

CHAPTER VI
GENERAL PROVISIONS

As far as properly applicable, this schedule of base unit market value shall be controlling, but where the property to be assessed is of a kind not classified in this schedule or of any kind for which the value is not herein fixed, it shall be appraised at the current and fair market value, independently of this schedule.

Section 39. ON LANDS

Lands actually principally used for residential, agricultural, commercial, or industrial or mineral purposes shall be classified and valued according to this schedule of unit base market values and assessed at their corresponding levels of assessment, fixed under Chapter V, Section 38 (a) of Provincial Ordinance No. 09-004.

A. URBAN LANDS

The base unit market value per square meter is multiplied to the area of the land to arrive at its market value. Where, the depth of the lot is deeper than the standard depth, area of lot beyond the standard depth is valued lower than the frontage area. The modification is but recognition of the fact that as depth of lot increases, the unit value decreases. Other modifications like street frontage, street corner, sunken or abnormally low land and shape of lot shall be also considered as what is obtaining in the locality.

1. As a general rule the 100% rate per square meter fixed in the schedule shall be applied to the area of residential, commercial, industrial, and other special classes of land within the standard depth fronting the street or road with normal elevation or level. The remaining portion thereof shall be considered as interior lots and the standard depth percentage of adjustments corresponding to the second strip, third strip and so on, shall be applied thereon.

Land beyond the standard depth, i.e. 20 meters for residential land, if any shall be valued 80% for the second strip, 60% for the third strip, 40% for the fourth strip and 20% of the base value fixed for the street or road for the remaining area. Provided, however, that in case the parcel of land abutting two streets or roads with two different base value, the stripping and valuation thereof shall be based on the principal street or road with the higher base value, provided further that the value for the last strip shall not be lower than the Schedule of Value of the other street.

Stripping methods shall not be applied to commercial and industrial properties, corner lots and subdivision lots.

2. For low and sunken areas of the land, a reduction from the base value per square meter may be allowed due to the cost of filling and compaction to bring the same at par with the adjoining developed lots provided, however, that such reduction will in no case exceed 30% of the base value thereof.
3. Whenever a parcel of land or tract of residential and commercial lands is situated at the corner of two streets, a corner influence maybe established not exceeding 10% of the base unit market value and shall be assessed to the valuation of residential and commercial lot. Provided however, that if the streets or roads have different base unit market values, the higher base unit market value shall be used in the computation of the market value of the property.

Provided further that alley or callejon shall not be considered as a factor for the value adjustment thereof.

4. Roads or streets in the registered subdivision, already donated and turned over to the government, shall be valued 50% of the base unit market value fixed for lands classified as residential and commercial in the vicinity of such street or road.
5. Lands considered as Special Class shall be valued on the basis of applicable schedule of base unit market value for the area where such land is located.
6. Vacant or idle lands located in a purely residential area shall be classified as residential. If such land is located in purely commercial area the same shall be classified according to the class which is more predominant.
7. Similarly, urban lands shall include not only lands actually used for urban purposes but also those which by reason of their location or physical features should properly be considered as urban lands. The fact that such lands may be actually used for agricultural purposes does not necessarily make them agricultural lands rather than urban, the best use to which they may be put should determine classification as agricultural or urban lands.

B. AGRICULTURAL LANDS

1. Agricultural land convertible into residential, commercial or industrial subdivision shall be classified and assessed as agricultural until such time when it has been converted and developed into a subdivision. This rule shall also apply to land already approved as subdivision but has not yet been actually developed for the purpose.

However, as soon as any development on the residential subdivision is made, the same shall be classified as residential and its base market value shall be 70% of the appropriate base market value provided in the schedule of values until such time that it shall have been fully developed, in which case the base market value shall be 100% of the applicable rate of base market value in the schedule of values.

2. The unit base value per hectare prescribed in the SFMV is multiplied by the area of the agricultural land to arrive at the market value for the different kinds and sub-classes of agricultural lands.
3. R.A. No. 7160 has no specific provisions on the valuation and assessment of plants and trees. Apparently, the kind of plants and trees determine the classification and value of agricultural land. The aggregate value arrived at is subject to the applicable adjustments expressed in percentage for:
 - (a) Type of road along/nearest the property and
 - (b) Location of property, such as, distance from the public road from the poblacion or trading center.

The following are the percentages of adjustments for the valuation of agricultural lands:

(1) Type of Road	% Adjustment
(a) Provincial or National Road	No Deduction
(b) For all weather Roads	3% Deduction
(c) Along Dirt Road	6% Deduction
(d) For no road outlet	9% Deduction

(2) Location

Distance in Kms. To:	(a) All weather Road	(b) Local trading center (Poblacion)
0 to 1	0	+5%
Over 1 to 3	-2%	0%
Over 3 to 6	-4%	-2%
Over 6 to 9	-6%	-4%
Over 9	-8%	-6%

The distance of a property from all-weather roads, railroad stations, landing places along sea coasts and from a trading center or poblacion shall be measured from corner of the lot or parcel nearest to such roads or centers.

