

ASSESSORS' HANDBOOK  
SECTION 516

ASSESSMENT OF CEMETERIES

JANUARY 1983

REPRINTED JANUARY 2015

---

CALIFORNIA STATE BOARD OF EQUALIZATION

SEN. GEORGE RUNNER (RET.), LANCASTER  
FIONA MA, CPA, SAN FRANCISCO  
JEROME E. HORTON, LOS ANGELES COUNTY  
DIANE L. HARKEY, ORANGE COUNTY  
BETTY T. YEE, SACRAMENTO

FIRST DISTRICT  
SECOND DISTRICT  
THIRD DISTRICT  
FOURTH DISTRICT  
STATE CONTROLLER

CYNTHIA BRIDGES, EXECUTIVE DIRECTOR



## Reprint Note

This manual has been renumbered from AH 510C, *The Appraisal of Cemeteries* to AH 516, *Assessment of Cemeteries*.

This manual has been reprinted with a new format and minor corrections for spelling and math errors. The text of the manual has not changed from the prior edition. It has **not** been edited for changes in law, court cases, or other changes since the original publication date.

## PREFACE

The contents of this appraisal manual have been reviewed for conformity with the requirements of article XIII A of the Constitution. It became apparent during this review that, although this manual was adopted in its present form prior to the passage of Proposition 13, both the essential theory and the appraisal practices recommended herein are still valid. Of course, readers will note that tax rates, income and expense figures and other financial data found throughout this manual are out of date but the obvious obsolescence of this data should not reduce the credibility of the underlying appraisal theory.

While the methods of valuation detailed in this manual remain applicable to today's property tax appraisals, the opportunities for making a market value appraisal of real property are now confined to the occurrence of a change in ownership or new construction or the market value has declined below the factored base year value. A change in ownership may occur for only a portion of a developed property, as when a lease for a term of 35 years or more is executed for an anchor store in a shopping center. Such a fractional transfer requires the establishment of the current market value of only that part of the property that has had a change in ownership. Properties not experiencing a change in ownership, new construction, or a loss in value will retain a previously established base year value factored forward.

In summary, it is important to remember that article XIII A and subsequent implementing legislation have limited **when** real property may be appraised at full cash value, but have not significantly affected **how** such appraisals are to be made.

Verne Walton, Chief  
Assessment Standards Division  
January 1983

# TABLE OF CONTENTS

<b>CHAPTER 1: INTRODUCTION.....</b>	<b>1</b>
<b>CHAPTER 2: CEMETERIES.....</b>	<b>3</b>
DEFINITION .....	3
LEGAL PROVISIONS.....	3
TYPES OF CEMETERIES.....	4
<i>Public Cemeteries</i> .....	4
<i>Private Cemeteries</i> .....	4
<b>CHAPTER 3: CEMETERY DEVELOPMENT .....</b>	<b>6</b>
DEDICATION.....	6
LOCATION .....	7
PASSIVELY HELD LAND .....	7
ENDOWMENT CARE .....	8
IMPROVEMENTS.....	9
LAND UTILIZATION.....	9
<b>CHAPTER 4: CEMETERY OPERATION.....</b>	<b>11</b>
NONPROFIT CEMETERIES.....	11
PROFIT-SEEKING CEMETERIES.....	11
<b>CHAPTER 5: VALUATION COMMENTS.....</b>	<b>13</b>
THE APPRAISAL PROBLEM .....	13
LAND VALUE.....	14
<i>Profit-Seeking Cemetery</i> .....	14
<i>Nonprofit Cemetery</i> .....	15
IMPROVEMENT VALUE.....	16
DEPRECIATION .....	16
SUMMARY .....	17
<i>Cost Approach</i> .....	17
<i>The Sales Comparison Approach</i> .....	18
<i>The Income Approach</i> .....	18
<b>CHAPTER 6: CASE STUDY .....</b>	<b>22</b>
<b>CHAPTER 7: GLOSSARY .....</b>	<b>32</b>

## CHAPTER 1: INTRODUCTION

This handbook considers the proper appraisal methods for valuing cemetery properties. Cemeteries have expanded with California's growing population. Whereas a hundred years ago people were typically buried in a church graveyard, or in the days of the wild west, on "Boot Hill," today the choices are a public cemetery owned and operated by a governmental entity, or a private cemetery owned and operated by either a profit or a nonprofit corporation. Along with this development has been the formulation of the laws governing all types of cemeteries, which may be found in Sections 8125-9677 of the Health and Safety Code and in a number of court decisions.<sup>1</sup>

Types of cemeteries also vary according to landscaping. We are all familiar with the gradual change from formal cemeteries laid out in a rectangular pattern and having walkways and large monuments to the more modern lawn memorial with rolling grass and either small headstones or markers set flush with the ground. Because of the increasing population concentration in our urban areas and the more secular nature of this population, churchyard burial could not have hoped to continue as the sole or preferred place of burial. Many of the modern cemeteries are characterized, therefore, by large land holdings for cemetery use, with a variety of services available to the public. For example, a complete, efficient cemetery complex may contain a mortuary, chapel, crematory, mausoleum, columbarium, sales rooms, florist shop, casket-making shop, and business offices.<sup>2</sup> Cemeteries which are organized for profit, it should be recognized, are businesses having the characteristics of other businesses, a management intent on producing a profit for stockholders, and salesmen working for a commission by selling a variety of goods and services.

With growing business opportunity of private cemeteries have come advertising and other earmarks of commercial endeavor. Buyers, on the other hand, are offered choices and often make selections from a group of alternatives. The idea of even selecting a cemetery to be buried in is probably a relatively recent concept for most people, but having become established as an acceptable alternative, it was only logical that cemetery businesses should have developed a line of products for the public to choose from, such as above-ground or below-ground burial, cremation instead of uncremated interment, a variety of caskets and funeral services, and a choice of pleasant surroundings to serve as the final resting place. So-called "pre-need" buying, which is buying one's own grave site during one's lifetime, has proved popular with many, and a source of profit to the industry.

While cemeteries may be motivated as are other businesses by the expectation of profit, they are unique in many ways, and the average appraiser knows little about their organization, operation, background, or the laws under which they operate. Our discussion of these topics is intended to provide the appraiser with a better understanding of cemeteries and to aid him in reaching a realistic value conclusion. It is also the purpose of this handbook to point out the indicators of

---

<sup>1</sup> See AH 265, *Cemetery Exemption*, page 3 for table of cases.

<sup>2</sup> See Glossary, *infra*, pp.32 -34.

value and the various methods and techniques which the appraiser may use in arriving at a value conclusion.

The taxability as opposed to the appraisal of cemetery property is a subject covered in Assessors' Handbook 265, *Cemetery Exemption*. An appraiser working with cemetery properties should consider Assessors' Handbook 265, *Cemetery Exemption*, and Assessors' Handbook 516, *Assessment of Cemeteries*, as complementary, and should be familiar with the contents of both.

## CHAPTER 2: CEMETERIES

### DEFINITION

Webster's *Third International Dictionary* defines a cemetery as:

an area for burial or entombment...any burial ground, typically a large one: a graveyard.

Section 8100 of the Health and Safety Code provides:

Six or more human bodies being buried at one place constitute the place a cemetery.

The Health and Safety Code further defines cemeteries in Section 7003 as:

Cemetery means any one, or a combination of more than one, of the following, in a place used, or intended to be used, and dedicated, for cemetery purposes:

- (a) A burial park, for earth interments.
- (b) A mausoleum, for crypt or vault interments.
- (c) A crematory, or a crematory and columbarium, for cinerary interments.

### LEGAL PROVISIONS

Section 3(g) of article XIII of the California Constitution provides for property tax exemption of:

Property used or held exclusively for the permanent deposit of human dead or for the care and maintenance of the property or the dead, except when used or held for profit. This property is also exempt from special assessments.

