

# Kenai Peninsula Borough

## Commercial Properties



- General Commercial Includes:

- Offices
- Retail
- Apartments
- Warehouses
- Markets
- Box Stores
- Churches
- Gas Stations
- Car Washes

- General Commercial Continued:
  - Hotels & Motels
  - Banks
  - Restaurants
  - Medical / Dental Offices
  - Lodges
  - Equipment Shops
  - Hangars
  - Marijuana Grow Facilities & Retail Stores





043-390-29  
6/5/2019 SR  
CD1



043-200-13  
7/31/2018 SR  
CD1



145-180-35  
5/5/2015 SR  
CD1



057-200-41  
8/9/2012 SR  
CD1



060-342-18LH01  
4/19/2018 SR  
CD1



159-400-26  
10/1/2018 SR  
CD1



058-290-05  
8/1/2019 SR  
CD1



049-070-32  
7/10/2019 SR  
CD1

## KPB CAMA System

- The KPB uses Computer Assisted Mass Appraisal (CAMA) software called ProVal.
- ProVal has 2 sets of cost tables. Residential and Commercial
- Marshall & Swift Valuation Service (MVS) is built into this software for our commercial tables.

## A Typical Commercial Building

- A field inspection starts the process.
- A sketch of the building
- Attributes are collected
- Construction Type Steel, Frame, Masonry, etc.
- Foundation Type Slab, Poured Concrete, Crawl, Basement etc.
- Heating Type
- Exterior siding

- Wall Height
- Roof Type
- Fire Suppression Systems
- An Occupancy code or multiple codes if the building has more than one use.
- Effective age estimate for depreciation
- A quality estimate
- Percent complete chart for unfinished structures or structures that need significant repairs.
- Other items included with the building such as bank equipment, underground fuel tanks, car wash equipment, freezers etc.
- We also value petroleum tank farms, pools, RV parks etc.

## Industrial

- Oil and Gas
- Oilfield logistics, docks and facilities
- Fish Processing Plants
- Ship repair yards



## KPB Oil and Gas Industrials

- Marathon Petroleum Refinery Previously Tesoro
- Marathon LNG Plant Previously Conoco Philips
- Agrium Kenai Nitrogen Plant
- Cook Inlet Natural Gas Storage Alaska CINGSA

## Residential Shops and Hangars

We use our Commercial Cost tables on some residential properties  
This does make these properties “Commercial” in use.

- More specific on Construction type
  - Frame – Steel – Pole
  - Wall Structure Wood – Steel – PE Metal Sandwich Panels
  - Wall Height
  - Hangars - Values hangar doors



## Possessory Interests

- A possessory interest constitutes a private right to the possession or use of a public property for a specific period of time
- The term “Possessory Interest” is not a unique Alaskan term
- Originated in California in 1955. California Supreme Court affirmed the theories in three court decisions

## Possessory Interests

- Alaska Constitution Article IX, Section 5
- Alaska Statute 29.45.030s
- KPB has a few hundred of these which are adjusted annually
- Helps to keep equality with Private sector properties

## Possessory Interests

- A possessory interest takes into consideration that the value of the lease will decrease over time as the term of the lease get closer to the end.
- The land and improvement values are still updated during the canvas cycle.
- Lease renewal options are included in the term.
- The possessory interest calculation is performed based on our Cama system calculation of the fee value.

## Possessory Interests

- Examples in our Borough
  - Hangars
  - Vacant Land
  - Golf Courses
  - Hotels
  - Bars
  - Restaurants



## Possessory Interests

Examples:

- Medical Offices
- Hospital properties that lease space to private medical providers
- Industrial properties
- Telcos

## Boardwalk Buildings



## Boardwalk Buildings

- No Real Property
- Recording transfers not required
- No foreclosure option for delinquency
- Actual Boardwalk/Dock is assessed to the owner of the Real Property
- Buildings are valued at 90% complete for lack of a foundation (the dock is the foundation)
- Most of these are located on the Homer Spit

## Commercial Inspections

- On the same canvas inspection cycle as the residential properties
- Look for a change of occupancy
- Look for renovations and additions
- Look for new structures
- Review the quality
- Update the effective age
- Confirm eave height
- Confirm structural components

## Valuation

- Three Approaches to value
  - Sales Comparison
  - Cost
  - Income

KPB uses the Cost Approach

- Replacement cost new less depreciation (RCNLD)
- Applied consistently and equitably across the Borough
- We review the other two approaches to value when the information is available but still reconcile using the cost approach
- Marshall Valuation Service is built into Proval Commercial
- Commercial cost tables are updated annually

## AS 29.45.110 Full and True Value

- **BURDEN OF PROOF**

- The appellant has the burden of proving or providing any information to show that the assessed values are excessive, improper or unequal. The Assessor is accorded broad discretion in deciding among the recognized valuation methods. The Assessor's choice of one recognized method of valuation over another is simply the exercise of a discretion committed to the Assessor by law.
- \* A borough has discretion to appraise by whatever recognized method of valuation it chooses, so long as there is no fraud or clear adoption of a fundamentally wrong principal of valuation. *Hoblit v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (Alaska 1970).

## The Borough Assessment

- Land \$69,000
- Improvements \$ 423,000
- Total Assessment \$492,000
  
- Land \$49,000
- Improvements \$443,000
- Total Assessment \$492,000
  
- The total value of the property is what is under appeal, not the allocation of land and improvement values.

- According to Alaska Statute 29.45.110
  
- The assessor shall assess property at its full and true value as of January 1 of the assessment year
  
- The full and true value is the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.

## 3 Approaches to Value

- Sales Comparison Approach
  - Cost Approach
  - Income Approach
- In the end, all three will produce an estimate of value of the entire property even though they are completely different methods.
- KPB uses the Cost Approach for all of the improved properties in it's jurisdiction.

## Marshall Valuation Service

- Also produce cost index reports.
  - They are used to bring historical costs to current costs.
  - These reports allow for review of changes to the costs over time.
- Nationally and locally we have see seen a significant increase in building costs over the past couple of years.

COMPARATIVE COST MULTIPLIERS

SECTION 98 PAGE 35  
January 2022

WESTERN DISTRICT - NORTHWEST CITIES

Table with columns: BUILDING CLASSES, CURRENT QUARTER INDEX, and 24 quarterly columns from 01/2022 to 04/2021. Rows include ANCHORAGE AK, SEATTLE WA, SPOKANE WA, PORTLAND OR, MEDFORD OR, BOISE ID, and HONOLULU HI, each with sub-rows for different building types like Pre-prefabricated steel frame.

\* Not included in the Regional Average

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1/2023

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1/2022

MVS Cost index for Anchorage Alaska			
Construction Type	MVS Index		
	1/1/2023	1/1/2022	1/1/2021
Class C: Masonry	5166.4	4802.9	4286.3
Class D: Wood Frame	5115.6	4742.9	4194.3
Class S: Steel	4839.1	4472.5	3918.5
		Factor	Factor
Class C: Masonry		1.076	1.205
Class D: Wood Frame		1.079	1.220
Class S: Steel		1.082	1.235
Example			
\$700,000 Wood Frame Office Building Built in 2021			
Factor		1.220	
2023 Cost		854,000	

Conclusion

Questions?