

CABARRUS COUNTY 2024 APPRAISAL MANUAL

SALES UTILIZATION AND FAIR MARKET VALUE

PREFACE

Sales Collection and verification is the single most important activity in the appraiser's office. There is no other activity necessary to the operation of the appraiser's office which is as important as the meticulous and regimented collection of sales data.

Ultimately, all valuation approaches, regression, cost/market, or income rely upon the analysis of VALID, QUALIFIED, SALES in order to properly value a subject property.

MEETING LEGISLATIVE REQUIREMENTS

North Carolina General Statutes mandate the assessment of real property at 100% of the "fair market value". This criterion has made it imperative for the property appraiser to have an accurate and supportable sales file from which the market approach can be properly implemented.

Regardless of how well or how accurate the data about a property may be the data is useless without sales data against which the data may be compared.

The entire premise of the computerized appraisal system is that regardless of the appraisal approach used, the analysis of sales is necessary in order to do the following:

- A. develop regression equations
- B. set cost/market base rates
- C. determine depreciation schedules
- D. determine income capitalization or discount rates

The basic sales information regarding transactions is available at the Register of Deeds. However, before a proper analysis can be made between the sales for the tax year and those of similar properties that did not sell, the sales must be checked or qualified to verify that an "arm's length" transaction has taken place and that the source of information is correct. The transaction must then be further checked to determine if all rights and benefits of property ownership were transferred and if any personal property was involved. This procedure is known as SALES QUALIFICATION.

SALES QUALIFICATION

Sales of some residential, but primarily agricultural, industrial and commercial properties often include personal property. There are also a number of intra-company or intra-family transfers "distress" sales, etc., many of which have limiting terms and conditions which affect the sales price. For these reasons and others, further qualification of sales of this type through communication with one or more of the parties involved may be necessary to determine if the sales price should be adjusted for terms, personal property, etc., or disqualified entirely.

For this purpose, we have designed the following SALES QUESTIONNAIRE which will help standardize the procedure and also build a source of useful sales data. The Sales Questionnaire is a record of sales research performed to establish the quality of a specific sale. Qualified sales are of inestimable value in establishing unit land values, base rates, depreciation schedules, and for checking the quality and degree of equalization of all work performed. Since recent sales are the BEST indication of MARKET VALUE and because of their effect on the entire mass appraisal process, careful handling and qualification cannot be overemphasized.

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Taxpayer Name
Taxpayer Address

CABARRUS COUNTY TAX ADMINISTRATION
ATTENTION: LESLIE REIMER
PO BOX 707
CONCORD, NC 28026-0707
DATE: *Month Day, Year*

Parcel Number: Account Number: 119135

Legal Description:

Situs Address:

Deed Book: Deed Page: Sales Date:

Congratulations on your recent purchase of real property. We extend our invitation for you to contact us or visit our office if you have any questions regarding your new property. In turn, we would appreciate your help. North Carolina law requires each county to conduct a sales-assessment ratio study that measures the sales price of real property in relation to the county's assessed value. This questionnaire is strictly confidential and NOT open to public inspection. Please complete the questions below and return. We have enclosed an envelope for your convenience, or you may scan and e-mail the completed form to LReimer@cabarruscounty.us Please contact me by phone number at (704) 920-2428 if you have any questions. Thanks!

1. Total Purchase Price you paid: \$ _____
2. Was the property advertised on the open Market? Yes _____ No _____
3. Is this sale between relatives or related businesses? Yes _____ No _____
4. Was this an auction/foreclosure sale? Yes _____ No _____
5. Is the property being rented? Yes _____ No _____ Rent per month \$ _____
6. Was any personal property exchanged in this sale (mobile home, furniture, machinery, etc.)?
Yes _____ No _____ If so, what type of property? _____
7. Do you consider the total sales price to be the fair market value of the real estate on the date of the sale? Yes _____ No _____

If No, Please explain: _____

8. If there was a building, what is the approximate heated square foot? _____

Number of bedrooms: _____ Number of full bathrooms: _____ Number of half Baths: _____

Number of stories: _____ Do you have a Basement? _____ If yes, is it finished living space? _____

9. Did your purchase involve any type of "special" financing, meaning did the seller or builder included a bonus or incentive? Yes _____ No _____ If yes, what was value: \$ _____

10. Have you made improvements since the purchase? Brief description _____

_____ and cost \$ _____

Print Name: _____ Date: _____

Daytime Telephone Number: (_____) _____ Cell Phone Number: (_____) _____

Email Address: _____

NBHD#: ##### CC: APR.

