

Market Value Assessment in
Saskatchewan Handbook

Manufactured Home Communities

Valuation Guide



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Manufactured Home Communities Valuation Guide

Market Value Based Assessment Legislation in Saskatchewan

Saskatchewan has different assessment legislation¹ than other jurisdictions in Canada that must be taken into account when valuing properties for assessment and taxation purposes. There are specific definitions in Saskatchewan for “base date”, “market value”, “Market Valuation Standard” and “mass appraisal”. It is important to understand how these definitions relate to one another and the requirement for market value based assessments to be determined in accordance with the Market Valuation Standard.

Base Date is defined as “...the date established by the agency for determining the value of land and improvements for the purpose of establishing assessment rolls for the year in which the valuation is to be effective and for each subsequent year in which the next revaluation is to be effective;”

Market Value is defined as the “...amount that a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli;”.

Market Valuation Standard means the “standard achieved when the assessed value of property:

- (i) is prepared using mass appraisal;
- (ii) is an estimate of the market value of the estate in fee simple in the property;
- (iii) reflects typical market conditions for similar properties; and
- (iv) meets quality assurance standards established by order of the agency;”

Mass appraisal is defined as “...the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing;”.

Assessment legislation in Saskatchewan requires that non-regulated property assessments be determined pursuant to the Market Valuation Standard. Throughout this Handbook the term “market value based assessments” is used to refer to non-regulated property assessments. Unlike single property appraisals, market value based assessments must be prepared using mass appraisal and “...shall not be varied on appeal using single property appraisal techniques”. All Handbook references to market value are subject to the requirements of the Market Valuation Standard.

¹ The following Acts provide the statutory basis for property assessment in Saskatchewan:

- *The Assessment Management Agency Act*
- *The Interpretation Act, 1995*
- *The Cities Act*
- *The Municipalities Act*
- *The Northern Municipalities Act, 2010*

For more details on how to access this information refer to Appendix 2: Resources - Section 2a (Queen’s Printer).

1.0 Introduction

Manufactured home communities range from small, older properties with limited facilities to large, modern, well-planned sites that often become sophisticated neighbourhoods. Some are very similar in appearance to conventional planned-unit developments with low-density use, large yards, underground utilities, greenbelts, and high-quality manufactured homes. These provide a new image for manufactured home communities.

1.1 Manufactured Home Communities Covered in this Valuation Guide

This guide is designed to value manufactured home communities, that is, the land upon which manufactured homes are placed (a parcel of land that includes at least two manufactured home sites that are rented or are available for rent). The methods described in this valuation guide are designed to suit the valuation of manufactured home communities where sites are rented from the property owner.

Manufactured homes² should be valued using the appropriate valuation approach. Adding the value of the homes to the value of the community land produces the total value of the manufactured home community.

This guide is not intended to cover the valuation of manufactured homes on individual lots.

1.2 Scope of Valuation Guide

- This valuation guide is designed as an aid in the valuation of manufactured home communities for assessment purposes.
- It sets out a procedure to follow to derive market value based assessments for manufactured home communities using the income approach.
- The valuation guide provides a practical tool to evaluate and determine market value based assessments.
- Valuation parameters provide the guidelines that establish statistically sound market value based assessments for manufactured home communities as of the base date.
- The valuation guide is designed as a tool to aid the assessor in deriving market value based assessments; it is not intended to replace the assessor's judgement in the valuation process.
- The methods presented in this valuation guide are aimed at deriving assessment values for a number of different groups of manufactured home communities.

² Also referred to as mobile homes.

Hypothetical data and analysis are provided throughout this Valuation Guide in the narrative and in various examples, tables and forms. These examples are provided for illustrative purposes only. The exact form of the market value based assessment analysis is up to the discretion of the assessor subject to the Market Valuation Standard and other relevant legislation.

