Depreciated Replacement Cost

What guidelines are used by appraisers to determine depreciated replacement cost? An accurate and objective assessment is needed to ensure that the property owner receives a just and fair price for the structure (and premium) in the event of a treble.

The first question is, “What gets assessed?” The default answer is different for residences and businesses. By default, all residential structures and fixtures are paid at a 33% premium and all movables are moved or abandoned. For commercial properties, movables are paid at a 33% premium as well.

However, property owners might desire to move certain structures or fixtures, or might wish a 33% premium on various movables. Conversely, businesses might not wish to provide their competitor with equipment and machinery in a hostile takeover. This is their right, provided each of the items the disposition of which differs from the default is clearly noted with the property.

In addition to documentation of property the transition status of which differs from the default, various assertions about the property should be recorded in LGATS to maximize assessed valuation and gain an advantage in chancery court. Most, but not all of these, apply to commercial property:

A. Machines must be listed individually with photo, manufacturer, brand, serial number, status, and age. Digital receipts with date of purchase can enhance valuation. VIP services used to associate a material object with a biometric identity in order to track its provenance and repair history will maximize valuation.
B. Inventory should include a minimum-maximum range of each product in inventory and a general description. All inventory is paid at a 33% premium to the purchase price, not the sale price.
C. Materials that provide no added utility (according to the opinion of a reasonable expert) over cheaper materials will be appraised at the price of the cheaper material. Expensive materials that lower utility should be removed by the trebled property owner, as they will not be paid.

D. A trademark can be offered for sale with the treble, but not mandated. There is no market value on trademarks and proprietary signage. If the property owner does not remove them prior to vacating, they have no legal remedy should the new property owner use them as they see fit.
E. Furniture and miscellany can be listed as a group and will be priced at thrift store pricing (often $0.00), unless receipts with date of purchase for individual items are included.
F. Moveable items can be priced. They must be available to the trebler at the specified price. If the trebler chooses not to purchase the item, it must be removed or abandoned. It will not be included in the structure or premium price.

There is no 33% trebler premium paid on structures to the extent of mortgage holder, utility, or mechanic's lien. For example, if the depreciated replacement cost of the structure is $100,000 and the lien account balance is (70,000), then the trebler would pay $30,000 x 133% + $70,000 = $109,900, rather than a lien-free structure payment of $100,000 x 133% = $133,000.

The $70,000 is transferred to the lien account to close it with a zero balance, with the now former landowner receiving $39,900. Lien accounts are tied to receivable accounts of lien creators.