



Building Rent

What's a Fair Value?

Ken Bolton

UW-Extension

Center For Dairy Profitability

Arriving at a Fair Rental Value

- For whom?
- Landlord?
- Renter?
- Both?
 - High/Low approach




Arriving at a Fair Rental Value

Landlord

- High
 - Out-of-pocket costs, PLUS
 - Annual ownership costs
 - Rate of return on Investment
- Low (Out Of Pocket)
 - Taxes
 - Insurance
 - Repairs?

Renter

- High 
 - Full ownership cost
- Low
 - Less than
 - Taxes
 - Insurance
 - Repairs

Arriving at a Fair Rental Value

- Full ownership cost
 - Actual costs for
 - Taxes- (1-1.5% of building's market value)
 - Insurance- (0.5-1.0% “)
 - Repairs- (1.0-1.5% “)
 - PLUS-
 - Capital Recovery Charge (CRC)
 - Depreciation (0-5%)
 - Interest on investment- CD rate



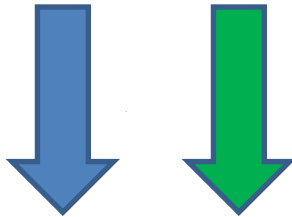
Arriving at a Fair Rental Value

- What's a Building Worth?
 - Market value
 - Insured value
 - Assessed value
 - Appraised value
 - Replacement cost MINUS depreciation
 - Contributory value
 - Farm value-land value



Real Estate Tax Bill

715-834-3257
 JANELLE L HENNING
 5750 OLD TOWN HALL RD
 EAU CLAIRE, WI 54701-8948



Real Estate Tax Bill For 2009
 TOWN OF WASHINGTON
 COUNTY OF EAU CLAIRE
 STATE OF WISCONSIN

H KENNETH & MARGO G BOLTON
024-1019-09-000
 2009375512

Correspondence should refer to tax number.
 See reverse side for important information.

Ass'd Value Land	Ass'd Value Improve	Total Ass'd Value	Avg. Assm't Ratio	Est. Fair Mkt. Land	Est. Fair Mkt. Improve	Total Est. Fair Mkt.	
61,200	274,700	335,900	1.0070	See Reverse, Use Value Assessment			
TAXING JURISDICTION		Est. State Aids Allocated to Tax District	2008 NET TAX	2009 NET TAX	% TAX CHG	GROSS PROPERTY TAX	5,207.93
STATE	0	0	N/A	56.61	N/A	FIRST DOLLAR CREDIT	-66.32
COUNTY	431,855	442,758	N/A	1,289.94	N/A	LOTTERY CREDIT	-75.66
TOWN OF WASHINGTON	357,088	337,443	N/A	774.57	N/A	NET PROPERTY TAX	5,065.95
SCHL-FALL CRK	883,046	929,067	N/A	2,532.29 *	N/A	SC RECYCLE	8.00
CVTC	296,479	277,993	N/A	554.52	N/A	SC SEWAGE	6.00
TOTALS	1,968,468	1,987,261	N/A	5,207.93	N/A	TOTALS	5,079.95
		First Dollar Credit	N/A	-66.32			
		Lottery & Gaming Credit	N/A	-75.66			
Net 2009 county tax reduced by county sales tax credit	385.24	Net Property Tax	N/A	5,065.95	N/A		
Net 2009 school tax reduced by school levy tax credit	560.55 *	NET ASSESSED VALUE RATE (Does not reflect credits)	0.015504384				

TOTAL DUE FOR FULL PAYMENT
 PAY BY January 31, 2010 TO LOCAL TREASURER
\$ 5,079.95

WARNING: If not paid by due date, installment option is lost and total tax is delinquent and subject to interest and if applicable, penalty. SEE REVERSE SIDE.

Or PAY 1st INSTALLMENT by January 31, 2010 TO LOCAL TREASURER	Or PAY 2nd INSTALLMENT by July 31, 2010 TO COUNTY TREASURER
\$ 2,509.15	\$ 2,570.80

IMPORTANT: This description is for tax bill use only and may not be a full legal description

926750 1445/661 1212/101
 8695 OTTER CREEK RD

S09/T26/R08 ACRES: 42.710
 PCL# 26.8.9.2-1 & 2-2-A
 PIN# 18024-2-260809-210-9000
 ZONING: A1
 LOT 1 OF CSM V.9 PG.285 (#1756) LYG IN THE
 NE-NW & NW-NW CONT 42.71 AC WITH RD R/W
 OR 41.85 AC WITHOUT RD R/W

024-1019-09-000

H KENNETH & MARGO G BOLTON
 8695 OTTER CREEK RD
 FALL CREEK, WI 54742

Arriving at a Fair Rental Value

- “Improvements”
 - House- 4 bedroom, finished basement built 1996
 - Shop- 40’ X 60’, 4- season built 2004
 - Pole barn- 40’ X 60’ built 2004



Arriving at a Fair Rental Value

- “Fair” market Value
- Using The Real Estate Tax Bill
 - Assessed value of Improvements - value of improvements not to be rented = value building to be rented
 - \$274,700 – (\$214,700 house + 50,000 shop) =
 - \$10,000 pole barn
 - 40' X 60" = 2400 ft.² = \$4.17/ft.²

Arriving at a Fair Rental Value

- Real Estate Tax Bill, continued
 - \$10,000 building value X 2.5% (taxes, insurance, repairs) =
 - \$250
 - \$10,000 building value X 3% (depreciation) =
 - \$300
 - \$10,000 building value X 1% (hopeful CD rate) =
 - \$100
 - Total (\$250 + 300 + 100) =
 - \$650/year/ **\$54.17**/month (add value of technology)
 - \$250 min. cash costs
 - Bottom line- What the market will bear.

Arriving at a Fair Rental Value

- Negotiation points
 - Can I recapture all depreciation?
 - Can I recapture total return on investment?
 - Would the renter cover repairs?
 - Would the renter check in on me/help me when he uses the building?
 - Would the renter clean my drive of snow?
 - Is the renter a close friend/neighbor?
 - Would I be better off with unused building?

Arriving at a Fair Rental Value

- Consider all approaches to valuation
- Select those make most sense
- Consider “High – Low” values
- Consider local demand
- Consider “people relationship” factors
- Decide whether you really want to rent
- Settle on an agreed on price
- Put agreement in writing!



Arriving at a Fair Rental Value

- Resources
 - Your own knowledge of local conditions
 - Property tax assessment report (Co. Treasurer's Office)
 - <http://cdp.wisc.edu/Decision%20Making%20Tools.htm>
“BUILDINGRENTALVALUEV2.XLS”
 - NCR-214 “Rental Agreements For Farm Machinery, Equipment and Buildings”
http://www.mwps.org/index.cfm?fuseaction=c_products.view&catID=779&productID=6538
 - NCR-215 “Farm Buildings or Livestock Facility Lease”
http://www.mwps.org/stores/mwps/files/Free/ncr_215.pdf

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