2.0 Analysis of Valuation Approaches

2.1 Approaches to Value

Sales Comparison Approach

This approach is often difficult to apply to manufactured home communities because there are wide variations in locations; the design and shape of the community; and the design, age and condition of the improvements. In situations where the assessor has confirmed sales data from arm's-length transactions involving comparable communities, the sales comparison approach will usually provide a reliable indicator of value.

For manufactured home communities, the difficulty of performing a market value based assessment using the sales comparison approach is likely to arise from the lack of a sufficient number of sales, if any exist at all. For this reason, the sales comparison approach is not the preferred method for assessing manufactured home communities.

Income Approach

Since manufactured home communities are income-producing residential properties, the income approach yields a reliable indicator of value subject to adequate sales and rental information.

Manufactured home community owners should be able to provide the assessor with the information necessary to carry out a market value based assessment using the income approach to value. Due to the variety of types of manufactured home communities and the potential arrangements (e.g. homes leased, rented or owned), the assessor must be aware of what is included in the income stream reported by the owner of the community.

Cost Approach

The cost approach is useful in situations where there are insufficient sales or income data. In the case of manufactured home communities, the cost approach is one possible method of measuring value. In most municipalities, however, there is likely to be a sufficient number of sales and/or income information available to complete the other approaches to value, either of which would be preferable over the cost approach.

2.2 Recommendation

Manufactured home communities are bought and sold on the basis of the level of income they are able to generate. The income approach applies well in a mass appraisal environment. Provided there is sufficient and reliable income and expense data, the income approach to value reflects the way the market views these properties.

The income approach is recommended for the valuation of manufactured home communities for assessment purposes.

In addition to the value of the community, the assessor must prepare a valuation of the manufactured homes on the property.

2.3 Application of the Income Approach to Value

Income Approach Methods

In general, two methods are available to convert future income into a present value:

- Direct capitalization method; and
- Yield capitalization (discounted cash flow analysis).

The direct capitalization method is most applicable to the valuation of income-producing properties in a mass appraisal environment. It requires the least amount of data to apply, reflects typical rents and market conditions, and is best suited to the use of statistical analysis. The yield capitalization method is not suitable for use in mass appraisal valuations in Saskatchewan due to its consideration of individual investor preferences (reflects personal versus typical market conditions), its need for more market data and numerous estimates of rents, holding periods and projected reversions, and its lack of suitability for statistical analysis. For these reasons the yield capitalization method will not be further detailed in this Guide.

The valuation approaches presented in this valuation guide employ two variations of the direct capitalization method. Both methods rely upon the same principles:

- 1) Capitalization of Net Operating Income, and
- 2) Gross Income Multiplier.

Overview of the Direct Capitalization Method

The analysis in this section presents a direct capitalization method that is suited for mass appraisal applications.

Direct capitalization converts or “capitalizes” the expected level of potential net income into a market value based assessment using an overall capitalization rate. The conversion factor or capitalization rate is a reflection of all of the investor’s relative and comparative feelings and aspirations about the property in light of the investment characteristics offered by the asset and in comparison to other investment opportunities on the market.

In its most basic form, the direct capitalization method is an elementary mathematical ratio involving the estimation of typical net operating income (NOI) as of a valuation date, which is then capitalized into value to produce a market value based assessment.

The Direct Capitalization Method

Market Value	=	$\frac{\text{Net Annual Operating Income}}{\text{Capitalization Rate}}$	V =	$\frac{\text{NOI}}{\text{R}}$
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For example:

$$\begin{aligned}\text{NOI} &= \$100,000 \\ \text{Capitalization Rate (R)} &= 10\% \\ \text{Market Value} &= \$100,000 \div 0.10 = \$1,000,000\end{aligned}$$

Although there are other methods of converting expected future income into an estimate of value (e.g. discounted cash flow), the direct capitalization method lends itself to mass appraisal applications. It is possible to develop market value based assessments under this formula through proper evaluation of the potential net income and through the selection of an appropriate capitalization rate.

