Reappraisal Introduction and Guidelines

I. General Overview

A. Reason for a Reappraisal

There are two primary reasons to complete a Town-wide reappraisal. The most typical cause for a revaluation is due to the common level of appraisal dropping below an acceptable level. The statutory threshold is for property to be assessed at or above eighty percent (80%) of current market value. Annually a District Advisor from The State of Vermont Tax Department, Division of Property Valuation and Review ("PVR") will conduct a three-year average sales ratio study. This study will result in a gross average, percent of market value for all properties in the community. The Common Level of Assessment ratio will be used to determine several items under current school funding law and, for the purposes of this introduction, how far, on average all assessments are from market value.

The coefficient of dispersion is the other statistical index relied on to determine whether or not the properties are valued equitably for tax purposes. The same annual PVR study includes a test of how closely groups of property assessments fall in relationship to the sale prices. When the coefficient of dispersion (or deviation) is large, then there is a large variation in the assessment of similar types of properties. Current state law requires the Town coefficient of dispersion to be at or smaller than 20.

B. Four main elements of Real Estate Value

The four main elements of property value are land, labor, capital and management. Some include production in addition to, or combination with these four basic property value elements. These four (or five) items are the economic underpinnings of placing a financial indicator, or value on real estate. Land is generally considered a finite resource, with few exceptions. Land is also unique in that each parcel generally differs in location and characteristics (legal/governmental restrictions, neighborhood, utilities, access, topography, view, drainage, shape, water frontage and other man-made or natural features). The contributory value of land, as it exists on the date of appraisal, should always be identified and supported through sales of land in a reasonable and appropriate manner as an important foundation for the overall property value.

Labor, capital and management are the other three elements of real estate value. These three apply to care for the land in an agrarian, land intensive, resort and/or seasonal market. These three items also apply to improvements in virtually all markets. Labor and capital in the improvements are the economic basis for construction and maintenance of buildings. Lack of the labor, capital and/or management causes an overall loss in value and decline in market share generated by the property. This occurs through wear and tear, neglect or depreciation in the cost approach, sub-market revenue in the income approach or larger adjustments to comparables in the sales comparison approach.

Reappraisal Introduction and Guidelines

C. Economic Principles of Property Valuation

The study of a property for valuation purposes is based on sound micro-economic principles. There are several predominant economic themes that go into valuing property. A partial list is outlined below in alphabetical order. An excellent overview is provided in "The Appraisal of Real Estate" published by the Appraisal Institute (11th edition) 875 North Michigan Avenue, Chicago, Il 60611 (Foundations of Appraisal Chapter), and "Property Assessment Valuation" published by the International Association of Assessing Officers, 1313 East Sixtieth Street, Chicago, Il, 60637 (Property and Value Chapter – especially Basic Principles of Value).

The following principles appear in at least one of the above sources and should be considered in the valuation process. The principles are:

- Anticipation
- Balance
- Change
- Competition
- Conformity
- Consistent use
- Contribution
- Externalities
- Increasing Returns
- Decreasing (or diminishing) Returns
- Opportunity cost
- Progression
- Regression (economic, not statistical principle)
- Substitution
- Supply and Demand
- Surplus Productivity

D. Three approaches to Value Real Estate

There are three ways to value real estate. All three should be tied directly to the area real estate market. A brief description of each is outlined below:

1. Sales Comparison ("Market") Approach

General Concept – More reliable on a subject when several like, or similar properties located in a common market area sold within the same time period or on properties with partial or limited land interests (ie condominiums or coops).

Steps – Identify interests and conditions of sold properties and adjust the units of value in each sale to the subject property. Find as many similar sales as possible and adjust the sale prices of each most comparable property for any differences that exist in comparison to the subject. This is usually done in a sales comparison grid with each element of value identified separately.

Example – A simplified adjustment would be if two comparable properties just sold with the only difference being that one had a two-car garage and the other had a one-car garage. As all other things were equal, the difference in the two sale prices is attributed to the second car space. This analysis is then used to adjust the difference of a comparable sale price to the subject.

2. Income (Direct Capitalization) Approach

General Concept – This valuation method is used to determine the present value of future benefits and is most appropriate when the highest and best use of the property supports a reliable and measurable income stream. The goal in direct capitalization is to convert the net (market) operating income stream into a present, lump-sum value.

Reappraisal Introduction and Guidelines

Steps – Review the subject property income and adjust it up or down to the market income level to establish gross annual (market) income. Reduce this by the vacancy and collection loss to derive the effective gross income then deduct the operating expenses to establish the net operating income. Divide this by the market derived capitalization rate to arrive at an indicated property value.

Example – An apartment building with fifteen (15) efficiency units with tenant paid utilities has a market-based value of $ 720,000 based on the following hypothetical elements, all that should be derived from the market:

Rent $ 450.00 ea. Times 15 units Times .80 (market and actual vacancy – collection - owner expenses of 20% total) Times 12 (annualize for Net Operating Income-NOI) Divided By 9% (market derived capitalization rate).

