



Wahkiakum County Assessor

Falon Hoven

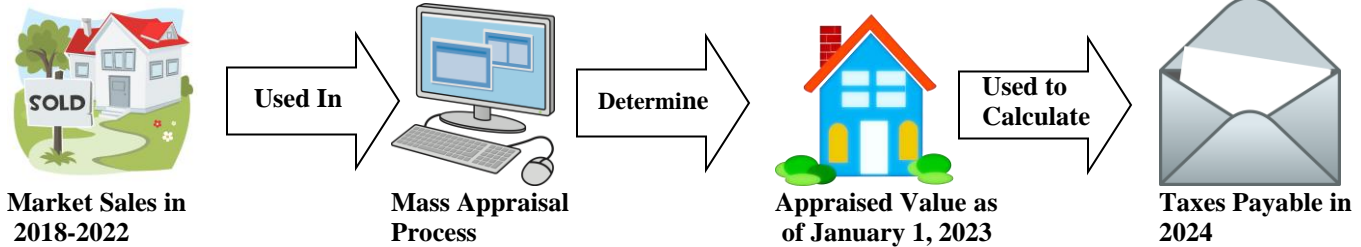
hovenf@co.wahkiakum.wa.us

Residential Appraisal Process

Real Property

64 Main St PO Box 145 Cathlamet, WA 98612 Tel: 360. 795.3791 Fax: 360. 795.0540

The Residential Appraisal Process:



INTRODUCTION

Purpose of this Document

The purpose of this document is to briefly outline the procedures used by the Wahkiakum County Assessor's Office to appraise residential properties for ad valorem tax purposes and to satisfy the legal requirement to supply documentation as to how an individual property value was determined when such documentation is requested by a property owner 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 property at 100% of its market value. RCW 84.40.030. All Washington State counties perform appraisals for all property annually. RCW 84.40.020.

Our office strives to meet the following goals in order to meet legal requirements and serve our taxpayers in an efficient and professional manner:

- 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 standard for appraisal level and uniformity
- Comply with the Uniform Standard of Appraisal Practices (USPAP) published by The Appraisal Foundation

APPRAISAL METHODOLOGY

Mass Appraisal

The annual appraisal of properties in Wahkiakum County is performed using a technique known as 'mass appraisal'. Mass appraisal is defined as:

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

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, property size, amount and type of waterfront, type and scope of view, improvement quality, improvement square footage, condition, etc.

Why Assessor's Use Mass Appraisal

It is cost prohibitive for the assessor's office to appraise 5,100+ properties each year by performing individual property appraisals utilizing 3 comparable sales. Assessors instead use mass appraisal techniques to arrive at the appraised values.

Who Performs the Mass Appraisal Process

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

Inspection of Properties

A component of the appraisal process is the inspection of properties. RCW 84.41.041 tells assessors how frequently properties must be inspected for tax purposes (more frequent is allowed):

“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 Department of Revenue.”

Wahkiakum County appraisers inspect one sixth of the properties in the county, or hundreds of properties, every year. Over a six-year period, all properties are inspected.

Property inspection 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 declining condition, the obstruction of a view, etc. Inspections are done from the exterior of all structures.

MASS APPRAISING RESIDENTIAL PROPERTIES

Appraisal Date

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

“All real property in this 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.”

Market Models

All Wahkiakum County residential properties are appraised as of January 1st, of each year using mass appraisal techniques, i.e. market models.

The market models used for residential properties in Wahkiakum County is a sales adjusted cost approach, adjusted annually (calibrated) to local market conditions. At its most basic, the model is the value of land plus the value of improvements.

Compiling Sales

Mass appraisal model calibration begins with compiling a list of the properties that sold prior to the appraisal date. These sales are reviewed to determine if they are valid, open market, willing buyer/willing seller transactions. Only valid market transactions as defined

by 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 shall 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”

Due to the limited data in a single year, Wahkiakum County Assessor uses sales from the five years prior to the valuation date to calibrate the market model.

Adjustments for Time

Property values both increase and decrease over time. All sales used in the model calibration process are adjusted for time in relation to the appraisal date to reflect changes in market conditions that occurred subsequent to the original sales date.

Stratification for Analysis

The valid market transactions are grouped into categories based on property characteristics such as location, type, quality, age, square footage, etc. and the value model results are compared to the sales process on a category-by-category basis. The value models are then modified until they produce the required appraisal level and uniformity; that is, until they are good predictors of market value.

When the assessor is satisfied that the value models are accurately predicting sales prices, the models are applied to all the residential properties in Wahkiakum County and finalized or ‘certified’ values are created.

Value Model Output

Completion of the market model calibration process results in a set of tables and formulae that constitute the value model. A set of land table is created for each revaluation area (R1, R2, R2S, R3 and R4). Additionally, tables are created for different property characteristics (i.e. square footage, quality, manufactured housing). When these table are applied, they result in an appraised value of the individual property.