There are statutory provisions in the Revenue and Taxation Code pertaining to the exemption of cemetery property from taxation. These provisions, along with various court decisions affecting cemetery exemptions, are discussed in Assessors' Handbook 265.

There are various statutory provisions in the Health and Safety Code that pertain to the organization, administration, and operation of cemeteries in California. These provisions will be cited in the various sections of this handbook as they apply. There are no constitutional or statutory sections, however, that deal specifically with the valuation of cemetery properties. The general laws of valuation for tax purposes are applicable.

## TYPES OF CEMETERIES

Cemeteries may be categorized according to ownership as being either public or private.

### **PUBLIC CEMETERIES**

This type of cemetery is one owned and operated by the federal, state, or local government and, of course, is not operated for a profit. Cities and counties have the power to dedicate certain public lands for public cemetery use.<sup>3</sup> The land must be situated near a city, and cannot exceed five acres. The management of city owned cemeteries is controlled by the city council. County owned cemeteries are managed by the county board of supervisors in the county where situated. The governing body having control of a public cemetery must keep a public register of name, age, birthplace, date of death, and date of burial of every body interred in the cemetery.

Sections 8890-9309 of the Health and Safety Code authorize the formation and operation of public cemetery districts. Formation of such a district is initiated by the property owners in the proposed district, who must submit a petition to the board of supervisors declaring their intent and requesting a public hearing. Once a district is established, it is governed and managed by trustees appointed by the county board of supervisors. These trustees receive no compensation for their services.

The district may maintain a cemetery limited in use to burial in the ground of residents of the district, or members of the family of a resident who has purchased a burial plot. A district cannot acquire or maintain a mausoleum unless it was constructed prior to May, 1937.

The money required for maintenance of the district's operation is raised by taxation. The board of supervisors can levy a tax on all property within the district, not to exceed two mills on each dollar of assessed value.

Cemeteries controlled and operated by any religious corporation, church, religious society or denomination, or fraternal or beneficial associations are likewise subject to the provisions of the Health and Safety Code pertaining to public cemeteries.<sup>4</sup>

### **PRIVATE CEMETERIES**

It is unlawful for any corporation, copartnership, firm, trust, association, or individual to engage in or transact any of the businesses of a cemetery within this state except by means of a corporation duly organized for such purposes.<sup>5</sup>

Such a corporation may establish, maintain, manage, or operate a cemetery and conduct any or all of the business of a cemetery, either for or without profit to its membership or stockholders. Generally speaking, there are two kinds of privately owned cemeteries: those that are profit-seeking and those that are not. The valuation of the two for property tax purposes will vary

---

<sup>3</sup> Health and Safety Code, Section 8125.

<sup>4</sup> Health and Safety Code, Sections 8132, 8250.

<sup>5</sup> Id. Section 8252.



because of certain exemptions allowed each, so it is essential that the appraiser be familiar with Assessors' Handbook 265, *Cemetery Exemption*.

There are statutory provisions in the Health and Safety Code granting private cemetery owners authority to regulate and operate their cemeteries.<sup>6</sup> Some of these powers include the rights to regulate the size and shape of markers and monuments, to prohibit markers and structures upon any portion of the cemetery, to remove structures or plants and shrubs from the cemetery, and to regulate the conduct of persons and prevent improper assemblages.

A cemetery corporation does not have absolute control over its property. Municipalities and counties may, pursuant to their police powers, impose zoning and other regulations affecting them. Local governments may even go to the length of forbidding cemeteries altogether in places in which it may be reasonably supposed that a cemetery would jeopardize or injure public health, safety, convenience, or welfare.<sup>7</sup>

---

<sup>6</sup> Health and Safety Code, Sections 8302, 8303, 8304, 8305, 8307.

<sup>7</sup> 13 Ops. Cal. Atty. Gen. 103.

## CHAPTER 3: CEMETERY DEVELOPMENT

### DEDICATION

Before a site can be used as a cemetery, California law requires that the owner dedicate it for cemetery purposes. Section 8553 of the Health and Safety Code describes cemetery "dedication" as the recorded declaration that "the property shall be held, occupied, and used exclusively for a cemetery and for cemetery purposes". Church grounds may be consecrated and dedicated for cemetery use even though not necessarily dedicated pursuant to statutory provisions.

The act of dedication is relatively simple. The cemetery corporation must file an acceptable map or plat in the office of the recorder of the county in which all or a portion of the cemetery is to be located. They shall also file for record in the recorder's office a written declaration of dedication of the property delineated on the plat or map exclusively to cemetery purposes.<sup>8</sup> Upon the filing of the map or plat and the filing of the declaration for record, the dedication is complete.

After a property is dedicated to cemetery purposes, neither the dedication nor the title of a plot owner will be affected by the dissolution of the cemetery corporation, by nonuse, by any encumbrances, or by sale of the cemetery.<sup>9</sup> Dedication of land for cemetery use, however, is not necessarily an irrevocable act. State law provides that cemetery dedication may be removed by an order or decree of the superior court of the county in which the property is situated, in a proceeding brought by the cemetery corporation for that purpose, and upon notice of hearing and proof satisfactory to the court:

- (a) That no interments were made in or that all interments have removed from that portion of the property from which dedication is sought to be removed.
- (b) That the portions of the property from which dedication is sought to be removed are not being used for interment of human remains.<sup>10</sup>

There have come to our attention instances in which both profit and nonprofit cemetery corporations have removed the cemetery dedication and then sold the land for its highest and best immediate use, e.g., a residential subdivision or industrial park. There are few reported cases on the subject, but it may be assumed that a court would not remove the dedication without good cause. For example, in one case a cemetery sold property, and it was used by the purchaser for noncemetery purposes for a period of 18 years. The court held that the property was free of the dedication.<sup>11</sup>

---

<sup>8</sup> Our study of cemeteries, however, has shown that, contrary to Section 8553 of the Health and Safety Code, cemetery property is sometimes used for other purposes while still under cemetery dedication. These uses have included mobile park homes, boat engine repair facilities, and other operations.

<sup>9</sup> Health and Safety Code, Section 8558.

<sup>10</sup> Health and Safety Code, Section 8580.

<sup>11</sup> *Peebler v. Olds* (1943) 56 Cal. App. 2d 8.

## LOCATION

Cemeteries are located in most types of use zones. Since they fulfill a social need, local governments find various means of bringing them within their zoning structures. These means include the issuance of conditional-use permits, the granting of variances, and special cemetery zoning. For this reason the value of a cemetery site may differ substantially from that of surrounding parcels.

Gently rolling land with favorable subsoil conditions and natural drainage is ideal for cemetery usage. Undulating land offers the best advantage for effective and economical landscaping. Flat areas can be developed in a manner to neutralize monotony, but require greater expense. Location is an important factor in cemetery value, since it affects plot prices and absorption rates. Occasionally a site is selected because it is economically unsuitable for other purposes. The selection of a site, however, is at times influenced by circumstances which have no relation to physical, aesthetic, and geographic requirements.

## PASSIVELY HELD LAND

Passively held land may be defined as land that is held by a cemetery owner dedicated to cemetery use, but not presently developed for burial purposes. When valuing a cemetery, the appraiser must exercise particular care and judgment to appraise the passively held land properly.

