



STATE TAX COMMISSION OF MISSOURI ASSESSOR MANUAL

CHAPTER:

BILLBOARDS – COST APPROACH TO VALUE

REVISION DATE: 3/1/2009

Page 1 of 16

Approaches to Value

Consideration is given to all three approaches to value billboards. The Cost Approach is the easiest to perform and usually the most defensible approach. The Market Approach would be applicable if comparable sales of similar billboards were to be found and validated or enough information was obtained to develop an effective gross income multiplier. The Income Approach could be used if sufficient market income and expense information were available and a defensible cap rate developed.

Date of Implementation

Statewide information was researched in the last half of 2007 by the State Tax Commission for the valuation of Missouri Billboards for use by the Ratio Study Section as of 1-1-09 using the Cost Approach to value. It became available to all assessment jurisdictions in the last half of 2007 for use in the valuation of billboards for the tax year 1-1-09. The assessor has the choice to use this information or develop other defensible methods.

Billboard Data & Valuation Form

The Billboard Data & Valuation Form (Billboard Exhibit 1) is a one page form to be used for the valuation of billboards selected in the Ratio Study. It contains four sections; the first section is to record the Ownership and Location Data, the second section is to record the Construction Data. The third section is for Comments that may include description of billboard condition or any comments relative to billboard data and valuation not covered elsewhere on the form. The Valuation section has the actual cost approach.

Uniform Parcel Number (UPN)

Counties should assign each billboard a Uniform Parcel Number (UPN) that ties to the land ownership UPN. If the billboard(s) has the same owner as the land, both the billboard(s) and the land have the same UPN. If the billboard(s) and the land have different owners, the billboard is a leasehold improvement and has the appropriate UPN. For example, the land is parcel number 9.000 so the leasehold improvement would be 9.001. If there are multiple billboards with different owners on the same land tract, then each owner's billboard(s) would have a different parcel number. If one owner has one billboard and another owner has three billboards on the same land tract, then the parcel numbers would be 9.001 for the one billboard and parcel number 9.002 for the three billboards which would have a combined value. If multiple billboards are involved, it will be necessary to complete a form for each billboard then total the values.

Discovery and Identification

Not every billboard has a permit. Local zoning authorities allow billboards placed prior to the enactment of restrictive zoning regulations to stay under “grandfather clauses” which generally say that if and when they are removed, they cannot be replaced by another billboard. Without a permit, the current use may be legal but nonconforming. The assessor/appraiser must determine if the remaining tests for highest and best use are met.

The Missouri Department of Transportation (MoDOT) is responsible for the permitting of signs and it maintains a Billboard Sign Inventory report. This printout is maintained on a monthly basis and provides data on the sign location, ownership, type, size, illumination, height, shape, material, and condition. This information may be obtained by visiting a district office and requesting a printout. This report does not replace the need for on-site inspection.

Two web sites that are helpful in obtaining information: Missouri Outdoor Advertising Media and Billboard Companies @ <http://outdoorbillboard.com> and Missouri Outdoor Advertising Association @ <http://members.aol.com/moaahomofc>. These two sites contain contact information for outdoor advertising companies that operate in Missouri. A directory of outdoor advertising companies is included with this material (Billboard Exhibit 2).

Ownership and Location Data Section

On the Billboard & Valuation Form (Billboard Exhibit 1), the assessor/appraiser records the name of the company that owns the sign, the company person that was contacted, their phone number, and date of contact.

The MoDOT Permit Number is assigned by the Missouri Department of Transportation. Any other permit number should be recorded and noted also as it may be helpful to determine ownership and/or zoning permits. On-site inspection is the most reliable source for the permit number or lack of one. If no permit number is to be found either in the MoDOT Billboard Sign Inventory or from on-site inspection, it should be noted in the Comments section of the Billboard Data and Valuation Form.

The assessor/appraiser must also record the UPN and a brief description of the sign’s location such as highway with cross reference and direction billboard is facing.

Construction Data

The appraiser needs to determine the construction date of the sign to determine the age and proper assignment of depreciation of the sign structure. It is necessary to contact the owner of the sign for this information as actual age is used in the depreciation schedule. If actual age is unknown, note in the Comments section that the age is estimated from on-site inspection with effective date of January 1 of the odd year of the assessment cycle.

HAGL refers to the “height above ground level” and must be verified during the on site inspection. The HAGL is measured from ground level to the bottom of the sign’s display area.

There are three Sign Construction Types: **Wood Pole** (wood poles are the primary support), **Steel I – Beam** (steel I – Beam or steel poles as the primary support), and **Monopole** (a single large steel pole as the primary support).