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There are three primary steps in the Sales Qualification process;

STEP 1 DEED REVIEW. This step entails examining deeds for any conditions or statements which might indicate the sale was not an "arm's length" transaction. Those deeds having ANY of the following conditions should be entered in the sales maintenance system as an unqualified sale. These sales should be coded with a corresponding Instrument Type code (Listed on PG 2-5) and Disqualification code (listed on PG 2-6) as appropriate. If these conditions do not apply Disqualification code X should be applied in the system (indicating the need for further qualification).

1. Quit claim, corrective or tax deeds
2. State documentary stamps, \$.50
3. Same family name as to grantee and grantor
4. Deeds from or to banks or loan companies
5. Deeds indicating a trade or exchange or conveying less than whole interest, i.e. life estates, etc.
6. Deeds including live stock or personal property, i.e. trucks, equipment, cattle, etc.
7. Multi-parcel sales unless the amount paid for each parcel is specified
8. Deeds including exchanges of real or personal property
9. Deeds to or from any of the following
 - Administrators
 - Executors
 - Guardians
 - Receivers
 - Sheriffs
 - Masters
 - Churches
 - Lodges
 - Fraternal Institutions
 - Benevolent Institutions
 - Clerks of Court
 - County Commissioners
 - Counties
 - Trustees of Internal Imp. Fund
 - Cities and/or municipalities
 - United States of America or Federal Agencies
 - Utility Companies
 - Educational Institutions

STEP 2 SALES RESEARCH.

Initial research is performed by support staff to qualify sales using information from sales questionnaires, property owners, or information provided by appraisers and realtors regarding the details of the transaction. Sales qualified or unqualified in this manner are to have the type of Financing and Source Code from the information below entered into the sales maintenance system, if the type of financing cannot be determined enter UK – Unknown. An initial Qualification Code is then entered, using either a Q for a Qualified Sale, or the specific code indicating the reason for disqualification. A listing of Financing Type codes and Source codes follow on PG 2-4.

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TYPE OF FINANCING:

Finance Type Maintenance	
<input type="checkbox"/> Include inactive records	
IDENTIFIER	DESCRIPTION
AR	Adjustable Rate
CA	Cash Sale
CF	Conventional Financing
FHA	Federal Housing Admininis
FM	Farmers Home Association
LS	Loan Assumption
OF	Owner Financing
OT	Other
UK	Unknown
VA	Veterans Administration L

QUALIFICATION SOURCE CODE:

Qualification Source Code Maintenance	
<input type="checkbox"/> Include inactive records	
IDENTIFIER	DESCRIPTION
AG	Agent
BM	Benchmark
BR	Buyer
CO	CoStar
DS	Deed Stamps
ML	MLS
PB	Publication
QF	Qualification Form
SR	Seller
TP	Third Party

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SALE TYPE INSTRUMENT (DEED TYPE)

Sale Instrument Type Maintenance	
<input type="checkbox"/> Include inactive records	
IDENTIFIER	DESCRIPTION
AD	ADMINISTRATOR'S DEED
AF	AFFIDAVIT
AX	ANNEXATION
BA	BOUNDARY AGREEMENT
CO	CORRECTIVE DEED/DEED OF CORRECTION
CA	CASH SALE
CB	CORPORATION BOOK
CD	CONSOLIDATION DEED
CF	CONVENTIONAL FINANCING
CM	COMMISSIONER'S DEED
CO	CORRECTIVE DEED
CT	CERTIFICATE OF NAME CHANGE
CU	CONDOMINIUM UNIT
CV	CIVIL ACTION/SPECIAL PROCEEDING
DC	DEATH CERTIFICATE
DS	DEED STAMPS
DT	DEED OF TRUST
EA	EASEMENT
ED	EXECUTORS DEED
EF	ESTATE FILE - WILL BOOK
ES	ESTOPPEL DEED
FC	FORECLOSURE
FD	FORECLOSURE DEED
FH	FHA FINANCED
FM	FARMERS HOME
GD	GIFT DEED
GQ	QUIT CLAIM
GU	GUARDIAN DEED