In establishing market value based assessments using the income approach, the objective is to evaluate the typical income generated by the real estate.

Overview of the Gross Income Multiplier Method (GIM)

The direct capitalization method capitalizes net operating income. The gross income multiplier method derives values on the basis of a gross income multiplier (GIM), or gross rent multiplier (GRM). Accordingly, these multipliers are used when data on operating expenses are unavailable, inconsistent or otherwise unreliable.

By convention, a gross rent multiplier is the factor applied to the gross monthly rent, and a gross income multiplier is the factor applied to the gross annual income.

The Gross Income Multiplier Formula

$\text{Market Value} = \text{Gross Annual Income} \times \text{Gross Income Multiplier}$
--

A GIM is developed through the analysis of sales of similar properties as it relates market value evidence to the gross income of those properties as indicated by the following formula:

$\text{Sale Price} \div \text{Gross Annual Income} = \text{Gross Income Multiplier}$
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2.4 Practical Valuation Process

In this valuation guide, the income approach has been developed into a practical valuation tool with guidelines on:

- Collecting data;
- Analysing information;
- Developing valuation parameters;
- Determining market value based assessments; and
- Testing the quality of assessment values. (Refer to the Valuation Parameters Guide for a general discussion on statistical testing.)

3.0 *Manufactured Home Communities Valuation Process*

Overview of the Procedure

- 1) Collect appropriate information.
- 2) Classify manufactured home communities into homogeneous groups.
- 3) Establish the typical market rents and valuation parameters for each group.
- 4) Apply direct capitalization method or gross income multiplier to derive the market value based assessment of the manufactured home community.
- 5) Add/deduct for other appropriate value, if required, such as for manufactured homes.
- 6) Determine a market value based assessment of the property.
- 7) Test results.

3.1 Collecting Appropriate Data

More than any other factor, the type and quality of information available dictates the methods that can be used to value properties. The effort put in at the information collection stage will determine the quality of the final analysis.

Supporting Information

Sources of supporting information include: manufactured home communities owners/managers, real estate consultants and brokers, real estate publications, industry associations, and government sources.

Property Information

The assessor requires pertinent physical and descriptive information about the properties to compare one property to another, to properly classify each manufactured home community into the appropriate class or group, and to develop useful valuation parameters. Typical information that can be collected for a property and entered into the assessor's valuation system is shown on the Manufactured Home Community Data Entry Example. (*Refer to Section 5.0.*)

Information from Assessment Records

Where possible, the assessor will verify the existing assessment record information when inspecting the property. When the information is not available or obtainable from inspection, the property owner (or the designated contact person) is typically contacted to provide the information.

Property Inspection

To keep records up to date, all assessed properties are generally inspected from time to time. Along with the physical measurements, the following types of items may be noted:

1) Manufactured Home Communities:

- type of community;
- site sizes and areas of all sites in the community; and
- general comments on the location of the property.

2) Manufactured Homes:

- details of ownership;
- year built;
- general comments on condition of homes;
- details of utility hook-ups; and
- additions such as skirting, porches, carports and other improvements.

Rents and Financial Information

It is recommended that the assessor attempt to obtain income and expense and other financial information from the owner (or the designated contact person) including:

- Typical rent per square foot;
- Total gross rent per annum;
- Income collected to cover operating expenses: heat, cable, etc. (may be paid for by the owner);
- Total operating expenses; and
- Property taxes.

Typical Vacancy Rates

Allowances (or percentage rates) for vacancy and collection loss can be established by analyzing information received from the assessor's requests for information. The owners are one of the better sources of vacancy information – both from direct questions and from income and expense data. Other sources may include local real estate firms that keep statistics on such matters.