3. Cost Approach

General Concept – The Cost approach reflects the contributory value of different market elements (Land and Improvements) to the overall property value. This method is most applicable in any of three circumstances. The cost approach works well when the improvements are new. It also works well appraising unique properties that are not frequently rented or sold. The cost approach is also reliable for application in mass appraisal. This approach, as with the other two, should be tied to the immediate real estate market.

Steps – Analyze the market for land sales then the sale of land with improvements. Build land, cost and depreciation schedules from sales. Apply these to the subject(s).

Example – Building lots in an average location in the subject Town sell for $ 50,000, depending on characteristics. Average quality residential construction is running $ 75.00 +/- per square foot without land or site improvements. The subject is a newer (no functional problems and limited physical depreciation) 1,800 square foot cape on a typical lot in an average location (no external/economic depreciation). The total property value may be roughly $ 185,000 based on the above assumptions and no additional building (ie: garage, decks, etc.) or site (ie: pond, landscaping) amenities.

NOTE: All three approaches are based on the common assumption that the market has been analyzed and the subject property has been reviewed through each step of the valuation process including a thorough understanding of all possible elements that could contribute to, or deduct from the subject property value. Completing the appraisal or reappraisal assignment includes development of accurate physical, legal and economic measurements, highest and best use analysis, knowledge of the market and reconciliation before setting final value(s).

II. Reappraisal process; Market, Land and Buildings

The reappraisal process begins with a careful analysis of the local real estate market. To start off, all possible recent sales of various type properties are evaluated by the appraiser. Each is reviewed within the context of the economic principles and land elements mentioned above. The first step is to analyze raw land sales and then other sales of all types, sizes and locations within, and as necessary around the community. The appraiser should focus on each bona-fide representation of market value, as defined by state and case law. Each of these sales should be carefully reviewed for location and characteristics. Once concluded, this analysis will be the base for an updated land schedule, cost tables and neighborhood code grading.

Evaluating the sales of newer homes is important. In appraisal theory, a new structure should have little depreciation, as it is in excellent condition, has no functional problems and is not negatively impacted by external factors. This is particularly true with a dwelling constructed by a professional contractor/builder who understands consumer demand in the local housing market.

Reappraisal Introduction and Guidelines

The reappraisal process should next focus on all other recent sales, immediately after newer structures are appraised. It is beneficial to initially establish the sales book and grading standards for quality and condition. The early review of sales will provide a base for the reappraisal and greater confidence that all new values are tied to the local real estate market. The appraiser will inspect the remaining sales with properties in the immediate neighborhood.

The appraisal of land is a critical element of the reappraisal. All taxable land owned in fee has been evaluated and assigned the most reasonable estimate of market value given available information. Every parcel of land is influenced by location and this is reflected in the neighborhood code. The average Thetford location is a "5", with a 4 neighborhood being ten percent above average, and so forth. The neighborhood codes range from a one (1) to a nine (9). The neighborhood grading should flow with the improvements and value of the surrounding properties.

Overall location (neighborhood code) of the land is then influenced by the specific characteristics. The land grading includes items such as land use mix, soils, topography, shape, drainage and views. Non-building site improvements are generally covered under the landscaping adjustment and "average/typical" consideration includes clearing for a building, excavation for the foundation, a driveway and lawn area.

All land will receive a site value unless the building site is in a neighboring community or the land is either physically or legally landlocked. The base site value for a two-acre (2.00) lot has been set at $ 55,000 in Thetford as of April 1, 2012. The site may include land up to a total of two acres. Residential site grades generally range from .5 to 1.2 with .8 being average. Deferred or questionably developable lots received a site grade of 0.20, or twenty percent (20%) of average. Conserved land is graded one point below what it otherwise would have been graded.

The updating of photographs and all possible field information is the next step. An appraisal of property is based upon accurate descriptions of land and improvement sizes and characteristics. All land valuation should be based on the most accurate information available such as a survey plats, metes and bounds descriptions, property maps or old assessment records.

Every effort has been made to inspect and consistently grade the exterior and interior of every structure for utility, quality and condition. Main structures and outbuildings were graded for quality within a range starting at low cost up to excellent or custom. Quality is a combination of materials and workmanship. The main residential structures are evaluated by components including the design, foundation, floor structure, floor cover, exterior walls, roof system, interior finish, heating/cooling, energy package, electrical, plumbing, fireplaces, basements (finished or unfinished), porches, attached garages (and sheds), areas over garages and carports. A quality grade has been assigned to each dwelling in the appraisal system. A description of each quality grade is available at the Assessor's office in the "Residential Cost Handbook" prepared by Marshall & Swift, 1617 Beverly Blvd, Los Angeles, CA 90026. Once the field inspection is complete, the appraiser describes the structures and assigns the appropriate quality grade to each structure. Listed below is an outline of some of the most significant features in each quality grade.

