

Kitsap County Assessor

Narrative for Converted SFR Valuation

Appraisal Date 1/1/2011, Tax Year 2012

Updated 04/20/2011 by CM20

Valuation Summary

Approach Used – Cost approach used for standalone properties. If multiple income properties are located on the same parcel, use 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** classification, the cost approach returns the most acceptable sales ratios. An income approach developed using rates from the Marshall & Swift cost approach is available for parcels that contain an SFR with other income producing improvements.

Property Type Overview

Population – The Silverdale Area 1 revaluation neighborhoods has just over 100 single family residences (SFRs) located in commercially zoned areas. Most are standalone, but some are part of other income producing properties.

Economic Conditions – The recent downturn in the economy was evident in limited number of sales from the past five years.

Rating System – SFRs located on the main corridors or in commercially developed areas (Old Town Silverdale) were valued using the cost approach with a commercial land value. **SFRs** mixed in with commercial developments were valued using the income approach with a commercial land value. **SFRs** located off of the main corridors and secondary streets and that are in areas predominately residential in nature and the market has indicated will not be converted to a commercial use in the foreseeable future were moved to a hybrid neighborhood and valued using the cost approach with an underlying residential land value. This residential land value was adopted from the nearest residential zoning to the subject property.

Land to Building Ratio – The land to building ratio from office was adopted for those parcels using an income approach due to association with other income producing improvements.

Model Calibration

Preliminary Ratio Analysis – Four sales and one listing returned a median ratio of 88% with a COD of 21.07. The sales included two SFRs and two Conv-SFRs.

Market Sales Approach Data and Analysis

Narrative for Converted SFR Valuation Model (continued)

Regional Sales - Range of Sales Dates – 01/01/2009 – 01/24/2011

A total of four sales were used.

Current Sale Listings – One listing was reviewed.

Income Sales Rates – Four rates were developed from sales and are based on the finished size of the house in square feet. Oddly configured or limited use second levels can be valued at one grade lower than the main floor of the house, or value as storage only. Attached and detached garages are valued as warehouse or storage areas based on condition. Attics and basements can be valued as storage or auxiliary storage depending on ceiling height and type of access.

Income Approach Data and Analysis

Rent Data – Rent data documented from income questionnaires was insufficient to develop an income approach.

Vacancy Data – Vacancy data documented from income questionnaires was insufficient to develop an income approach.

Expense Data – Expense data documented from income questionnaires was insufficient to develop an income approach.

Cap Data – Not researched.

Current Lease Listings – Not researched.

Income Rates – Not researched or developed.

The income approach is only used when there is a SFR associated with other income producing properties that must be valued using the income approach.

Cost Approach

Using a cost approach based on the characteristics of the house returned a more equalized valuation for these transitional properties. Additional economic depreciation was applied to properties based on style and age. Ramblers and half-stories built in 1965 and newer were adjusted an additional 30%. Ramblers and half-stories older than 1965, or multistory, split entry or split level designs were adjusted an additional 50%. Houses in poor condition were reduced 95%. Very poor condition homes had all building value removed.

Model Validation

Final Ratio Analysis – Upon application of the new model the same four sales and one listing returned a median ratio of 89% with a COD of 6.92.

**TAX YEAR 2012
 CONVERTED SFR MODEL DEFINITION**

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 with limited prospective conversion to commercial use in future years 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 or mixed in with commercial developments are valued using the COST approach based on Marshall & Swift preloaded black box and commercial land values. No adjustments for location or additional depreciation is required. If house is used in conjunction with other income producing properties, use income approach. Income rates are load with Marshall & Swift cost rates for average quality homes with value added for land value. If quality is less than average a lower class grade may be more appropriate.	Cost Approach or Income Approach	Commercial	No Rate	Good condition \$150/sq ft	Average condition \$105/sq ft	Fair condition \$90/sq ft	Poor condition \$70/sq ft
SFR CONV	If sufficient remodel has occurred to irrevocably change the building from residential to commercial use but the building still retains the look of an SFR, use the cost approach based on the original house plus any additions to the original size. Adjust for effective age. 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 the house is used in conjunction with other income producing properties, use income approach. The income rates include allocation for land value. If the building no longer resembles an SFR and it has lost its original identity, change to office or retail income approach. Reconfigure cost approach to office or retail building.	Cost Approach or Income Approach	Commercial	INCOME RATES				
				Very good quality \$15.05 NNN	Good quality \$11.97 NNN	Average quality \$8.66 NNN	Fair quality \$7.10 NNN	Poor quality \$4.97 NNN
SFR WO	If the SFR/MH has LIMITED economic value and is on income producing property, (offices, mini-storage, marina, etc.) and an income approach is necessary, an income value based on Marshall & Swfit cost tables 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 for properties valued using the income approach.
 Attics and non-daylight basements can be valued as storage or auxiliary storage depending on ceiling height and type of access on an income approach.
 Developed daylight basements are valued the same as the main floor on the income approach.
 If the developed daylight basement has functional deficiencies (only one door & window, low ceilings) considered dropping one class in income.
 Value attached and detached garages as storage units based on condition.
 SFRs located on more than one acre to be reduced by 95% of cost value for limited interim use.
 SFRs in poor or very poor condition or with functional obsolescence to have all value removed.

