

Kitsap County Assessor

Narrative for Restricted Multifamily – All Unit Sizes

Appraisal Date 1/1/2011, Tax Year 2012

Updated 09/22/11 by CM27

Valuation Summary

Approach Used – Income approach for tax year 2011 adopted due to lack of new market data for restricted projects. We reviewed the conventional apartment model update. The apartment model has less than a 2% change to value this year, further supporting no change to the restricted model.

Analysis and Conclusion Summary - The cost approach is difficult to correlate due to age of the buildings, and a lack of sufficient sales. Depreciation is difficult to calculate due to varied obsolescence, changing demands, or other unaccounted for items.

A market or sales approach uses sales prices of comparable properties. Kitsap County lacks sufficient, recent sales to generate a new model.

Property Type Overview

Population- Approximately fourteen complexes participate in the Section 515 program, and eight in the Section 42 program.

Economic Conditions- Kitsap County's commercial sales volume declined from 2007 through 2010.

Rating System- The rating system is based on the income level attributed to the units.

| Income Level Assigned to Units | |
|--------------------------------|-----|
| Class A | 80% |
| Class B | 60% |
| Class C | 40% |
| Class D | 30% |

Model Calibration

Preliminary Ratio Analysis - No data, No recent sales of restricted property have occurred.

Market Sales Approach Data and Analysis

Sales – Range of Sales Dates – 01/01/2006 – 03/01/2011. Expanded search area to regional. No recent sales of restricted property have occurred.

Current Sale Listings – None Known

Market Rates – Analysis was completed for both restricted multifamily and unrestricted multifamily during prior year model development, no current sales have occurred to test the existing restricted model.

Income Approach Data and Analysis

Rent Data – Actual data supplied in prior appeal petitions, web sites for apartments, and rates published on the United States Department of Agriculture (USDA) Rural Development (RD) web site.

Vacancy Data – Web sites for apartments, listings in newspapers, and noted during physical inspections.

Expense Data – Actual data supplied in prior appeal petitions, analysis in market data documents.

Kitsap County Assessor

Narrative for Restricted Multifamily – All Unit Sizes (continued)

Capitalization (cap) Data – Prior restricted model was developed with sales, and conventional used the apartment rate for similar timeframe. These rates have been adopted for the current year.

Current Lease Listings – Varies from month to month. Not considered due to rent range cited, and unknown income level of new tenants.

Model Validation

Final Ratio Analysis - Our existing model correlated with income data from the individual projects. Current market data is limited, and no recent sales are available for testing.

Source

Publications – Note: The documents cited were used to develop the prior model we have adopted.

Dupre and Scott report for December 2009 for 5-19 units

Dupre and Scott Apartment February 2010 reports

Korpacz-4th Quarter 2009

Apartment Insights Washington-Jan 2010,<http://cainapartments.com/press.html>

Urban Land Institute Trends 2010

Marcus & Millichap – The Apartment Outlook 2010

Internet –

www.commercialmls.com

www.dsaa.com

<http://cainapartments.com/press.html>

Other – Actual income for complex.

Income Model Rates

Neighborhood 0

Model Serial # 302011

Property Type Restricted Multifamily

Rent Class A

| | Studio | 1 Bedrm | 2 Bedrm | 3 Bedrm | 4 Bedrm |
|-------|-----------|-----------|-----------|-----------|-----------|
| RENT | 8,280.00 | 8,868.00 | 10,632.00 | 12,300.00 | 13,716.00 |
| VAC | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| EXPEN | 71.00 | 71.00 | 71.00 | 71.00 | 71.00 |
| CAP | 4.86 | 4.86 | 4.86 | 4.86 | 4.86 |
| MKT | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 |

Rent Class B

| | Studio | 1 Bedrm | 2 Bedrm | 3 Bedrm | 4 Bedrm |
|-------|-----------|-----------|-----------|-----------|-----------|
| RENT | 6,900.00 | 7,392.00 | 8,856.00 | 10,248.00 | 11,424.00 |
| VAC | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| EXPEN | 71.00 | 71.00 | 71.00 | 71.00 | 71.00 |
| CAP | 4.86 | 4.86 | 4.86 | 4.86 | 4.86 |
| MKT | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 |

Rent Class C

| | Studio | 1 Bedrm | 2 Bedrm | 3 Bedrm | 4 Bedrm |
|-------|-----------|-----------|-----------|-----------|-----------|
| RENT | 5,520.00 | 5,916.00 | 7,092.00 | 8,196.00 | 9,144.00 |
| VAC | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| EXPEN | 71.00 | 71.00 | 71.00 | 71.00 | 71.00 |
| CAP | 4.86 | 4.86 | 4.86 | 4.86 | 4.86 |
| MKT | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 |

Rent Class D

| | Studio | 1 Bedrm | 2 Bedrm | 3 Bedrm | 4 Bedrm |
|-------|-----------|-----------|-----------|-----------|-----------|
| RENT | 4,140.00 | 4,428.00 | 5,316.00 | 6,144.00 | 6,852.00 |
| VAC | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| EXPEN | 71.00 | 71.00 | 71.00 | 71.00 | 71.00 |
| CAP | 4.86 | 4.86 | 4.86 | 4.86 | 4.86 |
| MKT | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 | 39,900.00 |