

Commercial Revalue

2019 Assessment roll

**FLOATING
HOMES**

AREA 15

**King County, Department of Assessments
Seattle, Washington**

John Wilson, Assessor



King County

Department of Assessments

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John Wilson
Assessor

Dear Property Owners,

Our field appraisers work hard throughout the year to visit properties in neighborhoods across King County. As a result, new commercial and residential valuation notices are mailed as values are completed. We value your property at its “true and fair value” reflecting its highest and best use as prescribed by state law (RCW 84.40.030; WAC 458-07-030).

We continue to work hard to implement your feedback and ensure we provide accurate and timely information to you. We have made significant improvements to our website and online tools to make interacting with us easier. The following report summarizes the results of the assessments for your area along with a map. Additionally, I have provided a brief tutorial of our property assessment process. It is meant to provide you with background information about the process we use and our basis for the assessments in your area.

Fairness, accuracy and transparency set the foundation for effective and accountable government. I am pleased to continue to incorporate your input as we make ongoing improvements to serve you. Our goal is to ensure every single taxpayer is treated fairly and equitably.

Our office is here to serve you. Please don't hesitate to contact us if you ever have any questions, comments or concerns about the property assessment process and how it relates to your property.

In Service,

John Wilson
King County Assessor

How Property Is Valued

King County along with Washington's 38 other counties use mass appraisal techniques to value all real property each year for property assessment purposes.

What Are Mass Appraisal Techniques?

In King County the Mass Appraisal process incorporates statistical testing, generally accepted valuation methods, and a set of property characteristics for approximately 700,000 residential, commercial and industrial properties. More specifically for commercial property, the Assessor breaks up King County into geographic or specialty (i.e., office buildings, warehouses, retail centers, etc.) market areas and annually develops valuation models using one or more of the three standard appraisal indicators of value: Cost, Sales Comparison (market) and Income. For most commercial properties the income approach is the primary indicator of value. The results of the models are then applied to all properties within the same geographic or specialty area.

Are Properties Inspected?

All property in King County is physically inspected at least once during each six year cycle. Each year our appraisers inspect a different geographic area. An inspection is frequently an external observation of the property to confirm whether the property has changed by adding new improvements or shows signs of deterioration more than normal for the property's age. For some larger or complex commercial properties an appraiser may need to also conduct an interior inspection of the buildings or property. From the property inspections we update our property assessment records for each property.

How are Commercial Properties Valued?

The Assessor collects a large amount of data regarding commercial properties: cost of construction, sales of property, and prevailing levels of rent, operating expenses, and capitalization rates. Statistical analysis is conducted to establish relationships between factors that might influence the value of commercial property. Lastly valuation models are built and applied to the individual properties. For income producing properties, the following steps are employed to calculate an income approach:

1. Estimate potential gross income
2. Deduct for vacancy and credit loss
3. Add miscellaneous income to get the effective gross income
4. Determine typical operating expenses
5. Deduct operating expenses from the effective gross income
6. Select the proper capitalization rate
7. Capitalize the net operating income into an estimated property value

How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional

financial data sources. With up-to-date market rates we are able to uniformly apply the results back to properties based on their unique set of attributes.

Where there is a sufficient number of sales, assessment staff may generate a ratio study to measure uniformity mathematically through the use of a coefficient of dispersion (aka COD). A COD is developed to measure the uniformity of predicted property assessments. We have adopted the Property Assessment Standards prescribed by the International Association of Assessing Officers (aka IAAO) that may be reviewed at www.IAAO.org. The following are target CODs we employ based on standards set by IAAO:

| Type of Commercial Property | Subtype | COD Range |
|----------------------------------|--|------------------------------|
| Income Producing | Larger areas represented by large samples | 5.0 to 15.0 |
| Income Producing | Smaller areas represented by smaller samples | 5.0 to 20.0 |
| Vacant Land | | 5.0 to 25.0 |
| Other real and personal property | | Varies with local conditions |

Source: IAAO, *Standard on Ratio Studies*, 2013, Table 1-3. www.IAAO.org

More results of the statistical testing process are found within the attached area report.

Requirements of State Law

Within Washington State, property is required to be revalued each year to market value based on its highest and best use. (RCW 84.41.030; 84.40.030; and WAC 458-07-030). Washington Courts have interpreted fair market value as the amount of money a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell. Highest and Best Use is simply viewed as the most profitable use that a property can be legally used for. In cases where a property is underutilized by a property owner, it still must be valued at its highest and best use.