Sales Data

Sales of manufactured home communities are rare because of the small numbers of such properties in any given jurisdiction and/or market area. Even if a sale does occur, it is often difficult to compare the sale with the property being assessed due to wide variations in land values, the design and shape of the community, and the design, age, and condition of the improvements. When the assessor does have

confirmed sales data from arm's length transactions involving comparable communities, the sales comparison approach will usually provide a reliable indicator of value.

Sales data is necessary for determining gross income multipliers and capitalization rates. The assessor can request the following information:

- Property address and legal description;
- Sale price;
- Date of transfer;
- Instrument number;
- Name and address of vendor and purchaser;
- Interests transferred (fee simple or other);
- Financing conditions; and
- Value of chattels.

Data Analysis

For the assessor to gain full value from the data collected, the data should be organized in such a way that meaningful comparisons can be made and valuation conclusions drawn. By collecting and organizing the data on a number of manufactured home communities it becomes possible to establish the typical performance, characteristics, and valuation parameters to apply in the valuation of other manufactured home communities.

Collecting and tabulating such data also enables the assessor to distinguish between the typical value of real estate components and the actual performance of a specific property. A market value based assessment determined through mass appraisal methods demands the application of a property's typical performance in the marketplace, not its actual performance. As noted in the Valuation Parameters Guide, this requirement is established in the Market Valuation Standard mandated in legislation in Saskatchewan's municipal Acts.

3.2 Classify Properties into Homogeneous Groups

The key to a successful market value based assessment analysis in a mass appraisal environment is to classify all manufactured home communities into groups containing common elements. This process is commonly referred to as stratification.

Manufactured home communities can be stratified based on the types of properties prevalent in the jurisdiction and/or market area. There is no one correct or appropriate classification system.

Manufactured home communities may be categorized in several ways by age, by size, or by use. The following is a hypothetical example of how manufactured home communities may be grouped (stratified) and described by use:

Family Communities

- Cater to children.
- Usually located near employment centers, shopping centers, and schools.
- Have facilities such as a clubhouse, swimming pool, and playground designed for use by family groups.
- Occupancy tends to be stable unless employment in the area is seasonal.

Adult and Retirement Communities

- Usually cater to tenants of a certain age with no children.
- May vary considerably.
- Some newer ones have stringent criteria regarding the age of the manufactured home and mandatory add-on features such as skirts, awnings, carports, and enclosed porches.

Resort Communities

- Located near natural or scenic recreation features.
- May cater to well-to-do tenants who can afford to move seasonally.
- Likely to have separate sections for regular manufactured homes, overnight campers, and storage areas for camping trailers and boats.
- Usually accept children but may confine such families to specified locations in the community.

Recreation Communities

- Located within the boundaries of publicly owned and/or privately owned recreation areas.
- Clubhouse and community recreation facilities usually not emphasized because of the surrounding natural features.
- Often in remote areas and subject to seasonal weather and vacancy factors.
- May have higher than normal development costs and may take longer than the other types of manufactured communities to reach a profitable occupancy level.
- Often restrictions covering the term of tenancy and the number of occupants.

3.3 Establish Market Rents and Valuation Parameters

It should be possible to determine various valuation factors by class of community from the records, property inspections, and other sources to assist in the valuation of the various classes of manufactured home communities.

Due to the limited number of properties it may be necessary to combine the types or classes of communities that may be encountered in a jurisdiction and/or market area, as presented in *Figure 1*.

Income and Expense Statements

Regardless of the type of management arrangement, the income and expense statement is a necessary starting point for the assessor. Rental and other financial information provides a basis for assessments derived using the income approach since the basic assumption is that the property is purchased for the income it will produce.

Rent Roll and Typical Vacancy Rates

The income approach assumes that the investor in real property will estimate the duration of the income stream and its risk, or likelihood of receipt, when investing in a property. The risk of an income stream refers to its certainty, that is, how likely it is that the investor will receive it. The greater the uncertainty of the income, the higher the rate at which the income should be capitalized.

