

# 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



047-052-36  
7/19/2012 SR  
C01



059-220-14  
11/25/2015 SR  
C01



059-190-43  
8/28/2012 SR  
C01



047-052-29  
7/26/2018 SR  
C01







060-342-18LH01  
4/19/2018 SR  
C01



159-400-26  
10/1/2018 SR  
C01



058-290-05  
8/1/2019 SR  
C01



049-070-32  
7/10/2019 SR  
C01

# 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
- Total Approximately \$272,000,000

# 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

# 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. *Hoblitt v. Greater Anchorage Area Borough*, Sup. Ct. Op. No. 636 (File No. 1214), 473 P.2d 630 (Alaska 1970).

# Example of Market Value

- 50 Buildings in a subdivision
- All improvements are identical
- All lots are identical
- All land influences are identical
- All are maintained identically
- Every one sells for \$200,000
- It is reasonable to say that the Market Value is \$200,000

# The Borough Assessment

- Land \$25,000
  - Improvements \$ 175,000
  - Total Assessment \$200,000
  - Borough Assessment is reasonable.
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- Land \$1000
  - Improvements \$199,000
  - Total Assessment \$200,000
  - Borough Assessment is reasonable



- Land \$199,000
  - Improvements \$1000
  - Total Assessment \$200,000
  - Borough Assessment is reasonable
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- According to Statute
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- The full and true value is the estimated price that the entire property would bring... the entire property...land and improvements.

# 3 Approaches to Value

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

Conclusion

Questions?