Reappraisal Introduction and Guidelines

1. **Excellent Quality or above**: Components of the structure are prepared from the best possible materials installed to the highest standard of labor intensive craftsmanship. There is extensive architectural detail in the design, foundation, frame and all finished surfaces are conceived and assembled to be exceptional on a long-term basis. The foundation and frame have characteristics including multiple angles, super-adequate structural integrity, high ceilings with long-clear spans and significant trim detail. The mechanical systems are a combination of the latest technology with proven reliability, all of excellent quality and extensive quantity. Standards of highest quality in all interior and exterior finished surfaces including multiple built-ins and the best features.

2. **Very Good Quality:** Th is quality level is slightly lower than excellent in standards of design, materials and workmanship. There is typically less emphasis on design with less attention to architectural detail and structural components. Construction standards (workmanship and materials) are also slightly below the level of excellent. Examples of the differences include fewer foundation angles (8-12), more conventional frame, slightly less angles and/or pitch on the roof with lower grade roofing material. Ceiling height may be lower or split between levels (ie 9' on first floor and 8'). Use areas are not segregated as distinctively as in the higher quality grades. Kitchen and baths designed and constructed in a manner complimentary to this quality level. Less extensive features than those found within an excellent or better quality structure.

3. **Good Quality:** This quality level is slightly superior to average quality in standards of design, materials and workmanship. Typically than average emphasis on design, architectural detail and structural components. Construction standards are also above the level of average. Examples of the differences include more foundation angles (6-8), slightly better-than-average frame with more angles and/or steeper pitch on the roof and better grade roofing material. Ceiling height may be higher with slightly better exterior and/or interior trim around all openings, ceilings and corners. May have more woodwork such as wainscoting, built-ins, features and mechanical systems not typically found in an average dwelling. Kitchen and baths designed and constructed in quality and quantity complimentary to this quality level.

4. **Average Quality**: This is the base quality standard to compare all other quality levels against. A NEWLY CONSTRUCTED, average quality dwelling typically has standard design and construction for the market including;
    a. Foundation (block or poured concrete on frost wall with 4 to 6 angles);
    b. Frame (2" X 4" with strapping or 2" X 6"-16" O.C. walls, either truss or rafters, 2" X 10" floor joists – 16" O.C.);
    c. Exterior finish (vinyl / vertical boards / lower cost log) and asphalt roof;
    d. Fenestration – typically one insulated window per room.
    e. Standard (Good) energy with R-19 walls, R-38 ceilings and Act 20 Bsmt.
    f. Interior finish – gypsum board walls w/ paint - paper / wood trim / stock hardwood or laminate cabinets in kitchen and baths with 10' to 14' of kitchen counter space; and
    g. Mechanical – complies with current plumbing, electrical and life-safety code requirements.

5. **Fair Quality:** This quality level is slightly lower than excellent in standards of design, materials and workmanship. There is typically less emphasis on design with less attention to architectural detail and structural components. Construction standards (workmanship and materials) are also slightly below the level of excellent. Examples of the differences include fewer foundation angles (8-12), more conventional frame, slightly less angles and/or pitch on the roof with lower grade roofing material. Ceiling height may be lower or split between levels (ie 9' on first floor and 8'). Use areas are not segregated as distinctively as the higher quality grades. Kitchen and baths designed and constructed in a manner complimentary to this quality level. Less extensive features than those found within an excellent or better quality structure.

6. **Low Cost quality**: Components of the structure are prepared from the least expensive possible materials installed to the minimal standard of craftsmanship. Very little design work on the foundation, frame or finished surfaces. The foundation and frame have very simple characteristics including few angles, below average structural integrity, low ceilings with little trim detail and short spans / small rooms in the living areas, The mechanical systems are substandard and of below average quality and less than typical quantity. .

III. Physical, Functional and Economic Depreciation

A. Main Building – Condition Description Definitions and Indicators of Effective Age

It is very important to evaluate and grade all structures in a community with the same depreciation standard. This section deals with physical depreciation of the main building(s). Every Building in Thetford will be assigned some amount of physical depreciation, even if it is brand new as of April 1, 2012. A conscientious and deliberate effort will be made to grade the condition of each structure in a uniform manner in a composite sense. If, for example the interior is superior in condition to the exterior then an overall condition grade and respective amount of physical depreciation have been applied. The same is true if there are different levels of condition within the structure (ie 3 apartments with two in good condition and one in fair condition). Great effort has also been made to consistently grade for condition between like properties. The guidelines in this section review items such as the terms used for grading, the economic or effective age of the structures and standards for applying physical depreciation. The different levels of condition are defined as follows:

1. **Excellent** (EX): Components in perfect condition. The building is new or in perfect condition. All components that can normally be repaired or refinished have recently been fixed. All interior and exterior surfaces look fresh and new. This is a condition grade in the appraisal system and the depreciation range is from 1-5%.