The rent roll is typically one of the first areas of inquiry in attempting to value a manufactured home community. A property may have a large number of sites available for rent or lease, but are they fully rented or leased? An inferior location can keep occupancy down, and a community that is less than five years old may not have reached full occupancy.

Analysis of Data

The data collected should make it possible to determine various valuation factors by class of manufactured home community. From records, property inspections, and other sources, a number of statistics could be compiled for each class of manufactured home community and for each type of manufactured home. (Refer to Figure 1 for an example.)

Figure 1: Manufactured Home Community Valuation Parameters Example

Community	Types: Family/Adult		Types: Resort/Recreation	
	Mean	Range	Mean	Range
Parameter				
Manufactured Home Lots				
Single-Wide (per month)	\$255	\$15	\$280	\$21
Double-Wide (per month)	\$490	\$22	\$575	\$29
Other Income Per Lot (i.e. Laundry, Vending, Storage)	\$85	\$6	\$42	\$7
Expense Recovery Per Lot (Monthly)	\$50	\$7	\$0	\$0
Vacancy Rate	2.0%	-	12.0%	-
Expenses as a % of Gross Income	42.0%	5.3%	39.6%	3.2%
Gross Income Multiplier	5.60	0.90	5.20	0.38
Capitalization Rates (Base)	12.0%	1.0%	12.5%	1.0%

3.4 Apply Method to Derive Value

The assessor may apply either the gross income multiplier or direct capitalization method to produce a market value based assessment.

If the leases for manufactured home sites are predominantly gross in nature, and if there are sufficient sales to generate the appropriate valuation parameters, a gross income multiplier approach may be considered.

When the nature of the leases is net or in cases where the gross income multipliers cannot be determined, the direct capitalization method may be considered.

Review of Gross Income Multiplier Method

- 1) Establish typical gross income based upon typical rents and income.
- 2) Deduct typical vacancy rate from typical gross income to produce the typical effective gross income (EGI).
- 3) Multiply the typical EGI by the gross income multiplier (GIM) to determine an estimated market value based assessment.

Estimate Typical Gross Income

The assessor will need to determine the typical gross income for that group of manufactured home communities. Typical rents are established through the analysis of all the information collected on the properties contained within a particular group. The typical income figures for a particular group of manufactured home communities are entered into the assessor's valuation system. The Manufactured Home Community Income Analysis and Gross Income Multiplier Example shows typical data that is collected (*Refer to Section 5.0.*) The part of Manufactured Home Community Income Analysis and Gross Income Multiplier Example dealing with gross income is presented in *Figure 2*.

Figure 2: Calculation of Gross Income Example

Assessment Roll #:		Community Type:	A	Base Date:	
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		TYPICAL RENTS	
Rent by Lot Type	No.	Typical Rent/ Mo.	Potential Annual Rent
Single-Wide Lot	66	\$255	\$201,960
Double-Wide Lot	34	\$490	\$199,920
Other	-		\$0
Total Typical Rent	100	\$335	\$401,880

Typical Other Income	Per Lot Monthly	Annual Income
Operating Expense Recoveries	\$50	\$60,000
Other Income (i.e. Laundry, Storage)	\$85	\$102,000
Typical Other Income		\$162,000

Total Gross Income	\$563,880
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Estimate Effective Gross Income

A vacancy and collection loss allowance is deducted from the gross income estimate. Virtually all properties will be vacant at some time during their remaining lives. If a property does not experience a vacancy, the actual rent may be too low. Since a prudent investor would anticipate some vacancy, it would still be correct to deduct a vacancy allowance from the potential gross income of the property.

Vacancy losses are usually combined with collection losses. Vacancy and collection losses are expressed as a percentage of potential gross income. The typical vacancy rate is established by analysis of actual reported vacancy rates or number of vacant lots.