Appraisal Area Reports

The following area report summarizes the property assessment activities and results for a general market area. The area report is meant to comply with state law for appraisal documentation purposes as well as provide the public with insight into the mass appraisal process.

Floating Home Specialty Executive Summary



An end of the dock view at the Log Foundation dock in Eastlake.

Appraisal Date: 1/1/19

Report Date: 6/11/19

Specialty: Floating Homes - Area 15 & Condo Area 730

Sales: 29 Sales Analyzed from 1/2/18 – 12/29/18

Population: 583 Parcels (135 Condo, 301 Co-op, 105 Leased & 24 Other). This includes floating homes, houseboat's (floating barges) and floating boatsheds.

Values: The annual value increase for the homes was 11.43%. The annual increase for the slips and associated land was 5.22%.

Physical Inspection: The south portion of the Eastlake neighborhood was inspected for this cycle.

The floating home specialty consists of several types of properties. Floating homes, floating barges, floating boatsheds, the docks associated with them and the slips they physically float on. The specialty also has several properties from the Residential division, where there is a waterfront residence on the parcel and a dock with floating homes, as well as Commercial Area 12, which is the waterfront specialty. In area 12, there are some commercial waterfront buildings or marinas that have floating homes.

Many floating homes typically have a moorage slip designated as a floating home moorage site, however there are a number of them that lease slips and may even move to different marinas from time to time. There are several types of floating home moorage and ownership structures within the owned moorage and non-owned moorage categories.

In the owned moorage category, the two predominant ownership types are condominium and cooperative. With condominiums, the individual home is owned as a unit in the condominium community and the owner typically owns the floating home and the specific slip the home floats on. With cooperatives, the land and docks are owned in common by the cooperative and members own a membership share which is a portion of the real property. The floating homes are personal property and are assessed as such. Both ownership forms typically have a monthly fee, a Home Owners Association (HOA) fee in the case of the condominiums and a monthly membership fee in the case of the cooperatives.

In the non-owned moorage category, the floating home is personal property and the owner of the real property is the owner of the docks, slips and land. The Seattle Municipal Code (SMC) regulates properties that fall into this category as there is a long history of improved lease protection, rent control on moorage fees and first right of refusal for tenants in the event a moorage slip is to be sold.

In both owned and non-owned moorage categories, there are leases of submerged land adjacent to the owned or leased lands. These are typically lands owned by the City of Seattle or the Washington State Department of Natural Resources via aquatic land leases. There are also docks that use land on the shore end of their docks under Street Use Permits issued by the City of Seattle. These lands are part of the submerged road right of way for a submerged street end and in the case for Fairview Avenue East.

There are three primary floating home neighborhoods which include Westlake, Eastlake and Portage Bay. However, there are also marinas and docks with floating homes, houseboats (floating barges) or floating boatsheds in the Northlake, Gasworks Park and Salmon Bay areas.

The valuation approach for the floating home specialty was via a market approach to value for the floating home slips and a market based residual cost approach value for the floating homes, houseboats (floating barges) and floating sheds.

The slip valuation model was created and adjusted by looking at market sales and extrapolating the structure value to analyze market shifts in slip values. The slip model is below and was not adjusted from the previous year. This was from analyzing floating home sales, several floating

home slip sales and also by analyzing surrounding residential land values in each of the communities adjacent to the floating home communities.

Although the executive summary shows an increase in slip values, this is mostly due to the updating of slip grades in the physical inspection area as well as on a handful of sales.

2019 Assessment Year Slip Model

| 2019 AY | | | | | | |
|-----------|-----------|--|-----------|-----|-----------|-----|
| 1-, 1, 1+ | 341,000 | | 375,000 | 10% | 413,000 | 10% |
| | | | | | | |
| 2-, 2, 2+ | 511,500 | | 558,000 | 9% | 608,000 | 9% |
| | 50% | | 49% | | 47% | |
| 3-, 3, 3+ | 716,100 | | 773,000 | 8% | 835,000 | 8% |
| | 40% | | 39% | | 37% | |
| 4-, 4, 4+ | 930,900 | | 996,000 | 7% | 1,066,000 | 7% |
| | 30% | | 29% | | 28% | |
| 5-, 5, 5+ | 1,117,100 | | 1,184,000 | 6% | 1,255,000 | |
| | 20% | | 19% | | 18% | |
| 6-, 6, 6+ | 1,340,500 | | 1,408,000 | 5% | 1,478,000 | 5% |
| | 20% | | 19% | | 18% | |
| 7-, 7, 7+ | 1,642,100 | | 1,724,000 | 5% | 1,810,000 | 5% |
| | 22% | | 22% | | 22% | |