All-weather roads include national, provincial, municipal and all other public roads traversable by trucks, cars and other forms of vehicles under any kind of weather.

4. Supreme Court ruled that: “when the land preferably intended for the raising of a given crop or for the planting of trees of a certain kind, although these or the crop be deemed improvements to the land they shall not be appraised apart from the land as they are an integral part thereof and their value is inherent or forms a part of that of the land.” However if it shall be proven that the ownership of the land is different from that of the improvement, a separate valuation and assessment shall be made in the names of their respective owners.
5. Farm Lot refers to land situated in mixed land uses of either agricultural land or residential land with an approximate area of 5000 sq. m. and by their very nature are design for habitation and backyard farming. Its unit value shall be 50% of the applicable schedule of market value for residential lands in the locality where the property is situated and with corresponding assessment level of 40%.

Section 40. BUILDINGS AND OTHER IMPROVEMENTS

- A. Building used exclusively for residential, agricultural, commercial, or industrial purposes shall be classified and valued in accordance with the base unit construction cost, and shall be assessed by applying the corresponding assessment levels fixed under Chapter V, Section 38 (b) of Provincial Ordinance No. 09-004.
- B. Auxiliary improvements, such as fences, pavements, etc., which may be considered appurtenance/s of the main structure, shall be appraised independently and the value/s thereof, added to the value of the main structure.
- C. A depreciation table reflecting percentage depreciation of building and other structures depending upon effective age cost grade and physical wear and tear shall be established in applying this schedule in accordance with Section 5.03, Chapter V, of AR 7-77.
- D. Deduction for accrues yearly depreciation may be allowed and applied for old buildings and other structures. Depreciation table for buildings shall be used as a guide in applying the depreciation to old buildings and other structures. However, for this purpose, depreciation shall be made once every three years, which shall be applied during the general revision of real property assessments.

- E. Building and other improvements actually, directly and exclusively used for hospital, cultural or scientific purposes shall be classified and valued according to the schedule of base unit construction cost, and shall be assessed at 15% of their market values.
- F. Buildings owned by local water districts and government-owned or controlled corporations rendering essential public services in the supply and distribution of water and/or generation or transmission of electric power shall, likewise be classified and valued in accordance with the schedule of base unit construction cost, and shall be assessed at 10% of their market value.
- G. Churches, parsonages, convents, mosques and buildings and other improvements used actually, directly and exclusively for religious, charitable or educational purposes shall be classified and valued in accordance with the schedule of base unit construction cost, if applicable, otherwise on the basis of their replacement cost as of the year of appraisal, and shall be assessed as residential on the basis of their market values.
- H. Buildings and other improvements owned by the Republic of the Philippines or any of its political subdivision are of a kind not covered by the schedule of base unit construction cost shall be classified like similar buildings and improvements and shall be valued at their fair market value at the time of appraisal and shall be assessed like similar buildings and improvements in the locality.
- I. Condominium buildings shall be valued as one building on the basis of the prescribed rates fixed in the schedule. Each condominium unit separately owned shall be assessed separately for its share of the total market value in proportion to its owner's fractional interest in the whole building. Condominium unit means a part of the condominium project intended for any type of independent use or ownership, including one or more rooms or spaces located in one or more floors in a building and such accessories as may be appended thereto.

Section 41. MACHINERY

- A. The fair market value of a brand new machinery shall be the acquisition cost. In all other cases, the fair market value shall be determined by dividing the remaining economic life and multiplied by the replacement or reproduction cost.
- B. If the machinery is imported, the acquisition cost includes freight, insurance, bank and other charges, brokerage, arrastre and handling, duties and taxes, plus cost of inland transportation, handling and installation charges at the present site. The cost in foreign currency of imported machinery shall be converted to peso cost on the basis of foreign currency exchange rates as fixed by the Central Bank.

Step 1 –

$$\frac{\text{Current Dollar Exchange Rate}}{\text{Dollar Exchange Rate at the time Of Acquisition}} = \text{Conversion Factor (CF)}$$

Step 2 –

$$\text{Acquisition Cost} \times \text{CF} = \text{Replacement or Reproduction Cost}$$

The dollar exchange rate shall be based on the table of dollar rate fixed by the Central Bank of the Philippines that corresponding to time of appraisal.

Machinery purchased in any currencies shall be similarly converted to peso cost according to the same formula.

The currency exchange rate to be applied in determining the replacement or reproduction cost of machineries in connection with any general revision of property assessments shall be the rate obtaining in the year the general revision started.

