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I want to thank Chairman Harper, Chairman Freeman, and members of the House Local Government Committee for the opportunity to speak to you today House Bill 161.

The use of a valuation guide to determine the assessment of manufactured homes is a great starting point for assessors and appraisers to use however it should not be the only methodology. All assessors and appraisers are bounded by the rules of the Uniform Standards of Professional Appraisal Practices (USPAP). Under these rules, all assessors and appraisers must consider three approaches to value when valuing real property.

The use of the NADA book would be considered valuing a manufactured home by the cost approach. The NADA book gives the cost to construct the mobile home and then depreciates it according to the year of the home. The results are the base price identified in the book. Once you have identified the base price in the book, the assessor would then apply any adjustments they feel necessary. Adjustments for quality, condition and land leased community can and should be made by the assessor. There is also a regional adjustment that is determined by the book's manufacturer. The region is usually the state where the manufactured home is located. If you didn't use any of the above mentioned adjustments, every manufactured home in Pennsylvania that is the same make, model and year built would be assessed the exact same. This contradicts every other standard in assessing. If we took the same approach for all other real property in Pennsylvania a 2,000 square foot home that cost \$200,000 to build in Bucks County should be assessed the same in Lawrence County even though the actual cost to build would be closer to \$150,000. The first thing assessors, appraisers and real estate agents are taught is Location, Location, Location. The location of the home is the biggest factor when determining a value. The NADA book value does not take into consideration the actual location of the home therefore causing the home's value to be misleading. As assessors, we value property based off of its current situation and that would be based off of its current location.

The other two approaches to value are the income approach and market approach. In order to comply with USPAP assessors should take into consideration each of these approaches when valuing manufactured homes. In some cases, and more specifically in some neighborhoods, these other approaches to value may be a better approach to use than the cost approach. The reason you would want to use one of the other approaches would be to determine the market value. For instance, if you have a large mobile home park that has a large number of sales each year, you could obtain a value on the manufactured home based on the recent sales. Another approach could be the income approach to value. This approach could be relevant in counties that have experienced the large gas boom. For instance, a mobile home park could be the owner of all the manufactured homes within the park. These homes are being rented for \$300 a month which is broken down \$100 for pad rent and \$200 for the mobile home. Since all homes in this park are investment properties, the income approach to value could be a viable approach.

The Assessors Certification Act (Act 28) of 1992 defines an Assessor as “Any person responsible for the valuation of real property for ad valorem taxation purpose.” This statement is important because in a Common Pleas court case from Adams County ¹ it is stated that “The NADA Guide recognizes the best measure of the value of a manufactured home attached to real property is the time honored real estate practice of a physical appraisal.”

With that being said, I believe the use of a pricing guide can be a good resource in assisting assessors with valuing mobile homes however assessors should not be bounded by using only one approach to value.

¹ IN RE APPEAL OF DANIFI P MOUJI & LORI A MOUJI 10-2-2421 Pg 2 bullet point #5