



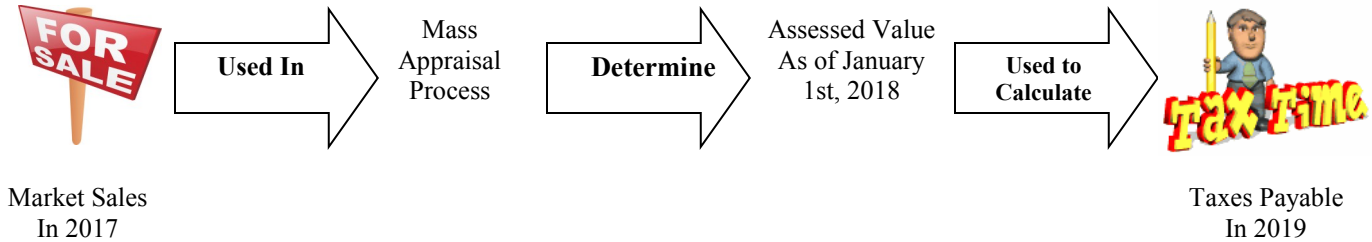
COMMERCIAL DEPARTMENT
APPRAISAL
PROCESS
COMMERCIAL/INDUSTRIAL &
MULTI-FAMILY ZONED PROPERTIES

Snohomish County



Linda Hjelle – Assessor
 3000 Rockefeller Ave. M/S 510
 Everett, WA 98201
 Phone: 425-388-3390
www.snohomishcountywa.gov/assessor/

The Appraisal Process:



Introduction

Purpose of this Document

The purpose of this document is to briefly outline the procedures used by the Snohomish County Assessor’s Office to appraise multi-family & commercially zoned properties for *ad valorem*¹ tax purposes. It is provided to satisfy the legal requirement to supply documentation as to how an individual property value was determined as part of the property value appeal process. RCW 84.48.150

Role of the Assessor

It is the responsibility of the Assessor to administer the property assessment system. A component of that responsibility is the appraisal of all Snohomish County property at 100% of its market value. The Assessor’s office performs the appraisals on an annual basis.

Mission Statement

Our mission is to administer a property assessment system, that meets constitutional and statutory requirements, in an efficient and professional manner, while striving to provide excellence in our service to our customers.

The Snohomish County Assessor has established the following set of goals in support of the office mission statement:

- fair and equitable appraisals that meet the market value standard as prescribed by the Revised Code of Washington (RCW) and the Washington Administrative Code (WAC)
- appraisals that meet the International Association of Assessing Officers (IAAO) performance standards for appraisal level and uniformity

- appraisals that comply with the Uniform Standard of Appraisal Practices (USPAP) published by The Appraisal Foundation

Appraisal Methodology

Mass Appraisal

The annual appraisal of properties in Snohomish County is performed using a technique known as ‘mass

The process of valuing a group of properties as of a given date, using standard methods, employing common data, and allowing for statistical testing²

appraisal’. Mass appraisal is defined as:

Market Models

Mass appraisal utilizes market models that explain the relationship between sales prices and the property characteristics that produce value such as: property location, utility, property size, improvement quality, improvement square footage, age, condition, etc.

Why Assessor’s Use Mass Appraisal

It is cost prohibitive for the Assessor’s office to appraise over 300,000 properties each year by performing single property appraisals utilizing three comparable sales. Assessors instead use mass appraisal techniques to arrive at the *assessed value*.

Who Performs the Mass Appraisal Process

The mass appraisal is performed by appraisers trained in mass appraisal techniques and property assessment administration. They are accredited through the State of Washington.

¹Items in *blue italics* can be found in the Glossary at the end of this document.

²Glossary for Property Appraisal and Assessment, IAAO, 1997.

COMMERCIAL DEPARTMENT

Inspection of Properties

A component of the appraisal process is the inspection of properties. The Revised Code of Washington (RCW 84.41.041) tells assessors how frequently properties must be inspected for tax purposes:

Each county assessor shall cause taxable real property to be physically inspected and valued at least once every six years in accordance with RCW 84.41.030, and in accordance with a plan filed with and approved by the Washington State Department of Revenue.

