

Plain Talk about Ranchettes & Farmsteads

2024 Spring Conference

**Northern California Chapter
Appraisal Institute**



Ranchettes & Farmsteads

Contact information

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Ranchettes & Farmsteads

- Going fast over a variety of things, some of which will seem very basic, hopefully a refresher, hopefully some nuggets even for veterans.
- We are talking about the ranchette and the farmstead portion of larger, primarily agricultural properties.
- Both are rural and/or semi-rural

Ranchettes & Farmsteads

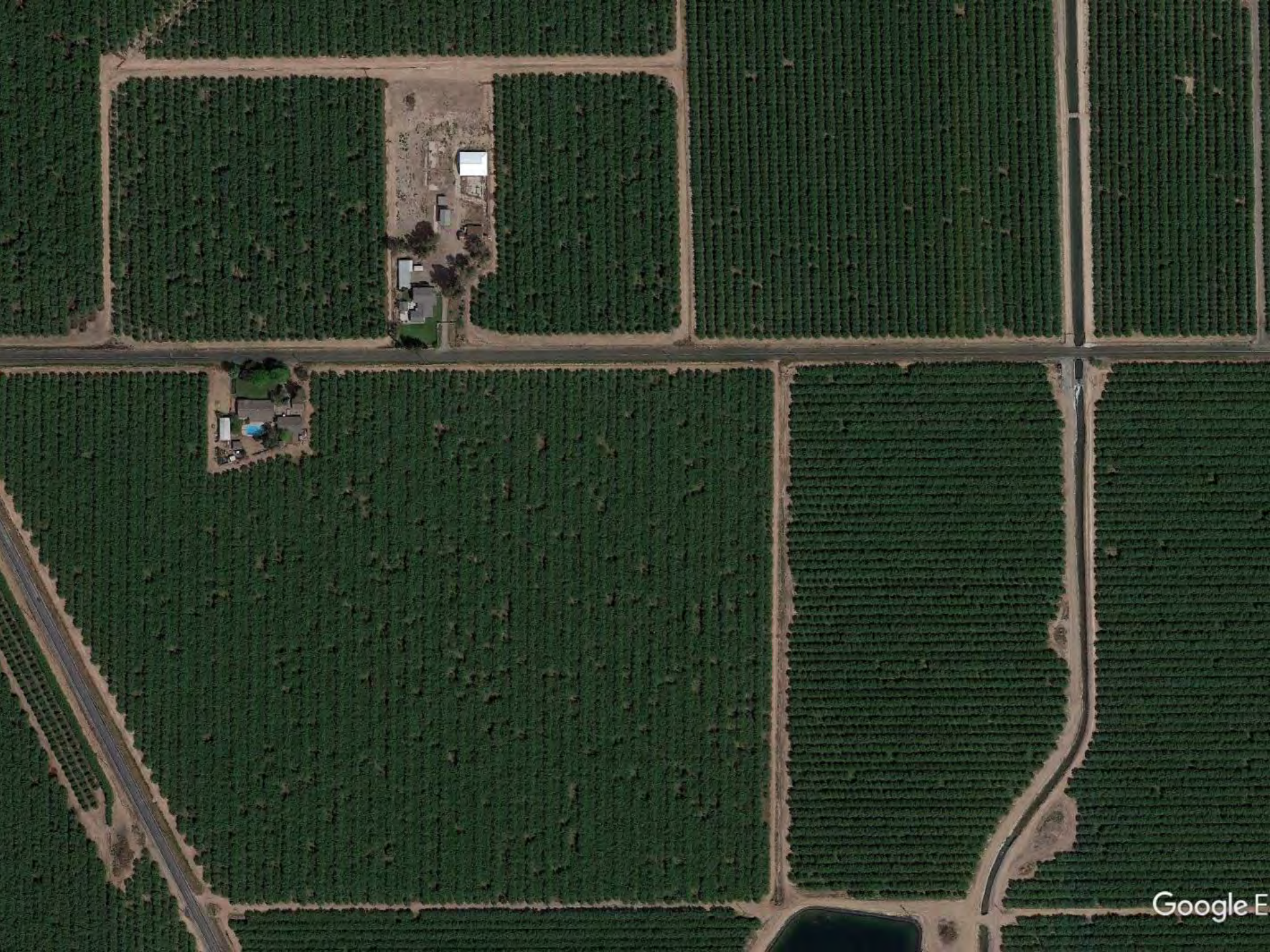
- There are fewer market participants and fewer transactions (comparables) for agriculture acreage than ranchettes due mainly to magnitude of sale.
- A significant number of agriculture sales not on MLS, whereas nearly all ranchettes are listed.

Ranchettes & Farmsteads

- There are fewer market participants and fewer transactions (comparables) for ranchette sales than in-town houses as well.
- This is partly due to price, but also lifestyle.
- Think bugs, dust, dirt, smells, wild animals, and long drives to work, to the store or to the kid's schools and/or events.

Farmstead

- A “farmstead” as used herein and by me is the part of a larger property that has the dwelling, outbuildings and service areas.
- For large ranches, the contributory value of improvements often does not move the \$/acre very much. The larger the ranch, the less improvements impact the per acre value.
 - Most sales will have some sort of farmstead. Value contribution of improvements, although not necessarily zero, can get lost in the land value.

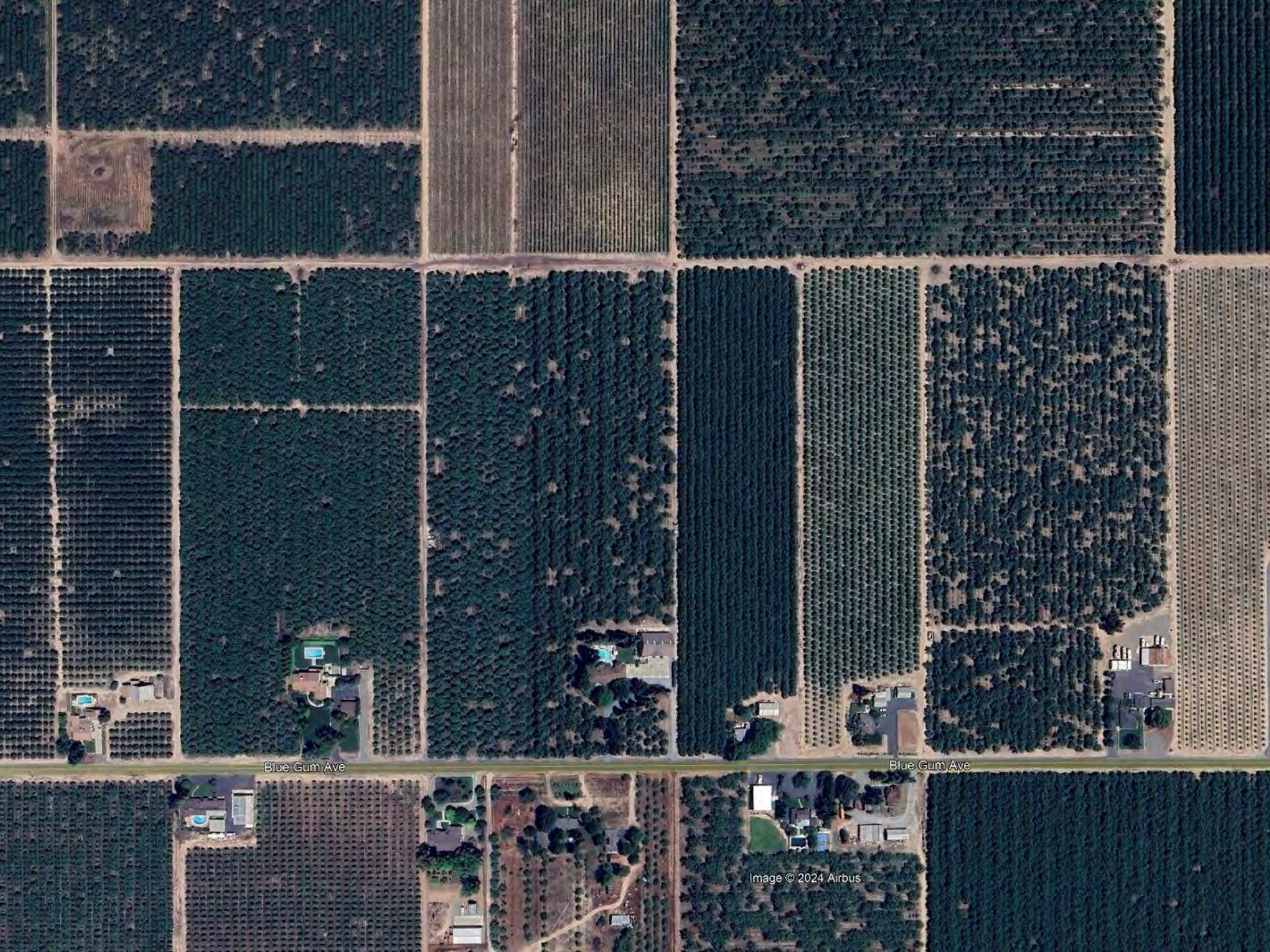


Ranchette

- A “Ranchette” is a primarily residential use on a plus sized lot or small acreage parcel of 1 – 2 – 5 – 10 + acres
- One main dwelling, sometimes an accessory dwelling unit
- Often includes outbuildings
- There is often some aspect of agriculture ranging from fenced pasture to orchards

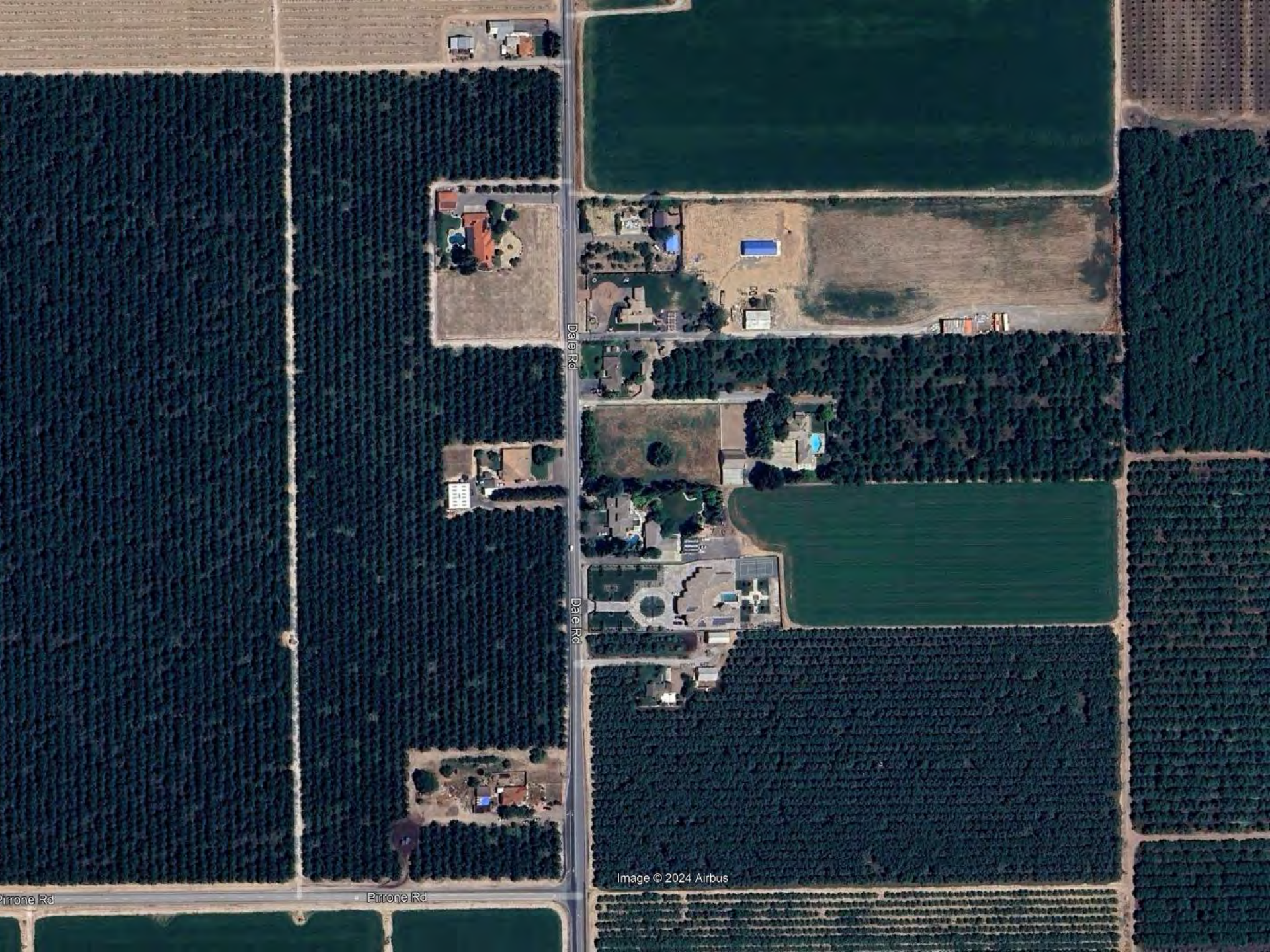
Ranchette

- A ranchette buyer is not likely going to want an in-town house. Most in-town home buyers won't like the country property. They are different. The ranchette and in-town house property have a different "most likely buyer".
- A ranchette buyer will pay a premium for country land/lifestyle but with proximity to urban conveniences.