Slip Model Grade Descriptions and Footnotes

| | | | | | |
|--|--|--|--|--|--|
| Grade 1 | Location, on shore or close proximity to shore | | | | |
| | Limited or no lake access | | | | |
| | Limited or no view | | | | |
| | Average to Good Parking | | | | |
| | Fair to Good Common Area Imps | | | | |
| Grade 2 | Location, typically middle of dock | | | | |
| | Limited lake access | | | | |
| | Limited view | | | | |
| | Average to Excellent Parking | | | | |
| | Fair to Good Common Area Imps | | | | |
| Grade 3 | Location, typically middle to end of dock | | | | |
| | Average to Good lake access | | | | |
| | Average to Above-average view | | | | |
| | Average to Excellent Parking | | | | |
| | Average to Excellent Common Area Imps | | | | |
| Grade 4 | Location, close proximity to or end of dock | | | | |
| | Good lake access | | | | |
| | Above Average to Good view | | | | |
| | Average to Excellent Parking | | | | |
| | Average to Excellent Common Area Imps | | | | |
| Grade 5 | Location, next to or end of dock or open views | | | | |
| | Good to Excellent lake access | | | | |
| | Good to Excellent view | | | | |
| | Average to Excellent Parking | | | | |
| | Average to Excellent Common Area Imps | | | | |
| Grade 6 | Location, end of dock or open views | | | | |
| | Excellent lake access | | | | |
| | Good Plus to Excellent view | | | | |
| | Average to Excellent Parking | | | | |
| | Average to Excellent Common Area Imps | | | | |
| Grade 7 | Location, end of dock or open views | | | | |
| | Excellent lake access | | | | |
| | Excellent view | | | | |
| | Typically Excellent Parking | | | | |
| | Typically Excellent Common Area Imps | | | | |
| Leased Slips are valued at a grade 1-. | | | | | |
| Slips that are 100% or partially over DNR or City of Seattle land are exempted proportionately. | | | | | |

The floating home improvement model was created by the past floating home specialty appraisers and is comprised of cost to build data derived from analysis of market sales and via local floating home builder input.

The model starts with a Replacement Cost New (RCN) and then each home is adjusted for depreciation based on its condition rating. The following is a chart depicting the % of the total cost amount based on the condition. Thus, if a property is in "Average" condition it is depreciated 25% from the RCN for that property.

| Condition | Description | % Good |
|------------------|--------------------|---------------|
| 1 | Poor | 60 |
| 2 | Fair | 65 |
| 3 | Below Average | 70 |
| 4 | Average | 75 |
| 5 | Good | 80 |
| 6 | Very Good | 85 |
| 7 | Excellent | 90 |

This year, the model shift further toward a market based residual improvement approach given that the appraiser is confident in the slip values. Thus, market sales were analyzed and the slip value was removed which yields a residual value for the structure. The values were analyzed using market sales and adjusted appropriately from the prior model.

See the following page for the detailed floating home structure model.