- C. If the machinery is purchased locally, replacement or reproduction cost (new) shall be determined in similar manner as imported machinery by using the price index (PI) prepared by the Department of Trade and Industry, expressed by the formula:

$$\text{Acquisition Cost} \times \text{PI} = \frac{\text{Replacement or Reproduction Cost}}{\text{Cost}}$$

Determination of Current and Fair Market Value of Machinery. – Current and fair market value of machinery through the use of replacement or reproduction cost (new) is determined as follows:

$$\frac{\text{Remaining Economic Life}}{\text{Economic Life}} \times \text{Replacement or Reproduction Cost} = \text{Current and fair Market Value}$$

For purposes of assessment, a depreciation allowance shall be made for machinery at a rate not exceeding five percent (5%) of its original cost or its replacement or reproduction cost, as the case may be, for each year of use provided that the remaining value for all kinds of machinery shall be fixed at not less than twenty percent (20%) of such original, replacement, or reproduction cost for so long as the machinery is useful and in operation.

Section 42. SPECIAL PURPOSE PROPERTIES

Lands actually, directly and exclusively used for hospital, cultural or scientific purposes, located in residential, commercial or industrial areas shall be classified and valued as residential, commercial or industrial in accordance with the schedule of base market values determined on the basis of that schedule, and shall be assessed at 15% of the market value.

Lands owned by local water districts and government-owned or controlled corporations rendering essential public services in the supply or distribution of water and/or generation and transmission of electric power, located in residential, commercial or industrial areas shall, likewise, be classified and valued as residential, commercial or industrial in accordance with the schedule of base market values, and shall be assessed at ten percent (10%) of the market values.

If those special classes of lands are, however, located in areas of mixed land uses, such as residential with commercial or industrial, the predominant use of the lands in that area shall govern the classification and valuation of those special classes of land and shall be assessed at the corresponding levels of assessment.

Lands actually, directly and exclusively used for religious, charitable or educational purposes located in residential, commercial or industrial areas shall be classified, valued and assessed as residential, commercial or industrial.

If those lands actually, directly and exclusively used for religious, charitable or educational purposes are, however, located in an area of mixed land uses, such as residential with commercial or industrial, the predominant use of the lands in that area shall govern the classification, valuation and assessment of those lands used for religious, charitable or educational purposes.

Section 43. LANDS OWNED BY THE REPUBLIC OF THE PHILIPPINES OR ANY POLITICAL SUBDIVISIONS SHALL BE CLASSIFIED, VALUED AND ASSESSED LIKE SIMILAR LANDS IN THE LOCALITY.

A. GOLF COURSES VALUATION CRITERIA

LOCATION – Accessibility to the general public. Type and distance of road leading to and from the highway, whether concrete, asphalt or gravel road.

SIZE - Sufficient area to support a high-quality golf facility also requires good layout and appearance. Tees and greens should be large enough approximately 64 hectares.

TURF - (Stratum of soil bound by grass and plant roots into a thick mat) Types of grasses, condition of turf, overall maintenance and the quality of the playing surface.

SOIL - This rating considers the types of soil on the golf course and how well the soil can support a good playing surface. The soil’s ability to drain ground water and support natural hazards.

DRAINAGE - Establish area that drains well. Grass/trees grow well due to proper drainage.

TOPOGRAPHY - Asset of golf course-rolling and undulating land provides visual interest and a range of challenges. Flat site is bland and monotonous.

HAZARDS - Enough hazards and bunkers make the course distinctive and challenging to play. Bunkers are used to outline greens, direct play or increase the strategic value of holes.

AMENITIES - Given to trees, shrubs, planted areas, cart paths, practice areas, lakes, ponds, views, etc.

WATERING – Whether the watering system is manual, semi-automatic, or fully automatic and whether the system uses quick-couple sprinklers, pop-ups or a combination.

SLOPE - (See slope ratings)

SLOPE RATINGS

136 and up	-	10
131-135	-	9
126-130	-	8
121-125	-	7
116-120	-	6
111-115	-	5 (average)
106-110	-	4
101-105	-	3
96-100	-	2
Below 95	-	1

Scale of one to ten
Ten being the best

CHARACTERISTICS AND WEIGHT

<u>Golf Characteristics</u>	<u>% of weight</u>
Location	25
Size (adequacy of greens, trees and length)	15
Turf	10
Soil	10
Drainage	10
Topography	8
Hazards (bunkers, lakes and ponds)	7
Amenities (trees, shrubs, cart paths, etc.)	5
Watering System	5
Slope Rating	5
Total Weight	<u>100%</u>