Blue Gum Ave

Blue Gum Ave



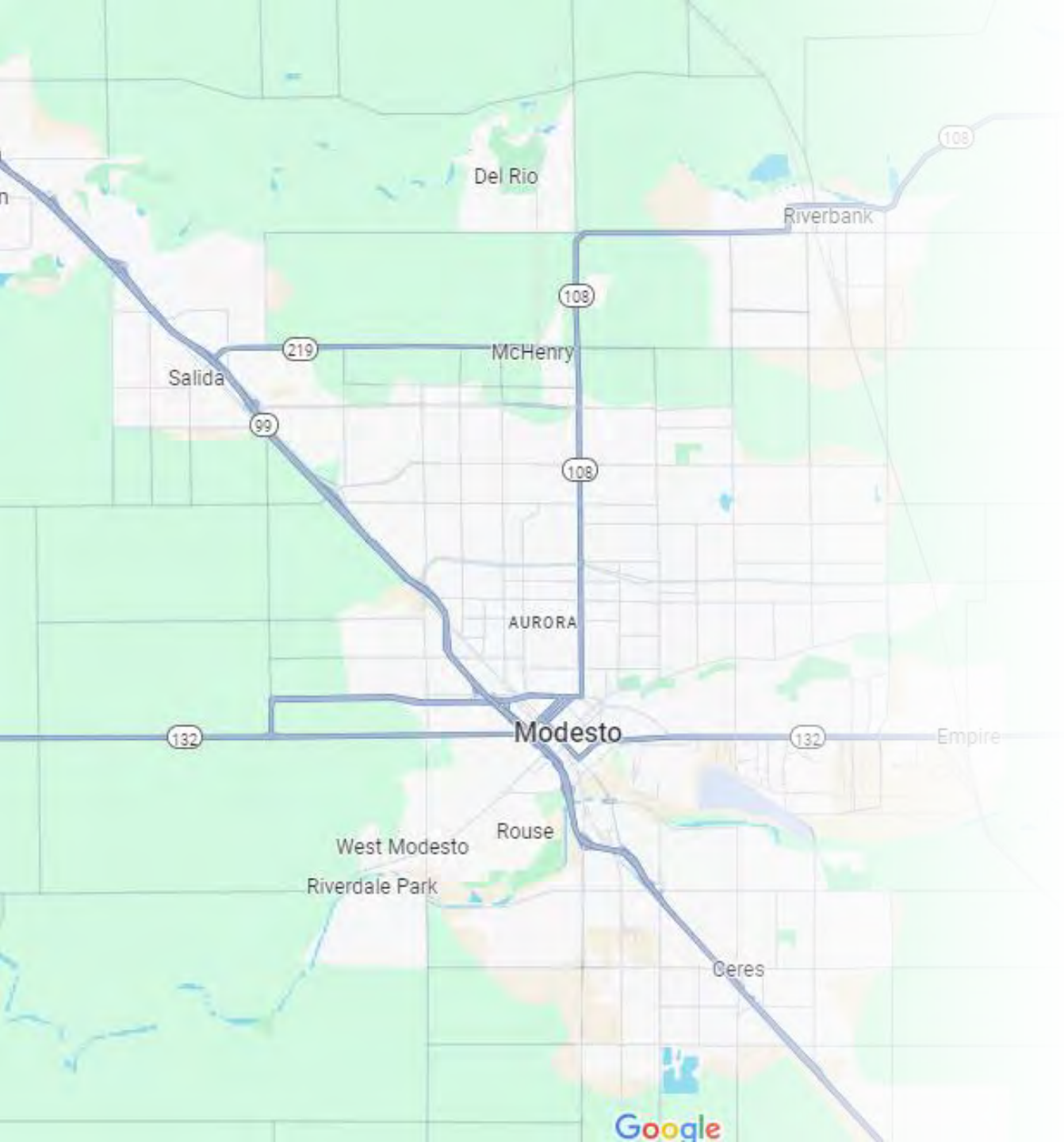
Dale Rd

Dale Rd

Pirrone Rd

Pirrone Rd

Image © 2024 Airbus



Locational Considerations

Locational Considerations

- Consider proximity to schools, shopping, services and commute corridors.

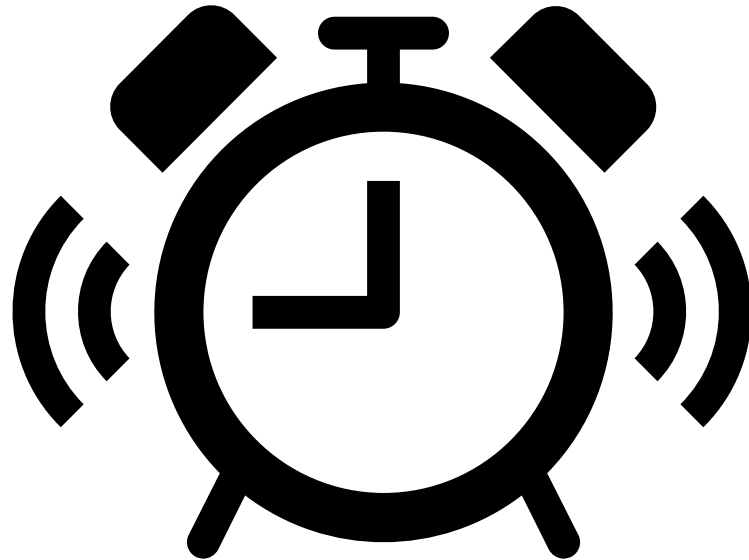
Locational Considerations

- Consider proximity to schools, shopping, services and commute corridors.
 - Much more of a factor for residential ranchettes than agricultural acreage, but linkages are still important.

Locational Considerations

- Consider proximity to schools, shopping, services and commute corridors.
 - Much more of a factor for residential ranchettes than agricultural acreage, but linkages are still important.
 - Can consider median home prices & median household income levels to support locational adjustments.
 - School districts can certainly impact values.

Locational Considerations

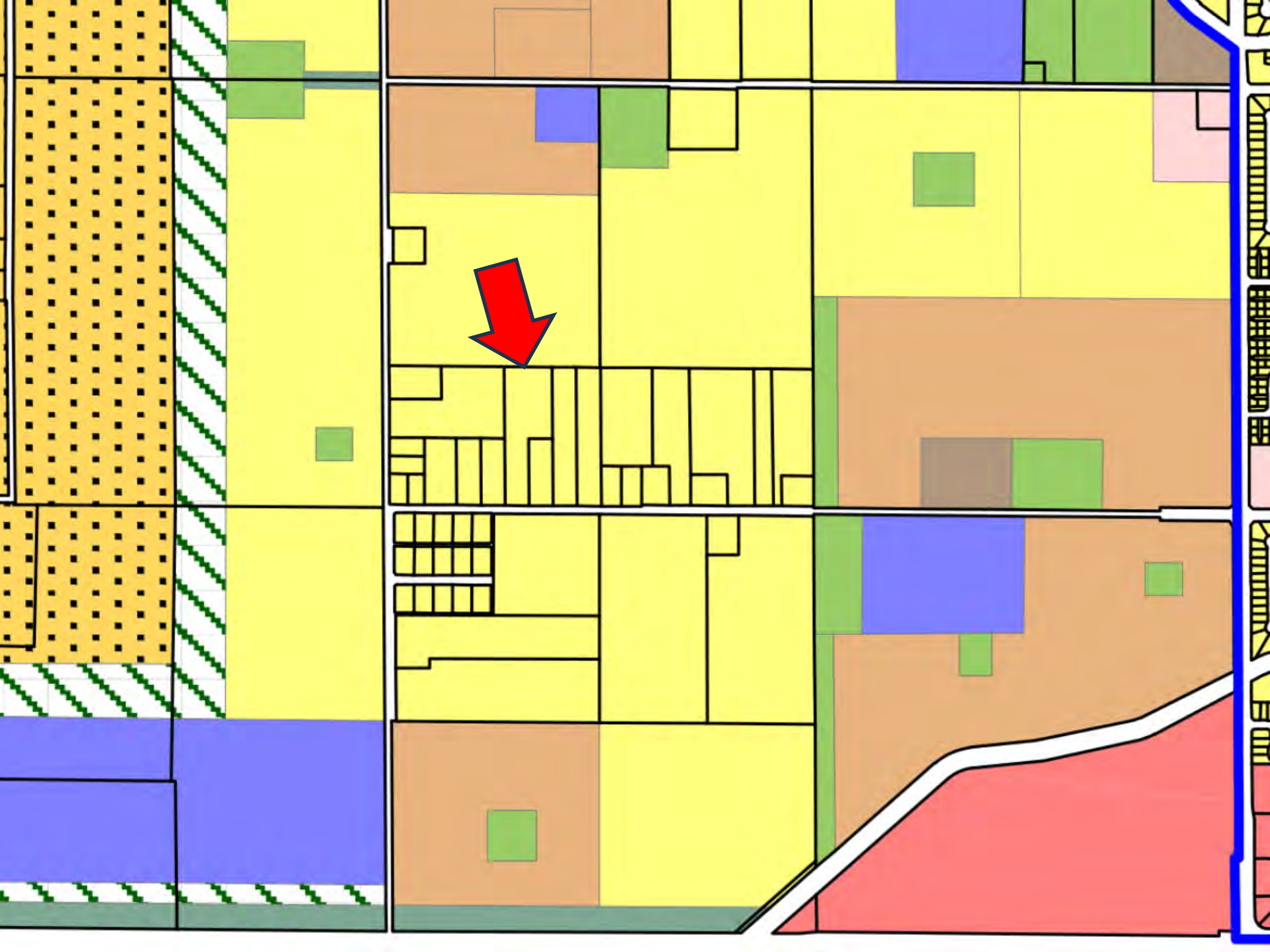


Transitional Influence!





Lateral Number One



Locational Considerations

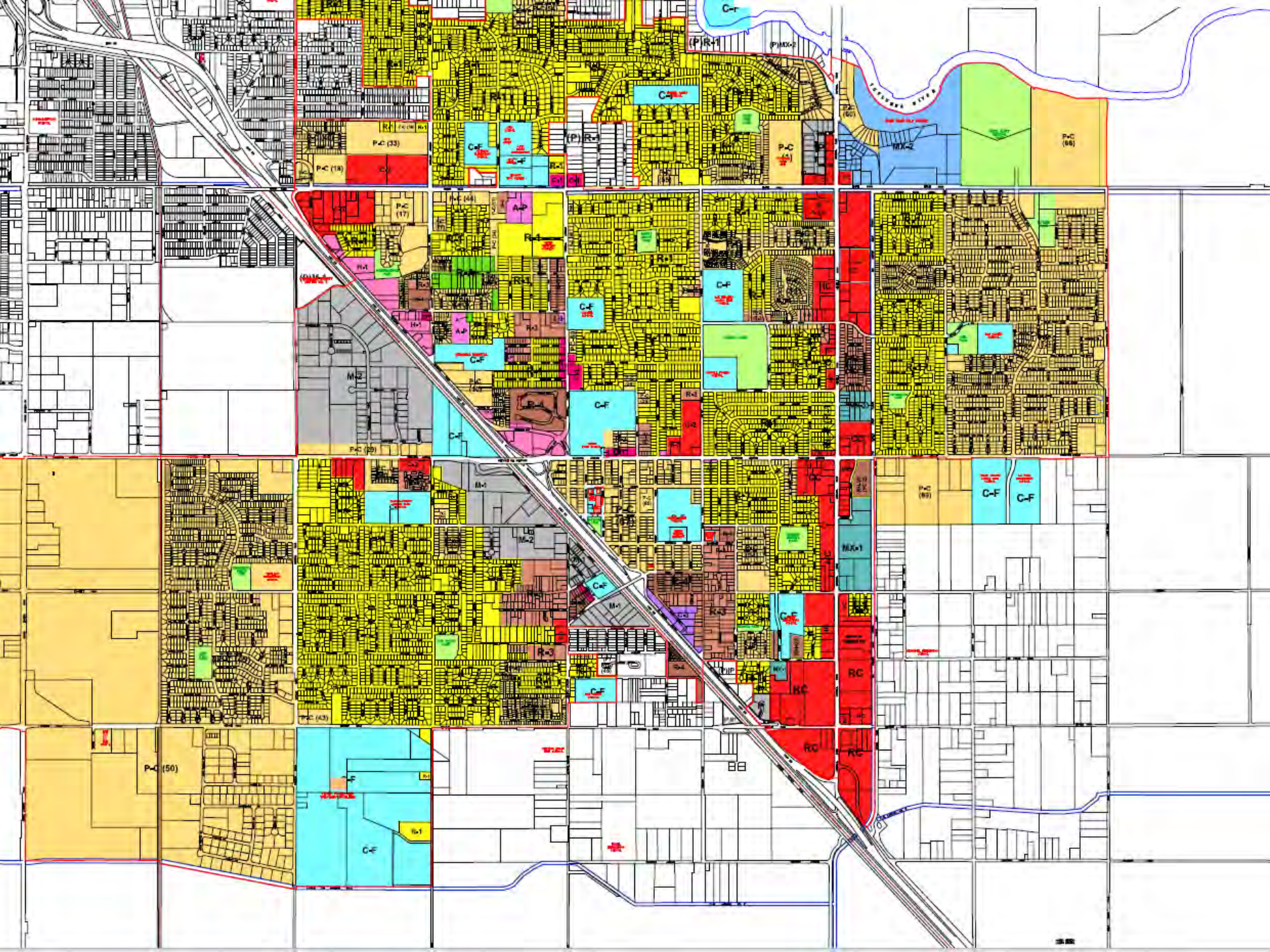
- Transitional Influence ➤ Can Be Huge!



