singlefamily.fanniemae.com/media/36276/display>

# SITE VALUATION

## THE BOTTOM LINE ABOUT SITE EXTRACTION



Fannie Mae®

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### Lot sizes ≤4,000 sq. ft.

Comparable lot size	Frequency of appraiser adjustment	Size of appraiser adjustment (avg)	CU model adjustment (avg)
Comp 200%+ larger	53.3%	-2.8%	-15.7%
Comp 100% - 200% larger	47.9%	-1.2%	-10.1%
Comp 50% - 100% larger	35.3%	-0.6%	-6.8%
Comp 25% - 50% larger	20.3%	-0.2%	-4.2%
Comp 10% - 25% larger	7.8%	-0.1%	-2.2%
Comp < 10% larger	2.5%	0.0%	-0.6%
Comp = Subject	0.1%	-0.1%	0.0%
Comp < 10% smaller	2.5%	0.0%	0.6%
Comp 10% - 25% smaller	7.9%	0.1%	2.8%
Comp 25% - 50% smaller	18.5%	0.3%	6.6%
Comp 50% - 100% smaller	27.4%	0.5%	13.8%

# SITE VALUATION



## TAKEAWAYS



Site adjustment practices need to change



Accurate site adjustments begin with knowing the underlying site value



# ASSIGNMENT #1D

Settings

Click to start

**INSTRUCTIONS:**  
Estimate the site value for the subject and each comparable



**HINT:**  
Use the extracted site values, land-to-value allocations, and price per SF of the comparables to estimate the subject's site value.

**PROPERTY:** 1571 Bradford Trace Drive, Allen TX  
75002





# PAIRED COST FRAMEWORK

# PAIRED SALES ANALYSIS



A quantitative technique used to identify and measure adjustments to the sale prices or rents of comparable properties. To apply this technique, sales of nearly identical properties, or adjusted data, are compared to isolate and estimate a single characteristic effect.



# A TRUE PAIRED SALES ANALYSIS IS HARD!



PHYSICAL  
CHARACTERISTICS



ECONOMIC  
FACTORS



SOCIAL  
PREFERENCES



GOVERNMENTAL  
INFLUENCES



# BEST PRACTICES: ADJUSTMENTS





# ADJUSTMENT SUPPORT & DOCUMENTATION



## BEST PRACTICES: COMMENTARY

1. If its not specific to the assignment, then its not helpful.
2. If you use the same description, explanation or data in every assignment then its not specific to the assignment.
3. If it is specific to the assignment, then the client needs to know about it and it shouldn't be locked in your workfile.