Snohomish County appraisers inspect one-sixth of the county or approximately 47,000 properties every year. Over a six year period, all properties are inspected.

Inspections for existing properties are primarily a verification of data previously collected on a property. It is also a time to note changes that may have occurred since the last inspection, such as change in use or change in condition. Inspections are generally done from the street unless a significant change in the property is discovered, requiring a more extensive inspection. Property owners, tenants or managers are often interviewed during the inspection process to verify record data.

Appraisal Date

RCW 84.40.020, instructs Assessors to appraise property as of January 1st of each year.

All real property in the state subject to taxation shall be listed and assessed every year, with reference to its value on the first day of January of the year in which it is assessed.

When new construction has occurred the appraisal date is adjusted per RCW 36.21.080-090

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year.

Sales Analysis

Mass appraisal begins with compiling a list of the properties that have sold prior to the appraisal date. These sales are reviewed to determine whether they are valid, open market, willing buyer, willing seller transactions. Only valid market transactions as defined by Washington Administrative Code (WAC) 458-53-080(2) are considered in the appraisal process.

Sales Used in the Appraisal Process

RCW 84.40.030 permits Assessors to use sales that occurred in the five years prior to the appraisal date. Value should be based on the following criteria:

Any sales of the property being appraised or similar properties with respect to sales made within the past five years

When sufficient sales are available, the Snohomish County Assessor prefers to limit the sales used in calibrating the market model to those that occurred in the year prior to the appraisal date; however, this is not always possible as some areas experience very few sales in any given year. Appraisers will, as needed, consider all sales available as allowed by law. Market trends and DOR policy are also considered during the sales analysis process.

Allocation of Value to Land and Improvements

RCW 84.40.030 requires Assessors to allocate the appraised values to land and *improvements* based upon the following criteria

(3) In valuing any tract or parcel of real property, the true and fair value of the land, exclusive of structures thereon shall be determined; also the true and fair value of structures thereon, but the valuation shall not exceed the true and fair value of the total property as it exists. In valuing agricultural land, growing crops shall be excluded.

The assessed value is reported on the value notices as "Total". The Assessor is also required by statute to report on the notice both a land component as vacant and an improvement/building component that when combined equal 100% of market value. The distribution between the two can change from year to year depending on what the market shows or on the highest and best use of the current improvements. It is important to note that only the total value can be petitioned and only the total value will be considered in the appeal process.

COMMERCIAL DEPARTMENT

Sales Comparison Approach

The mass appraisal process does not use a *sales comparison* approach with direct comparable sales to establish value. It does not identify a set of comparable sales for each property, track which sales were selected, adjust them for differences and use the results to establish the *appraised value*. As noted earlier in this document, this methodology is cost prohibitive. Rather the mass appraisal process employs sales to assist in calibrating assessments to market value. It should be noted that the Assessor may identify comparable sales to document the validity of a value produced by the mass appraisal process when responding to a petition to the Board of Equalization. However, it is not a legal requirement to include comparable sales in a petition response.

Commercial Property Appraisal Process

Commercial appraisers at the Snohomish County Assessor's Office are assigned specific geographic areas. They are responsible for the full scope of appraisal of the properties in those areas. One geographic area can contain the full range of property types: single and multi-family residential, retail, office, industrial and special use properties.

Market Models

Commercial and multi-family zoned properties within Snohomish County are appraised using mass appraisal techniques, i.e. market models. The market models used for these properties may be based on time trended overall rates per square foot of the improvements derived from market sales, cost, cost less depreciation, an *income approach* to value, or any combination of those techniques depending on their applicability to the property use or the current market conditions.

Property value can both increase or decrease over time, and different property sectors can respond differently. When appropriate, sales used in the model *calibration* process are adjusted for time in relation to the appraisal date to reflect changes in market conditions over time.

Residential Condominiums

Commercial appraisers maintain modified sales comparison models for residential condominium valuation in their assigned neighborhoods. Those models track the sales history in each complex, establish time trends and make adjustments for significant differences within the complex such as size, location and view. The models are tested annually for assessment level and equalization.

