

# Appraising Landscaping for Partial Takings

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**T**rees and shrubs provide oxygen for us to breathe, homes for our birds and increase the value of our real estate. Public acquisition of land for highways, utility lines, rail lines and other types of public improvements commonly involve the value of trees in the real estate valuation process. It may be necessary to value trees for a loss in value due to vandalism or negligence on the part of a contractor, or for a casualty loss that would be reported for income tax purposes.

The main subject of this article, however, is the valuation of trees, landscaping and windbreaks for highway acquisition. The American Forestry Association has proposed that the 1990s be called the "Decade of the Tree." Since the loss of trees is being blamed for global warming, the loss of the ozone layer and increased air pollution, the appraisal of trees in the 90s will be more challenging than ever before.

## THE CONTRIBUTION OF LANDSCAPING

It is important that real estate appraisers recognize the contributory value of trees, shrubs and landscaping to all types of properties. Trees chosen for size and color, besides

being located to provide screening and shade, can contribute to the overall value of a residence by as much as 20 percent. Trees provide an aesthetic element to our environment. They help screen out undesirable views, screen properties from traffic and reduce traffic noise. Trees frame the house and help tie the house to the site with foundation plantings. They provide shade, reduce the cost of air conditioning and provide shelter from stormy weather. Trees define property lines and outdoor living areas. Trees increase the overall value of property by providing pleasant settings for the residence.

Trees and landscape plantings provide offices and industrial properties with a park-like setting. Landscaping can create a mall-like setting for stores and office buildings. Tony Bouza, the former Minneapolis police chief, says trees help reduce crime in urban areas because, "Beauty and nature lead to civilized behavior." He promoted the planting of trees in New York City before he came to Minneapolis. Here, he didn't need to stress the importance of planting trees because we have a good "urban forest" in the Twin City Metropolitan area.

On farm properties, trees provide the same benefits to farm residences as they do to other types of housing. Farm windbreaks can also provide protection to farm buildings from winter winds, reduce the need for housing for livestock and provide a place to catch and store snow.

## THE APPRAISAL PROBLEM

A common type of appraisal problem in right-of-way acquisitions is the taking of trees, shrubs or other landscape improvements that abut the existing highway so it can be widened. These takings can vary from a single tree or a few ornamental shrubs to a major portion of the land-

scaping in a residential yard. It may include part of a wind break, a large wooded area that provides privacy for a large estate. All of these problems can present challenges to a real estate appraiser in estimating the value of property and especially in estimating the value of a partial taking.

## LEGAL PREMISES

The legal instructions for a partial taking require that an appraisal of the property's market value be made both before and after the taking. The difference in these two values is defined as the damages or just compensation. Some authors have remarked in their discussions of appraising landscaping that there are Minnesota Supreme Court decisions that have allowed damages based on replacement costs of landscape plantings as opposed to the diminished market value of the property. These decisions were based on casualty loss claims, where the property owner lost trees because of vandalism, contractor negligence or other causes. The before and after value rule did not apply in these decisions.

## DEFINING THE APPRAISAL PROBLEM

What are some of the steps that appraisers should take in order to appraise this kind of property? One of the first things to do is to take a complete inventory of the landscaping on the entire property. Then determine from a detailed inventory of the landscaping what is to be affected or taken. If the taking is only a few trees or shrubs, the best method of appraisal to use is the replacement cost method. In this method, it is best to secure estimates of the cost of the landscaping materials and the cost of planting them from a local nursery or landscape contractor. It is important to gather information in the local area as costs vary from metropolitan to



smaller cities of the state. In many cases, trees can be transplanted to replace those taken. If larger trees are planted, they can soon provide the same advantages to the property as the trees removed.

#### **THE ROLE OF THE TREE APPRAISER, LANDSCAPE ARCHITECT OR FORESTER**

There are several good tree appraisal publications produced by the International Society of Arboriculture. One of their publications is entitled *Valuation of Landscape Trees, Shrubs, and Other Plants*. This is a guide to the methods and procedures for appraising attractive plants. This guide provides basic formulas for tree appraisal valuation and should be a part of your appraisal library. As a real estate appraiser it may be desirable to seek professional advice for a project where there is a severe loss of landscaping. The tree appraiser or forester looks at the tree in the same way as other experts we hire would look at special equipment, specialized buildings or other special improvement to a property. The forester can identify each of the tree species and can alert you to the condition, shape and the estimated life and value of a particular tree. Many foresters will use "the basic formula method" outlined in the landscape guide. This formula is recommended for valuing trees too large to replace with nursery stock. The basic formula is as follows: square inches of trunk area (at a 4-1/2 foot height) times \$27 (basic value in 7th Edition, 1988), times species factor, times condition factor, times location factor. Each factor calls for a judgment by the tree appraiser along manual guidelines.