With respect to such land, the profit-seeking cemetery presents less of a problem than the nonprofit cemetery. All of the passively held land in a profit-seeking cemetery is taxable. On the other hand, passively held land in a nonprofit cemetery is taxable only if it is used for nonburial purposes. Our study has disclosed instances where portions of passively held cemetery land have been improved and used for purposes completely unrelated to cemetery and burial usage. When this situation is encountered, the property should be appraised at its highest and best use, whether it is for cemetery or other purposes. However, if a nonprofit cemetery holds land for future burial use and does not use it for other purposes, how much land should be granted a tax exemption is sometimes a difficult question to answer. The appraiser should consult Assessors' Handbook 265, *Cemetery Exemption*, for guidance in determining the amount of passively held land in a nonprofit cemetery that should be allowed an exemption. The recommended procedure is to estimate a "reasonable" amount of land to be allowed a tax exemption. This involves estimating a rate of absorption - an estimate which is necessary not only for the determination of the tax exemption, but also for estimating the annual income.

There are several important factors to consider when forecasting the rate of sales or the time required to dispose of the plots. The principal factors are population trends and the effect of the total available burial space within the trading territory. This handbook has a further discussion of absorption rates in the section devoted to the income approach.

## ENDOWMENT CARE

In California, most cemeteries are of the endowment care type. An endowment care cemetery is one whose owner has deposited a sum of money in a fund which is to be used to provide perpetual care, maintenance, and embellishment of the cemetery. State law makes provision for establishment of the endowment care funds.<sup>12</sup> Cemeteries established after 1955 must be of the endowment care type.<sup>13</sup> Legislation in 1955 also provides that no new "nonendowment care" sections can be established, nor can an existing nonendowment care section be enlarged, in an endowment care cemetery.<sup>14</sup>

Sections 8738 and 8738.1 of the Health and Safety Code establish minimum amounts of money to be put into perpetual care fund. A newly formed cemetery corporation must deposit \$25,000 into an endowment care fund, or \$35,000 if established on or after January 1, 1977, before it can dispose of any plot or make any sale. After the initial deposit made by the cemetery association, the money added to the endowment care fund can be more, but not less, than the amount required by law. At the time of sale, the law presently requires that the following minimum amounts be added to the fund:

- \$1.25 per square foot of grave sites.
- \$15 for each niche.
- \$50 for each crypt, except for companion crypts, the deposit is \$50 for the first crypt and \$25 for each additional crypt.

These minimum rates were updated as recently as 1976, but some cemetery corporations still feel that they are not in line with today's costs and should be increased.

Not only are the minimum endowment care rates set by law, but the types of investments for which the funds can be used are regulated. These investments include (1) U.S. government bonds, (2) first mortgages on real estate, and (3) insured savings bank accounts.<sup>15</sup> The law is very specific and clearly states:

The principal of all funds for endowment care shall be invested and the income only used for the care, maintenance, and embellishment of the cemetery. These funds are to be maintained separate and distinct from all other funds, with separate records being kept.<sup>16</sup>

This means that only the interest or dividends earned by the fund can be used for maintenance and care of the cemetery.

---

<sup>12</sup> Health and Safety Code, Sections 8700-8780.

<sup>13</sup> Id. Section 8739.1.

<sup>14</sup> Id. Section 8740.

<sup>15</sup> Health and Safety Code, Section 8751.

<sup>16</sup> Health and Safety Code, Section 8726.

Most public cemeteries do not have provisions for an endowment care fund. The maintenance is the responsibility of the governing body. A cemetery district has the option to establish an endowment care fund if the trustees so decide. Cemeteries owned and operated by religious organizations may be established without provisions for an endowment care fund.

The reasoning behind the requirement of endowment care cemeteries is that, when all the spaces are sold, the income from other sources is limited to the yield from incidental services. This revenue gradually declines and is inadequate to provide proper maintenance. Thus, besides compliance with state law, the need for future upkeep and observance of good business principles would demand creation of an endowment care fund at the inception of the enterprise.

### **IMPROVEMENTS**

A description of the cemetery business would be incomplete without mention of mausoleums and columbariums peculiar to interment use. A mausoleum is a building used for the interment of uncremated human remains. The building contains crypts into which the remains are placed. Crypts are typically located above ground and in rows.

Section 9601 of the Health and Safety Code sets forth the structural and material requirements for both crypts and mausoleums. Mausoleums must be of Type I construction as prescribed by the Uniform Building Code, and are usually one and two stories in height. The construction of mausoleums varies; however, many are standard block construction and consist of tier upon tier of cubicles made of reinforced concrete faced with a marble or stone veneer. The crypts are usually stacked six to eight high, and two deep, on either side of a corridor. The size can vary, but crypts 32 inches wide, 25 inches high, and 90 inches long are not uncommon. Outdoor crypts are a variation of the entombment concept. These are rows of crypts usually located around a particularly well-landscaped area within the cemetery.

A columbarium is a structure or room that contains spaces used for cremated human remains; it is frequently located within a mausoleum. The space used for placement of the urn is called a niche, and the act of placing ashes in an urn is called inurnment. This is generally the least expensive method of burial; however, the price of a deluxe niche can exceed that of either a crypt or a ground plot.

Many cemeteries are improved with a variety of miscellaneous buildings. Structures that are sometimes found on cemetery grounds are caretakers' residences, equipment sheds, mortuaries, casket-building shops, flower shops, and chapels.

### **LAND UTILIZATION**

Early cemeteries are characterized by their gridiron-style subdivisions. This style is now largely obsolete, and has given way to the more pleasing effects achieved through a variation in the size and shape of the subdivisions. As stated in the introduction to this handbook, the trend is away

from the monument cemeteries to the modern memorial park development in which memorials are flush with the ground.

Since land is a sizable expense for the cemetery, maximizing grave sites is an important consideration. The appraiser will find that it is not unusual for graves to be mapped at 1,500 graves to the acre, with individual graves varying in size from 24 to 32 square feet. Above ground burial or entombment, of course, may far exceed these numbers, as caskets can be stacked 8 or 10 high in the typical mausoleum.

## CHAPTER 4: CEMETERY OPERATION

Private cemetery activities must be conducted by a corporation organized specifically for cemetery purposes. The articles of incorporation must state if the corporation is to be operated as a profit-seeking or nonprofit organization. We recommend that assessors be familiar with or have copies of the articles of incorporation of all private cemeteries in their respective counties.

### NONPROFIT CEMETERIES

Cemeteries, or portions of them, fall into a tax-exempt category when they are termed nonprofit. The courts have held that “profit” does not refer to the financial benefit that accrues to a cemetery association through the sale of burial space at a price in excess of its cost, but means net earnings which accrue directly or indirectly to the benefit of the stockholders or members of the association.<sup>17</sup>

Publicly owned cemeteries are nonprofit, as are most fraternal and church-owned cemeteries. Privately owned cemeteries can be either profit-seeking or nonprofit. Assessors’ Handbook 265, *Cemetery Exemption*, discusses this subject in more detail.

A nonprofit corporation can purchase land for a cemetery site and agree to pay the seller a percentage of the sales as part of the sales contract. If title is in the nonprofit corporation, the land may qualify for exemption, notwithstanding the percentage payments.<sup>18</sup> If the appraiser finds a situation such as this, he should try to determine whether the sale was an “arm’s length” transaction between two parties, or whether the nonprofit corporation is an alter ego of the seller created for the purpose of making a profit for private interests. It is important that the appraiser distinguish between profit-seeking and nonprofit cemeteries, and be aware of any and all closely held subsidiary corporations or individuals within the cemetery corporation whose activities directly affect the cemetery operations. If the cemetery corporation can be shown to be an alter ego, no exemption should be allowed, and an escape assessment may be in order.

### PROFIT-SEEKING CEMETERIES

Profit-seeking cemeteries are privately organized and designed to return a net profit to their owners. State law forbids any individual, firm, association, or corporation to engage in or transact any of the business of a cemetery except by means of a corporation duly organized for such purposes (religious groups, fraternal orders, and public cemeteries excepted).<sup>19</sup>

A private cemetery corporation authorized by its articles to do so may establish, maintain, manage, improve, or operate a cemetery and conduct any or all of the business of a cemetery either for or without profit to its stockholders. The cemetery owner has broad powers in regard

---

<sup>17</sup> *San Gabriel Cemetery Association v. County of Los Angeles* (1942) 49 Cal. App. 2d 624.