Single-Family Residential

There are many single-family residences located on commercial and multi-family zoned land. In many cases redevelopment of these properties is unfeasible. These properties are valued using a sales adjusted *cost approach*, adjusted annually (calibrated) to reflect current market conditions. Since the value of commercial land can often differ from the value of residential land, it is often necessary to adjust the improvement value of these properties. As redevelopment becomes more likely, the improvement value decreases.

Multi-Family

Small multi-family properties such as duplex, triplex and fourplex structures are often valued by an overall rate per unit or per square foot. Rates are derived from market sales as well as published sources. Appropriate adjustments are made for significant differences such as age, size, condition, location, etc.

Larger multi-family properties are valued using a variety of techniques. Valuation models based on both gross and net income are created. Value estimates are calculated by staff using market rates taken from published sources as well as directly from the local market. The models may use time adjustments or *trending* when appropriate. The performance of the model is tested against sales, or a market sales approach may be used. The methods used can change from year to year based on the current market conditions and the availability of market data.

Industrial

Industrial properties are generally valued at an overall rate per square foot based on comparable sales. The cost approach is also analyzed during the appraisal process of these structures. Factors such as office build-out percentage and level of interior finish are closely considered when determining the appropriate market rate.

Retail / Office

Retail and office properties are *stratified* by type. Sales of similar types of retail and office properties are analyzed. When the proper value range per square foot of the different property types is determined, that rate is applied to the properties accordingly, taking into consideration differences for age, quality, condition, location, etc.

COMMERCIAL DEPARTMENT

Appraisal Level: Market Value

RCW 84.40.030 directs assessors as to the level at which all property is to be appraised.

All property shall be valued at one hundred percent of its true and fair value in money as assessed on the same basis unless specifically provided otherwise by law

The definition of “true and fair value” can be found in the Washington Administrative Code (WAC 458-07-030).

“True and fair value” means market value and is the amount of money a buyer of a property willing but not obligated to buy would pay a seller of property willing but not obligated to sell, taking into consideration all uses to which the property is adapted and might in reason be applied.

Measuring Appraisal Level

Assessors measure appraisal level by comparing appraised values to sales prices. This relationship is commonly referred to as the ‘ratio’ and is calculated by dividing the appraised value by the sales price as shown in the following example:

Appraised Value.....\$95,000
Sales Price.....\$100,000
 $\$95,000 \div \$100,000 = 0.95$ or 95% Ratio

A ratio of 1.00 means that a property is appraised at 100% of market value.

Ratio Studies

Assessors insure that properties are appraised fairly and equitably by performing “ratio studies”, that is, they examine the ratios for all of the sold properties in the county that precede the appraisal date.

As noted earlier, Snohomish County prefers to limit ratio study analysis to the sales in the year immediately preceding the *statutory* appraisal date in order to reflect the most current market conditions, however when there are insufficient sales in the prior year to produce a reliable valuation model, sales up to five years prior to the appraisal date may be used.

For ratio studies, sold properties are grouped and *arrayed* into like property types using multiple criteria. Property location, land type, zoning, improvement type, improvement size, age, style, quality and condition are some examples of criteria used during ratio analysis.

Statistics may be calculated for each stratification including: mean (average) and median ratio, the Coefficient of Dispersion (COD) and the Price Related Differential (PRD).

Fair and Equitable Appraisals

Uniformity, or equity in appraisals, can be measured by comparing the average and median ratios and the COD between groups of properties.

The target values for each of these measures of uniformity are set either by statute or by other published standards. The Assessor’s office works diligently to meet the published standards.

IAAO Appraisal Standards

The International Association of Assessing Officers (IAAO) is a nonprofit, educational and research association whose mission is to promote innovation and excellence in property appraisal, assessment administration, and property tax policy through professional development, education, research, and technical assistance. The IAAO publishes standards for Assessors to use in measuring how well they are achieving the required level and uniformity of appraised values. The IAAO standards for the measures of central tendency and the COD are shown in the following tables.