An estimate of the value of a tree can run from \$500 to \$5,000. This valuation of the different trees can be helpful in your appraisal and can be factored in as a part of the market value of the entire property.

#### **REAL ESTATE APPRAISAL METHODS**

In the application of the cost approach, you would consider value of the lot, depreciated value of the house (cost of the house less its depreciation), and the cost of sodding, planting and landscaping. In metropolitan areas, we are finding that the cost of landscaping on new properties can run from 10 to 15 percent of the value of the lot. Hence, if the lot sold for \$25,000, landscape cost would be approximately \$2,500. On a \$50,000 lot, it would be \$5,000 and so on. In-place landscaping that has grown and tended can then add up to 10 to 15 percent of the value of the entire property.

In evaluating landscaping for the market approach, you must make adjustments for landscaping on different types of properties. It is fairly simple to take a vacant lot value and find lots with trees and shrubs on it and determine the added value of the wooded lot. For example, bare lots are selling for \$25,000 and wooded lots are selling for \$30,000. The value the landscaping with trees is \$5,000.

*In evaluating landscaping for the market approach, you must make adjustments for landscaping on different types of properties.*

If you have a partial taking of trees from this lot, you could estimate the percentage of trees taken apply it to the total value, say 50 percent, and arrive at a value of \$2,500.

This is more difficult for improved properties where you need to separate the value of the house from the landscaping. Many of us would say

that a house sells more quickly because it has a desirable landscape, but this needs to be interpreted into value. There are many different examples that we could use concerning the total value of landscaping. However, when it comes to taking a part of the landscaping from a home, you may need in your own mind to set a value for each tree that is being taken. When you finish evaluating the trees and landscaping taken, estimate a percentage of the total value based on the percentage taken. If the landscaping on the entire lot is worth \$5,000 and 20 percent of the landscaping is being taken, the landscaping value would be \$1,000. In order to explain this to others, you need to be sure that the percentage you estimate is of the landscaping value, not the number of trees. The trees taken may be the more valuable ones well-located in the front yard as compared to trees of lower value along the back lot line.

In some severe takings of trees, shrubs and possibly of a windbreak, consider some "cost to cure" methods. In some cases, a protective fence may be needed to replace a row of trees or shrubs.

What is the role of the professional real estate appraiser as opposed to the role of a forester? The forester can provide information on the condition of the trees, species of the trees, esti-

mate their remaining life and determine their estimated value on a per tree basis. The professional appraiser takes this information, correlates it to the cost of replacing the landscaping and to the value that the landscape contributes to the overall property value in the market approach, then

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the appraiser arrives at a correlated value for the landscaping taken.

Appraising trees in Minnesota for public acquisition calls for a variety of approaches. Forests cover 17 million acres in our state, about one-third of its land. Forty-seven percent of our forest land is in private ownership. As we continue development of the state and the transportation system, no matter how we try to plan to avoid tree removal, we will need to acquire trees from time to time.

### SUMMARY

To summarize the approaches for different types of property:

- 1) For partial takings in an urban area, in most cases, the replacement cost method will be appropriate. You may need to consider some special adjustments in the market approach for more valuable trees.
- 2) For partial takings from country estates and rural residences, appraise the entire property by cost and market approaches and allocate a correlated value to the landscaping. Then estimate the percentage of landscaping taken in order to allocate values to land, severance and landscaping.
- 3) For partial takings from commercial and industrial properties, use the replacement method in most cases. The landscaping may be extensive and may require a complete inventory of all the shrubs and trees planted. For this type of property, the building and zoning codes may require landscaping and berms to screen parking lots, etc. Most of this type of landscaping is in fairly new industrial parks where traffic demands are dictating the road improvements.
- 4) For partial takings of farms, use the replacement cost of trees and landscaping when practical. It is important to keep in mind the relationship between the site and the building values. Remember that landscaping should not exceed the site value or be worth as much as 50 percent of the value of the improvements. For windbreaks, we may need to consider some special features on how to "cost to cure" the loss of windbreaks by the use of buildings, windbreak fences (for an interim period), or by moving a whole row of trees to a different location. The taking of a part of a windbreak can result in severance damages to the remaining windbreak.
- 5) For partial takings of timber, you may need the services of a forester to estimate value. In appraisals of this type, remember that some of the comparables may include timber, and usually the land value will include timber. Be sure to correlate the value of the lumber that can be harvested with the value of the land and the trees.

This is the decade of the tree. These suggestions may help you as you face the challenge of appraising trees. 



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