Multiply the EGI by the GIM to Produce a Value Estimate

Once the effective gross income has been established, the market value based assessment of the property can be determined by applying the gross income multiplier (GIM). The GIM is determined through analysis of sales of properties displaying similar income, expense and risk characteristics.

$\text{GIM} = \text{Sales Price} \div \text{Typical Gross Annual Income}$

Note: A GIM developed in the analysis of one group of manufactured home community may not be applicable to other groups of manufactured home communities.

Gross Income Multiplier Calculation Example

Effective Gross Income	\$546,964
GIM	5.60
Value	\$3,062,998

Review of Direct Capitalization Method

The direct capitalization method builds upon the effective gross income established in the gross income multiplier analysis.

- 1) Determine the typical effective gross income.
- 2) Deduct typical expenses to determine typical net operating income [NOI] attributable to the real estate.
- 3) Establish the typical capitalization rate from market sales data.
- 4) Divide the NOI by the capitalization rate to determine the estimated market value based assessment.

Effective Gross Income

After the property details and the typical income and vacancy and collection loss allowance information on the appropriate group of manufactured home community are entered in the assessor's valuation system, the effective gross income can be calculated.

Expenses and Net Operating Income

Similarly, the typical expenses for that group of manufactured home community would be entered in the assessor's valuation system. (*Refer to Figure 3 for an example.*) Deducting the appropriate typical expenses from the effective gross income produces the net operating income (NOI) for the property.

Figure 3: Determination of Expenses and Net Operating Income Example

Address		Base Date	
Assessment Roll #		Community Type	A
		No. in class	5
Effective Gross Income	\$546,964		
Expenses	<i>Typical % of EGI</i>		
UTILITIES			
Water/Sewer			
Electricity			
Cable			
Other			
Total	4.15%		
ADMINISTRATION			
General Office			
Management			
Leasing / Advertising			
Other			
Total	3.05%		
OPERATING			
Repairs			
Maintenance			
Snow Removal			
Security			
Insurance			
Supplies			
Garbage			
Miscellaneous			
Total	8.45%		
Sub-total	15.7%		
Property Taxes	20.2%		
Expense Rate used in calculation	15.7%		
Annual Expenses	\$85,873		
Net Operating Income	\$461,091		

Select Appropriate Capitalization Rate

The value of the income stream is determined by capitalizing net operating income.

$$\text{Value} = \text{Net Operating Income} \div \text{Capitalization Rate}$$

Establishing Capitalization Rates

Sales of Manufactured Home Communities – Recommended Approach

Turning the equation in the capitalization method around produces the appropriate formula for establishing capitalization rates:

$$\text{Capitalization Rate} = \text{Net Operating Income} \div \text{Value (Sale Price)}$$

In the same manner that income and rents are analysed for property valuation purposes, the income and other data should be analysed for manufactured home communities that have sold as of the base date in order to establish the capitalization rates to be applied to manufactured home communities.

Other Approaches

If there is insufficient market sales evidence to establish capitalization rates, there are other possible ways such as mortgage-equity or band of investments to derive rates. These other approaches are not suitable for use in mass appraisal valuations in Saskatchewan.

Selection of a Capitalization Rate

Selection of an appropriate capitalization rate is essential for the determination of an equitable market value based assessment for a property. The selection task starts with an analysis of the capitalization rates demonstrated in the sales of similar manufactured home communities.

After a review of the available information, appropriate statistical measures (median, mean, and range, etc.) can be determined for capitalization rates for each class of manufactured home community. From this the typical capitalization rate can be determined for each group of properties being valued.

Capitalization Rate Guidelines

Since the income approach is based on the present worth of future benefits, when applying capitalization rates it is important to take into account the expected future income at the time of the valuation.

A number of influences can affect the capitalization rate to be applied to a manufactured home community. In general, favourable conditions may lower the capitalization rate and raise the value, and negative conditions may raise the capitalization rate and lower the value. Some of the issues to consider when establishing a capitalization rate are:

- Economic conditions;
- Competition and expected changes in competition;
- Location - roads, parking, access, visibility;
- Property age and condition;
- Property design; and
- Property location and potential for future development.