Floating Home Structure Model

| 2019 AY | | | | | | | | | | | |
|---------------------------------|-----|-------|-----|------------------------------------|--------|-------|-----|-------------------------------------|-----|-------|--|
| Grade 3- @ \$328 SF 0.15 | | | 15% | Grades 3 @ \$361 SF 0.17819 | | | 18% | Grades 3+ @ \$388 SF 0.17801 | | | |
| Average Minus | | | | Average | | | | Average Plus | | | |
| % Good | 95% | \$311 | | % Good | 95% | \$342 | | % Good | 95% | \$368 | |
| | 90% | \$295 | | | 90% | \$324 | | | 90% | \$349 | |
| | 85% | \$279 | | | 85% | \$306 | | | 85% | \$329 | |
| | 80% | \$262 | | | 80% | \$288 | | | 80% | \$310 | |
| | 75% | \$246 | | | 75% | \$270 | | | 75% | \$291 | |
| | 70% | \$229 | | | 70% | \$252 | | | 70% | \$271 | |
| | 65% | \$213 | | | 65% | \$234 | | | 65% | \$252 | |
| | 60% | \$197 | | | 60% | \$216 | | | 60% | \$233 | |
| | 55% | \$180 | | | 55% | \$198 | | | 55% | \$213 | |
| | 50% | \$164 | | | 50% | \$180 | | | 50% | \$194 | |
| | 25% | | | | 22% | | | | 22% | | |
| Grades 4- @ \$410 SF | | | 5% | Grades 4 @ \$440 SF | | | 4% | Grades 4+ @ \$473 SF | | | |
| Good Minus | | | | Good | | | | Good Plus | | | |
| % Good | 95% | \$389 | | % Good | 95% | \$418 | | % Good | 95% | \$450 | |
| | 90% | \$369 | | | 90% E | \$396 | | | 90% | \$426 | |
| | 85% | \$348 | | | 85% VG | \$374 | | | 85% | \$402 | |
| | 80% | \$328 | | | 80% Gd | \$352 | | | 80% | \$379 | |
| | 75% | \$307 | | | 75% Av | \$330 | | | 75% | \$355 | |
| | 70% | \$287 | | | 70% BA | \$308 | | | 70% | \$331 | |
| | 65% | \$266 | | | 65% F | \$286 | | | 65% | \$308 | |
| | 60% | \$246 | | | 60% P | \$264 | | | 60% | \$284 | |
| | 55% | \$225 | | | 55% | \$242 | | | 55% | \$260 | |
| | 50% | \$205 | | | 50% | \$220 | | | 50% | \$237 | |
| | 40% | | | | 40% | | | | 40% | | |
| Grades 5- @ \$574 SF | | | 7% | Grades 5 @ \$617 SF | | | 7% | Grades 5+ @ \$663 SF | | | |
| Excellent Minus | | | | Excellent | | | | Excellent Plus | | | |
| % Good | 95% | \$545 | | % Good | 95% | \$586 | | % Good | 95% | \$630 | |
| | 90% | \$516 | | | 90% | \$555 | | | 90% | \$597 | |
| | 85% | \$488 | | | 85% | \$524 | | | 85% | \$563 | |
| | 80% | \$459 | | | 80% | \$493 | | | 80% | \$530 | |
| | 75% | \$430 | | | 75% | \$462 | | | 75% | \$497 | |
| | 70% | \$401 | | | 70% | \$432 | | | 70% | \$464 | |
| | 65% | \$373 | | | 65% | \$401 | | | 65% | \$431 | |
| | 60% | \$344 | | | 60% | \$370 | | | 60% | \$398 | |
| | 55% | \$315 | | | 55% | \$339 | | | 55% | \$365 | |
| | 50% | \$287 | | | 50% | \$308 | | | 50% | \$331 | |

Additionally, it has been determined through market analysis, that smaller houseboats (formerly called floating barges) and outright boats with living space, sell at a premium on a per square foot basis. In this case, smaller is defined as 1,000 square feet or less. Additional value per square foot adjustments have been made to these properties per the below model. This is specifically for houseboats and not more permanent floating homes. Houseboats are typically narrower, have a hull, are more easily moveable than floating homes and are often found in marinas where

they lease a space. There are a few marinas where the space is condominiumized and the buyer can own both the space and the houseboat.

| 2019 AY Small Houseboat Model | | | | | | |
|---|-------------|----------------|------------|-----------|-----------|-----------|
| Condition percentage is adjusted by way of adding a premium to the value per foot per the premium in the marketplace for these smaller houseboats. This is accomplished by adding the % premium in the % Net Condition box for the property. What this does is take the RCN (Replacement Cost New) number for the structure and adds the % premium to that number to better reflect the market derived value for the houseboat. | | | | | | |
| | Fair | Bel Avg | Avg | Gd | Vg | Ex |
| 0- 200 SF Condition Adjustment | 105% | 115% | 125% | 135% | 145% | 155% |
| 201-400 SF Condition Adjustment | 85% | 95% | 105% | 115% | 125% | 135% |
| 401-600 SF Condition Adjustment | 75% | 85% | 95% | 105% | 115% | 125% |
| 601-800 SF Condition Adjustment | 65% | 75% | 85% | 95% | 105% | 115% |
| 801-1000 SF Condition Adjustment | 55% | 65% | 75% | 85% | 95% | 105% |

Houseboat



Floating Home



Floating Boatshed