<sup>18</sup> *Westminster Memorial Park v. Orange County* (1960), 54 Cal. 2d 488.

<sup>19</sup> Health and Safety Code, Section 8252.

to the operation and management of its cemetery.<sup>20</sup> The corporation can regulate the uniformity, class, and kind of markers, monuments, and structures. They can regulate the conduct of persons in the cemetery, and prescribe rules and regulations for the cemetery's operations. State law requires that the rules and regulations be plainly printed and subject to inspection in the office of the cemetery corporation, or in such a place within the cemetery as the corporation may prescribe.<sup>21</sup>

---

<sup>20</sup> Id., Sections 8300-8309.

<sup>21</sup> Health and Safety Code Section 8309.



## CHAPTER 5: VALUATION COMMENTS

### THE APPRAISAL PROBLEM

The first task facing the appraiser is to define the problem, that is, what is to be appraised. All property should be valued, even though part or all of it may be exempt from taxation. For instance, the value assigned to sold plots which are eligible for total exemption should reflect the current selling price of the plots. In the case of an exempt nonprofit cemetery, rather than expend the time to prepare a complete appraisal of the land, it may be reasonable to assign a land value similar to that estimated for a comparable profit-seeking cemetery. If there are no values for comparable profit-seeking cemeteries available to him, it is permissible to use a land value estimated from nearby land sales.

As in all appraisal problems, the appraiser must concern himself with the highest and best use concept. The highest and best use can be defined as that use which at the time of appraisal is most likely to produce the greatest net return over a given period of time. The benefits to be derived will vary with the use. Therefore, the present worth of the anticipated future benefits will depend upon probable use. The present use of a property is often its highest and best use. A cemetery is usually no exception.

“Use density” is an important factor in the analysis of highest and best use. The term “use density” is used in relation to supply. If, for instance, there are more cemeteries than a geographical area can normally be expected to absorb, the net return for each cemetery would tend to be less than it would in an area having fewer cemeteries.

Cemeteries can generate a high net return imputable to the land. If the supply and demand for cemetery land is favorable, we can expect an established cemetery to generate a higher net return than surrounding land. This may not be true, however, if the cemetery is located in the midst of high-value urban land.

When appraising a cemetery, a proper method is to value certain portions separately, and add them together to arrive at the total property value. This is considered necessary because only certain portions of the cemetery are conducive to an income approach. For valuation purposes a typical profit-seeking cemetery property might be divided into the following categories:

- Developed and unsold plots, for which the preferred method of appraisal is the income approach.
- Sold interment space, areas which can be assigned a value predicated on the salesprice.
- Undeveloped land, for which a comparative sales approach is recommended.
- Mausoleum, columbarium, and outdoor crypts, for which an income approach is recommended.
- Other improvements and building sites, for which the cost approach is recommended.

The above categories may not always be applicable. If it is possible to impute a reasonable income to other improvements, an income approach may also be feasible for them.

A nonprofit cemetery may be valued in the same manner as the profit-seeking cemetery, provided sufficient data is available. A nonprofit cemetery might be appraised by considering the following portions separately:

- All developed grave areas and that amount of passively held land that will be used for interments in the reasonable near future. These areas are eligible for exemption, and could be assigned values similar to those of comparable profit-seeking cemeteries.
- Columbariums, mausoleums, outdoor crypts, administrative offices, and in certain cases caretakers' residences. These improvements are eligible for property tax exemption. They may be valued by an imputed income approach, or by the cost approach.
- All other improvements and improvement sites not essential to the operation of a cemetery, such as chapels, mortuaries, flower shops, and crematory. These improvements are not eligible for exemption, and may best be valued by the cost approach.
- Passively held land that will not be used for interments within a reasonable period of time, and all land dedicated to cemetery use but used for other purposes. This land is not eligible for exemption, and a market sales approach is recommended for its appraisal.

## LAND VALUE

### PROFIT-SEEKING CEMETERY

The appraiser will have to do more than analyze nearby land sales in order to estimate the value of cemetery land accurately. An analysis of the anticipated net income (income approach) should be made so as to arrive at a more valid estimate of land value. Properly located cemetery land can generate a very high net return. A cemetery is not considered an ordinary business property, and an ordinary income approach cannot be utilized. The method of valuing developed and unsold grave spaces can be likened to the method sometimes used in valuing subdivision lots. For lack of a better name we will call it the development method. To employ this method it is necessary for the appraiser to obtain or estimate the following:

- Gross annual income from all sources.
- Total annual expenses.
- Total annual income from the sales of interment space. This can be broken down into sales of plots, sales of crypts, and sales of niches. When this is determined, a ratio should be computed to find the approximate percentage of the total expenses which will be attributable to the sale of interment space. For example, if the total annual advertising expenses for the cemetery were \$25,000 and sales of plots accounted for 30% of the annual gross income, then 30% of \$25,000 could be allocated for advertising expenses attributable to plot sales.

- The estimated rate of sales and annual income.
- The total value at current selling prices of all developed and unsold space, and the estimated disposal period.
- Nonrecurring development costs - if possible, on a per-acre basis.
- An estimate of entrepreneur's profit.
- A capitalization rate.

The appraiser can process the income to arrive at an estimated annual net income from sales of plots. This estimate of net income should be multiplied by the appropriate present worth factor to arrive at an estimate of land value. An entrepreneur's profit deemed appropriate by the appraiser can then be subtracted from this figure to arrive at the final estimate of value for the developed and unsold plots.<sup>22</sup> The land value for undeveloped land can best be estimated by use of the market sales approach.

Land value for a columbarium, mausoleum, or lawn crypt can be estimated by use of an income approach. This approach is applied by estimating annual net income attributable to the sales of niches or crypts. Here again the economic life of the income stream must be estimated on the basis of the time required to liquidate all spaces. The appropriate present worth factor is multiplied by the estimated annual net income to arrive at the value of the land and improvements (columbarium, mausoleum, or lawn crypt). From this figure, improvement value, as estimated by use of the cost approach, is subtracted to get the land value.<sup>23</sup>

### **NONPROFIT CEMETERY**

When valuing a nonprofit cemetery, the appraiser may value the land by use of the following methods:

- Sold plots and developed lands<sup>24</sup> are eligible for total exemption. Even so, these areas should be valued. The value can be estimated by analysis of comparable land sales, or the values assigned can be based upon those used for comparable profit-seeking cemeteries.
- Passively held land should be valued at its highest and best use by means of the market comparison approach. If the passively held lands are being used to produce income, the income approach may be applicable. Certain passively held lands are eligible for exemption.
- The building sites for mausoleums, columbariums, and outdoor crypts are eligible for exemption; their values should be estimated by use of the development cost approach.
- The remainder of the improvement sites may best be valued by comparison with recently sold land parcels. Since it is unlikely that any sales of cemetery improvement sites will occur, the appraiser will have to use his best judgment when analyzing sales. It may be

---

<sup>22</sup> See case study.

<sup>23</sup> See case study.

<sup>24</sup> Developed land is interment property that has been subdivided, prepared, and made available for sale.

possible to impute an income to certain miscellaneous buildings and sites within a cemetery. If a reasonable income can be imputed, then the income approach may be the most valid appraisal method.

### **IMPROVEMENT VALUE**

The cost approach is considered the best method of estimating the value of improvements on cemetery property. These improvements are not normally sold individually, as they represent only a segment of an operating business. Economic rents usually cannot be found in the market because of the lack of comparability of rental properties to the subject property. Even in those cases when an income approach is used to estimate value for the mausoleum, columbarium, and outdoor crypts, the cost approach is necessary to segregate reasonably the value of land and improvements.

