

Scenario

The property you're inspecting has a family room addition; the property owner tells you that s/he does not know whether or not it was built with permits.

(1) What can you do, if any, to find out whether the addition was built with permits?

(2) If you found out that this addition was built with no permits, would you report this fact to the appropriate city officials?

(3) How much value would you give to this room addition?

It'll be better and easier if the property owner went to the city planning department and obtain the copy of the permit. Depending on the circumstances and time, that's what I often do; put the burden on the owner or realtor if one is involved.

I agree that it is not the appraiser's duty to inform city officials about the lack of permits.

The appraiser job is to report the condition of the improvement and site. I liked the comments about advising the owner to obtain the permit.

Sometimes you can treat an "unpermitted addition" as, let's say, storage and give some value; depending on the type of addition and circumstances, an unpermitted addition does not automatically receive a zero value.

I still say that it is not the appraiser's duty to inform city officials about the lack of permits. At one time I was told that City officials had personnel that cruised to find out unpermitted additions. (I do not know how true that is)

<http://www.ci.fremont.ca.us/Permits/PermitHistory/default.htm>

<http://www.newark.org/work/brochures.html>

<http://www.modestogov.com/development/permits/building.asp>

<https://www.sjpermits.org/permits/permits/general/reportdata.asp>

Definitely, you'll note the addition in the report; it'll also be a good idea to take pictures.

Many times the unpermitted additions follow construction codes and flow with the rest of the house; usually, owners do not obtain permits because (1) they do not want to pay for the permit cost, (2) they do not want to pay extra property taxes that the new addition will require and/or (3) unlicensed contactors persuade an owner not to obtain a permit.

You're right; almost everybody is making the assumption that the unpermitted addition was built carelessly and without regard to safety. I've appraised properties with unpermitted additions; many times I could not even tell that it was an addition.

As mentioned before often times the unpermitted additions follow construction codes and flow with the rest of the house.

If there was no permit, the square footage of the addition shouldn't have been included in the total square footage of the house; maybe this addition was treated as storage; or maybe the appraiser did not know about the lack of permits; an experienced appraiser would check the assessor's records.

You are appraising a vacant lot for a single-family residence. One year ago, a comparable site sold for \$125,000. In analyzing the market, you arrive at the following three conclusions

1. The subject site is 10 percent more valuable as a result of price increases over the year since the comparable site was sold

Calculation: $\$125,000 \times 10\% = \$12,500$

2. The subject site is 8 percent less valuable than the comparable site with respect to physical features

Calculation: $\$125,000 \times 8\% = \$10,000$

3. The subject site is 16 percent more valuable than the comparable site with respect to location.

Calculation: $\$125,000 \times 16\% = \$20,000$

From these conclusions, determine the indicated market value of the subject site.

Indicated Market Value: \$125,000 + \$12,500 - \$10,000 + \$20,000 = \$ 147,500

Do you agree or disagree with the following four statements?

1a. the sales comparison approach is the least reliable method of site valuation.

1b. there are no basic differences between the data valuation of improved properties and unimproved sites in the sales comparison method.

1c. vacant land cannot be valued by the sales comparison method.

1d. Adjustments are always applied to the sales price of the subject property, not the value of the comparable property.

1a. the sales comparison approach is the least reliable method of site valuation.

DISAGREE: The sales comparison approach is the most reliable method of site valuation. Recent sales of comparable properties, plus/minus market adjustments, provide a good indication of what a subject property will sell for.

1b. there are no basic differences between the data valuation of improved properties and unimproved sites in the sales comparison method.

AGREE: Using data valuation methodology, the evaluation of improved properties is identical to the evaluation of unimproved sites. The basic formula is to take the sales price of the comparable property, then add or subtract for adjustments in value. This then equals the indicated value of the subject property.

1c. vacant land cannot be valued by the sales comparison method.

The sales comparison approach is the most reliable method of site valuation. As the most reliable method and the most widely used, it is used to value vacant land just as well as it is used to value houses.

1d. Adjustments are always applied to the sales price of the subject property, not the value of the comparable property.

DISAGREE: When determining a price of a property, you must first look at the prices of the comparable sales, then add or subtract value based on differences in the subject property's attributes compared to the comps. Adjustments are always applied to the sales price of the comparable property, not the value of the subject property.