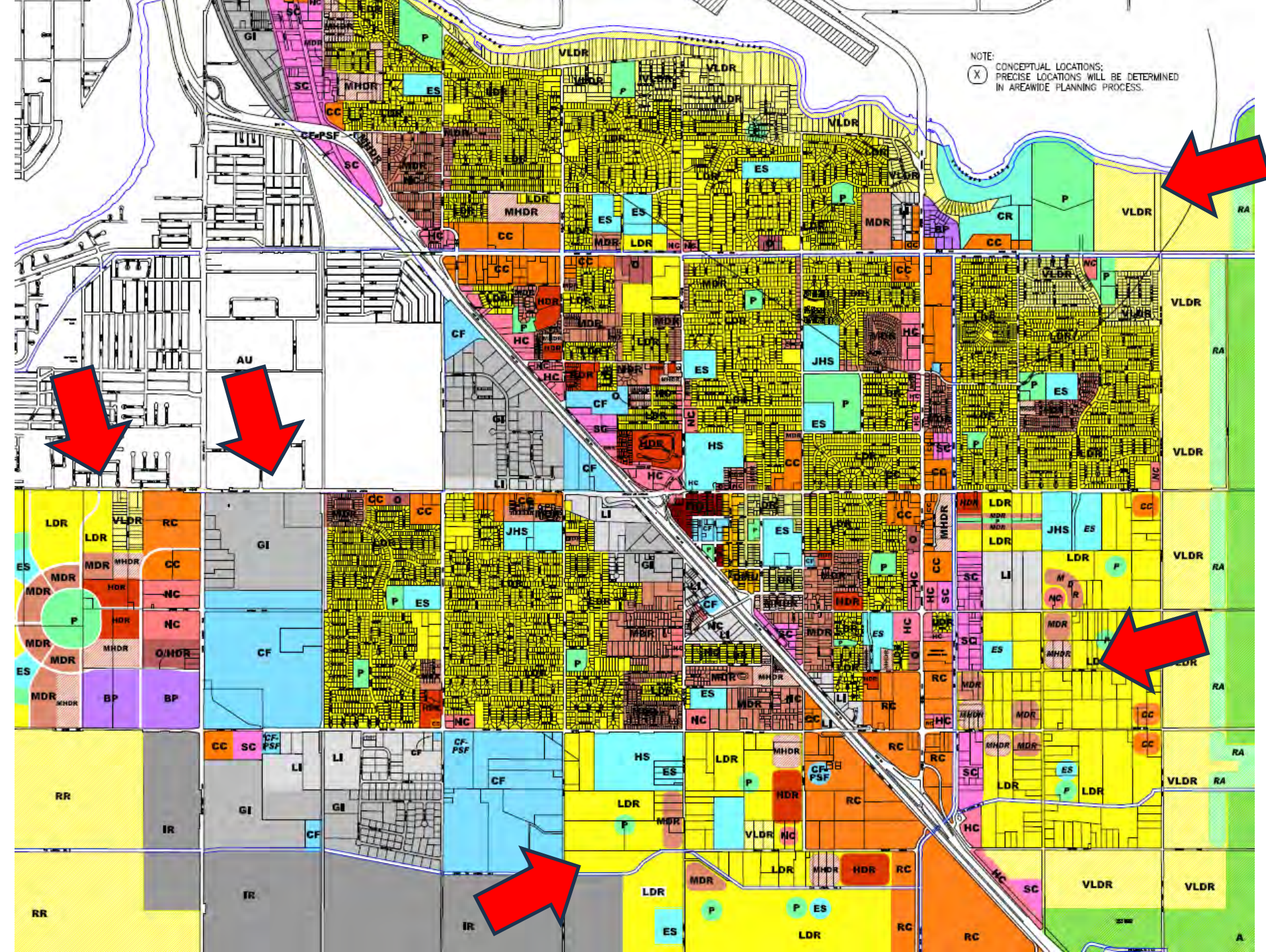
- Can be a significant factor for both residential ranchettes and agricultural acreage.
- Be mindful of CFDs aka “Mello Roos” assessments

Locational Considerations

- Transitional Influence
 - Must look at BOTH zoning maps and General Plan maps. Look at City and County General Plans as appropriate
 - Know the direction of urban growth.
 - In North Modesto, best to know what is happening in Riverbank, as well...



NOTE:
(X) CONCEPTUAL LOCATIONS;
PRECISE LOCATIONS WILL BE DETERMINED
IN AREA-WIDE PLANNING PROCESS.



Locational Considerations

- Transitional Influence
 - Have seen where an almond orchard on soon to be developed property was seen simply as a cost – orchard removal and site prep.
 - Have also seen where that orchard helps pay the taxes for a few years if development is not nearterm.

Locational Considerations

- Transitional Influence
 - On the other hand, I have seen new orchards developed on prominently located, commercial or industrial zoned land.
 - That tells us what the owner thinks about likely future development timing.

Locational Considerations

- Transitional Influence
 - Are there any visible changes in the neighborhood?
 - Any major project influences like North County Corridor, Merced-Atwater Expwy that will change the area, impact the subject or comparables?

Know the Land

A perspective view of a long, straight dirt path in an orchard. The path is flanked by rows of trees with light pink blossoms, likely cherry or almond trees. The path leads towards a bright horizon under a clear blue sky. The trees are planted in neat rows, and the ground is a mix of dirt and green grass. The overall scene is bright and sunny, suggesting a clear day.

Knowing land values is extremely important in rural appraisal.

Know the Land

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 - Should have a general sense of values per acre for almonds, walnuts, cropland, pasture, etc.

Know the Land

- Knowing land values is extremely important in rural appraisal.
 - Should have a general sense of values per acre for almonds, walnuts, cropland, pasture, etc.
 - ... and whether values are increasing, level or decreasing.

Know the Land

- The Cal Chapter ASFMRA “Trends” publication is a fabulous resource.
- The data is broken into regions, and in addition to price trends, there are nice writeups on different property types for more information and context.



LAND USE	VALUES PER ACRE	MARKET DEMAND	MARKET ACTIVITY	VALUE TREND	RENT RANGE
Almonds – Irrigation Districts	\$32,000 - \$55,000	Strong	Active	Stable	15% - 30%
Almonds – Federal Districts or Well Water Only	\$18,000 - \$30,000	Limited	Limited	Stable	8% - 20%
Walnuts – Irrigation Districts	\$25,000 - \$40,000	Limited	Very Limited	Stable	15% - 30%
Walnuts – Federal Districts or Well Water Only	\$15,000 - \$25,000	Limited	Limited	Decreasing	15% - 30%
Cherries	\$25,000 - \$40,000	Limited	Very Limited	Stable-Sl. Increasing	20% - 30%
Wine Grapes – Districts 6 (NE), 11, 12 & 17	\$24,000 - \$42,000	Moderate	Moderate	Sl. Increasing	20% - 30%
Rangeland – Permanent Planting Potential	\$5,000 - \$9,000	Moderate	Limited	Stable	N/A - N/A
Rangeland – Grazing Only	\$600 - \$3,000	Moderate	Limited	Stable	\$10 - \$45

CROPLAND NORTH: NORTH SAN JOAQUIN, CONTRA COSTA, SACRAMENTO COUNTIES

Cropland – N. San Joaquin County (Well Water, SEWD, SJWCD, Riparian)	\$16,500 - \$25,000	Moderate	Limited	Slightly Increasing	\$300 - \$450
Cropland – Lodi Region (Well Water & Woodbridge ID)	\$20,000 - \$30,000	Moderate	Very Limited	Slightly Increasing	\$350 - \$450
Cropland – Delta (Various Small Districts & Well Water)	\$15,000 - \$23,500	Strong	Active	Slightly Increasing	\$300 - \$500

CROPLAND CENTRAL: SOUTH SAN JOAQUIN, STANISLAUS COUNTIES

Eastside Districts (SSJID, OID, MID, TID)	\$30,000 - \$40,000	Strong	Moderate	Increasing	\$300 - \$700
Westside Riparian & Non-Fed Districts (inc. Gustine)	\$20,000 - \$33,000	Strong	Moderate	Slightly Increasing	\$300 - \$700
Federal Districts and/or Well Water	\$15,000 - \$20,000	Moderate	Limited	Stable	\$150 - \$300

CROPLAND SOUTH: MERCED COUNTY

Merced ID	\$20,000 - \$30,000	Moderate	Moderate	Stable	\$300 - \$800
Well Water, Westside Non-Federal, Class II MID & CWD, Riparian	\$14,000 - \$26,000	Moderate	Moderate	Stable	\$200 - \$600
Cropland - Federal Districts and/or Well	\$7,000 - \$11,000	Moderate	Limited	Stable	\$125 - \$200

Know the Land

- Most stonefruit orchards (peaches, nectarines, apricots, etc.), have minimal value above cropland. As with vines, there is a significant connection to commodity contracts.

Know the Land

- Per acre values are very meaningful for larger properties, but get skewed for smaller ones. Consider graphing the data.
- Interestingly enough, magnitude is not a huge factor in true ag acreage sales of “100-500” acres or more.

Know the Land

- The Cal Chapter ASFMRA 2024 “Trends” publication comes out in a few weeks.
- Order yours online at <https://calasfmra.com/ag-land-trends/>

Know the Land

- Generally speaking, the smaller the site, the less reliable price per acre becomes.
- **Site values** can often be more much more relevant than prices per acre for ranchette properties.

Know the Land

- Site Values
 - Instead of trying to quantify adjustments for location, parcel size, view, topo, etc., consider estimating market site value for the subject and each of the comparables, and base a combined adjustment on the difference in site value.

Know the Land

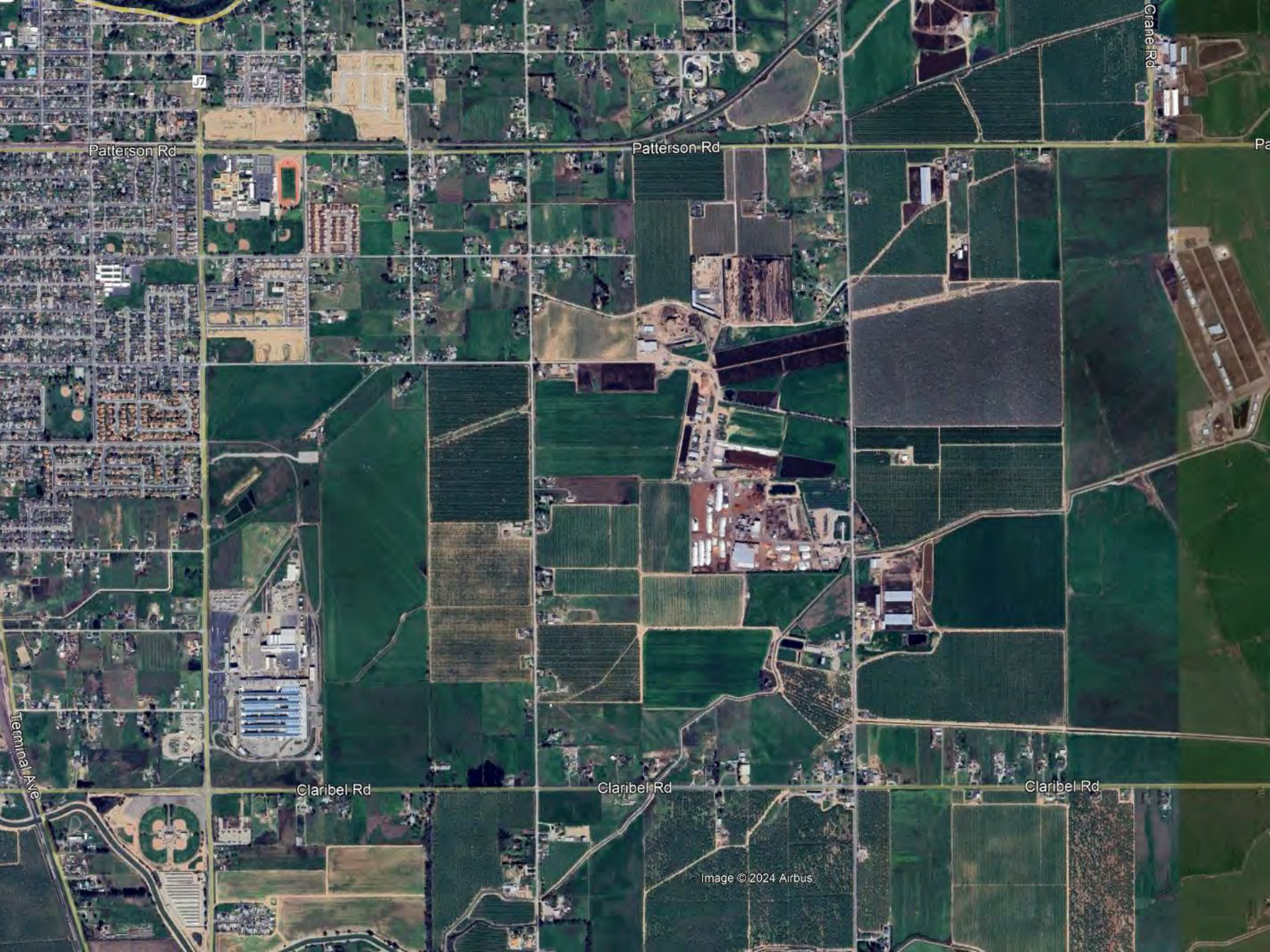
- Economic Farming Unit
- Pure production agriculture
- Generally 20-40 acres or more, but be mindful that 2-acre strawberry patches and sub 20 acre orchards are not unusual.