Mausoleum, crematories, columbariums, and crypts are structures that lack uniformity and are relatively scarce, so the appraiser may have difficulty obtaining their replacement costs. Contractors and owners of new structures are apt to be the best source of cost information. Historical costs can be very helpful to the appraiser provided they include all direct and indirect costs. Often cemetery owner-builders expense out, rather than capitalize, labor costs of mausoleums, landscaping, and land improvements. Special attention should be given to obsolescence when valuing older structures, which may include elements no longer replaceable or no longer available.

Most other improvements such as a caretaker's residence, office buildings, chapels, greenhouses, flower shops, and miscellaneous buildings can be valued by cost estimates based on the building cost sections of the Assessors' Handbook. When estimating the cost of a chapel, it may be necessary to use modified funeral-home costs.

Mortuaries, casket-building shops, offices, chapels, and flower shops may very well be income producing and conducive to both cost and income analysis. However, a significant portion of the income from the above sources is often attributable to services, and unless the income can be accurately allocated, the cost approach is recommended.

### **DEPRECIATION**

Accrued depreciation is the total value loss from all causes or the difference between replacement cost new and present worth. Depreciation results from three forces that operate separately or together, physical deterioration, functional obsolescence, and economic obsolescence. These three causes of depreciation are all applicable to cemetery property.

It may be useful to categorize depreciation into its three causes since this knowledge is helpful in making a percent-good estimate. Physical deterioration is a lessening of value because of some physical change in the structure which lowers its utility. Functional obsolescence is a lessening of

value because of some nonphysical changes in the desirability of a structure. Economic obsolescence is a lessening of value because of some adverse factors outside the property which decrease the desirability of the neighborhood in which it is located.

The estimation of accrued depreciation of cemetery improvements is not unlike that of other types of property with a couple of exceptions. By their very nature, columbariums, mausoleums, and outside crypts are designed to have a very long physical life. The perpetual-care funds theoretically provide for maintenance into perpetuity. The economic life of these improvements is governed by the rate of sales.

We have noted aspects of functional obsolescence in the trend from monument cemeteries to lawn-type cemeteries. Functional obsolescence is also seen by comparing the improvements found in some older cemeteries with the chapels, offices, residences, and miscellaneous buildings in new developments. Economic obsolescence can affect a cemetery and can be measured only from loss of revenue. Sales patterns and desirability of spaces would have to be compared with those of other cemeteries in the area to make a valid estimate of economic obsolescence.

Generally speaking, cemeteries suffer less from obsolescence than most other types of properties. Their operation is actually fairly flexible. Additions can be made to structures incorporating new developments; chapels, shops, and miscellaneous structures can be added, remodeled, or replaced.

It is suggested that the accrued depreciation of the improvements in a cemetery be analyzed individually, structure by structure, to estimate physical deterioration and functional obsolescence. After this has been done, the appraiser should examine the property as a unit to estimate any economic obsolescence. This will be difficult to measure, and the appraiser must use careful judgment when estimating a loss of income due to economic obsolescence.

## **SUMMARY**

The appraisal of cemeteries may involve all three of the traditionally accepted approaches to value, although not in the form of a total property appraisal. For almost all cemeteries we recommend that the total property be split into segments and the operating units be appraised separately.

## **COST APPROACH**

The cost approach is recommended for use when the cemetery to be appraised is of the nonprofit type and an imputed income approach is not feasible. The cost approach involves the summation of an independently estimated land value and the depreciated replacement cost of structures and land improvements. The land is valued as if owned in fee and available for development at its highest and best use.

The cost approach should also be used when appraising some portions of a profit-seeking cemetery. The cost approach is generally the only approach available to the appraiser when estimating value of certain improvements that are located on many profit-seeking cemeteries.

## THE SALES COMPARISON APPROACH

The sales comparison approach is based upon the premise of comparing like with like; that is, comparison of the subject cemetery with similar cemeteries that have recently sold. As stated previously, the comparative sales approach provides little assistance to the appraiser in estimating the value of developed cemeteries. Undeveloped land of both profit-seeking and nonprofit cemeteries can be valued by this method.

## THE INCOME APPROACH

An income approach is the preferred method of valuing certain portions of profit-seeking cemeteries. This approach may also be considered for valuing portions of a nonprofit cemetery.

Those portions of a profit-seeking cemetery that can be valued by use of an income approach are:

- The land that is unsold and developed for grave sites.
- Columbariums.
- Mausoleums.
- Outdoor crypts.

An example of this approach as applied to the unsold developed burial plot area is the following:

<b>A study indicates that the available plots will be sold within 30 years.</b>		
<b>Total retail value of all unsold plots (10 acres)</b>		
1,000 plots @ \$275	=	\$275,000
8,000 plots @ \$300	=	2,400,000
2,000 plots @ \$400	=	800,000
1,000 plots @ \$550	=	<u>550,000</u>
Total Land Revenue		<u>\$4,025,000</u>

<b>Expenses attributable to plot sales (annual)</b>		
Professional		\$2,000
Wages		9,000
Utilities		2,000
Supplies		500
Auto & Truck		500
Insurance		600
Advertising		<u>5,000</u>
TOTAL		<u>\$19,600</u>
	\$19,600 x 30 years =	\$588,000
Commissions		
	\$4,025,000 x 20% <sup>25</sup> =	<u>\$805,000</u>
Total Expenses		<u>\$1,393,000</u>
Gross Retail Value		\$4,025,000
Less Expenses		<u>1,393,000</u>
		\$2,632,000
Less Entrepreneur's Profit (20%) <sup>25</sup>		<u>-526,400</u>
Net (over 30 years)		<u>\$2,105,600</u>

<b>Land Calculations</b>		
Net Income Per Year	(\$2,105,600 ÷ 30 years)	\$70,187
Capitalization rate	(as estimated by appraiser)	12%
Present worth factor of a 30-year annuity at 12%		8.055
Total land value	(8.055 x \$70,187)	\$565,356
Per acre value.	(\$565,356 ÷ 10 acres)	<u>\$56,535</u>

When applying the method illustrated in the above example, the appraiser will have to make several estimates, including the rate of sales and the capitalization rate. There has been no deduction for maintenance, as the endowment care fund will offset this expense (in some cases this will not be true). The expenses shown are those attributable to the sale of plots only. These expenses may be separately computed by the cemetery association, but if they are not, they can be estimated from the total expense for plot sales. To do this the percentage of total gross income attributable to the sale of plots must be estimated and applied to the total expense for that item. For example, if the sale of plots provides 30 percent of the gross income, it could be reasonably assumed that 30 percent of the total professional expense is attributable to the sale of plots.

The recommended method for valuing the mausoleum, columbarium, and outdoor crypts is a variation of the property reversion method. Income is set up as a terminal series of income payments, and the entire net income is processed to indicate the total property value. There is no reversionary land value to add to this figure. The split between land and improvements is made by

<sup>25</sup> This percentage figure is an example only.

use of the cost approach. An example of this approach is shown in the case study at the end of this handbook.

A weakness in the income approach is the difficulty in estimating a reliable capitalization rate. The lack of market sales may make it necessary to use the band-of-investment method to arrive at a proper capitalization rate.

In estimating a rate of return on equity capital, the appraiser should consider the nonliquidity of cemetery property, the risk in relation to other types of investments, and the long period of time needed to dispose of the assets. He must also be aware of factors that may affect the salability of the cemetery and thus alter the projected disposal time. A survey of the equity earnings of local cemetery proprietors and those of other long-term investments will help in estimating the rate of return on equity capital.

An example of the band-of-investment method of deriving a capitalization rate follows:

<b>Band of Investment Capitalization</b>		
Debt component (from mortgage market)	(50% x 9%) =	4.5
Equity component (estimated)	( 50% x 12%) =	<u>6.0</u>
Yield rate		10.5

To this we add a rate for taxes, say 2 1/2 percent, giving a composite capitalization rate of 13 percent.