Example of WEIGHTED SCORE CALCULATION

	<u>Rating</u>	<u>Weight</u>	<u>Weighted Score</u>
Location	7	25	25 x 0.70 = 17.5
Size	9	15	15 x 0.90 = 13.5
Turf	8	10	10 x 0.80 = 8.0
Soil	7	10	10 x 0.70 = 7.0
Drainage	6	10	10 x 0.60 = 6.0
Topography	8	8	8 x 0.80 = 6.4
Hazards	7	7	7 x 0.70 = 4.9
Amenities	8	5	5 x 0.80 = 4.0
Watering System	3	5	5 x 0.30 = 1.5
Slope Rating	10	<u>5</u>	<u>5 x 1.00 = 5.0</u>
Total Weight		<u>100%</u>	<u>73.8</u>

Establish of golf value per hole

Example: P50, 000.00 per hole
18-hole golf course

$$P50, 000.00 \times 73.8 = 3, 690, 000 \times 18 = P66, 420,000.00$$

The valuation of a golf course is similar to other appraisal problems with regards to general procedures. It is imperative that an appraiser should obtain a thorough knowledge of the golf industry and develop a familiarity with the game and course design in order to accurately identify the quality level of the golf course being appraised.

B. MEMORIAL PARK- CEMETERY

A cemetery is a “Special Use” property because it is adapted for a particular purpose. It may be a non-profit or a profit enterprise.

1. Non-profit cemeteries are usually church-affiliated. National and Municipal Cemeteries are also included in this category.

2. Profit cemeteries are investment properties are appraised using Income Approach. Net income (derived from source of income less expenses as itemized above) is converted into value by a capitalization process (Net income divided by Capitalization rate equals value).

Development of cemeteries generally follows three patterns:

- a. Monument cemeteries – marked by stone memorials like the churchyard burial grounds.
- b. Lawn cemetery – stretches of land, almost bare except for markers.
- c. Garden memorial park – modification of the lawn cemetery. It is distinguished by sculptural and architectural features centered in its section or garden which achieves individuality and removes the monotony of long stretches of lawn.

C. HOSPITALS

Hospitals are generally considered special purpose property because hospitals are not usually offered for sale in the open market. The Income approach may not also give a good indication of value due to the factors to be considered in arriving at the net income, such as, laboratory tests, doctors professional fees, X-rays, ultra sound technicians, examinations, etc., which are not necessarily part of the income of the hospital.

The Cost approach to value is generally used in the appraisal of hospitals. Land is appraised as if vacant by the use of the Market Data approach. The value of the land is based on sales and asking prices of similar lands within the vicinity of the property.

In value the buildings and other land improvements, as well as the laboratory and hospital equipment, the cost of reproduction, new, is first estimated, based on how much similar properties in brand new condition, can be constructed or acquired. Depreciation resulting from wear and tear and physical and economic obsolescence is then deducted to arrive at the current market value of the improvements and the value of land added to indicate the value of the hospital.

Because of the nature of its operation, hospital beds are considered as part of the building, not as furniture. Similarly, hospital equipment is also considered as part of the hospital building. However, these items of property will not necessarily follow the economic life of the building.

D. SCHOOLS

The appraisal of schools, colleges and universities is similar to the procedure in appraising hospitals. The Cost approach is used in valuing these properties.

As in the valuation of hospitals, classroom desks, chairs, tables and blackboard and other similar illustration boards are considered as part of the school building. Cost of reproduction new is estimated based on current building construction costs and prices of similar furniture in brand new condition, and depreciation deducted based on the respective economic life of the properties, and value of land using the market data approach added to arrive at the value of the school.

E. GASOLINE STATIONS

Gasoline stations are usually owned by the oil company selling the gasoline and other oil products. The land is more often leased by the oil company on a medium to long term basis. All improvements on the land are owned, installed and constructed by the oil company. The standard improvements on a typical gas station consist of transfer pumps, underground tanks, service facilities including car lifts and the building.

In valuing the land, the market data or comparative approach is used. The income approach is not generally employed because the rentals paid for the lease of the land are considered above prevailing rentals for similar lands for the reason that most of the oil companies are willing to pay a premium based on their survey of the volume of vehicles in the area.

For the improvements, the basis for valuing the equipment, including transfer pumps and underground tanks, is the cost of acquiring and installing similar facilities in brand new condition, and depreciated based on current condition of the property. The costs of these facilities can be obtained from the records of the oil company itself if the traditional sources of information like the manufacturer's local representatives or distributors are not available.

F. MALLS (SHOPPING CENTER)

Shopping Center – a group of commercial establishments, planned, developed, owned and managed as a unit with the street parking provided on the property.

Four (4) Elements to be given special emphasis in appraising of shopping malls:

1. The property must be valued as an aggregate (whole) and not as separate individual store due to the following reason:
 - a. Common parking area
 - b. Favored position of department store around which the center is planned and built.