Know the Land

- Economic Farming Unit ➤ *Residential property with agriculture flavor* is typically not an economic farming unit.
- Pure production agriculture
- Generally 20-40 acres or more but be mindful that 2-acre strawberry patches and sub 20 acre orchards are not unusual ➤ Be mindful of most likely buyer.

Know the Land

- Topographic Maps!
 - You just never know what you are going to find on a topo map.
 - Caltopo.com is fabulous and free, and there is an overlay for Google Earth!
- Sometimes I ask “what else should I know”, or “what am I forgetting to ask about?”
 - Don’t forget to ask the owner about any flooding or other significant issues.



Crane Rd

57

Patterson Rd

Patterson Rd

Pa

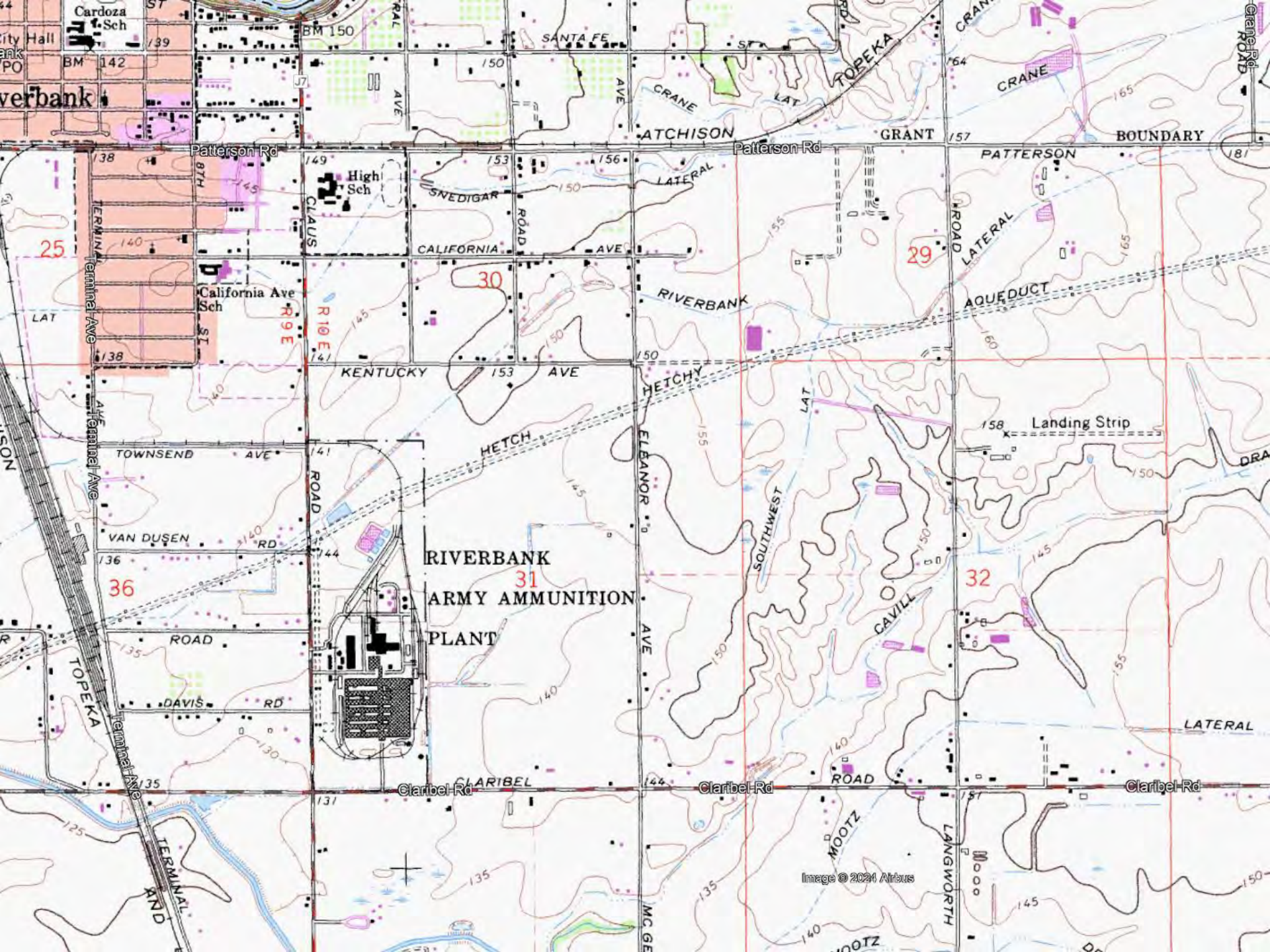
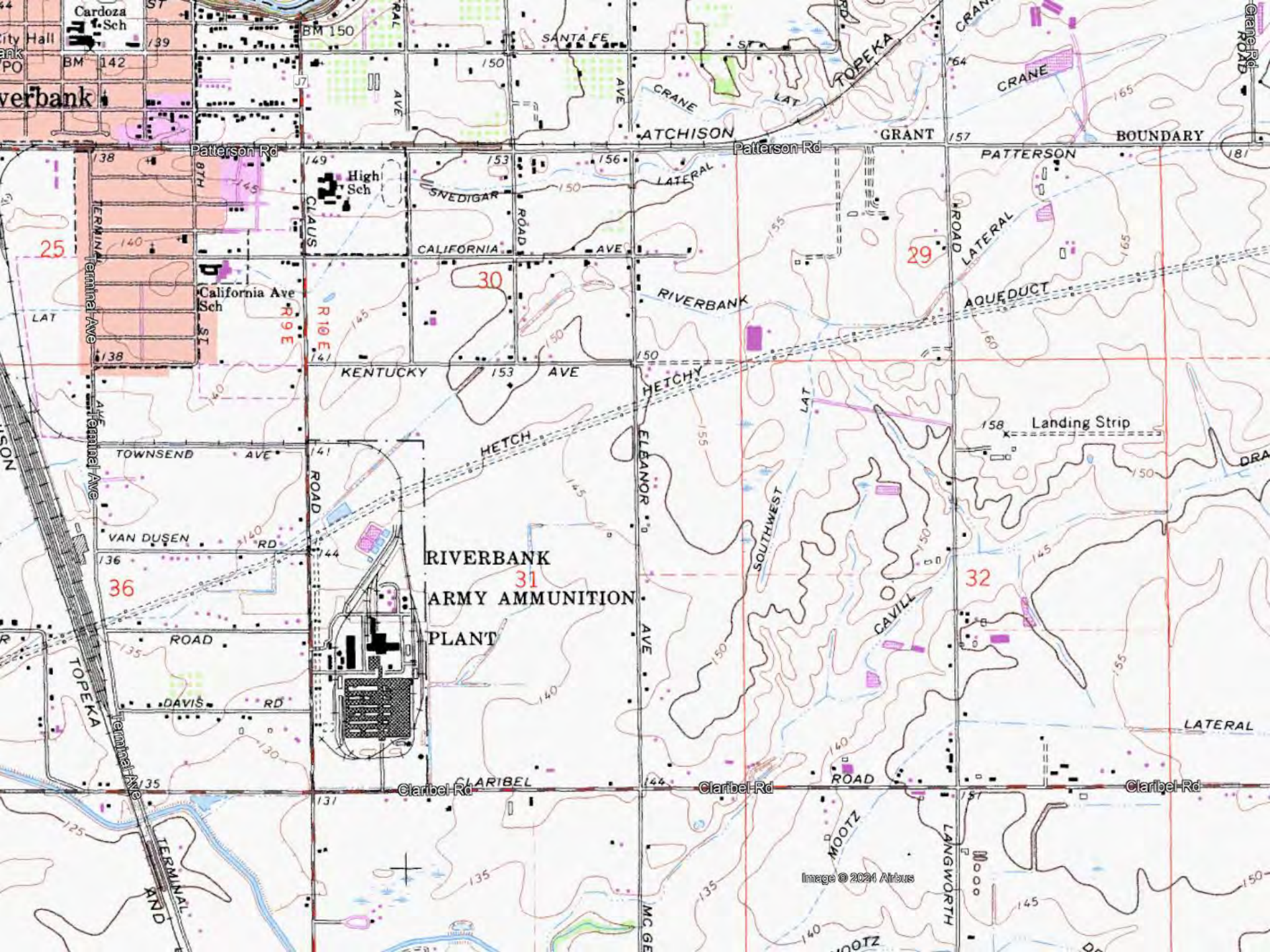
Claribel Rd