Effective Tax Rate

There are two ways to deal with the impact of property taxes when valuing a manufactured home community:

- 1) The first is to deduct the actual property taxes charged as part of fixed expenses (before determining net income). Under this approach, the net income produced is entirely attributable to the rental income stream of the property and the capitalization rate employed in the valuation process is the base rate. The base rate is to be established as outlined above.
- 2) The second method is to determine the effective tax rate and add this amount to the base capitalization rate. Under this method, property taxes are not included as part of the expenses, but are accounted for in the derivation of the capitalization rate.

Determining effective tax rates can best be completed by applying the current taxes against the real estate value of properties that sold recently.

Effective Tax Rate Calculation Example

Property taxes	\$99,000
Market value based assessment of a property	\$3,200,000
Effective tax rate:	$\$99,000 / \$3,200,000 = 3.1\%$

Using this method the effective tax rate of 3.1 percent is added to the base capitalization rate to determine the market value based assessment of the income stream as per the example below.

Direct Capitalization Value Calculation Example

Net income	\$461,091
Base capitalization rate	12.0%
Effective tax rate	3.1%
Total capitalization rate	<u>15.1%</u>
Value	\$3,053,583

3.5 Add / Deduct Other Values

There may be certain properties where the entire value of the property is not completely captured by the foregoing application of a given valuation approach. In these situations a lump sum adjustment may be required. For example, a property may have surplus or excess land which is not developed due to current market conditions. This land may be valued separately and added to the market value based assessment for the entire property. A similar lump sum adjustment may also be applied for improvements if warranted.

3.6 Market Value Based Assessment of Property

An example of this procedure is set out in *Section 5.0*.

4.0 *Validation of Results*

The strength of an assessment system rests on two tenets: (1) its ability to produce appropriate market value based assessments, and (2) its treatment of similar properties in a fair and consistent manner.

To accomplish these ends, the valuation process reflects the views and methods used in the marketplace. The process is applicable to all properties. There are two areas where the quality of the results can be ensured quickly and efficiently.

- 1) Valuation parameters, and
- 2) Check against sales values.

Valuation Parameters

The assessor's valuation system has valuation parameters that have been researched, collected, and analysed by local assessors. Appropriate statistical measures (median, mean, range, etc.) can be determined for each valuation parameter.

When the assessor applies these valuation parameters to all similar properties, then the market value based assessments will be fair and consistent.

Check against Sales Values

To ensure that the market value based assessments developed are in line with the local market, the assessment values will typically be checked against any sales of similar properties that took place. Such sales also have inferences for values of similar properties.

5.0 Manufactured Home Community Valuation Example

The following three pages present a hypothetical example of a market value based assessment analysis of a manufactured home community.

Figure 4: Manufactured Home Community Data Entry Example

Example of typical pertinent physical and descriptive data about the property.

Figure 5: Manufactured Home Community Income Analysis and Gross Income Multiplier Example

Example of typical rents and income for a property.

In addition, a section of the form analyses value based on a gross income multiplier, if available.

Figure 6: Manufactured Home Community Property Expense Analysis and Value Summary Example

Example of summary data on typical expenses for that class of manufactured home community and other valuation parameters that can enable the assessor to calculate the appropriate market value based assessment for the property.