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GW	GENERAL WARRANTY DEED
HO	HOME OWNERS ASSOC. LIEN DEED
LA	LEASE AGREEMENT
LB	LADYBIRD DEED
LS	LOAN ASSUMPTION
LW	LIMITED WARRANTY DEED
MA	MEMO OF ACTION
MC	MARRIAGE CERTIFICATE
MG	COMPANY MERGER
NW	NON-WARRANTY
OF	OWNER FINANCING
QC	QUIT CLAIM DEED
QD	ORIGINAL DEED
QF	QUALIFICATION FORM
RR	RE-RECORDED DEED
RW	RIGHT-OF-WAY
SD	SHERIFF/COMMISSIONERS DEED
SH	SHERIFF'S DEED
SP	SPECIAL PROCEEDINGS
SS	SECRETARY OF STATE ARTICLES
ST	SUBSTITUTE TRUSTEE DEED
SV	SURVEY
SW	SPECIAL WARRANTY DEED
TD	TRUST TRANSFER DEED
TR	TRUSTEE DEED
VA	VETERANS ADMINISTRATION FINANCING
WD	WARRANTY DEED
WL	WILL OR ESTATE FILE

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For a sale that has been disqualified, use the appropriate disqualification codes as follows:

DEED EDIT SHEET

CODE REASONS FOR REJECTION:

- A. The transaction includes the conveyance of two (2) or more parcels.
- B. Sales for which the improvements sold are not included in the tax assessment or the assessment included improvements built after the sale.
- C. Deed shows \$6.00* or less in revenue stamps. *Transaction is for \$3,000 or less.
- D. The date the deed was made, entered or notarized is outside the dates of the study period. (The study period runs from January 1 to December 31.)
- E. The transaction is between relatives or related businesses.
- F. The grantor is only conveying an undivided or fractional interest to the grantee.
- G. The deed reserves unto the grantor, a life estate or some other interest.
- H. The deed reserves unto the grantor the possession of, or lease of, the property for specified period following the sale.
- I. One or both of the parties involved in the transaction is governmental, a public utility, lending institution, or a relocation firm.
- J. The deed conveys a cemetery lot or other tax-exempt property.
- K. One or both of the parties involved in the transaction is a church, school, lodge, or some other educational or fraternal organization.
- L. The Deed of Trust indicates an amount that is in excess of the purchase price as reflected by the excise stamps.
- M. The deed indicates that the property conveyed is situated in more than one county.
- N. The transaction is for minerals, timber, etc. or the rights to mine or cut same.
- O. The transaction includes the conveyance of personal property, and the value of such is not specified separate from the real property value in the deed.
- P. The transaction is the result of a forced sale or auction.
- Q. Transaction made by the use of a Contract for Deed, the agreement for which is executed and sale actually made prior to the study.
- R. The transaction involves the trade or exchange of real property, or a loan assumption.
- S. The transaction is for real property which cannot be clearly identified on the county tax records.
- U. Unqualified Other (An explanation must be provided when this code is used.)
- X. Other - Requires further analysis.

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STEP 3 APPRAISER EVALUATION AND QUALIFICATION:

All sales are then reviewed and further qualified by the appraiser assigned to the subject's market area. Those that remain unqualified may be qualified directly by the appraiser through conversations with the buyer or seller by phone, email or in person. If enough qualified sales exist to support the validity of a sale that remains unqualified, the appraiser may qualify the sale from the deed stamps for use in our statistical reports and analysis. Information gathered and analyzed from other sources of research may also lead to qualification by the appraiser.

Changes in sales prices can and should be made to compensate for personal property included in the sales. Having done this, a sale can be treated as qualified and used as a guide for establishing values for similar properties. The qualification process enables the property appraiser to gather the information necessary to adjust sales prices so they will reflect "fair market" sales.