Claribel Rd

Claribel Rd

Image © 2024 Airbus

Terminal Ave





Stanislaus River

Henry Rd

Santa Fe Rd

Santa Fe Rd

Santa Fe Rd

Stanislaus River

Achison St

Riverbank

Patterson Rd

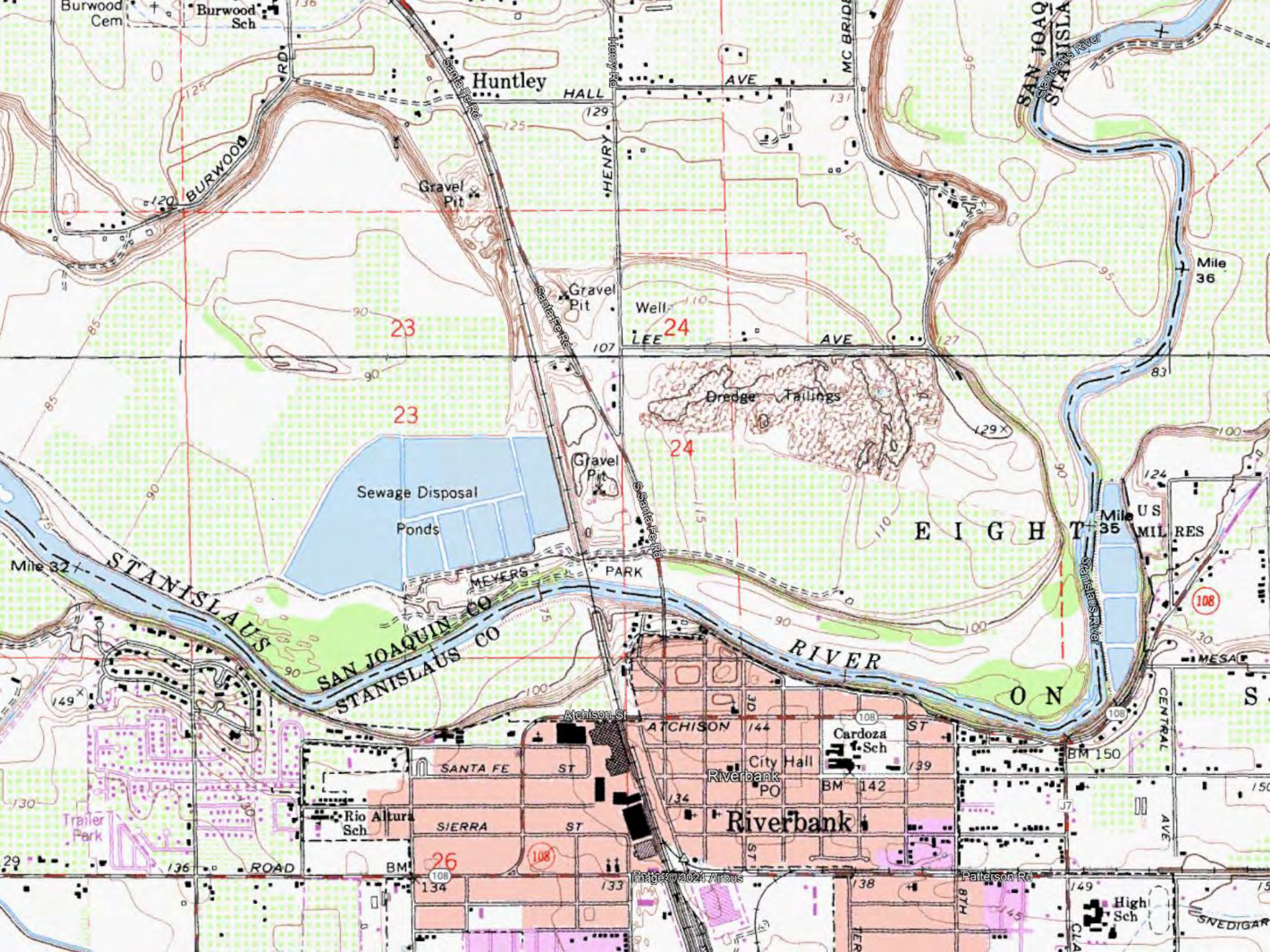
Image © 2024 Airbus

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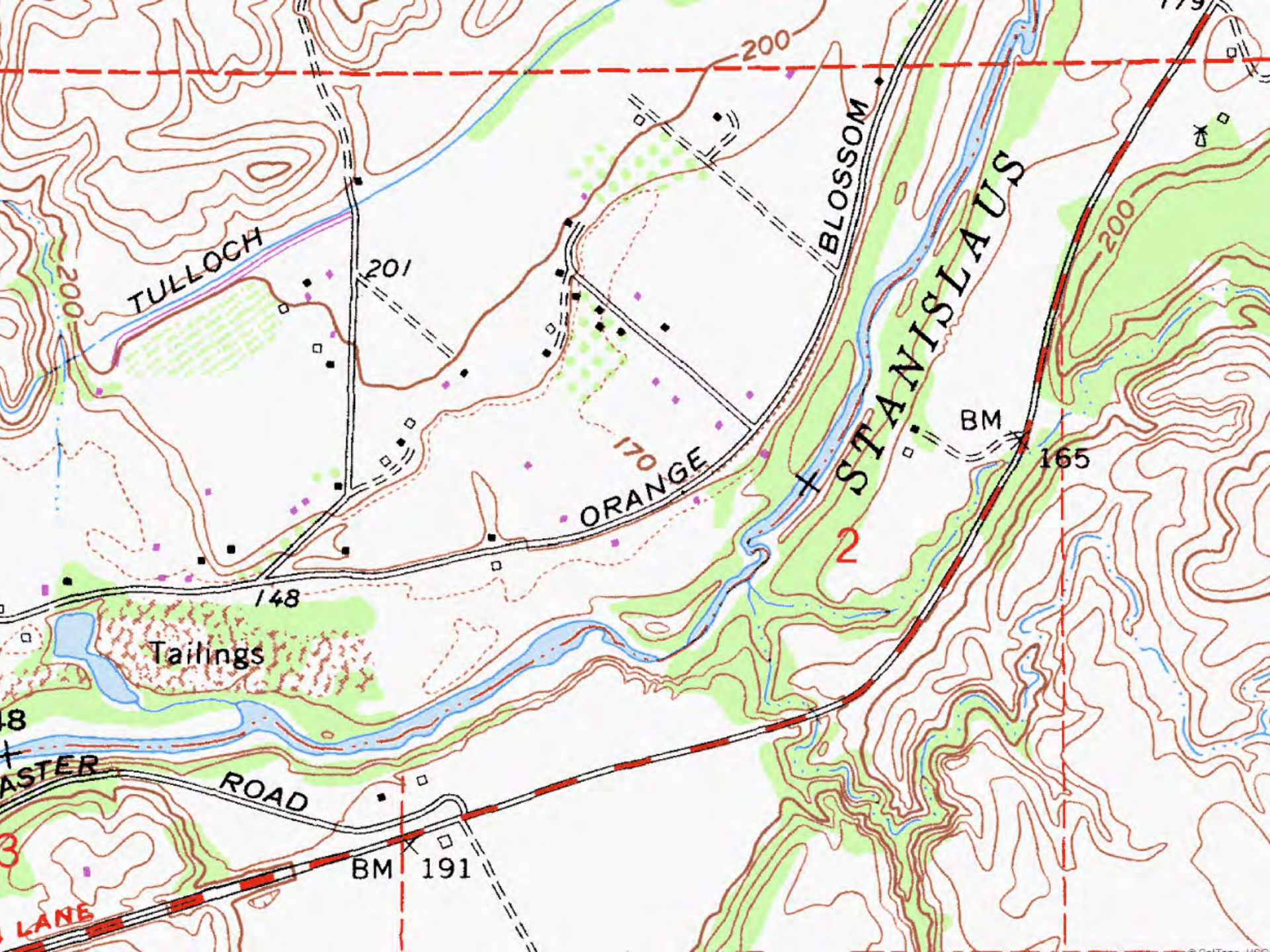
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57



Know the Land

- Topographic Maps!
 - Caltopo.com
 - Topo Maps (*obviously*)
 - Fire history, active fires
 - GAIA
 - Record your route
 - OnX Hunt
 - Shows your exact location plus parcels/ownerships around you
 - Map Plus
 - Download shapes from Google Earth
- ...and More!



Cal Topo Fire Layer

1900-24 1925-49 1950-74 1975-1999 2000-06 07-11 12-16 17-2022

1900-24 1925-49 1950-74 1975-1999 2000-06 07-11 12-16 17-2022

BAKER
ANDREA
MBARELLO



MILLAS
JOHN A

WILKINS
EUGENE

BEESON
JARED D

QU
I

Little John Ln

mapbox
MUNGRIEF
DAVID E

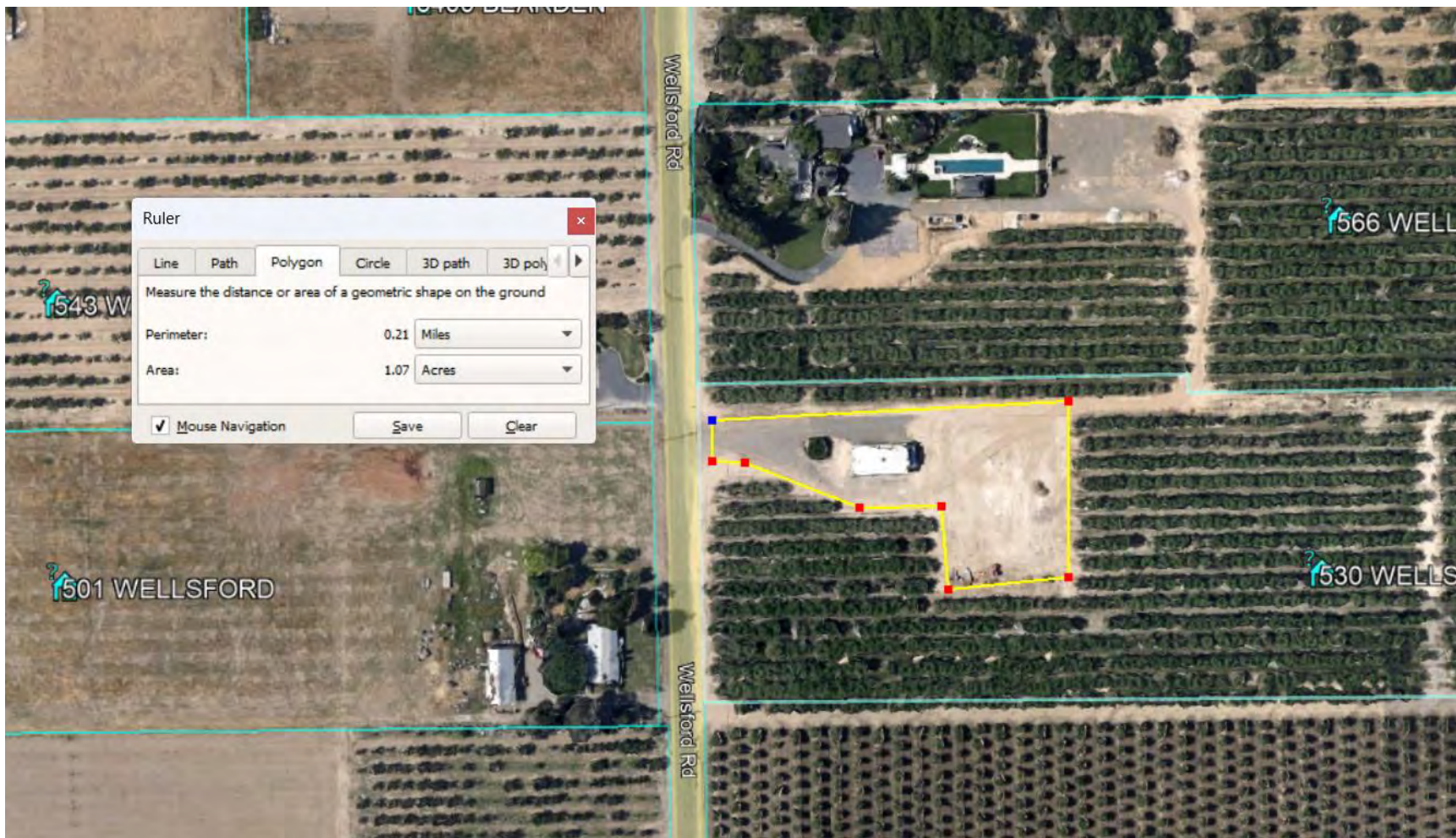
NIEMOND
ROBERT
W

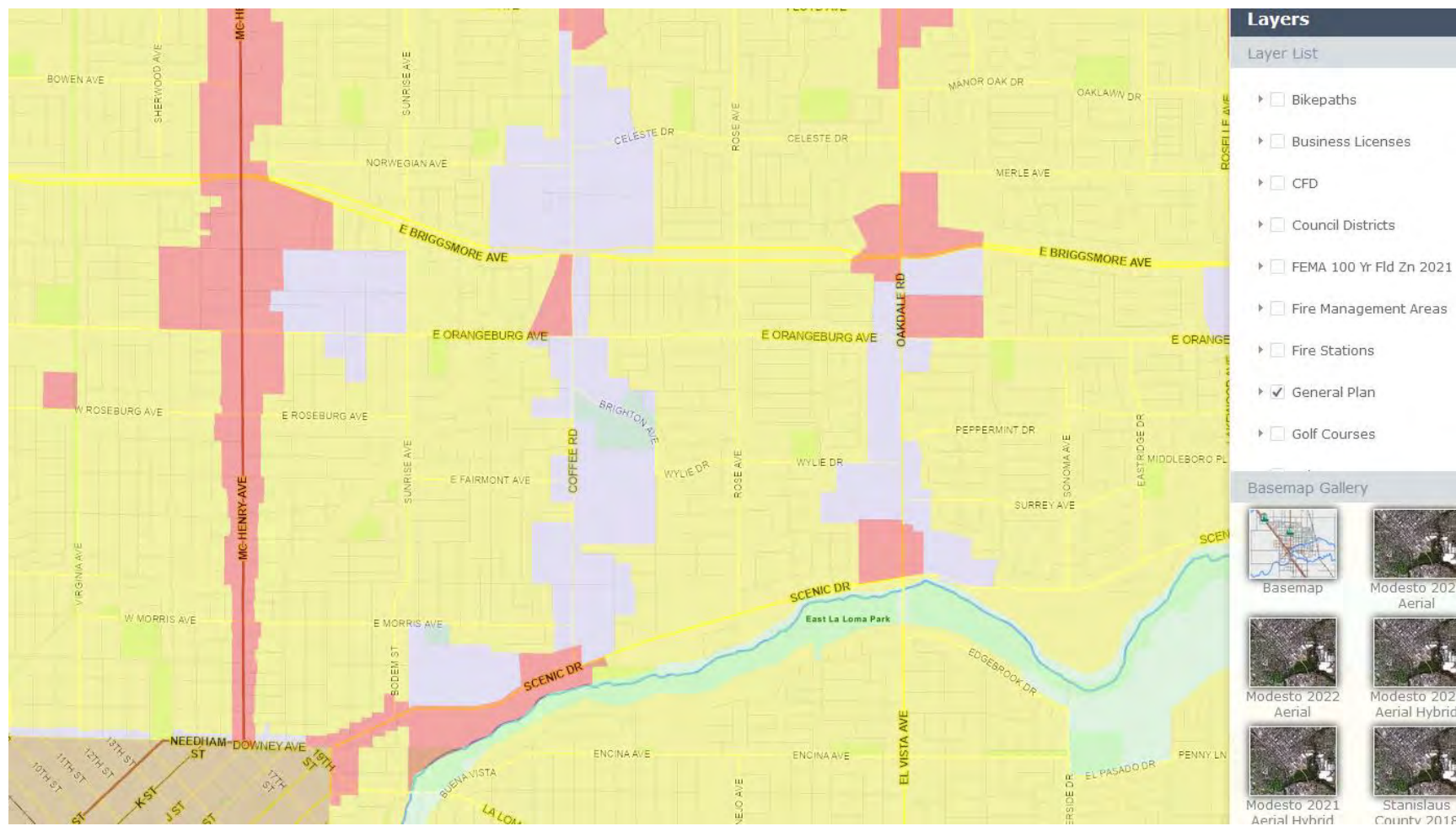
LUND
E

**OnX Hunt Shows Location,
Parcels, and Owners**

Know the Land

- Look Closely at
 - Assessor plats & Recorded Surveys
 - Look for easements
 - Check dimensions
 - Do the math
 - Use Google Earth to measure the farmstead and differing uses.
 - Parlay overlay of parcel maps
 - Explore city/county GIS resources as well.