Reappraisal Introduction and Guidelines

2. **Very Good** (VG): Slight evidence of deterioration of components. All components are well maintained – many having been overhauled and repaired as soon as they showed signs of wear. Flooring will show slight wear. Sheetrock corners may show some nicks and window sills will show less luster than other non-exposed surfaces. This is a condition in the appraisal system and the depreciation range is from 6-11%.

3. **Good** (GD): Minor deterioration of components is visible. Minor deterioration may be visible. No obvious maintenance required but not everything is new. Such observations indicate an effective age of eleven (11) to thirty (30) years. Flooring will require replacement (carpet/vinyl) or refinishing (hardwood) if the effective age is twenty (20) years. An effective age of twenty (20) years or greater for most asphalt roofs will require replacement in the short term. This is a condition in the appraisal system and the depreciation range is from 12-18%. .

4. **Good/Average** (GA): Not as good as above, however better than average. Not as good as any category above, however showing less than average wear and tear. Some components need replacing but the structure is true and sound. An effective age of thirty one (31) to fifty (50) years is a transitional period. The building can be improved to nearly new condition or the building is so old that it will never have a newer effective age, regardless of the restoration efforts. This is a condition in the appraisal system and the depreciation range is from 19-23%.

5. **Average** (AV): Normal wear and tear of the components is apparent. Some minor repair or refining needed. The building is structurally sound but repairs are apparent as well as the replacement of some components. The effective age may be from fifty one (51) to eighty (80) years and is not new. The building may have received proper maintenance but surface treatments do not cover irregularities in the sub-floor, walls or ceilings. Refinishing the surfaces improves the appearance but does not make the component look new. The same is true with the foundation, exterior siding, windows, sofit and facia and roof lines. This is a condition in the appraisal system and the depreciation range is from 24-30%.

6. **Average/Fair** (AF): More than normal wear and tear but less than marked deterioration. Wear and tear is becoming noticeable on many components of the building. Units-in-place (kitchen and baths) will be in rough shape or outdated. Although the building may be neat and clean, the lack of preventative maintenance is becoming evident in the structure. The building remains functional as overall deterioration is low. This is a condition with 31-42% physical depreciation.

Reappraisal Introduction and Guidelines

7. **Fair** (FR): Marked deterioration to the components. While still useful, structure of the components show deterioration. Marked deterioration to most components of the building and/or major repairs to the building structure may be required. Major renovation will be required to bring the overall effective age back to average. This renovation may be the basic mechanical systems (wiring, plumbing, insulation package-including windows) or complete replacement of most wearing surfaces (exterior and interior). The structure remains useful yet has a significantly greater effective age than any category above. This is also referred to as "Below Average" condition. This condition in the appraisal system and the range of depreciation is from 43-50%.

8. **Poor** (PR): Deterioration to component is obvious and the structure is barely useable. Definite deterioration is conspicuous and much repair is needed. Many components need refinishing, replacement, or overhauling. Structure is definitely undesirable and near the end of any useful effective life. Without immediate significant repair, the building will soon become unfit for use or habitation. As is, it is barely useable. This is also referred to as "Poor" condition. This condition in the appraisal system and the depreciation range is generally from 51 to 65%.

9. **Salvage** (SV): Component is unsound and unfit for use. Building is unsound, unsafe and/or unfit for any type of use. Repair and overhaul is critical throughout and this may be economically unfeasible or impractical. This is also referred to as salvage value. This condition in the appraisal system and the physical depreciation is over 65% with functional depreciation likely.

The table on the next page provides insight into the range of physical depreciation applied through the recent reappraisal effort.

Reappraisal Introduction and Guidelines

B. Main Structure (Dwelling) Physical Depreciation Grading Guidelines

The physical wear and tear of structures must be observed over time. The general guideline below represents a range of depreciation for gradually deteriorating conditions. Included is an effective age guideline that corresponds to the condition description. This should aid the Listers in selecting the appropriate amount of physical depreciation.

Condition/	**Grade**	Amount of Depreciation	Effective age	Remarks
Excellent	/ **9**	1 - 5%	New – 4 Years	Structure is new, no wear and tear.
Very Gd	/ **8**	6 - 11%	4 – 10 Years	Little wear and tear is evident.
Good	/ **7**	12 – 18%	10 – 30 Years	Components need replacing.
Gd/Avg	/ **6**	19 – 23%	31 – 50 Years	Well Maintained older home. ***Some renovation of major components (ie. kitchen or bath)***
Average	/ **5**	24 - 30%	51 – 80 Years	Average Maintenance.
Avg./Fair	/ **4**	31 - 42%	81- Older	Some Deferred Maintenance is evident.
Fair	/ **3**	43 – 50%	81- Older	Little/no Maint–***Noted Structural items***.
Poor	/ **2**	51 – 65%	81- Older	Major structural problems
Salvage	/ **1**	66%	81- Older	Not inhabitable.