During the investigation of sales, other factors may come to light indicating that an adjustment is necessary to the sales price for what appears to be an otherwise qualified sale. These include market and economic factors. For example, if a property has to remain on the market for an excessive period of time prior to selling, an adjustment may be appropriate. The property appraiser can find himself in a most advantageous position in determining the type of adjustments required because of his familiarity with the local market conditions. Adjustments SHOULD be made for any VALID reason in order to supply qualified comparable sales for valuing similar properties.

BENCHMARK SALES

The necessity of determining "market value" for all properties complicates the task of appraising certain types of property uses with few or no "qualified" sales. In these instances PASCO is designed to utilize BENCHMARK (surrogate) SALES.

The term benchmark refers to properties which have been appraised using conventional fee appraisal techniques. When sufficient sales data is unavailable, fee appraisers have relied on the cost and income approaches to value for indications of market value. For the property appraiser faced with the wide variety of property types, the utilization of the income and cost techniques can provide supportable evidence for appraisal purposes when no "qualified" sales are available which would be applicable.

When faced with a valuation problem dealing with a property type for which there are no qualified sales, the appraiser's first step is to choose a few parcels representative of the particular type or, if there is just one property, the subject can be used. The next step, collecting pertinent data about the properties, is similar to that of the fee appraiser. Depending on available information, either the cost approach or income approach may be employed to give good value indications.

Cost Benchmarks

If the improvements under investigation are relatively new, local contractors can be consulted for estimates of the cost to replace. Also, the property appraiser can utilize such cost services as MARSHALL & SWIFT BUILDING COST SERVICE to give good cost estimates for a wide variety of building types. After a cost per square foot, unit and/or total building cost new has been estimated, it is necessary for the appraiser to review the property to determine depreciation in the case of less than new structures. After the appropriate amount of depreciation is calculated, it is subtracted from the replacement cost new. The resulting figure is the depreciated replacement cost new to which is added the market land value. With accurate figures, this value can be utilized and entered as a benchmark sale.

Income Benchmarks

Another useful method of deriving benchmark sales involves the income approach to value. PASCO makes available seven methods which are discussed in greater detail in a later chapter but for the purposes of benchmarking a few other comments are necessary.

The basic income data regarding income and expenses is critical and care should be taken to verify information gathered. When

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this is done and entered into the system using one of the seven approaches, the resultant value can be entered in the sales portion of the appraisal card. The justification for the use of the income approach in the valuation process rests with the reason the income property is used. Income property is used to generate an income stream of revenues in the form of money. It is one of the basic economic building blocks and the property can be valued in terms of its ability to generate income. Income property is held, developed and sold for the income producing potential it possesses.

USE OF SALES ANALYSIS REPORTS IN THE APPRAISAL PROCESS:

Reports can be generated based on location, improvement type, model number, etc. The sales with extreme ratios can be subjected to the sales qualification procedure. The parameters for those to be analyzed can be set by the property appraiser (i.e. all ratios greater than 100 and less than 75, etc.) based on his requirements, available staff, etc.

PASCO is designed so that the property appraiser does not have to manually research his own files for various property types but can receive a computer printed worksheet detailing only those parcels he wishes to research based on the parameters he has selected (location, age, improvement type, land use,...).

During the Revaluation process sales ratio studies are normally performed by neighborhood using the sales that were recorded in the year preceding the effective date of the revaluation. It is the intent of Cabarrus County to appraise all neighborhoods within the performance standard of the Standard on Ratio Studies of the international Association of Assessing Officers (IAAO) as follows:

<u>Type of Property</u>	<u>Measure of Central Tendency</u>	<u>Coefficient of Dispersion</u>	<u>PRD*</u>
Single Family Residential			
Newer, more homogenous areas	.90 – 1.10	10.0 or less	.98 – 1.03
Older, heterogeneous areas	.90 – 1.10	15.0 or less	.98 – 1.03
Rural residential	.90 – 1.10	20.0 or less	.98 – 1.03
Income producing properties	.90 – 1.10		
Larger, urban jurisdictions	.90 – 1.10	15.0 or less	.98 – 1.03
Smaller, rural jurisdictions	.90 – 1.10	20.0 or less	.98 – 1.03
Vacant land	.90 – 1.10	20.0 or less	.98 – 1.03
Other real property	.90 – 1.10	Varies	.98 – 1.03

*The standards for the PRD are not absolute when samples are small or wide variations in price exist.