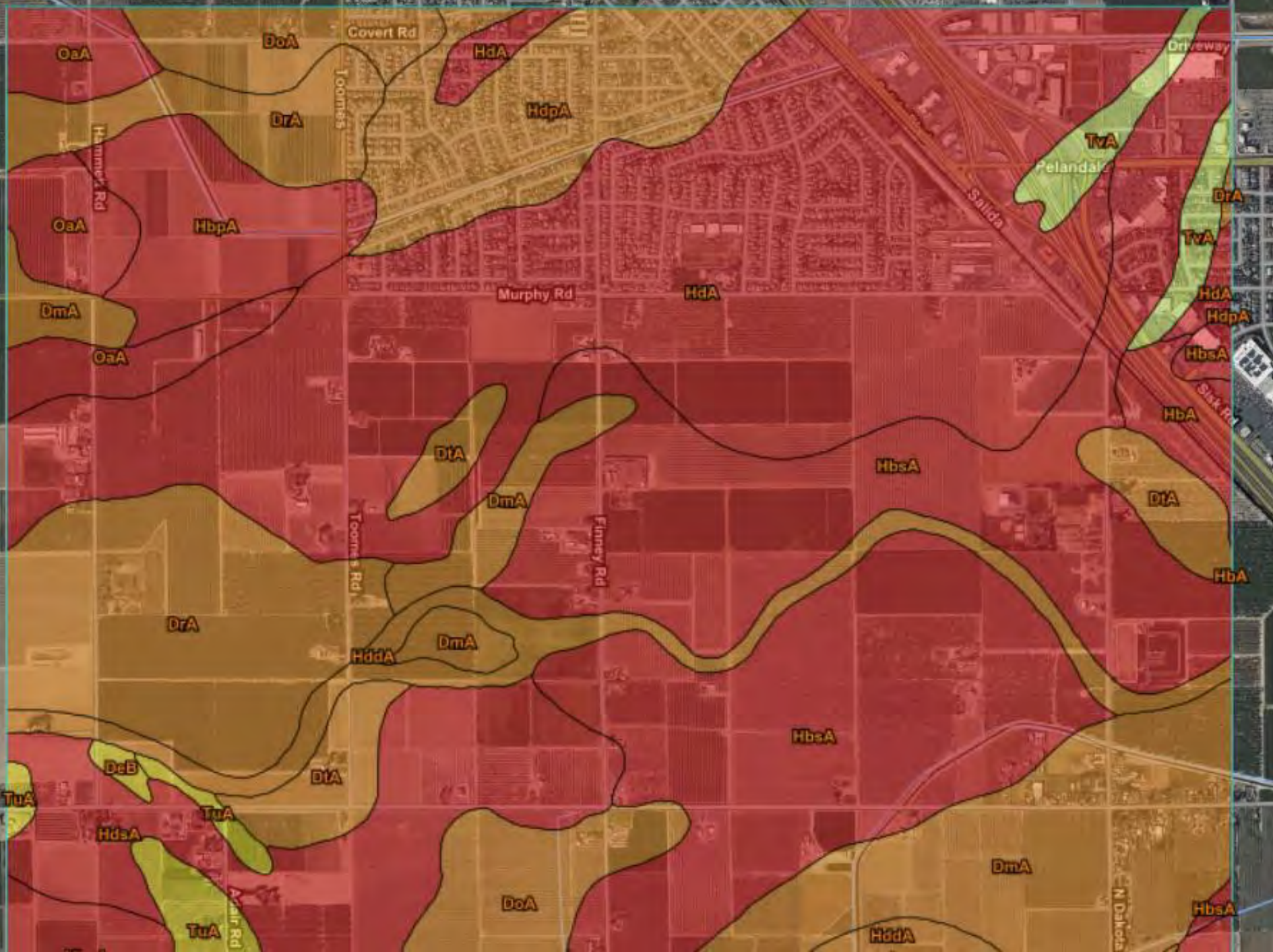




Modesto GIS w General Plan layer showing

Know the Land

- Soils
 - Soil data is readily available online.
 - <https://websoilsurvey.sc.egov.usda.gov/App/WebSoilSurvey.aspx>
 - Parcelquest also has soil data.





Know the Land

- Soils

Soil Rating Polygons

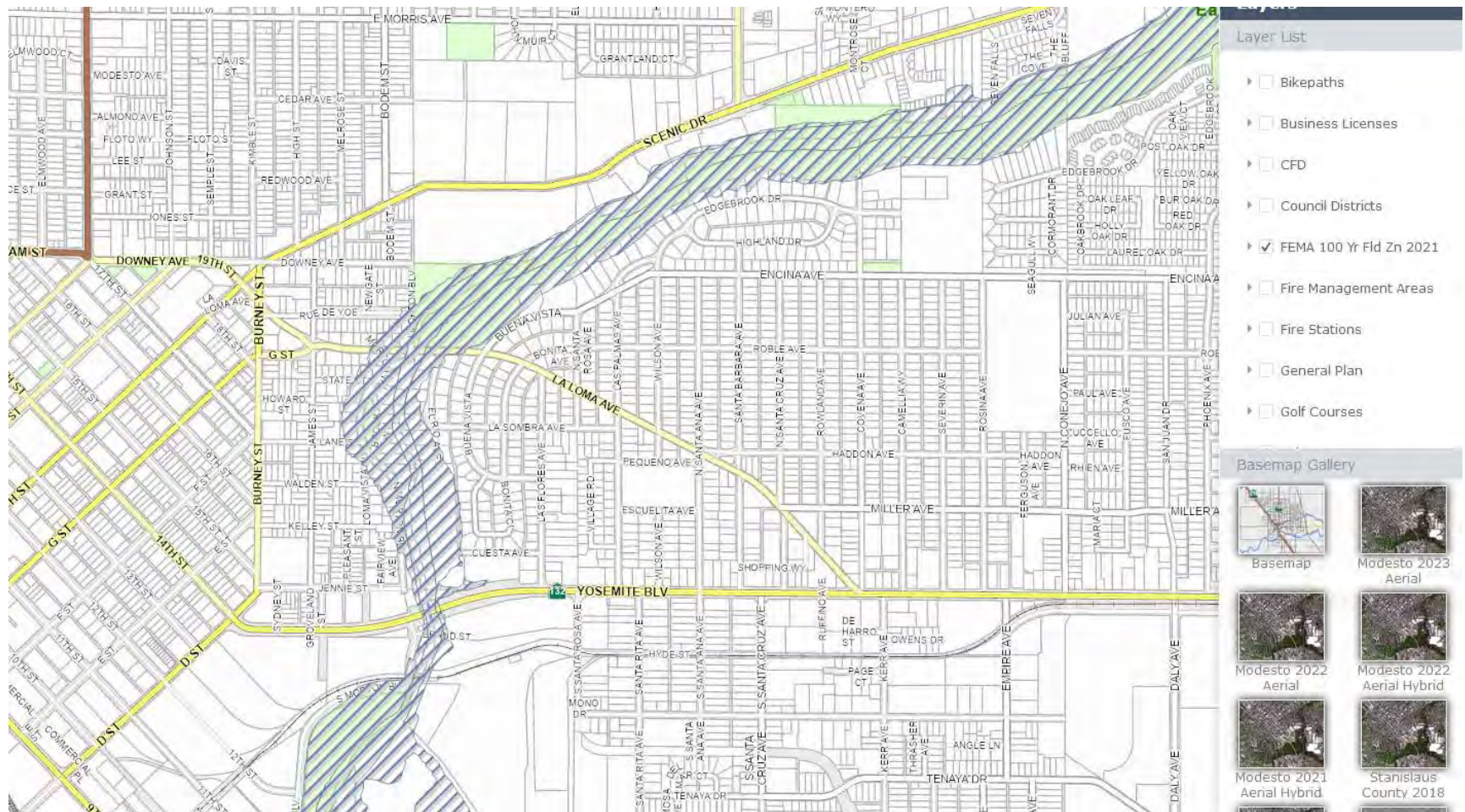
	Capability Class - I
	Capability Class - II
	Capability Class - III
	Capability Class - IV
	Capability Class - V
	Capability Class - VI
	Capability Class - VII
	Capability Class - VIII
	Not rated or not available

- Classes I – IV considered agricultural
- Classes V-VIII generally not agricultural (although fertigation and other modern techniques have allowed planting lower quality ground). Classes VII and VIII are truly limited.
- Soils are less of a factor but still a factor.

Know the Land

- Flood Zones
 - Impacts site utility, whether structures can be built or orchards developed.
 - They say walnuts can better handle inundation than almonds.
 - Data is readily available
<https://msc.fema.gov/portal/home>





Modesto GIS w FEMA layer showing

The Official Map of the IDITAROD

NORTHERN ROUTE (Even Years)



Know the Land

- Irrigation Water



- Having “good” district water (fewer limits on water) AND having a good onsite ag well is ideal.
- Some lenders will not even make a loan on an ag property with single source water.

Know the Land

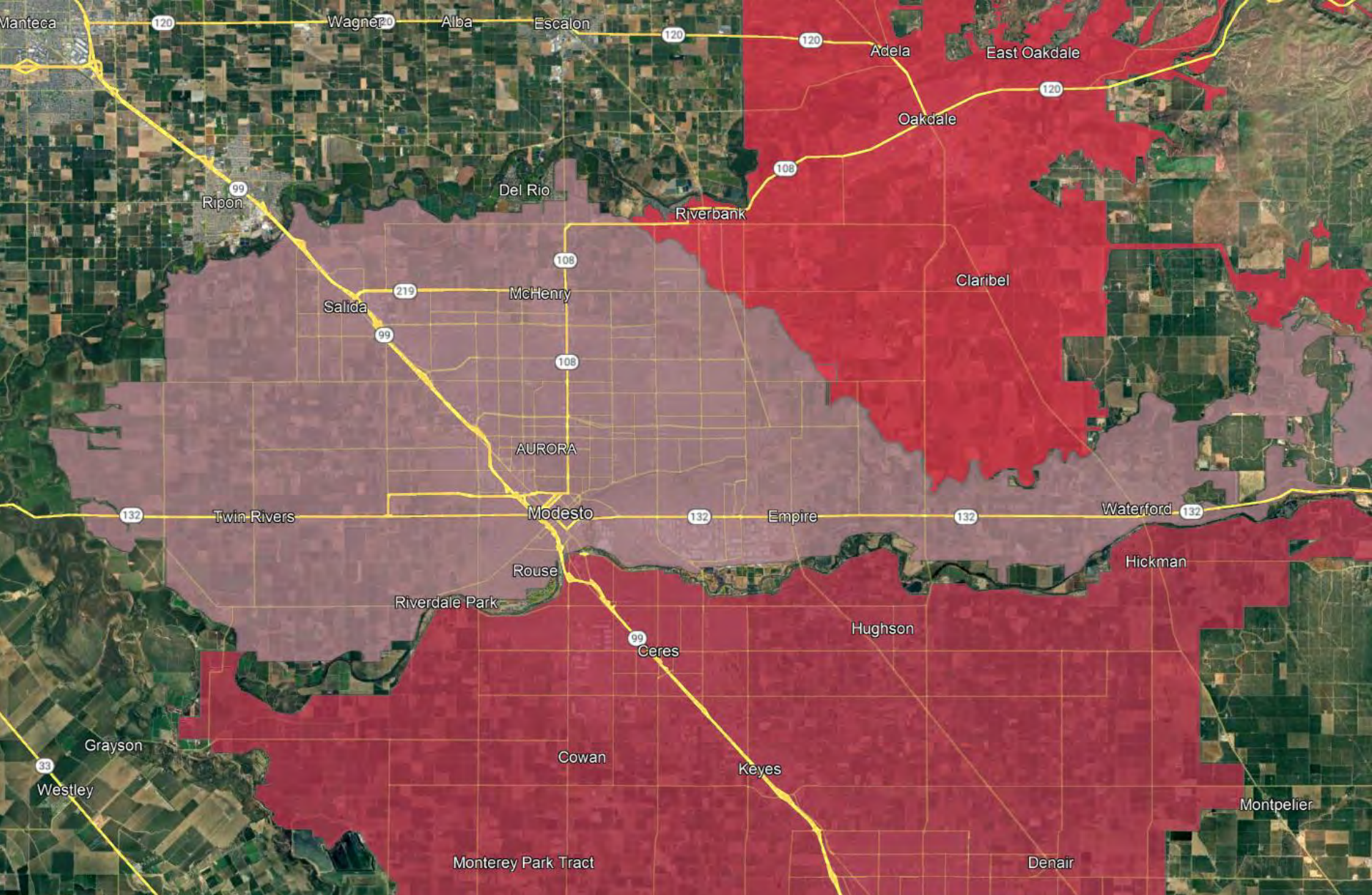
- Irrigation Water
- The district a property is in, or being outside of any district, can have a significant value impact.