CONVERTED SFR SALES

-4%

#	Neighborhood	PC	Project Name	Parcel Number	Units	Excise#	VC	Date	Sales Price	Trended Sales Price	Assessed Value	Ratio Sale	Ratio Trended
1	8401101	111	Garage/Apartment on RC zoned land	092501-3-040-2003	4,121	09EX05234	V	09/24/09	380,000	360,636	335,930	0.88	0.93
2	8401104	111	SFR and Neometal Jewlery	4449-002-001-1103	1,456	09EX03429	V	07/01/09	429,000	403,142	357,060	0.83	0.89
3	8401102	111	Converted SFR on Lowell	4458-007-008-0006	1,120	11EX00347	V	01/24/11	280,000	280,675	233,320	0.83	0.83
4	8401102	111	Seaport Salon and Day Spa	4458-011-003-0003	2,384	10EX06150	V	11/24/10	485,000	482,927	350,680	0.72	0.73
5	8401101	111	Map LTD	082501-4-015-2003	3,533	LISTING		01/01/11	1,200,000	1,199,868	1,118,770	0.93	0.93

Count	5	5
Median	0.83	0.89
Average	0.84	0.86
AveDev	0.05	0.06
COD	6.26	6.92

Income Model Rates

Neighborhood ALL AREA 1 NEIGHBORHOODS

Model Serial # 302011

Property Type Converted SFR

Rent Class A

	SFR-MF	SFR-MF (2)	SFR	SFR-Conv	SFR-IU	SFR-MF (3)
RENT				22.00	12.60	
VAC				5.00	25.00	
EXPEN				28.00	40.00	
CAP				7.95	7.56	
MKT				189.28	75.00	

Rent Class B

	SFR-MF	SFR-MF (2)	SFR	SFR-Conv	SFR-IU	SFR-MF (3)
RENT			150.00	18.00	9.25	
VAC				5.00	25.00	
EXPEN				30.00	40.00	
CAP			100.00	8.00	7.56	
MKT			150.00	149.63	55.00	

Rent Class C

	SFR-MF	SFR-MF (2)	SFR	SFR-Conv	SFR-IU	SFR-MF (3)
RENT			105.00	14.00	6.75	
VAC				9.00	25.00	
EXPEN				32.00	40.00	
CAP			100.00	8.50	7.56	
MKT			105.00	104.92	40.00	

Rent Class D

	SFR-MF	SFR-MF (2)	SFR	SFR-Conv	SFR-IU	SFR-MF (3)
RENT			90.00	12.00	4.25	
VAC				9.00	25.00	
EXPEN				35.00	40.00	
CAP			100.00	8.50	7.56	
MKT			90.00	90.01	25.00	

Rent Class E

	SFR-MF	SFR-MF (2)	SFR	SFR-Conv	SFR-IU	SFR-MF (3)
RENT			70.00	8.50	2.50	
VAC				10.00	25.00	
EXPEN				35.00	40.00	
CAP			100.00	8.50	7.56	
MKT			70.00	58.50	15.00	

Local Income Survey

Property Type Converted SFR Sub Type C SFR

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/10/2011	\$43.20	0%	\$43.20	0%	\$43.19
3/10/2011	\$27.84	0%	\$27.84	0%	\$27.83
3/10/2011	\$22.37	0%	\$22.37	0%	\$22.36
3/10/2011	\$20.90	0%	\$20.90	0%	\$20.90
3/10/2011	\$20.50	0%	\$20.50	0%	\$20.50
3/10/2011	\$20.16	0%	\$20.16	0%	\$20.16
3/10/2011	\$15.85	0%	\$15.85	0%	\$15.85

Sub Type SFR

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/14/2011	\$7.68	0%	\$7.68	0%	\$7.68

Sub Type SFR Conv

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
12/20/2010	\$14.34	0%	\$14.34	64%	\$5.22
3/14/2011	\$2.16	0%	\$2.16	0%	\$2.16