

Kitsap County Assessor

Narrative for Converted SFR – SFR-Conv Valuation

Appraisal Date 01/01/2010, Tax Year 2011

Updated 08/04/2010 by CM20

Valuation Summary

Approach Used – Income approach.

Analysis and Conclusion Summary - Single family residences (SFRs) located in commercially zoned areas fall into three categories. Those that are still used as homes and are classified as **SFR**, those that are associated with other income producing properties and used as rentals (usually with limited income) and have a limited interim use are classified as **SFR-WO**, and those properties that still have an outward appearance of a house, but the interior has been remodeled to the extent it will never be used as a residence again (no kitchens, no full baths, reconfiguration of some interior rooms) and are classified as **SFR-Conv**.

Port Orchard has a number of houses converted to this **SFR-Conv** use. Fewer are found in the revaluation Area 6 North. The majority of these properties are owner occupied so income information is limited. With the limited data available, office rates were reviewed and adopted after being reduced one class.

Property Type Overview

Population – Port Orchard has a large population of single family residences (SFRs) located in commercially zoned areas. Fewer are located in the revaluation Area 6 North. Most are stand alone, but some are associated with or part of other income producing properties.

Economic Conditions – The recent downturn in the economy was evident in the limited number of sales from 2007, 2008 and 2009 when compared to 2006.

Rating System – The four sales represented three properties (one resold). All were rated Class C. The five level rating system originally developed in the Bremerton revaluation area was adopted.

Model Calibration

Preliminary Ratio Analysis – The median ratio of the four sales was 80% with a COD of 14.91.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates – 01/01/2006 – 12/31/2009

Only four sales of the **SFR-Conv** classification were found from 2006, 2007, 2008 and 2009. This limited data was inadequate to develop a market approach.

Current Sale Listings – Limited listings were available on this property type.

Market Sales Rates – There was insufficient data to develop market sales rates.

Income Approach Data and Analysis

Rent Data – Three rents were documented from income questionnaires received from taxpayers. This was insufficient information to develop a rent rate. Rates were developed using both office rates (principal of substitution) reduced one grade.

Vacancy Data – Vacancy rates were adopted from office.

Expense Data – Expense rates were adopted from office.

Cap Data – Cap rates were adopted from office.

Current Lease Listings – None found.

Income Rates – Income rates were adopted from office.

Model Validation

Final Ratio Analysis – The median ratio from the four sales is 95% with a COD of 15.81.

**TAX YEAR 2011
 CONVERTED SFR MODEL**

DESCRIPTION	Valuation Approach	Land Value	A	B	C	D	E	
SFR	SFR's and MH's in commercial zoning but located OFF of a main commercial corridor (Bethel South, Sidney, Tremont, Pottery, Lund, Mile Hill) should be moved to a 9000000 neighborhood and valued as residential using a cost approach. No adjustments for location or additional depreciation is required. For land value adopt nearest residential zoning.	Cost Approach	Residential	No Rates				
SFR	SFR's and MH's in commercial zoning located ON the main commercial corridor (Bethel South, Sidney, Tremont, Pottery, Lund, Mile Hill) are valued using the market approach and commercial land values. No adjustments for location or additional depreciation is required. If land value exceeds market approach, use the cost approach. Rates are calibrated for average quality homes. If quality is less than average a lower class grade may be more appropriate.	Market Approach or Cost Approach	Commercial	No Rate	Good condition	Average condition	Fair condition	Poor condition
SFR CONV	If sufficient remodel has occurred to irrevocably change the identity of the building from residential to commercial use but the building still retains the look of an SFR, then value the property on an income approach, rates were based on lower class office or retail, use commercial land values. Sufficient remodel would typically entail removal of the kitchen, upgraded electrical, plumbing, HVAC and be compliant with ADA access requirements (wheelchair ramps, wider doors, etc.) If land value exceeds income or market approach, use the cost approach.	Income Approach	Commercial	Very good quality	Good quality	Average quality	Fair quality	Poor quality
SFR WO	If the SFR/MH is on income producing property, (offices, mini-storage, marina, etc.) and an income approach is necessary, an income value is loaded, but does not include land value. If the parcel would have excess land if the SFR was not present, pick up excess land in the income approach in addition to the value of the SFR. If there is no excess land, even if the SFR was removed, then just pick up the value of the SFR using the income approach. When valuing a MH, rate one class lower than a SFR.	Income Approach	Commercial	Returns value of \$75/sq ft	Returns value of \$55/sq ft	Returns value of \$40/sq ft	Returns value of \$25/sq ft	Returns value of \$15/sq ft

Oddly configured or limited use second levels can be valued one grade lower OR value as storage only
 Attics and non-daylight basements can be valued as storage or auxiliary storage depending on ceiling height and type of access.
 Developed daylight basements are valued the same as the main floor.
 If the developed daylight basement has functional deficiencies (only one door & window, low ceilings) considered dropping one class.
 Value attached and detached garages as storage units based on condition.