Know the Land

- Irrigation Water
 - This is a factor for both ranches/farms as well as some ranchettes.
- The district a property is in, or being outside of any district can have a significant value impact.
 - Know which irrigation district your subject is in and try to use comparables in the same or a similar irrigation district.
 - Can help explain an outlier.

Know the Land

- Irrigation Water
 - Some districts only offer 20-24" per year when it takes double that for an orchard.
 - West Side water (Federal Central Valley Project) is unreliable. Some years zero water. Average is in the 35-40% range *and not enough at 100%*.
 - MID, OID, TID, SSJID, CCID water is good water.
 - Riparian water can also be very good.



Oakdale, Modesto & Turlock Districts (Google Earth)

Know the Land

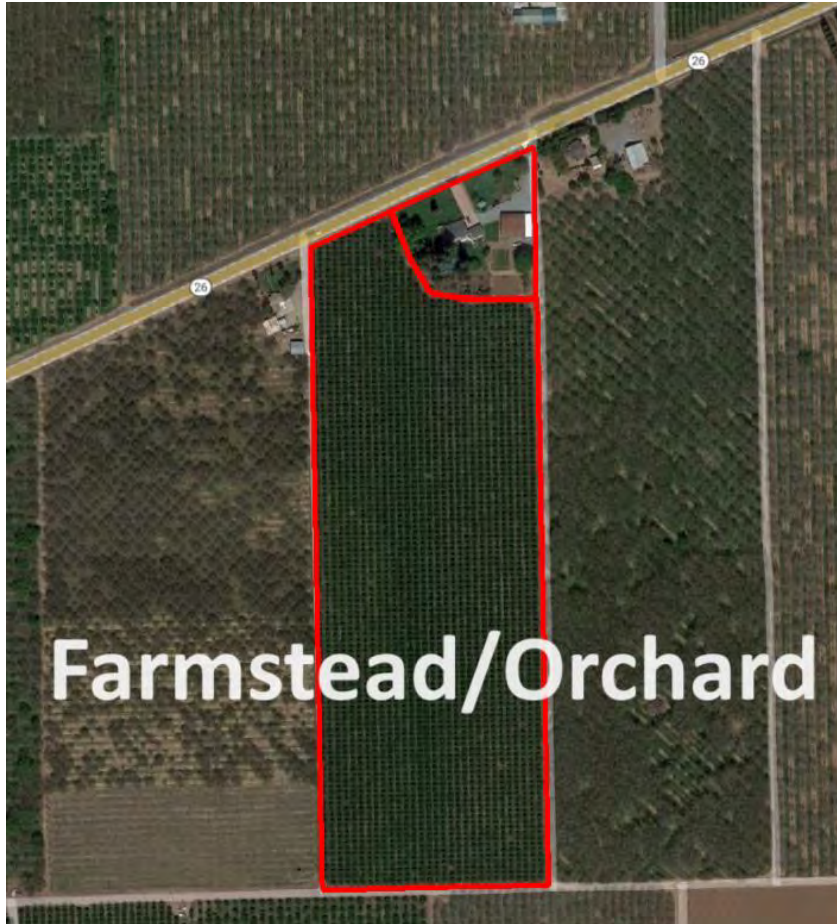
- Irrigation Water
 - **Know what SGMA is**
 - (Sustainable Groundwater Management Act)
- Know that SGMA can result in the State telling a farmer how much water can be drawn from their own well.

Know the Land

- Wells and water infrastructure
 - Ask questions.
 - Photograph and take details on the well (depth, GPM), pumps (HP, power), etc.
 - Ask if the system has been sufficient for irrigation, any recent replacements, etc.

Know the Land

- Consider separation of different land components
 - Planted or Not
 - Productive or Not
 - Flood Zones, Slopes
 - Farmstead vs Farm
 - Orchard vs irrigated land
 - Etc.



Know the Land

- Consider separation of different land components
 - Planted or Not
 - Productive or Not
 - Flood Zones, Slopes
 - Farmstead vs Farm
 - Orchard vs irrigated land
 - Etc.
- Using gross acreage is ok if:
 - Subject & comparables are similar
- If subject or sales have ratios out of the norm, may need to separate.
- Frequently see almonds/walnuts or cropland valued separately then combined for a total without discount.

Highest & Best Use

- Can the property be subdivided?
 - Zoning will specify the minimum parcel size, the number of dwellings that can be built, whether accessory units are allowed, etc.

- Examine the General Plan
 - Kinda like Future Zoning

- Transitional influence?

Highest & Best Use

- If there is a transitional influence, likely timing will indicate how much of a value influence there is.
 - If the higher intensity use is imminent, the impact is significant.
 - If the likely timing of a higher use is distant, the impact may be slight to almost nil, but always something.

Highest & Best Use

- Irrigation Water
 - Irrigation is surely a factor in H&BU.
 - Reliability, limitations, water quality also a consideration
 - Some districts don't offer enough water.
 - Some well water is so bad it has to be mixed with district water.
- Soils are also a factor.
 - Some properties are just best suited for grazeland.

Highest & Best Use

- Topography
 - Slopes, hills, holes, natural vegetation etc., can all impact site utility and thus impact value.
- Flood Zones
 - Risk of inundation is a consideration.
 - Some crops can withstand wet feet better than others.
- Parcel sizes and shapes
 - Size matters. There is no real threshold, but somewhere in the 15-25+ acre range there is usually a split from country homesite to ag acreage.

Property Taxes

- General Taxes
- Direct Assessments
 - Some areas have huge direct assessments.
 - Some ag acreage has significant annual direct levies to pay for future development.

PROPERTY INFORMATION			IMPORTANT MESSAGES
ASMT NUMBER:	247-170-060-000	TAX RATE AREA:	075015
ORIG ASMT:	247-170-060-000	Tax Roll Change Date: 09/14/2023	
FEE NUMBER:	247-170-060-000		
LOCATION:	19736 S ST JOHN AV		

26126 S CURTIS AVE
RIPON CA 95366

2023-2024

COUNTY VALUES, EXEMPTIONS, AND TAXES				
PHONE #	DESCRIPTION	PRIOR	CURRENT	BILLED
PAYMENTS (209) 468-2133	LAND	0	220071	220071
ADDR/OWNER CHGS (209) 468-2631		0	0	0
ASSESSED VALUES (209) 468-2630	GROWING IMPROVEMENTS	0	75547	75547
EXEMPTIONS (209) 468-2630	STRUCTURAL IMPROVEMENTS	0	81919	81919
TAX RATES (209) 468-9525		0	0	0
		0	0	0
ASMT APPEALS (209) 468-2350		0	0	0
		0	0	0
NET TAXABLE VALUE				377537
VALUES X TAX RATE PER \$100 1.000000				\$3,775.36

VOTER APPROVED TAXES / TAXING AGENCY DIRECT CHARGES & SPECIAL ASSESSMENTS / FEES						
PHONE #	CODE	DESCRIPTION	ASSESSED VALUE	X	TAX RATE / 100	TAX AMOUNT
(209) 838-3591	08122	ESCALON USD 2012 MEASURE B BOND	377537		0.026600	\$100.42
(209) 954-5018	08301	SJ DELTA COLL 2004 MEASURE L BOND	377537		0.013500	\$50.96

PHONE #	DESCRIPTION	DIR CHRG	PHONE #	DESCRIPTION	DIR CHRG	PHONE #	DESCRIPTION	DIR CHRG
(209) 838-7500	ESCALON CONS FIRE	\$112.00	(209) 468-3089	WATER ZONE 2	\$24.18	(209) 982-4675	SJC MOSQUITO ABA	\$15.04
(800) 273-5167	SJC MOSQ & VCTR CON	\$11.36	(209) 249-4608	SOUTH SAN JOAQU	\$687.80	(209) 468-3066	CSA NO 53 - HAZ W/	\$4.00

		PENALTY & COST		\$0.00	AGENCY TAXES		\$151.38
					DIRECT CHARGES		\$854.38
					FEES		\$0.00
		AGENCY TAXES + DIRECT CHARGES + FEES + PENALTY + COST + DELINQUENT PENALTIES					\$1,005.76

1st INSTALLMENT \$2,390.56	2nd INSTALLMENT \$2,390.56	TOTAL TAXES
PAID ON 10/25/2023	PAID ON 01/11/2024	\$4,781.12

SAN JOAQUIN COUNTY SECURED PROPERTY TAXES - 2ND INSTALLMENT PAYMENT STUB

ASMT NUMBER:	247-170-060-000	TAX YEAR:	2023	MAKE CHECK PAYABLE TO:
ORIG ASMT:	247-170-060-000			
FEE NUMBER:	247-170-060-000			
LOCATION:	19736 S ST JOHN AV			

San Joaquin County Treasurer-Tax Collector
P.O. Box 2169 Stockton, CA 95201-2169

Property Taxes

- General Taxes
 - Ad valorem
 - (at value)
 - Direct Assessments
 - Regardless of assessed value
- Prop 13 – reassessed only on transfer, 2% max annual increase
 - Prop 8 – (1 year) reduction in assessed value due to market decrease
 - California Land Conservation Act (CLCA aka Williamson)

Property Taxes

- California Land Conservation Act

(CLCA aka Williamson Act)

- Is the subject or are any of the sales under such a contract?
- Know what it is and what it means. Know how to get out.

Property Taxes

- California Land Conservation Act

Some counties do not participate (Merced)

*Penalty: 12.5% of Market Value as determined by Assessor

- 10 years, auto renews unless withdrawn
- 10 year process, or
- Pay *penalty for early exit
- Valued as ag land (low assessed value results in low tax burden) in return for promise to stay ag

Elevation Matters

- In foothill and mountain areas, elevation can be a significant factor.

Elevation Matters

- In foothill and mountain areas, elevation can be a significant factor.
 - Fire insurance
 - Snow Level / Fog Level – Generally 2,000' – 2,500'
 - Bedrock and Septic complications: “perc test”
 - Sometimes that low land sale is low because it will not percolate (no septic).

Elevation Matters

- In foothill and mountain areas, elevation can be a significant factor!
 - Upslope / Downslope
 - Ingress / egress
 - Drainage issues
 - Snow removal/storage, runoff, etc.
 - Site utility
 - Sloped, treed, rocky, parcel size, parcel shape
 - Views (good or bad)

Easements

Any Easements?

Do neighbors have access rights?

Who, how many, why, how often?

Any irrigation infrastructure to know about?

Cannot always see it.

Easements

Property rights:
above, surface, below

- Impact can vary depending on H&BU
- H&BU=Ranchette Example: 60% of site utility is surface (buildings, plantings, roads, landscape, etc), 15% is below ground (foundations, irrigation systems, wells, septics) and 35% is above surface (structures, trees, etc.)
- H&BU=Pasture Example: 90% of site utility is surface, 5% is below while 5% is above.

Easements

- Pipelines, siphons, pumps, powerlines, setbacks, rights of way can all influence value
 - Access
 - Use or development constraints
 - Privacy & Quiet Enjoyment

Missed Pipeline Easement

Not only an Easement that limits use of the site

- But 24/7 access rights for Maintenance
- *Strangers onsite at any time!*

Easements

- Conservation Easements (CEs) Can profoundly impact market value.
 - Have also seen where a CE has almost no impact on value.
- A conservation easement can be put on a property to ensure protection of species or just for continuation of an ag use.
 - San Joaquin Kit Fox
 - Swansons Hawk
 - Tiger salamander
 - Fairy shrimp
 - California Condor

Easements

- Conservation Easements (CEs) Can profoundly impact market value.
 - The key element is what does the CE allow on the property, what does it prohibit?
 - What can an owner NOT do due to the easement? What property rights are being given away?
- Have also seen where a CE has almost no impact on value.

Easements

- Conservation Easements (CEs) Can profoundly impact market value.
 - If the H&BU is remote grazeland, and the CE requires the acreage stay as remote grazeland, what rights are being given away?
- Have also seen where a CE has almost no impact on value.
 - Case was 1k acres of 10k acre ranch. Fences, barns, ranch roads allowed. Normal ag activities allowed. Impact? Minimal.

Easements

- Conservation Easements (CEs) Can profoundly impact market value.
 - Know of a case where a Bay Area water district paid top dollar for a ranch, then paid lawyers to draft and encumber it with a CE....
- In this case, the value of the acreage was absolutely crushed.
 - Paid \$2k/acre for \$1,500 /acre ground, paying \$2k more to encumber it, limiting use to grazeland only. Can never build anything on it. Ever.