COMMERCIAL DEPARTMENT

Each year the Washington State House of Representatives Office of Program Research evaluates the performance of the *revaluation* program in each of Washington’s 39 counties and publishes their findings in a report titled “Measuring Real Property Appraisal Performance in Washington’s Tax System”. The report describes the performance indicators evaluated and reports on the performance of the individual counties. The table below shows that Snohomish County met all of the required standards for the last year reported, 2017.

To access the complete report, go to:

<https://dor.wa.gov/about/statistics-reports/measuring-real-property-appraisal-performance-washingtons-property-tax-system>

Measuring Real Property Appraisal Performance								
2017								
Level of Assessment				Uniformity of Assessment				
County	Overall County Assessment Ratio between 0.90 to 1.10	Residential Property Assessment Ratio between 0.90 to 1.10	Nonresidential Property Assessment Ratio between 0.90 to 1.10	Residential Property within 5% of county median	Nonresidential Property within 5% of county median	Coefficient of Dispersion for Residential Property between 5-15%	Coefficient of Dispersion for Nonresidential Property between 5-20%	Price Related Differential between 0.98 and 1.03
Snohomish	X	X	X	X	X	X	X	X

Taxpayer Resources

ASSESSOR’S WEBSITE

www.snohomishcounty.gov/Assessor

SCOPI

SCOPI is an acronym for Snohomish County On-line Property Information. It is an interactive internet site that allows you to view and research property characteristics and sales information using an interactive map.

<http://gis.snoco.org/maps/property/index.htm>

Instructions for using SCOPI are located on the first page of the SCOPI web site. Unfortunately commercial sales do not display on the SCOPI map at this time.

COMMERCIAL APPRAISAL STAFF

The commercial appraisal staff is very familiar with their assigned geographic areas. We advise taxpayers to call the office to discuss valuation concerns with an appraiser. Our goal is to value property fair and equitably. The first step in the petition process should consist of discussing concerns and different opinions of value to determine whether or not the appeal process is necessary.

Assessor’s Office Contact Information

Commercial Appraisal	425 388 3390
General Information	425 388 3433
Residential Appraisal	425 388 6555
Personal Property	425 388 3656

Email

Contact.Assessor@snoco.org

**Snohomish County
Board of Equalization**

425 388 3407

COMMERCIAL DEPARTMENT

GLOSSARY

Ad Valorem	According to value	Income Approach	One of the three approaches to value, based on the concept that current value is the present worth of future benefits, to be derived through income production by an asset over the remainder of its economic life
Appraised Value	Market Value. The estimate of the value of a property before application of any fractional assessment ratio, partial exemption, or other adjustments	PRD	Price Related Differential. Measures the uniformity of appraisals between high value and lower value properties
Arrayed	An ordered arrangement of data, such as a listing of sales ratios in order of magnitude	RCW	Revised Code of Washington
Assessed Value	A value set on real estate and personal property by a government as a basis for levying taxes. Taxable value (Market value adjusted for any exemptions)	Revaluation	Systematic reappraisal of property for property tax purposes
Calibration	The process of estimating the coefficients in a mass appraisal model	Sales Comparison	One of three approaches to value, the sales comparison approach estimates a property's value by reference to comparable sales
COD	Coefficient of Dispersion. The average deviation of a group of numbers from the median expressed as a percentage of the median	Stratified	Organized into groups according to some criteria or set of criteria for purposes of analysis
Cost Approach	One of three approaches to value, the cost approach is based on the principle of substitution—that a rational, informed purchaser would pay no more for a property than the cost of building an acceptable substitute with like utility. The cost approach seeks to determine the replacement cost new of an improvement less depreciation plus land value	Statutory	Required or authorized by law
IAAO	International Association of Assessing Officers	Trending	Adjusting the values of a variable for the effects of time. Usually used to refer to adjustments of assessments intended to reflect the effects of inflation or deflation
Improvements	Anything done to raw land with the intention of increasing its value. A structure erected on the property constitutes one very common type of improvement	USPAP	Uniform Standards of Professional Appraisal Practice
		WAC	Washington Administrative Code

Note: Basic definitions of the appraisal terms in the glossary derived or paraphrased from "The Glossary for Property Appraisal and Assessment", IAAO, 1997