The absorption rate or the annual number of plot sales must be carefully estimated in order to process the income into a reasonable value estimate. The appraiser should study historical trends and make a thorough investigation of sales activity to forecast the time required to dispose of the grave spaces. Such a study might embrace any or all of the following:

- Population trends in the trade area.
- Mortality rates in the trade area.
- Competition from other available cemeteries.
- Yearly sales records of competitive cemeteries.
- The subject property yearly sales record. Particular attention must be given “pre-need” sales promotion. Heavy emphasis on such sales will distort absorption estimates made on the basis of population and mortality trends.

Cemetery operators are continually devising new and original interment practices. Some of these innovations are designed to extend the remaining economic life of the cemetery. An extension could be accomplished by increasing the use density. Many appraisers liken the use density of cemeteries to that of residential zoning; that is, a single-capacity ground plot is equivalent to R-1 usage, two interments within the same plot to R-2, mausoleum interments to R-3, and columbarium interments to R-4.



The sales records of the cemetery being appraised are an excellent starting point from which to estimate a future rate of sales. Sales in past years will indicate a steady, rising, or declining sales pattern. This trend should be analyzed with regard to economic considerations such as anticipated competition, obsolescence, mortality rates, population trends, and sales promotions. It is important too review the sales estimates frequently and to make necessary changes. When reviewing the projected sales rate, the appraiser should also review the price schedule at the same time.

Owners of profit-seeking cemeteries, like the owners of other commercial enterprises, are motivated by income incentives. The income stream is neither uniform nor stable throughout the economic life of the enterprise. This is due to competitive and economic conditions as well as the promotional policies employed. The net income stream on an ideal sequence of cemetery development could be plotted as a bell-shaped curve. However, the income stream is different than that of commercial property in general. The income stream we are attempting to process is income from the sale of a wasting asset (both land and improvements). It can be likened to the income from a gravel pit or from the sale of subdivision lots. The income must be treated as a terminal series of payments.

## CHAPTER 6: CASE STUDY

### Introduction

The following illustration is not meant to represent a typical cemetery. It is designed to encompass situations and problems that the appraiser might encounter in his appraisals of actual cemetery property. This example is of a profit-seeking cemetery, the same techniques may apply to some nonprofit cemeteries.

The articles of incorporation indicate that the subject property is a profit-seeking, endowment-care memorial cemetery. The cemetery appears attractive, well managed, and profitable. It is located in a city of over 100,000 population in California. The cemetery was developed 20 years ago, and the improvements were all built at that time. The surrounding neighborhood is generally used for single-family residences, with some strip commercial usage along the main arterials.

### Subject Property Data

#### Property Description

The subject property consists of 80 acres of land utilized as a profit-seeking cemetery. A total of 33 acres have been developed with burial plots, of which approximately 8 acres of plots have been sold and 25 acres have been developed and are available for sale. There are about 42 acres of undeveloped land, and the building sites cover 5 acres. The improvements include an office, mausoleum-columbarium, crematory, mortuary, flower shop, chapel, caretaker's residence, and miscellaneous sheds.

#### Identification

The subject property is identified in the official county records as assessor's parcel number 123-04-002. It is located in tax-rate area 248. The 1970-71 tax rate is \$9 per \$100 of assessed value.

$$\$9.00 \text{ rate} \times 25\% \text{ ratio} \div 100 = 2.25\% \text{ tax component}$$

#### Owner of Record

Poppy Hills Cemetery Association  
13000 Elm Street  
Phone 445-4982

#### Address

The property is located at 13000 Elm Street.

#### Site Description

The subject is located on undulating land. No extraordinary site development costs were encountered.

### Soils

Soils appear to be stable and suitable for cemetery use. The drainage is good.

### Utilities

The following utilities and services are available to the property	
Natural Gas	P G & E
Electricity	P G & E
Water	City Service
Sewer	City Service
Telephone	Pacific Telephone

### Highest and Best Use

The present use of the land is considered to be its highest and best use.

### History

The subject land was purchased as one parcel in May, 1948, for \$64,000 (\$800 per acre). The land was dedicated for cemetery usage in September, 1948. The cemetery was developed during 1949 and opened for business on January 5, 1950. All structures except the flower shop and casket-building shop, were built during 1949. The flower shop and casket-building shop were finished in 1960.

### Neighborhood

The subject is located on the east side of Elm Street approximately 2 miles south of the intersection with Interstate Highway 5. Elm Street is developed to strip commercial and light industrial use. Improvements are relatively new and reflect reasonable maintenance.

Elm Street is an 80-foot, well-surfaced street carrying two-way intercity traffic. It has a median strip and provisions for left turns at 800 foot intervals. Recent traffic counts show an average of 5,500 cars in a 24-hour period. The demand for land in the neighborhood is still relatively strong and there have been recent acreage sales of various sized parcels nearby.

## Land Description

The subject property consists of 80 acres of land broken down as follows

Developed burial land (including sold plots)	33 acres
Undeveloped land	42 acres
Building sites:	
Office	0.50
Mausoleum and columbarium	0.75
Crematory	0.25
Mortuary	0.50
Flower shop	0.25
Chapel and parking lot	0.75
Caretaker's residence	0.25
Maintenance sheds and vacant yard area	<u>1.75</u>
	<u>5 acres</u>
<b>TOTAL</b>	<b><u>80 acres</u></b>

The burial-plot portion of the cemetery has been subdivided in such a way as to have approximately 90% of the total land for grave sites and 10% for incidental use. There are a total of 46,200 plots in the 33 acres developed into grave sites, or 1,400 plots per acre.

<b>The average size of a plot is 28 sq. ft</b>	
1,400 plots per acre x 28 sq. ft. =	39,200 sq. ft.
43,560 sq. ft. per acre - 39,200 sq. ft. =	4,360 sq. ft.
4,360 sq. ft. = approximately .10 acres	

The land has been developed in such a way as to provide maximum plot density and still have sufficient incidental land to fulfill aesthetic requirements.

The cemetery corporation has leased its undeveloped land to a local rancher at a nominal fee for use as horse grazing.

## Improvements

The improvements on the subject property are listed below. For the purposes of this illustration we have assumed the replacement cost less accrued depreciation values shown below to be accurate. We have omitted such items as building descriptions, condition, age, and cost for the sake of brevity. Cost approach procedures are substantially the same for cemetery improvements as for improvements on other types of property.

Improvement	Site Acreage	Replacement Cost Less Accrued Depreciation
Mausoleum-columbarium	0.75	\$231,000
Office	0.50	38,000
Crematory	0.25	35,000
Mortuary	0.50	190,000
Flower shop	0.25	16,000
Chapel	0.75	90,000
Caretaker's residence	0.25	15,000
Misc. sheds	1.75	3,000

### Interment Space

Shown below is a recap of the interment space in the cemetery.

	Total	Sold	Unsold	Percent Unsold
Grave plots	46,200	11,200	35,000	75
Crypts	3,370	840	2,530	75
Niches	8,670	1,740	6,930	80

The total acreage developed into grave space, both sold and unsold, is 33 acres. There is a total of 46,200 plots or an average of 1,400 per acre (including children's graves). The plots average 28 sq. ft. each, and this gives an average of 4,360 sq. ft. per acre for incidental use at a 10% factor.<sup>26</sup>

The following estimate of the rate of sales has been estimated by an analysis of the past sales history of the cemetery, competition from other cemeteries, vital statistics, population trends in the market area, and the sales program planned by the owner of the subject property.