Income Model Rates

MSN

302010

NEIGHBORHOOD 8401606, 8401607, 9401607, 9401621, 9401691, 9401692

25 Converted SFR		SFR-MF	SFR-MF (2)	SFR	SFR- Conv	SFR-IU	SFR-MF (3)
A	RENT				18.90		
A	VAC				5.00		
A	EXPEN				28.00		
A	CAP				7.75		
A	MKT				0.01		
B	RENT			150.00	16.80	9.25	
B	VAC				7.00	25.00	
B	EXPEN				30.00	40.00	
B	CAP			100.00	7.90	7.56	
B	MKT			150.00	0.01	55.00	
C	RENT			105.00	12.60	6.75	
C	VAC				9.00	25.00	
C	EXPEN				32.00	40.00	
C	CAP			100.00	8.50	7.56	
C	MKT			105.00	0.01	40.00	
D	RENT			90.00	8.40	4.25	
D	VAC				9.00	25.00	
D	EXPEN				35.00	40.00	
D	CAP			100.00	8.50	7.56	
D	MKT			90.00	0.01	25.00	
E	RENT			70.00	5.25	2.50	
E	VAC				10.00	25.00	
E	EXPEN				35.00	40.00	
E	CAP			100.00	8.50	7.56	
E	MKT			70.00	0.01	15.00	

Income Model Rates

MSN

302010

NEIGHBORHOOD

8402601, 8402602, 8402603, 8402605, 8402605, 8402691, 9402607, 9402690, 9402691
9402692, 9402693

25 Converted SFR		SFR-MF	SFR-MF (2)	SFR	SFR- Conv	SFR-IU	SFR-MF (3)
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A	EXPEN				28.00		
A	CAP				7.75		
A	MKT				0.01		
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B	VAC				7.00	25.00	
B	EXPEN				30.00	40.00	
B	CAP			100.00	7.90	7.56	
B	MKT			150.00	0.01	55.00	
C	RENT			105.00	12.60	6.75	
C	VAC				9.00	25.00	
C	EXPEN				32.00	40.00	
C	CAP			100.00	8.50	7.56	
C	MKT			105.00	0.01	40.00	
D	RENT			90.00	8.40	4.25	
D	VAC				9.00	25.00	
D	EXPEN				35.00	40.00	
D	CAP			100.00	8.50	7.56	
D	MKT			90.00	0.01	25.00	
E	RENT			70.00	5.25	2.50	
E	VAC				10.00	25.00	
E	EXPEN				35.00	40.00	
E	CAP			100.00	8.50	7.56	
E	MKT			70.00	0.01	15.00	

Income and Vacancy Summary (Public)

<i>Converted SFR</i>		<i>C SFR</i>					
Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8402604	B	10/19/2009	\$12.58	0.01%	\$12.57	0.01%	\$12.57
8402604	C	9/28/2009	\$10.00	0.01%	\$10.00	0.01%	\$10.00
8402604	C	9/28/2009	\$11.00	30.00%	\$7.70	0.01%	\$7.70

**TAX YEAR 2011
 CONVERTED SFR - SFR CONV MODEL
 Sales from 01/01/2006 through 12/31/2009**

No.	Neighborhood - Vicinity	Property Class	Account Number	Project Name	Excise	Validity Code	Sale Date	Price	Assessed Value	RATIO
1	8402604 - SE Port Orchard Coml	111 - Single Family Residence	342401-4-011-2006	SFR Tremont	06EX08244	V - Valid	09/12/06	\$246,000	\$239,650	0.97
2	8402603 - Rural Port Orchard	910 - Undeveloped Land	4058-003-001-0006	BL	08EX05746	W - With other property	10/01/08	\$400,000	\$282,700	0.71
		111 - Single Family Residence	4058-003-003-0004	SFR L shaped lot w/001 Don't Combo						
3	8402601 - Downtown Pt Orchard	111 - Single Family Residence	4059-009-009-0004	SFR Downtown Pt Orchard	06EX10588	V - Valid	11/22/06	\$204,000	\$189,320	0.93
4	8402601 - Downtown Pt Orchard	111 - Single Family Residence	4059-009-009-0004	SFR Downtown Pt Orchard	09EX02013	V - Valid	04/28/09	\$150,000	\$189,320	1.26

Count	4
Lowest	0.71
Highest	1.26
Median	0.95
Mean	0.97
AAD	0.15
COD	15.81