Notes on Physical Depreciation.

1. ***Italic comments*** in "Remarks" above represent application of this guideline to older (over 50 years) structures.

2. A guideline in applying depreciation on newer homes is one percent (1%) per year for the first five years and then one half of one percent (0.5%) per year thereafter up to fifty (50) years of actual age.

3. Older home(s) with average maintenance should be in the 23-32% bracket. As improvements/renovations are made, the condition should be raised to Good/Avg. or even good. An extensively renovated older home will usually have at least 15% depreciation.

4. The chart above should be referred to in cases outside normal age/life/wear & tear.

On the next page is a more specific chart for assigning physical depreciation to the main structure.

Reappraisal Introduction and Guidelines

Year Built	Actual Age	Typical % Dep.	(9) EX (1-4)	(8) VG (5-10)	(7) G (11-16)	(6) GA (17-22)	(5) A (23-28)	(4) AF (29-37)	(3) FR (38-53)	(2) PR (54-67)	(1) SV (68-99)
2012	0	**1**	**1**	5	*	*	*	*	*	*	*
2011	0	**1**	**1**	5	*	*	*	*	*	*	*
2010	1	**2**	**2**	5	*	*	*	*	*	*	*
2009	2	**3**	**3**	5	*	*	*	*	*	*	*
2008	3	**4**	**4**	5	*	*	*	*	*	*	*
2007	4	**5**	**5**	5	*	*	*	*	*	*	*
2006	5	**6**	2	**6**	11	*	*	*	*	*	*
2005	6	**6**	2	**6**	11	*	*	*	*	*	*
2004	7	**7**	3	**7**	11	*	*	*	*	*	*
2003	8	**7**	3	**7**	11	*	*	*	*	*	*
2002	9	**8**	4	**8**	12	18	*	*	*	*	*
2001	10	**8**	4	**8**	12	18	*	*	*	*	*
2000	11	**9**	4	**9**	13	19	*	*	*	*	*
1999	12	**9**	4	**9**	13	19	*	*	*	*	*
1998	13	**10**	4	**10**	14	19	*	*	*	*	*
1997	14	**10**	4	**10**	14	19	*	*	*	*	*
1996	15	**11**	5	**11**	14	20	*	*	*	*	*
1995	16	**11**	5	**11**	15	20	*	*	*	*	*
1994	17	**12**	5	8	**12**	17	*	*	*	*	*
1993	18	**12**	5	8	**12**	17	*	*	*	*	*
1992	19	**13**	5	8	**13**	18	*	*	*	*	*
1991	20	**13**	5	8	**13**	18	*	*	*	*	*
1990	21	**14**	5	9	**14**	19	25	*	*	*	*
1989	22	**14**	5	9	**14**	19	25	*	*	*	*
1988	23	**15**	5	9	**15**	20	25	*	*	*	*
1987	24	**15**	5	9	**15**	20	25	*	*	*	*
1986	25	**16**	5	10	**16**	21	26	33	*	*	*
1985	26	**16**	5	10	**16**	21	26	33	*	*	*
1984	27	**17**	5	10	**17**	22	27	33	*	*	*
1983	28	**17**	5	10	**17**	22	27	33	*	*	*
1982	29	**18**	5	10	**18**	23	28	33	*	*	*
1981	30	**18**	5	10	**18**	23	28	33	40	*	*
1980	31	**19**	5	10	14	**19**	24	30	40	*	*
1979	32	**19**	5	10	14	**19**	24	30	40	*	*
1978	33	**20**	5	10	14	**20**	25	31	40	*	*
1977	34	**20**	5	10	14	**20**	25	31	40	*	*
1976	35	**21**	5	10	15	**21**	25	31	40	*	*
1975	36	**21**	5	10	15	**21**	25	31	40	*	*
1974	37	**22**	5	10	15	**22**	26	33	40	55	*
1973	38	**22**	5	10	15	**22**	26	33	40	55	*

Reappraisal Introduction and Guidelines

Year Built	Actual Age	Typical % Dep.	(9) EX (1-4)	(8) VG (5-10)	(7) G (11-16)	(6) GA (17-22)	(5) A (23-28)	(4) AF (29-37)	(3) FR (38-53)	(2) PR (54-67)	(1) SV (68-99)
1972	39	**23**	5	10	15	**23**	27	33	40	55	70
1971	40	**23**	5	10	15	**23**	27	30	40	55	70
1970	41	**24**	5	10	15	19	**24**	30	40	55	70
1969	42	**24**	5	10	15	19	**24**	30	40	55	70
1968	43	**25**	5	10	15	19	**25**	30	40	55	70
1967	44	**25**	5	10	15	19	**25**	31	40	55	70
1966	45	**26**	5	10	15	20	**26**	31	40	55	70
1965	46	**26**	5	10	15	20	**26**	33	40	55	70
1964	47	**27**	5	10	15	20	**27**	33	40	55	70
1963	48	**27**	5	10	15	20	**27**	34	40	55	70
1962	49	**28**	5	10	15	20	**28**	34	40	55	70
1961	50	**28**	5	10	15	20	**28**	35	40	60	70

For dwellings built before 1961 and the actual age over 51 years, then use the depreciation guideline for the 1959 construction year/actual age 50.