Easements

- Do not try and find sales of properties with CEs to try and determine value.
 - I mean, if you have a sale with a CE, use it by all means, but you must understand and compare the limitations and impacts on value with same for the subject.
- All CEs vary. Focus on what impairments there may be to limit, in any way, the use of the property to its H&BU.
- Value as if unimpaired, then quantify the impairment.

Improvements

- Ranchette & Farmstead
may present similar
improvements
 - Ranchette homes often
McMansions
 - Farmsteads may feature
modest older homes
 - Can surely be reversed

Improvements

- Ranchette & Farmstead may present similar improvements
 - Ranchette homes often McMansions
 - Farmsteads may feature modest older homes
 - Can surely be reversed
- Sometimes for a large ranch, the contributory value of the improvements can get lost in the noise of the land value.
- This can be the case even when there are substantial improvements.

Improvements

- Sometimes a ranchette may have a large Agri-commercial building because it is associated with running a much larger operation involving other acreage.
- Such a huge building would be an over-improvement / super adequacy to most buyers of residential ranchette properties.
- It's contributory value would be a lower percentage of cost due to this obsolescence.

Improvements

- Do not be afraid to tell a potential client that the fact that the property has [X-Y-Z] makes it a specialized property and it is not my specialty.
- A large, sophisticated equestrian facility, maybe a large huller/processing facility, or 3 acres of vineyard and a 6,000sf fancy wine tasting facility, for example, come to mind. Pass on assignments like that (unless it is your cup of tea.) **Sometimes the smartest (and most profitable) thing you can do is walk away from an appraisal assignment before you get roped in.** Help find a referral for the client.

Improvements

- Rural properties often include above ground storage tanks (ASTs) or in some cases, older below ground tanks (USTs). Usually with gasoline or diesel fuel, these should be photographed and noted. Newer ones will have containment, older ones will not. Note any discolored ground, unusual weed growth, etc.

Improvements

- Ask about location of well and septic. Note that they should be at least 100 feet apart.
- As with ASTs and USTs, look for distress, dis-coloration, sinking or excessively wet ground, excess vegetation, etc., in vicinity of septic system and leachfield.
- Old septic systems must be disengaged/disposed properly and with permits.
- **Pro Tip:** Get client to sign an authorization to release information so you can go look at the assessor file for physical structural details.

Authorization to Release Data and/or Examine Assessor File

My name is _____

and I am the owner of certain property in Stanislaus County, California.

The property is identified as:

123 Any Street, Modesto, CA

Stanislaus County APN 000-111-222

I hereby authorize the Stanislaus County Assessor to make available all information of record for the above named property to:

John Hillas, MAI, SRA
Hillas Appraisal Company, LLC
2625 F Coffee Road, Suite 117
Modesto, CA 95355

Signed _____

Date_____



Valuation Considerations

- I am going to say it again: subject and comparables must have the same highest and best use, and must appeal to the same most likely buyer, or they are not comparable.

Valuation Considerations

- Comparable Selection
 - With Ranchettes, consider tranches. If it is 3-acre subject, try to avoid a 17 acre comparable. A 2-3 acre buyer is not necessarily the same as a 17 acre buyer.
 - Similarly with structures: a ranchette with a 4,000sf custom home should not be compared to a property with TWO homes that may total 4,000+ square feet. Yes, I have seen that.

Valuation Considerations

- Comparable Selection

For properties with a specific nature, or with special features such as a second dwelling, river/lake front influence, view amenity, custom nature/quality, equestrian facilities, landing strip, etc.

- Bracket to the extent possible. This is a situation where the appraisal report likely needs more descriptive comment. What is the problem? What are you thinking? How did you go about solving the problem? Speak to your reader.

Valuation Considerations

- Comparable Selection
 - If you cannot find a sale with similar features, go back in time, or go further away, or look for sales with other unusual features that may be a supportive comparable.
 - Handle negative factors the same way.
 - High voltage powerline, high traffic street, open canal, freeway, dairy, etc. (*I don't think a dairy smells like "money".*)
 - If unable to find sales with same, find a sale or two with another "negative" type influence. Again, discuss the issue and describe what you are thinking with your reader.

Valuation Considerations

- Contributory value of improvements
 - You might have a ranch (subject or sale) with a farmstead. How much did it add to the overall value?
 - You might have a ranchette (subject property or comparable) with varying accessory buildings. How much did it/they add to the overall value?
 - Valuation for certain IRS purposes, for example, might need to allocate land/Improvements.

Valuation Considerations

- Contributory value of improvements
 - Contributory value of improvements can be extracted from the total sale of a ranch property by valuing the **land**, and then subtracting that from the total price.
 - The left over, or residual, is the contributory value of the improvements.
 - This is likely the cleanest method, if you have good land sales for analysis.

Sale Price	77.5 Acres		\$32,903		\$2,550,000
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More Accurately:

Almonds	75 Acres	at	\$32,000	\$2,400,000	
Open ground	2.5 Acres	at	\$25,000	\$62,500	
	77.5 Acres				\$2,462,500

Improvements	2,250 sf (SFR)	=	\$38.89		\$87,500
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Likely includes garage, small barn, etc, aka Farmstead

Total					\$2,550,000
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Valuation Considerations

- Contributory value of improvements
 - Contributory value of dwellings and/or accessory buildings can also be quantified on a **depreciated cost** basis using the basic age/life model.
 - Effective age / total economic life = percent depreciated. (Note: *ignores all obsolescence!*)

Valuation Considerations

- Contributory value of improvements
 - Effective age: how old does it seem? Think about ongoing maintenance. A “livable” house is usually going to have an effective age not to exceed 15-20 years. (Carpets, water heaters, paint, are all short-lived items. Ongoing upkeep will maintain a lower effective age.)
 - For the house to “feel” like it is 20+ years old, carpets would be shot, wood trim and siding would be worn, a lot of things would not work.

Valuation Considerations

- Contributory value of improvements
 - Total economic life varies by type and quality. Modest home versus high quality custom may range in total life expectancy 55 to 70+ years. Marshall says 55-60 years for Avg-Good.
 - Accessory buildings will likely have a shorter total life expectancy.

Valuation Considerations

- Contributory value of improvements
 - Be mindful of remaining economic life [total life expectancy less effective age equals remaining life.]
Lenders will not want to see a remaining economic life less than their 30 year loan term.

Valuation Considerations

Identification

Size Sq Ft

Marshall Valuation

Cost Data

Base Cost

Current Cost Multiplier

Local Cost Multiplier

Adjusted Cost

Overhead 7.50%

Incentive 10.00%

Total Cost

Effective Age 30

Total Economic Life 45

Depreciation 67%

Contributory Value

Applied

Rounded

Shop

3904

Sec 17, Pg 30

Barn - General Purpose

Class D

Average

\$28.00

1.32

1.18

\$43.61

\$3.27

\$4.36

\$51.25

(\$34.16)

\$17.08

\$66,687

\$65,000

Valuation Considerations

- Contributory value of improvements
 - It can also be estimated via an improvement **residual technique** like what was applied to the ranch sale previously.
 - *Use of these methods employ the assumption that the improvements do not suffer from any obsolescence.*
 - These methods are much more appropriate for use in the appraisal of a suburban home or residential ranchette than a larger agricultural ranch.

Valuation Considerations

- Consider this:
 - The added value of a house on a 5 acre parcel is **not necessarily the same** as the added value of that same house if it were on a 200+ acre agricultural parcel.
 - The contributory value of a home on an in-town lot is likely to constitute the majority of the total property value.
 - The buyer thinks: Oohh, look at that house, I want that house.

Valuation Considerations

- Consider this
- The contributory value of a home on an agricultural acreage parcel is likely to constitute a minority of the total property value, sometimes amounting to very little.
- The buyer of several hundred acres of agricultural land buys the property based on the land value. **That buyer NEVER thinks:** “Oohh, look at that 1940s constructed modest farmhouse and old barns, I *want* that house.”

Valuation Considerations

- Contributory value of improvements – ***It Depends***
 - An exception: valuation of a 2,000 acre recreational ranch in the mountains. The buyer may not want to LIVE in that old house, but they may enjoy the heck out of it on weekends.
- Ranchette → improvements add the most value
- Recreational acreage → improvements add somewhat less than they do for a ranchette
- Agricultural Ranch → the structural improvements add significantly less value than a ranchette, sometimes almost nothing

Valuation Considerations

- Consider this:
 - *In the preceding example, a cost analysis will put the improvement value around \$180,000 vs \$87,500. This the same issue with the residual analysis that follows:*

Valuation Considerations

Median Sale Price	11/1/23 -> 01/31/24	\$450,000
<i>1,600sf Detached SFR on 6,000sf lot</i>		
Retail Homesite		(\$200,000)
Building Permit (various components)		(\$60,000)
Site Improvements (present value, not cost)		(\$5,000)
Residual Value is structural improvements		\$185,000
<i>includes garage, porches, patios, etc</i>		

Valuation Considerations

- Reviewing Contributory value of improvements
 - The cost approach exercise modeling a home, is most likely a suburban setting.
 - A residual technique working from suburban home sales, less land value, etc., is absolutely a suburban setting.
 - A suburban homebuyer has different motivations than the buyer of a 300 acre ranch that may also have some buildings. Different most likely buyer, different most likely user, different most likely use.

Valuation Considerations

- Contributory value of improvements
 - What am I saying?
 - Be cautious. A perfectly good cost approach or residual analysis can be very useful in the right scenario. It can overstate the contributory value in a different scenario.
 - Repeat after me: most likely buyer, most likely user, most likely use.

Valuation Considerations

- Back to the Cost Analyses
 - It is imperative that costs are reasonably quantified. The owner can be a good source of information on cost and also on added value for some things.
 - Must also consider the law of diminishing returns, both super adequacy/inadequacy (obsolescence). One can have too many or too much of an otherwise good thing.

Valuation Considerations

- Contributory value of improvements
 - Marshall Valuation has data on structural costs as well as yard improvements (fences, sheds, etc), it also has some useful information on economic life. Marshall costs do NOT include city/county/school fees nor do they include incentive.
 - UC Davis Cost Studies can give an idea of the cost of developing an orchard or vineyard on cropland. Knowing this information can be helpful in a variety of ways. Feasibility? H&BU?

Valuation Considerations

- Always read what is included in the costs. OK to use the number provided, or even a blend of two indicators, just always try to fully understand what is included and conclude what is appropriate for your subject.
- Don't forget the multipliers!
- Don't forget incentive!
- Marshall says 55-60 years total life for avg-good quality wood frame homes. Seems about right.
- Building permits (all in) can total as little as \$30,000 in county areas, \$50,000 to \$65,000 in cities, including city fees, county fees, school fees, etc.
 - Ripon \$70k!! Tracy \$80k!!
- Permits can have value...

Valuation Considerations

- Contributory value of improvements
 - New-Home residential developments can provide market evidence of adjustments for differences in living area, car storage and other features.
 - Graph anything that will stick on the wall. Sometimes it will tell you nothing, sometimes relationships are very evident (like price per acre graphed by size in acres.)

Valuation Considerations

- Contributory value of improvements
 - Look at the listing on the MLS. What the broker says in the comments may tell you how much (or how little) value is attributable to the improvements.
 - Was the property listed as a residential property, and also as a land property? That is a hint.
 - ASK!! Don't be afraid to ask broker-seller-buyer! Do you think it would have sold for a different price without the improvements?

Closing / Other Considerations

- Get Google Earth!
- If you are not using it, you are missing out.
- Parlay – GE add on with parcel lines and data costs a bit but worth it.
- Outline your subject, comparables, components of properties...
- You can easily measure:
 - Distances
 - Buildings
 - Tree spacing
 - Land areas

Closing / Other Considerations

- Google Earth
 - Tilt, shade, go back in time with historical imagery
 - When was the orchard developed?
 - When was that building constructed?
 - Many overlays available
 - Send shapes to your phone for use in the field



Image © 2024 Airbus

Google Earth



Image © 2024 Airbus

Google Earth

Closing / Other Considerations

- Knowing the most likely buyer and most likely use can really help a lot with comparable selection.
- Who owns the neighboring property? Did a neighbor buy it? Did that impact value?
- Look at grantor & grantee names. Are they related? Did a relative buy it? Did that impact the price?
- Depending on the nature of the property, a licensed or certified residential appraiser may not be allowed to appraise certain properties (for lending) due to magnitude. *Licensing “doesn’t matter” for non-lending.*

Closing / Other Considerations

- This type of property is unique by nature. Each one is a bit different. You will not be able to isolate adjustments for every difference. In some cases, “some outbuildings” might be similar to “some outbuildings” as long as the differences are not profound. Do the outbuildings have plumbing? Is there a guest unit?
- Be prepared to do more writing. Describe your subject property, describe your comparables, but mostly, describe your thinking about adjustments and analyses. Write it all out, all of your thoughts, (gush style writing) then pare it down by summarizing.

