Case # 16985

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BZA
Case No. 16985
Exhibit No. 43

Board of Zoning Adjustment
District of Columbia
CASE NO. 16985
EXHIBIT NO. 43

increments, due March 31st and September 30th. The subject is identified for taxation purposes as Lot 827 in Square 3657. The tax rate for the subject's property class is $1.85 per $100 of assessed value (non-profit ownership entities are exempt from payment of real estate taxes in the District of Columbia). The assessment for the subject is presented on the following table.

	2002 Assessment	2003 Assessment
Land Value	$129,990	$167,130
Improvement Value	$735,010	$778,170
Total Value	$865,000	$945,300
Tax Rate/$100 Assessed Value	$1.85	$1.85
Taxes	$16,002.50	$17,488.05

The current assessment is well below our opinion of the subject's *market value as is*. Such significant variations are not unusual in this assessment office. Once complete the subject will likely be re-assessed at its transaction value.

Highest and Best Use:

"In appraising real property: The reasonably probable and legal use of property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.[6]

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The highest and best use of a property is concluded after each potential use has been tested using the four criteria. The use that fulfills the four criteria and maximizes value is the highest and best use. A distinction is made between the highest and best use of the land or site as though vacant and the highest and best use of the property as improved. Highest and best use of the land or site as though vacant may be the existing use, a projected development, a subdivision, an assemblage, or speculative holding. The highest and best use of a property as improved may be continued maintenance, renovation, rehabilitation, expansion, adaptation or conversion to another use, partial or total demolition, or some combination of these alternatives.

Highest and Best Use, As Vacant

Physically Possible - The physical characteristics of the subject impose initial restraints upon the type of uses possible for the property. Any use incompatible with its utility would not be considered physically possible. There are no physical impediments to development of the site.

Legally Permissible - The site is zoned R-4, which allows a single-family, row dwelling and special-purpose uses (including, by special exception, educational use).

Financially Feasible / Maximally Productive - The cost of the land limits those uses that are financially feasible for the site. Any use of the subject site which provides a financial return to the land in excess of the cost of the land is a use which is financially feasible. Land uses in the subject neighborhood and submarket are changing from vacant/underutilized to residential and special-

[6] Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice*, 2003 ed. (Washington, D.C.: The Appraisal Foundation, 2003), 223.

purpose. Given the subject's Metrorail proximity and surrounding educational uses, we have concluded that the reasonably probable and maximally productive use of the subject, as vacant, is a special purpose such as a church or school.

Highest and Best Use, As Improved

Physically Possible – The subject is improved with a dormitory in fair condition. Significant renovation is required for continuation of the current or alternative uses (including educational).

Legally Permissible - The subject conforms to zoning regulations. Educational uses are allowed by special exception. Given the subject's proximity to similar educational and commercial uses we assume a special exception may be obtained for this alternative use.

Financially Feasible / Maximally Productive - The area is characterized special-purpose uses – the reasonably probable, physically possible and legally permissible use. There are no other maximally productive uses. The most likely buyer would be an owner-user purchaser who would renovate the improvements for alternative uses, including special-purpose (such as school, church or group care facility).

Valuation Process:

"The valuation process is accomplished through specific steps. The number of steps followed depends on the nature of the appraisal assignment and the available data. The model indicates a pattern that can be used in any appraisal assignment to perform market research and data analysis, to apply appraisal techniques, and to integrate the results of these activities into an opinion of defined value."[7]

In assignments to develop an opinion of market value, the ultimate goal of the valuation process is a well-supported value conclusion that reflects all the pertinent factors that influence the market value of the property being appraised. To achieve this goal, an appraiser studies a property from three different viewpoints, which are referred to as the *approaches to value*. The three approaches are described below."[8]

"In the sales comparison approach, properties similar to the subject property that have been sold recently or for which listing prices or offers are known are compared to the subject. Data from generally comparable properties is used and comparisons are made to demonstrate a probable price at which the subject property would sell if offered on the market.

In the cost approach, an estimated reproduction or replacement cost of the building and land improvements as of the date of appraisal is developed (including an estimate of entrepreneurial profit or incentive), and an estimate of the losses in value that have taken place due to wear and tear, design and plan deficiencies, or neighborhood influences is subtracted. An estimate of the value of the land

[7] Appraisal Institute, *The Appraisal of Real Estate*, 12th ed. (Chicago: Appraisal Institute, 2001), 49.
[8] Ibid., 49-50.