The chart above is a guideline to be used by the Listers and Appraiser in assigning a value to property. The Listers/appraiser have the choice to deviate within the range of each condition code if the actual status of the building warrants. There must be notes to support the variation.

The asterisk indicates those properties outside the normal range of deferred maintenance. Normal effective age will result in depreciation similar to the bold items above. There may be rare circumstances with the Listers agree to assign additional depreciation outside the norm for building condition.

The **BOLD** items above denote the typical depreciation applied to a principle structure given typical use and normal maintenance of all of the different building components. The schedule is based upon the structural, mechanical and wearing surfaces being repaired and replaced as needed.

Reappraisal Introduction and Guidelines

Functional Depreciation

This obsolescence refers to design characteristics, material inadequacies and/or over improvements to a home that result in a loss in value to the owner in today's market place. Area sales seem to indicate that functional adjustments should be made in the following cases:

1. Size (gross living area) of the residence.

Sales of different sized houses reflects the fact that very large dwellings of a certain quality compared to "typically" sized dwellings of the same quality, may be a super-adequate justifying the application of functional depreciation. The scale below reflects a typical size for each quality grade in this market. One percent (1%) functional depreciation will be added for each one hundred square feet (100 S.F.) to dwellings larger than indicated below. This includes finished area in attached structures and partially below grade:

Quality Description	Quality Grade	Dwelling Gross Living Area
Fair	2.0	1,400 sf
Fair/Average	2.5	1,600 sf
Average	3.0	1,800 sf
Average/Good	3.5	2,000 sf
Good	4.0	2,400 sf
Good/Very Good	4.5	2,800 sf
Very Good	5.0	3,200 sf
Very Good/Excellent	5.5	3,600 sf
Excellent	6.0	4,000 sf

2. Bedroom Count. Single family homes with one bedroom, apply 3% functional depreciation.

3. Lack of central heat. Homes without regulated central heat, 5% functional. Electric heat only, 3%. (NOTE – adequate space heat with or without electric back-up) my result in no functional depreciation in the structure.)

4. Common Heat plant. Three percent (3%) functional depreciation for apartment buildings (two or more units in one structure – with or without owner-occupancy) with one, central heat source (ie BBHW in both units served by one boiler).

5. Proximity of bathroom to bedrooms. Two or more second floor bedrooms with no second floor bath in single family detached dwellings support the application of 3% functional.

6. Basement under a one-story. 1% per 100sf of Bsmt. over 1,800 Sf under a one story Dwl.

7. Extensive Porches. Some properties in Thetford have extensive porch space that may exceed what the porches actually contribute to the market value of the property. For example some structures have two story porches on both the front and back. Functional depreciation has been applied at the rate of 1% per $ 1,000 of replacement cost new (RCN or "Subtotal" on the CAMA sheet) when the cumulative amount porch values exceed five percent (5.0%) of the RCN got single family detached residences and ten percent (10%) for camps and mobile homes.

8. Apartment space. Some apartments have more than adequate living area. The range in apartment gross living space in Thetford is from just over 500 Sf to over 1,500 Sf per unit. Functional depreciation has been applied on multiple unit properties at the rate of one percent (1.0%) for each 100 Sf over 1,200 SF per unit on a two unit property and 800 Sf per unit on three or more unit properties.

9. Note on Functional Depreciation. There should not be excessive functional depreciation applied to a majority of single family structures in Thetford. The market is the guide for application of all depreciation, including functional. Recent sales indicate that functional depreciation should be reduced by one half of one percent (0.5%) once ten percent (10%) functional is reached. An example would be a structure where the porches total 14% of the replacement cost new (9% net) and there is electric heat (3%). There would be 11% functional applied to this structure (10% plus ½ of the additional 2%). Although functional depreciation should be applied for unusual characteristics within improvements that may not be supported in the local market, care should also be given not to apply excessive functional depreciation in order to avoid distorting the base or contributory value of dwelling components.

C. Economic Depreciation

This type of depreciation is due to some, preferably measurable, influence outside the property that adversely affects the property value. There should be a relationship between the location adjustment applied to the land (neighborhood multiplier) and the economic depreciation applied to the principle structure.