The Class of sign is determined by the size of the single largest display area and described as follows:

- Class 1** (0 – 200 sq. ft.)
- Class 2** (201 – 300 sq. ft.)
- Class 3** (301 – 400 sq. ft.)
- Class 4** (401 – 600 sq. ft.)
- Class 5** (over 600 square feet)

The base structure cost will vary by the class of the sign.

To determine the replacement cost of a sign, information regarding type, size, number of sign displays and illumination is necessary. The display area can be either wood or metal. The number of faces (displays) is necessary to correctly determine the costs of the structure. The appraiser must also note if the sign is illuminated or has any other electronic components.

The appraiser must indicate the Style of Display associated with the sign structure construction type. The various construction types are Monopole and Wood or Steel. Types of displays for Monopole are as follows: center mount, flag mount, “vee” faced, single faced, double faced, back to back flag, “vee” flag, and center mount “vee”, stacked, side by side and tri-surface. Types of displays for wood or steel are as follows: single faced, double faced, back to back flag, and “vee” faced display, side by side and tri-surfaced. The appraiser should check the type of display based upon these construction types. Cost adjustments are made for the style of the display. Multiple entries may be necessary to correctly identify the display style. For example a center mount monopole may be double faced back to back, double faced stacked, or “vee faced”. A double faced steel sign may be back to back or side by side. Illustrations and photographs of construction and display types are included with this material (Billboard Exhibits 3)

Valuation

The Base Structure Cost is determined by the sign’s construction type (wood pole, steel I-beam or monopole), the class (1 – 5), and the type of display (wood or metal). There are separate cost pages for each of the three construction types (Exhibits 4, 4.1, 4.2). Each cost page contains a separate column of costs for each class of sign. The base cost is determined by multiplying the total square feet of the largest single display area by the appropriate price per square foot.

One display surface is included in the base per square foot cost. An additional cost per face (display area) over one is added to the base structure cost. Multiply the additional number of faces by the cost per face based upon the type of face (wood or metal). The Basic Structure Cost is determined by adding the total base structure cost and the costs of any additional surfaces.

The Basic Structure Cost is then adjusted for height (HAGL), type of monopole display and style of display (stacks). The type of monopole displays that require an adjustment include: back to back, center mount “vee”, and “vee” flag. Stack adjustments are required for stacked displays, “vee” displays, side by side displays and tri-surface displays. Therefore, a wood pole or steel I-Beam constructed sign might require the use of only two of the adjustments, and a monopole sign could have adjustments in all three categories. These Construction Adjustments are percentage adjustments which are applied to the Basic Structure Cost subtotal. The percentage adjustments for these items vary by construction type and class. Each percentage adjustment is multiplied by the basic structure cost and then added to the Basic Structure Cost subtotal to provide an Adjusted Basic Structure Cost.

Additional Improvement Costs include adding for the cost of illumination or electronic displays. The cost of illumination is determined by multiplying the number of illuminated surfaces by the cost per surface by class and adding to the adjusted basic structure cost. Electronic display costs are added to the adjusted basic structure cost and a display face deduction is required since the electronic display has replaced the normal display face. This deduction is made in the basic structure cost in the additional surfaces section.

The total structure cost is the sum of the basic structure cost, construction adjustments and additional improvement cost. The county location adjustment is a factor of 1.00. This is not the same factor as the county index or local multiplier.

The depreciation is expressed as a percent good, and is taken from the Billboard Depreciation Schedule (Billboard Exhibit 5) which is included in this material. The actual age should be based upon the first year of the appraisal cycle (example 2009). Therefore, appraisals completed in the second year (2010) will still use the first year (2009) to calculate the age. The depreciation schedule reflects a straight-line depreciation rate with a residual depreciation of thirty percent and ten percent. The applied percent good should be based upon the actual age of the signboard as indicated in the Billboard Depreciation Schedule. The ten (10) year life table is for electrical items such as illumination and electronic displays; the twenty (20) year life table is used on all wood structures; and the forty (40) year life table is to be applied on all steel structures.

The replacement cost new less depreciation value is rounded. The billboard value is then recorded to the improvement section of the property record card and totaled if the billboard is on leased land. Land value is added if the billboard is on company owned land and the values are totaled. Business signs are often the property of the tenant and are not usually valued as billboards.

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Page 5 of 16

This Billboard Cost Manual is used by the STC Ratio Appraisers and made available to all Assessors through handouts and the STC website in the updated Assessor Manual.