Figure 4: Manufactured Home Community Data Entry Example

Address		Base Date	
Assessment Roll #		Community Type: A	

Park Data	
Year Built	1983
Renovations	No
Storage space available	Yes
# of single-wide lots (SW)	66
# of double-wide lots (DW)	34
Total # of Lots Available	100
SW lots rented or leased	65
DW lots rented or leased	32
Total # of Lots	97

Included in Rent	Yes/No
Electricity	no
Water / sewage	yes
Parking	yes
Cable	no

Inspection Notes	
Inspection date	12-May-96
Condition (Fair, Avg, Good)	Avg
Location (Fair, Avg, Good)	Avg
Quality (Fair, Avg, Good)	Avg
Rental Appeal	Avg

Location comment	On outskirts of town, numerous recreational activities nearby
Site comment	Level & landscaped
Other comment	

Sales Data	Market sale ? (yes, no)	yes
Sales Price	\$3,200,000	Price @ 100% Interest
Sales Date	15-May-88	Financing
Instrument Number	A98765	Effect of Financing (+/- %)
Interests Transferred	100.0%	Final Price @ Mkt. Financing
Vendor Name		
Vendor Address		
Purchaser Name		
Purchaser Address		

Sales Analysis	
	\$3,200,000
Sales Price per Lot	\$32,000
Gross Income Multiplier	5.94
Capitalization Rate (net of taxes)	12.82%

Lot Types	No.	Typical Area per lot (sf)	Total Area all lots (sf)
Single-Wide	66	5,000	330,000
Double-Wide	34	10,000	340,000
Other	-	-	-
Totals	100		670,000

Home Types	Total	Single-Wide	Double-Wide
Excellent	20	20	-
Good	70	40	30
Fair	-	-	-
Substandard	7	5	2
Other	-	-	-
Totals	97	65	32

Amenities	Yes/No	Comment
Pool	yes	outdoor
Tennis courts	no	
Laundry facilities	yes	coin operated
Other:		

Figure 5: Manufactured Home Community Income Analysis and Gross Income Multiplier Example

Address	Assessment Roll #:		Community Type:	A	Base Date:	
Gross Income Analysis						
			TYPICAL RENTS			
Rent by Lot Type	No.	Typical Rent/ Mo.	Potential Annual Rent			
Single-Wide Lot	66	\$255	\$201,960			
Double-Wide Lot	34	\$490	\$199,920			
Other	-		\$0			
Total Typical Rent	100	\$335	\$401,880			
Typical Other Income		Per Lot Monthly	Annual Income			
Operating Expense Recoveries		\$50	\$60,000			
Other Income (i.e. Laundry, Storage)		\$85	\$102,000			
Typical Other Income			\$162,000			
Total Gross Income			\$563,880			
Income used in valuation			\$563,880			
Less vacancy and collection allowance: 3.0%			-\$16,916			
Total Effective Income			\$546,964			
Value by Gross Income Multiplier						
Effective Gross Income			\$546,964			
GIM			5.60			
Value sub-total			\$3,062,998			
Other Value			\$0			
Market Value Based Assessment			\$3,062,000			

Figure 6: Manufactured Home Community Property Expense Analysis and Value Summary Example

Address	
Assessment Roll #	

Base Date	
Community Type	A
No. in class	5

Effective Gross Income	\$546,964
Expenses	<i>Typical % of EGI</i>
UTILITIES	
Water/Sewer	
Electricity	
Cable	
Other	
Total	4.15%
ADMINISTRATION	
General Office	
Management	
Leasing / Advertising	
Other	
Total	3.05%
OPERATING	
Repairs	
Maintenance	
Snow Removal	
Security	
Insurance	
Supplies	
Garbage	
Miscellaneous	
Total	8.45%
Sub-total	15.7%
Property Taxes	20.2%

Expense Rate used in calculation	15.7%
Annual Expenses	\$85,873
Net Operating Income	\$461,091

Value by Direct Capitalization of NOI

Net Operating Income	\$461,091
Capitalization Rate	15.10%
Value sub-total	\$3,053,583
Other Value	\$0
Market Value Based Assessment	\$3,053,000

Capitalization Rate Class A	
Base Capitalization Rate	12.00%
Effective Tax Rate	3.10%
Overall Capitalization (OAC)	15.10%

6.0 Manufactured Home Communities Valuation Guide

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