1. Neighborhood. Residential neighborhood grades range from 0.6 to 1.2 The lower grade reflects a property location that is considered 10% below average in the Thetford market. If the neighborhood grade is average (1.0) or above (1.1 +), then there will be no economic depreciation applied to the main structure. A location below average will result in the application of five percent (5%) economic depreciation to the principle structure(s).

IV. Depreciation on the Detached (non-principle) Structure(s)

Every detached structure should be measured and observed for quality (materials and workmanship), condition and utility. There is only one overall depreciation extent applied to detached structures. The final size, quality grade, cost per square foot and percent good should reflect a fair and reasonable estimate of the contributory value of a structure. It is recommended that reference be made to the "Marshall Valuation Service" manual to select the most appropriate building by class, construction type, use, quality and size. There should also be a clear understanding of the general market conditions, neighborhood area and subject property size and characteristics when evaluating the contributory value of detached structures.

Reappraisal Introduction and Guidelines

Some detached structures are appropriate in type, size and (highest and best) use for the general location and property. In these cases it is a matter of properly describing the actual class, use, size, quality and condition. Properly described detached over-improvements should be discounted by applying additional depreciation beyond wear and tear to settle on the reasonable contributory value of each building. Some over-improved detached structures may be massed into one building, even if built in sections over time, to reduce both the cost per square foot and establish reasonable depreciation. An example of a building that warrants careful thought on depreciation would be a large general purpose barn built in several sections over many years located in a residential area on a small lot.

The age, quality, size and condition of the principle structure may have an influence on the detached structure. Complimentary structures may result in less depreciation on an outbuilding whereas a mis-matched detached structure may be depreciated differently.

A. Physical condition of the detached structures with conventional utility.

The table below will serve as a guideline for applying physical depreciation to detached structures that have conventional functional utility for the property and location.

Physical Condition	Depreciation
Excellent	5-10%
Very Good	10-20%
Good	20-30%
Average	30-45%
Fair	45-65%
Poor	65-90%
Salvage	90+%

Note on detached building physical depreciation: The physical condition of significant detached structures will generally follow the main dwelling depreciation schedule leveling off at 50 to 75% good, assuming normal utility and maintenance.

B. Functional depreciation of outbuilding over-improvements.

Additional depreciation should be applied to detached structures that are newer and have functional problems. If the building is a slight over-improvement then an additional 25% depreciation should be applied. If there is a significant over-improvement then the 50% functional depreciation may be applied to the outbuilding.

The total depreciation should not drop the building below salvage value. This is true if some elements of the structure have net-value (ie. roofing, beams) after demolition costs or there is slight utility (ie. cold storage) value remaining. Consideration should be given to placing no value on a detached structure if there is no potential for use and the disposal/reclamation costs are greater than any potential salvage value.

Reappraisal Introduction and Guidelines

C. Small detached buildings with minimal or no value.

Some detached sheds carry little contributory value to the property, even though they may have short-term utility for smaller homes, including mobile homes. Examples of these detached structures include 10'X10' +/-metal or smaller sheds that cost roughly $ 3.00-5.00 sf new and must be placed on some type of wood or concrete platform. A standard of $ 1.00 SF for older and $ 5.00 SF for new sheds of this type will address the quality, depreciation and contributory value. Some, with collapsed roofs or side walls, should be measured and placed in the notes and described in the diagram as having no value.

As a Town-wide standard 100 square foot or smaller (=<100 Sf) detached sheds will have no assessed value. All outbuildings will be measured and evaluated for quality, condition and utility. If there are two or more, 100 Sf or smaller detached sheds on a property, the Town will designate one as not being assigned a taxable value.

Fishing shanties, outhouses, tree forts, small animal (ie. dog) houses and small children's play houses used for these purposes have no contributory value. "Coverit's" without a deck and above ground pools are not considered to have value for assessment purposes, as well.

D. Attached structures detached for depreciation purposes.

There are occasions when an attached shed must be detached for either quality or condition purposes in order to assign an appropriate value to the shed. Although this practice should be minimized, it is appropriate when the structure is significantly out of character with the main dwelling. An example is a dilapidated shed attached to a completely renovated, older dwelling. In these cases notes have been taken to treat the attached building as detached structure and apply the principles outlined above in this section on detached structures.

Reappraisal Introduction and Guidelines

V. Thetford Mobile Home depreciation and quality guidelines

The following table represents the typical physical depreciation given average quality, normal wear and tear and regular maintenance.

Year Built	Age	% Depreciation
2012	0	1
2011	1	1
2010	2	2
2009	3	3
2008	4	4
2007	5	6
2006	6	8
2005	7	10
2004	8	12
2003	9	14
2002	10	16
2001	11	18
2000	12	20
1999	13	22
1998	14	24
1997	15	26
1996	16	28
1995	17	30
1994	18	32
1993	19	34
1992	20	34
1991	21	36
1990	22	38
1989	23	40
1988	24	42
1987	25	44
1986	26	46
1985	27	48
1984	28	50
1983	29	52
1982	30	54
1981	31	56
1980	32	58
1979	33	60

If the mobile home is in GOOD condition for age, then deduct 5%, deduct 10% from above, if Very Good condition. If the mobile home is in FAIR condition then add 5% to 10%, if Fair/Dilapidated then add 15% and up to schedule. Add 5% functional if unlanded mobile homes.