	Number Unsold	Estimated Yearly Sales	Estimated Time To Sell All Spaces
Plots	35,000	700	50 years
Crypts	2,530	64	40 years
Niches	6,930	169	41 years

From the above data, the developed plots are estimated to be sold within 50 years, and mausoleum-columbarium space within 40-41 years.

<sup>26</sup> 10% incidental land is not meant to be shown as an average for all cemeteries; most will probably show a higher percentage of incidental land use. See AH 265, *Cemetery Exemption*, for computation of the allowable exemptions for incidental land among sold plots.

## Income and Expenses

### Past sales of burial space.

Item	Number Sold	Average Price	Total
Grave plots	11,200	\$300	\$3,360,000
Crypts	840	750	630,000
Niches	1,740	125	<u>217,500</u>
<b>TOTAL</b>			<b><u>\$4,207,500</u></b>

### Estimated future income from sales of interment space.

	Number Sold	Average Price <sup>27</sup>	Total
Grave plots	35,000	\$ 325	\$11,375,000
Crypts	2,530	\$ 900	2,277,000
Niches	6,930	\$ 140	<u>970,200</u>
<b>TOTAL</b>			<b><u>\$14,622,200</u></b>

### Estimated annual income from sales of cemetery space.

Item	Number Sold	Average Price	Total
Grave plots	700	\$325 =	\$227,500
Crypts	64	\$900 =	\$57,600
Niches	169	140 =	<u>\$23,660</u>
Total Estimated Gross Income <sup>28</sup>			<b><u>\$308,760</u></b>

<sup>27</sup> These figures are based upon current prices. The estimates should be reviewed and updated periodically as the cemetery is reappraised.

<sup>28</sup> Income from sales of burial space only. The income from other sources is not included.

**Estimated gross income from sales and services not attributable to the real estate.**

Sales Activities	Gross Income			
Opening and closing graves (Children's graves averaged with adult graves)	240	@	\$60	\$ 14,400
Cremations (each)	70	@	\$75	5,250
Bronze memorials	240	@	\$50	12,000
Urns (average price)	70	@	\$75	5,250
Setting memorials	240	@	\$10	2,400
Sealing crypts	64	@	\$90	5,760
Interments and inurnments	374	@	\$200	74,800
Mortuary				280,000
Flower shop				30,000
Miscellaneous				12,000
Interest from installment sales 8% on amount due				16,000
<b>Endowment care fund</b>				
• Initial investment in fund			\$25,000	
• Plot sales	11,200	@	\$21	235,000
• Crypt sales	840	@	\$40	33,600
• Niche sales	1,740	@	\$10	<u>17,400</u>
Total in fund at time of appraisal			<u>\$311,000</u>	
Yearly income from endowment care fund <sup>29</sup>	5% x \$311,000			<u>15,550</u>
<b>TOTAL</b>				<b><u>\$473,340</u></b>
Income from sales of cemetery space				<u>\$308,760</u>
<b>Total annual income from all sources</b>				<b><u>\$782,100</u></b>

<sup>29</sup> The endowment care fund has a present annual income of 5%.

**Estimated annual expenses.**

Sales commissions <sup>30</sup>			
Grave plots	700 x \$325 x 20%	=	\$45,500
Crypts			
Mausoleum	64 x \$900 x 20%	=	11,520
Niches	169 x \$140 x 20%	=	<u>4,730</u>
<b>Total Commissions</b>			<b>\$61,750</b>
Advertising <sup>31</sup>			\$14,500
Legal and professional <sup>31</sup>			8,500
Travel and insurance			5,000
Management <sup>31</sup>			15,000
Salaries <sup>31</sup>			18,000
Utilities <sup>31</sup>			4,000
<b>Maintenance and reserves for replacements<sup>32</sup></b>			<b><u>65,000</u></b>
<b>Total Yearly Expenses</b>			<b><u>\$126,750</u></b>

**Capitalization Rate**

The capitalization rate has been estimated by careful analysis, recognizing the risks involved, the length of time required to enjoy a profit, and knowledge of current lending and investment trends. The rate is estimated by the band-of-investment method in the following manner:

Debt component (from mortgage market)	50% x 9% =	4.50%
Equity component (estimated)	50% x 10 1/2% =	5.25
Tax component	(\$9.00 tax rate x 2.5% ÷ 100) =	<u>2.25</u>
Capitalization rate =		<u>12.00%</u>

<sup>30</sup> Commissions have been averaging 20%; although at times commissions on pre-need grave plot sales have been as high as 40%. (At-need sales may not be subject to commissions.)

<sup>31</sup> These estimated expenses are attributable to the sales of interment space only. This percentage is estimated by finding the ratio between the total income of the cemetery and the income attributable to the sales of interment space. This ratio is then applied to the total expenses for such items as advertising, legal and professional services, administration, etc. In our sample, approximately 40% of such expenses are allocated to sales of interment spaces.

<sup>32</sup> The income from the perpetual care fund will be used to offset these expenses.



<b>Valuation of the Unsold Developed Plots</b>		
<b>Total plots</b> (developed and unsold, average retail value per plot) 35,000 x \$325 <sup>33</sup>		<b><u>\$11,375,000</u></b>
<b>Estimated annual expenses</b>		
Commissions	\$45,500	
Advertising <sup>34</sup>	10,000	
Legal and Professional <sup>34</sup>	5,950	
Travel and Insurance <sup>34</sup>	3,500	
Management <sup>34</sup>	10,500	
Salaries	12,000	
Utilities	2,800	
Maintenance/Caretaking <sup>35</sup>	-----	
<b>Total Annual Expenses</b>		<b><u>\$90,250</u></b>
	\$90,250 x 50 years --- total expenses	<u>\$4,512,500</u>
<b>Total retail value of the plots</b>		<b><u>\$11,375,000</u></b>
Total expenses over 50 years		<u>\$4,512,500</u>
Total net income over 50 years		<u>\$6,862,500</u>
Average annual net income over a 50-year period.		
	\$6,862,500 ÷ 50 years = \$137,250	
	\$137,250 x 8.30 (present worth factor of a 50-year annuity at 12%) =	\$1,139,175
Entrepreneur's profit 20%		<u>\$227,835</u>
Land value		<u>\$911,340</u>
<b>The estimated value of the developed gravesites, is rounded to</b>		<b><u>\$910,000</u></b>
<b>(25 acres at \$36,400 per acre)</b>		

<sup>33</sup> It is estimated that all plots will be sold in 50 years.

<sup>34</sup> Expenses are approximately 70% of the total allocated to the unsold plots. The other 30% is allocated to the sale of crypts and niches. These expenses allocated in proportion to sales of the respective types of interment space.

<sup>35</sup> This expense is borne by the endowment care fund.

<b>Valuation of the Mausoleum and Columbarium</b>		
Estimated time required to sell all spaces		40 years
Replacement cost of improvements		\$350,000
Age of improvements		20 years
Estimated remaining economic life		40 years
<p>Depreciation: Remaining economic life indicates improvements are 66% good. (The improvements are 20 years old, and it is estimated the space will be sold in 40 years.)            \$350,000 at 66% good indicates a taxable improvement value of <b>\$231,000</b>.</p>		
<b>Income</b>		
2,530 unsold crypts @ \$900 <sup>36</sup>	\$2,277,000	
6,930 unsold niches @ \$140 <sup>36</sup>	<u>970,200</u>	
Total estimated gross income	<u>\$3,247,200</u>	
<b>Average annual gross income 3,247,200 ÷ 40 years =</b>		<b>\$81,118</b>
<b>Expenses (annual)</b>		
Commissions	\$16,200	
Advertising	4,500	
Legal and professional	2,500	
Travel and insurance	1,500	
Management	4,500	
Salaries	6,000	
Utilities	<u>1,200</u>	
Total Expenses		<u>-36,400</u>
<b>Annual net income</b>		<b><u>\$44,700</u></b>
<b>Estimate of taxable value</b>		
Net income \$44,700 x 8.244 (Factor for P.W. of 1 per annum at 12% for 40 years)		\$368,510
Entrepreneur's profit (20%)		<u>-73,700</u>
Estimated value of land and improvements		294,810
<b>Taxable improvement value (from cost estimate)</b>		<b><u>-231,000</u></b>
<b>Taxable land value</b>		<b><u>\$63,810</u></b>
<b>Rounded to</b>		<b><u>\$63,800</u></b>
<b>Exemption Calculation:</b>		
<p>25% of the crypts and 20% of the niches have been sold and are exempt. It is therefore estimated that 22 1/2% of the improvement<sup>37</sup> and 22 1/2% of the site is exempt.</p>		
Total value of improvements	<b>\$231,000 ÷ .775</b>	\$298,060
Total value of land	<b>\$63,800 ÷ .775</b>	<u>\$82,320</u>
<b>Total Value</b>		<b><u>\$380,380</u></b>

(There may be instances where the appraiser will elect to use a building residual.)

