

# Kitsap County Assessor

## Narrative for Converted SFR – SFR-WO Valuation

Appraisal Date 01/01/2010, Tax Year 2011

Updated 08/03/2010 by CM20

### Valuation Summary

**Approach Used** – Income approach. Cost values derived from Marshall & Swift are loaded into the 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 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 **Conv-SFR**.

For the **SFR-WO** (formerly SFR-IU) classification, a **cost value** was loaded into the income tables so these multiple use properties could be valued using the income approach. These houses have **limited income potential and economic life**. This value is used to capture the minimal interim use of the structure. The value does not include any land value.

### Property Type Overview

**Population** – The Port Orchard and Central Kitsap Area 6 revaluation has a large population of single family residences (SFRs) located in commercially zoned areas. Most are stand alone, but some are incorporated with other income producing properties.

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

**Rating System** – Four model classes were developed. The appraiser selected a model class that most adequately reflects the value returned by Marshall & Swift cost tables as calibrated in our mass appraisal computer system.

	Valuation Approach	Land Value	A	B	C	D	E
SFR-IU	Income Approach	Commercial	No Rate	Returns value of \$55/sq ft	Returns value of \$40/sq ft	Returns value of \$25/sq ft	Returns value of \$15/sq ft

Land value is not included in these rates. If the parcel would have excess land if the SFR was not present, the excess land was valued in the income approach in addition to the value of the SFR. If there was no excess land if the SFR was removed, only the SFR value was added to the income approach.

### Model Calibration

**Preliminary Ratio Analysis** – Insufficient sales improved solely with this property type existed to develop a ratio analysis.

## **Market Sales Approach Data and Analysis**

**Regional Sales - Range of Sales Dates** – No sales were available to develop a market approach solely with this property type.

**Current Sale Listings** – Numerous listings, both as potentially commercial properties and as residential use properties.

**Market Sales Rates** – Not developed.

## **Income Approach Data and Analysis**

**Rent Data** – Insufficient income documentation to develop an actual income approach. Values from Marshall & Swift were used to calculate a cost approach which was loaded into the income table. This cost does not capture the value of land.

**Vacancy Data** – Insufficient data documented to develop an actual income approach.

**Expense Data** – Insufficient data documented to develop an actual income approach.

**Cap Data** – Insufficient data documented to develop an actual income approach. Korpacz 4<sup>th</sup> Qtr 2008 quoted 7.56%, Marcus & Millichap 2008 quoted 7.60%, used 7.56%.

**Current Lease Listings** – None documented.

**Income Rates** – The income rate developed for the model was based on **cost values** from Marshall & Swift for average, fair and low quality ramblers dating between 1920 and 1945.

## **Model Validation**

**Final Ratio Analysis** – Insufficient sales improved solely with this property type existed to develop a ratio analysis.

**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)
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	