Take particular care to note condition of mobile homes more than twenty (20) years old, without land and/or not placed on a slab. Replacement of interior and/or exterior wearing surfaces may not significantly alter the overall physical depreciation, depending on the quality and extent of work done and the quality and integrity of the original frame and basic mechanical systems.

Reappraisal Introduction and Guidelines

VI. Camps

The guidelines outlined below will provide the Listers and appraiser with a method to evaluated camps in a uniform and equitable manner to assure that the contributory value of the camp buildings remain appropriate in Thetford.

A. General: When appraising camp properties is it important to determine the highest and best use of the land and improvements. If the property is located in a neighborhood that is in transition from remote camp-like uses to single family detached residences with power and year-around vehicle access then the site should be graded as a residence and the camp structure should be more heavily depreciated with up to an additional 25% functional depreciation. If the property is in a rural or remote area and the surrounding properties are seasonal without power, then the site should carry less value (ie. 50% of the average residence site grade) and the camp structure may not warrant significant functional depreciation.

B. Camp Structures: The camp schedule has been adapted so that an average quality camp is similar in cost to a low cost dwelling. This follows the way Marshall & Swift has prepared camp cost schedules. For example, the Marshall & Swift finished pine pre-fabricated cottage is very similar in cost to a dwelling of the same size in the "Low Cost" cost schedule. In addition, Marshall and Swift camp cost schedules are not as comprehensive as the residential cost schedules. It is recommended that the residential tables be used if the camp quality exceeds GOOD. Most camps are in some unfinished state. The Marshall & Swift cost tables presume that the camp is completely finished. For this reason, the following guidelines have been prepared to arrive at a fair contributory value for a camp.

Item	Adjustment
No Exterior siding (Call #1-Plywood)	Deduct six percent (-6%) (physical)
No Finished Floors	Enter 12-None / 100% for flooring
No Heat (or wood stove only)	Enter 14-None / 100% for heat
No Insulation	Enter 5 -None for Energy Adjustment
No Plumbing Fixtures or rough-ins	Enter None (0) for both items
No Interior partitions or walls in larger camp	Deduct 10% (percent incomplete)
No Interior Finish on Exterior Walls on any camp	Deduct 5% (percent incomplete)
No Ceilings	Deduct 5% (percent incomplete)
No Electric Wiring	Deduct 5% (percent incomplete)
No Kitchen shelving or cabinets	Deduct 5% (percent incomplete)

As an example, a camp has no insulation, interior partitions, finish on the walls, ceilings, wiring or kitchen storage (shelving or cabinets) then deduct thirty three percent (-30%) and call the camp 70% complete.

Reappraisal Introduction and Guidelines

VII. Conclusion

A properly completed Town-wide reappraisal is a sincere effort to value all taxable property as it exists on April 1 of the reappraisal year. It is a snap shot of all taxable property as of that time.

As part of this effort, all Thetford properties were photographed, inspected, diagramed and evaluated for quality, utility and condition as of April 1, 2012. The appraiser has made a sincere effort to grade buildings fairly and consistently for quality and condition. He has also been diligent in establishing factual information. This includes carefully measuring and noting the size, condition, quality and utility of all structures. He has also made efforts to determine the size and characteristics of taxable land in Town.

2012 is the base-year for the reappraisal. The information in this document, the Town's computer, the Sales Book and the methods used in appraising property should serve as the foundation for future assessment years as land is subdivided, developed, or improvements are constructed or modified. The final land schedule and Marshall & Swift Cost tables are located in the Town's computer in electronic format. These will provide a base for future assessment years, as well.

The sales book has been prepared as a foundation for both the reappraisal and future assessment years. This sales book reflects how sold properties, both raw land and land with improvements in and around Thetford, were appraised to establish the schedules in this document and the Town's computer system. This sale book should be maintained by the Listers in the future as properties sell. This will provide a guide to the system and reappraisal parameters through changes to both Town Officers and the real estate market in Thetford.

Finally, the information in this document is presented as a guideline for the Board of Listers, Assessor and Appraisers through the reappraisal and the general public, Listers and Assessor thereafter. Very few improvements in Thetford fit into a perfect formula. Each structure assessed was erected with varied materials, workmanship for different purposes over wide range in time. The success of applying any table and/or guideline requires the application of sound, fair, informed and reasonable judgment by the parties who elect to take the time to carefully understand and work within the structure of this system. The goal is to be consistent and fair in assigning values to every taxable Thetford property.