<sup>36</sup> Average asking price of the remaining space.

<sup>37</sup> Weighted average between crypt and niche value.

<b>Valuation of the Remaining Improvements and Site</b>	
The cost approach is utilized to estimate the value of the following improvements:	
Office	\$38,000
Crematory	35,000
Mortuary	190,000
Flower shop	16,000
Chapel	90,000
Caretaker's residence	15,000
Misc. sheds and improvements	<u>3,000</u>
<b>Total Improvement Value</b>	<b>\$387,000</b>
<b>Land Value</b> (estimated from market sales-\$12,500 per acre x 4.25 acres)	<u><b>-52,025</b></u>
<b>Total Value</b>	<u><b>\$439,025</b></u>
Rounded to	<u><b>\$440,000</b></u>

### Valuation of the Undeveloped Land

Market sales of comparable vacant parcels of land indicate the value of the undeveloped land on subject property to be \$5,500 per acre. (42 acres x \$5,500 per acre = \$231,000)

<b>Final Estimate of Value</b>			
	Acreage	Full Value	Taxable Value
<b>Land Value</b>			
Burial plots sold	8.00	\$288,000	-0-
Burial plots unsold	25.00	910,000	910,000
Mausoleum and Columbarium site	0.75	82,320	63,800
Misc. improvement sites	4.25	52,000	52,000
Undeveloped land	42.00	<u>231,000</u>	<u>231,000</u>
<b>Total Land Value</b>		\$1,563,320	1,256,800
<b>Rounded To</b>		<u><b>\$1,563,000</b></u>	<u><b>\$1,257,000</b></u>
<b>Improvement Value</b>			
Mausoleum and Columbarium		\$298,060	\$231,000
Office		38,000	38,000
Crematory		35,000	35,000
Mortuary		190,000	190,000
Flower shop		16,000	16,000
Chapel		90,000	90,000
Caretaker's residence		15,000	15,000
Miscellaneous improvements		<u>3,000</u>	<u>3,000</u>
<b>Total Improvement Value</b>		\$685,060	\$618,000
<b>Rounded To</b>		<u><b>\$685,000</b></u>	<u><b>\$618,000</b></u>
<b>Recap</b>			
Total Improvement Value		\$685,000	\$618,000
Total Land Value		<u>\$1,563,000</u>	<u>\$1,257,000</u>
<b>Total Real Property Value</b>		<u><b>\$2,248,000</b></u>	<u><b>\$1,875,000</b></u>

## CHAPTER 7: GLOSSARY

Acres, gross - total ground burial acres in the cemetery, including incidental usage.

Acres, net - area of the land used for gravesites.

At-need sale - purchase of burial plot, crypt, or niche at time of death.

Burial - the placement of human remains in a grave.

Burial park - a tract of land for the burial of human remains in the ground, used or intended to be used, and dedicated for cemetery purposes.

Cement vault or concrete vault - a reinforced concrete box to receive the casket prior to interment. The top is sealed to prevent moisture from entering.

Cemetery - a place used, or intended to be used, and dedicated for cemetery purposes. A place where six or more human bodies are buried.

Cemetery authority - cemetery association, corporation sole, or other person owning or controlling cemetery lands or property.<sup>38</sup>

Cemetery business - any and all business and purposes requisite to, necessary for, or incidental to establishing, maintaining, operating, improving, or conducting a cemetery, interring human remains, and the care, preservation, and embellishment of cemetery property, including, but not limited to, any activity or business designed for the benefit, service, convenience, education, or spiritual uplift of property owners or persons visiting the cemetery.

Cemetery corporation - any corporation now or hereafter organized which is authorized by its articles of incorporation to conduct any or all of the business of a cemetery.

Cemetery, endowment - a cemetery where funds are invested and the income only may be used for the care, maintenance, and embellishment of the cemetery.

Cemetery, nonendowment - a cemetery that does not have deposited in an endowment care fund the minimum amounts required by law.

Cemetery, public - a cemetery owned and operated by a city, county, city and county, or public cemetery district.

Cenotaph - a memorial or empty tomb in honor of someone elsewhere interred.

Cinerarium - any place prepared for inurnment of cremated human remains.

---

<sup>38</sup> Health and Safety Code, Section 7018.

Columbarium - a structure, room, or other space in a building or structure containing niches for inurnment of cremated human remains in a place used, or intended to be used, and dedicated for cemetery purposes.

Cremated remains - human remains after incineration in a crematory.

Cremation - the reduction of the body of a deceased person to cremated remains in a crematory.

Crematory - a building or structure containing one or more furnaces for the reduction of bodies of deceased persons to cremated remains.

Crypt - a space in a mausoleum of sufficient size, used or intended to be used to entomb uncremated human remains.

Crypt, companion - two or more crypts entered through a single crypt opening.

Developed property - interment property properly graded, sprinkler system installed, lawn planted, and ready for services.

Disinterment - removal of human remains from an original site.

Endowment care fund - a cash deposit in an amount set by law, made by the property owner to insure continued maintenance and beautification of the park.

Entombment - the placement of human remains in a crypt or vault.

Exhumation - disinterment.

Grave - a space of ground in a burial park used, or intended to be used, for burial.

Human remains - the body of a deceased person, including the body in any stage of decomposition and cremated remains.

Inter - the generic term covering all dispositions of human remains but generally indicating buried in the earth.

Interment - the disposition of human remains by inurnment, entombment, or burial.

Inurnment - placing cremated remains in an urn and placing the urn in a niche.

Inurnment garden - a lawn property set aside for cremated remains.

Lawn crypts - gravity-flow drained and ventilated companion crypts of reinforced concrete construction, built 18" to 20" beneath the surface.

Lot - space in a cemetery, used, or intended to be used, for the interment of human remains.

Mausoleum - any building or structure used, or intended to be used, for the entombment of uncremated human remains.

Memorial park - cemetery.

Memorial service - funeral.

Morgue - cold room set aside for the displaying of unidentified human remains.

Mortuary - a place where dead bodies are kept for a time before burial.

Necropolis - a cemetery.

Niche - a space in a columbarium used, or intended to be used, for inurnment of cremated human remains.

Plot - see lot.

Predeveloped - property mapped but not graded or in lawn.

Pre-need sales - purchases of burial plots, crypts, or niches prior to death.

Profit - net earnings which accrue directly or indirectly to the benefit of stockholders or any other individual.

Remains - dead body.

Retort - equipment used for cremation of the human dead.

Sarcophagus - a stone enclosure for a casket, originally of Greek limestone.

Sectional liner - a matching set of cast concrete slabs used for lining a prepared grave.

Sepulcher - a tomb or vault.

Temporary receiving vault - a vault used, or intended to be used, for the temporary placement of human remains.

Urn - container for deposit of cremated remains.

Vault - see crypt.