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:

“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.”

The allocation of value to land is accomplished by reviewing both land sales and land residuals which is an appraisal technique used in the absence of vacant land sales. In the residual technique, improvement value as determined from the market calibrated cost approach are subtracted from sales prices of improved properties to yield residual land values.

Sales Comparison Approach/Direct Comparable Sales Not Used

The mass appraisal process does not use a sales comparison approach/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 calibrate the market model until it accurately predicts sales prices.

MANUFACTURED HOMES MODEL

All manufactured homes, whether they are on owned land or situated in a manufactured home park are appraised annually just like all other properties in the county. Like single family residences, manufactured homes are appraised using a sales adjusted (calibrated) cost approach.

The appraisal process begins with an analysis of sales of manufactured homes. The sales are grouped by location, manufactured home quality, condition, etc. so that similar properties are compared to each other. For example, manufactured homes in parks are not compared to manufactured homes on owned land.

Once the sales have been compiled and grouped, we begin the process of adjusting the cost model to reflect local market conditions. The process is complete when the calibrated model can accurately and uniformly predict the sales prices. When the value models have been verified, they are then applied to the manufactured home properties.

COMPARABLE SALES VS. SALES LISTS

Request for Comparable Sales

A common request to the Wahkiakum County Assessor's office is for a list of the specific comparable

sales used in establishing the value of a specific property. The assessor's office is unable to comply with these requests as we do not perform three comparable, single property appraisals to arrive at appraised values but rather, as previously noted, we employ mass appraisal techniques. Assessors rely on value models to determine the appraised value.

Lists of Sales

A list of the sales that were used in calibrating the market model(s) is available upon request.

Comparable Sales for Appeals

As previously noted, the assessor does not maintain a file of comparable sales for each individual property. The assessor may identify comparable sales to document the validity of a value produced by the mass appraisal process when responding to an appeal to the Board of Equalization. It should be noted that it is not a legal requirement to include comparable sales in an assessor's response to an appeal. A more typical response includes all or part of a mass appraisal report which documents the performance of the valuation model for the neighborhood in which the appealed property is located.

APPRAISAL LEVEL: MARKET VALUE

Statutory Authority

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 WAC 458-07-030:

“True and fair value’ means market value and is the amount of money a buyer of property willing but not obligated to buy would pay a seller of property willing but not obligated to sell.”

Measuring Appraisal Level

Assessors measure appraisal level, this is the relationship of appraised values to sales prices, 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:

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

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

Measuring Appraisal Level & Uniformity: Ratio Studies

Assessors ensure properties are appraised fairly and equitably by performing 'ratio studies', that is, they examine the relationship between appraised values and sales prices for all of the sold properties in the county that precede the appraisal date.

As noted earlier, Wahkiakum County uses 5 years of sales data preceding the appraisal date.

For ratio studies, as is done in the calibration process, sold properties are grouped into like property types using multiple criteria.

We then calculate a number of statistics for each stratification including mean and median ratio, the Coefficient of Dispersion (COD) and the Price Related Differential (PRD).

APPRAISAL STATISTICS – DEFINITIONS

The mean (average) and median ratios are measures of the central tendency that measure appraisal level. The mean ratio is the average of a list of ratios. A median ratio is the middle number in a list of ratios arrayed according to size.

The COD measures how uniform the appraisals are in relation to the median ratio. The lower the number the more uniform the appraisals.

The PRD measures uniformity of appraisals between high value and lower value properties.

MASS APPRAISAL REPORTS

At the conclusion of the appraisal process, the Wahkiakum County assessor creates point-in-time ratio studies known as Mass Appraisal Reports that document the performance of the valuation models. The reports document before and after revaluation appraisal statistics, including aggregate appraised value change, percentage of change, mean, median and weighted mean ratios, COD and PRD.

FAIR AND EQUITABLE APPRAISALS

Uniformity, or equity in appraisals, is 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.

APPRAISAL DOCUMENTS

As an aid to property owners reviewing their appraised values, the following are available upon request:

- Mass Appraisal Reports – point-in-time ratio studies that document the performance of the valuation models.
- Sales Files – pdf files of market sales are available on the assessor's website co.wahkiakum.wa.us/433/Wahkiakum-County-Sales-Data
- Assessor's Rolls – a listing of all real property parcels in the county.

REQUESTS CAN BE MADE:

In writing: Wahkiakum County Assessor
PO Box 145
Cathlamet WA 98612

By E-mail: hovenf@co.wahkiakum.wa.us
kellij@co.wahkiakum.wa.us

By Phone: (360) 795 – 3791

By Fax: (360) 795 – 0540