COUNTY OF YORK
MEMORANDUM

DATE: March 1, 2017

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator

SUBJECT: Community Services Temporary Move

I have discussed the plans with you individually, but I want to let you know that the remodeling of the Community Services Department space in the County Administration Building to create implementation/training space for the Financial Management System is officially underway. The Community Services staff members who occupied that wing of the building have been temporarily relocated to the Sommerwell House at 401 Main St., which was formerly occupied by Congressman Wittman. We were fortunate to be able to negotiate and execute a favorable short-term lease with the Park Service for that space and by completely vacating the Community Services wing of the building the renovation work will be able to proceed in the most efficient and cost-effective manner.

Appropriate notifications of the move are being made for the benefit of Community Services' clients. Their phone numbers and email addresses will remain the same.

Please let me know if you have questions or need additional information.

COUNTY OF YORK
MEMORANDUM

DATE: February 28, 2017

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator NAM

SUBJECT: Overview of Real Estate Reassessment Process

As the Real Estate Office begins the reassessment process to develop values effective January 1, 2018, I thought the Board would like a brief overview of the process, including how information is gathered for certain property types. In order to assess income-producing properties, such as apartments and shopping centers, property owners are asked to participate by supplying income and expense information specific to the property. Cover letters and questionnaires are distributed to commercial and multi-family properties as well as those who receive benefits under the land use and real estate relief programs.

Since August of 2016, the County's Real Estate Assessor, Maria Kattmann, and appraisal team have been busy working on defining the process for the 2018 reassessment, training, and implementing a significant technology project to convert the real estate records to prepare for a full conversion to a new computer-assisted mass appraisal system in 2020.

This memo is focused on informing the Board about correspondence and forms that are sent to the business community should you receive any inquiries. While the templates from previous years' mailings were used as a starting point for this year's letters and forms, staff has undertaken a project to review all real estate correspondence to the public and, in some cases, rewrite the correspondence to reflect a higher level of customer service. I am envisioning this memo to be one in a series of memos informing the Board on the status of this year's reassessment process which will include an update on the reassessment impacts to be provided in December 2017.

Valuing Commercial Properties:

There are three methods for determining the assessed value of commercial properties:

Cost Approach

The cost approach can be applied to all improved properties by developing a ***replacement cost new*** for structures in combination with market derived land values. Replacement costs are derived from industry pricing manuals or software published by Marshall and Swift or Beockh services. This approach is most effective with new construction, and is effectively used for determining the fair market value for chain fast food restaurants and drug stores having specific business models for site selection and building specifications allowing for consistency in franchises as well as predictability in value. While the cost approach is one of the recognized methods of valuation, it may not be the best indicator of value for income-producing properties.

Sales Comparison/Market Approach

This is the method most are familiar with, as it is the accepted method for valuing residential real estate. Typically, this method involves selecting properties with similar characteristics in the same market area that have recently sold. Once those properties are found, they are compared to the property in question, and a professional appraiser will deduct value from the subject property for comparative deficiencies and increase value for advantages. This method has its limitations, as there is typically not enough sales data for specific commercial properties for comparison purposes. Owner-occupied residential property is best suited for the sales comparison approach.

Income Approach

The income approach is best suited to commercial properties, which are bought and sold for their income-producing capabilities. The appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to the approach. Income-producing real estate is typically purchased as an investment, and from an investor's point of view, earning power is the critical element affecting property value. One basic investment premise holds the higher the earnings, the higher the value, provided risk remains constant. Hotels and apartment complexes are examples of real estate that produce an income stream and can perform well for investors.

How Assessment Offices Use Income Data:

The Code of Virginia, Section 58.1-3294, allows real estate assessment offices to request income and expense information related to income-producing properties for the purpose of determining market value of certain commercial and multi-family real estate. Property types best suited for this approach to value are apartment complexes, senior living facilities, hotels, self-storage, office buildings, shopping centers, mobile home parks, and marinas. The income approach uses capitalization of net operating income to provide an estimate of value, and is recognized by the appraisal industry as one of three approaches to value. Owners of properties that are exclusively owner-occupied and dwellings less than four units are not required to furnish income information and are excluded from reporting.

Often the sales comparison and cost approaches do not provide the best estimate of value because there is a lack of market data to compare to the subject property, or the cost approach is complicated by an aging property where the effects of depreciation may be difficult to capture. The income approach allows the appraiser to develop a value estimate that correlates directly to the performance of the property. Owners will typically furnish a list of tenants commonly known as a "rent roll" with each tenant's rent and lease terms. In addition to the "rent roll," owners provide a detail of expenses associated with the property such as repairs and maintenance, utilities, insurance, and reserves for replacement. The appraiser then reconstructs the income statement to derive the net operating income and applies a market-derived capitalization rate to convert the income stream to an estimate of value.

The following example is used to show how the appraiser uses the income and expense information. Hypothetically, an appraiser is asked to value a neighborhood shopping center where there are no recent sales, and the subject property is approximately 15 years old. The appraiser analyzes the income statement providing accounting for all sources of income and allowable expenses associated with the property. The reconstructed income statement reveals a net operating income of $450,000 for the year and applies a capitalization rate of 10%, yielding a value estimate of $4,500,000. Capitalization rates can be determined by sales of similar properties by obtaining the sales price and net operating income in order to calculate a rate. When there is little or no market data, appraisers will turn to research firms producing quarterly reports. Price Waterhouse Coopers is a multinational professional services network that provides quarterly investor surveys covering national and regional markets for a wide range of property types.

York County's Process:

Beginning in November 2016, the Real Estate Assessment Office mailed requests and worksheets to owners of the following property classes and requested a reply by April 28, 2017, which is following the 2016 IRS filing deadline. Property owners requiring additional time to prepare information will be accommodated.

Property Type	Number of Parcels	Mailing Date
Apartments	21	November 15, 2016
Shopping centers	56	December 7, 2016
Senior facilities	5	January 13, 2017
Hotels	30	January 13, 2017
Marinas	15	January 13, 2017
Self-storage	12	January 13, 2017
Mobile home parks	13	January 13, 2017
Campgrounds	5	January 13, 2017
Offices	67	February 3, 2017
Michael Commons	75	February 3, 2017

Conclusion:

The reassessment process always involves challenging communication with property owners, and the Board of Supervisors. My office will work with the Assessor's staff to continually review and improve the quality of necessary correspondence with the goal of ensuring an accurate and predictable reassessment cycle as is possible.

NAM:MRK

Copy to: Maria R. Kattmann, Real Estate Assessor
J. Mark Carter, Deputy County Administrator
Vivian Calkins-McGettigan, Deputy County Administrator