COMMERCIAL REASSESSMENT

PORTLAND, MAINE

JOHN VALENTE, ASA (413) 387-3428

Tyler Technologies

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November 1, 2019

DEATH, TAXES AND QUESTIONS

REASSESSMENT GOALS Last Conducted in 2004

- Implement new values for all properties to reflect 100% market value as of April 1, 2020
- Meet or exceeds the Uniform Standards of Professional Appraisal Practice (USPAP)
- Meet or exceeds the "Standard on Mass Appraisal" - International Association of Assessing Officers (IAAO)

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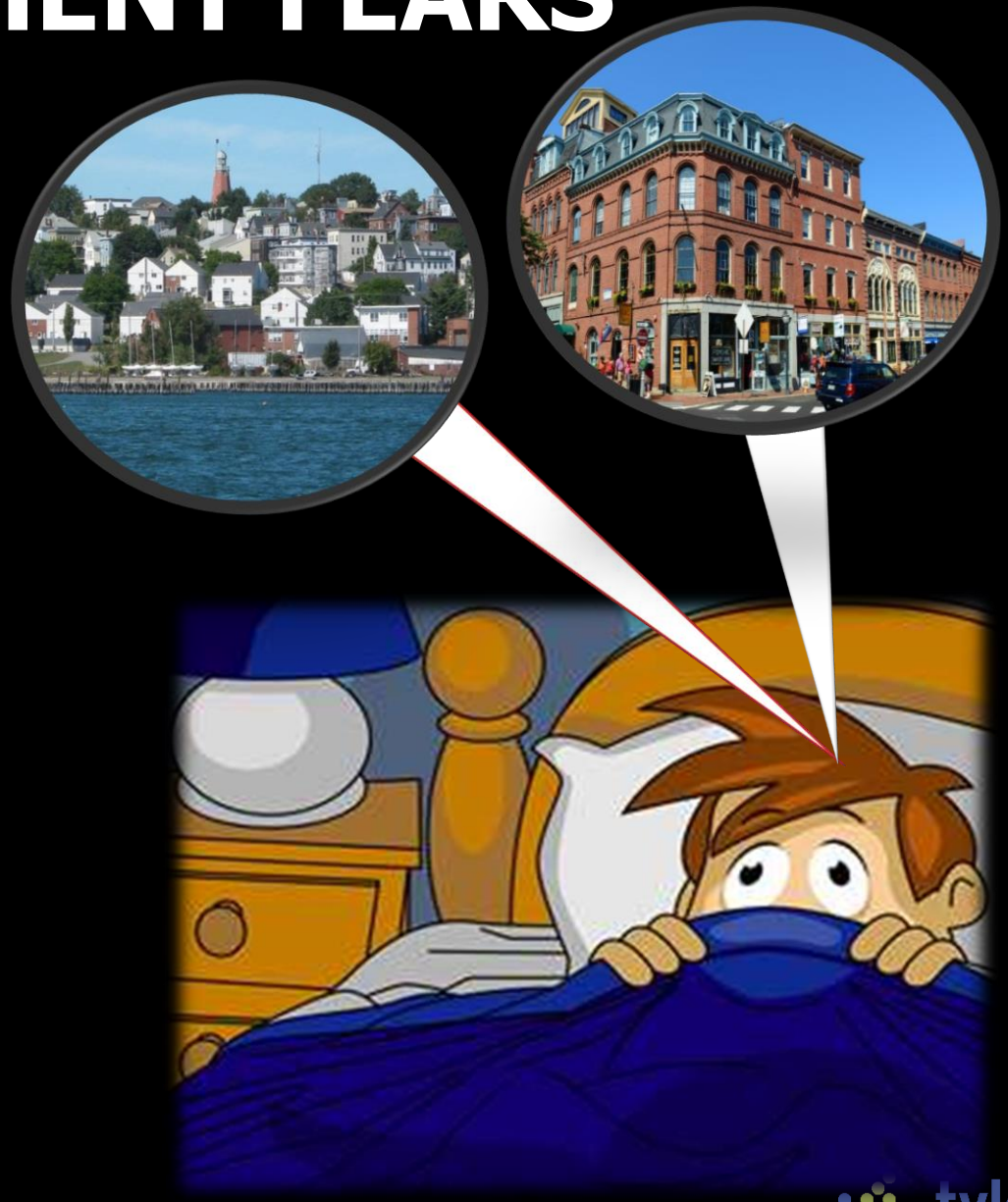
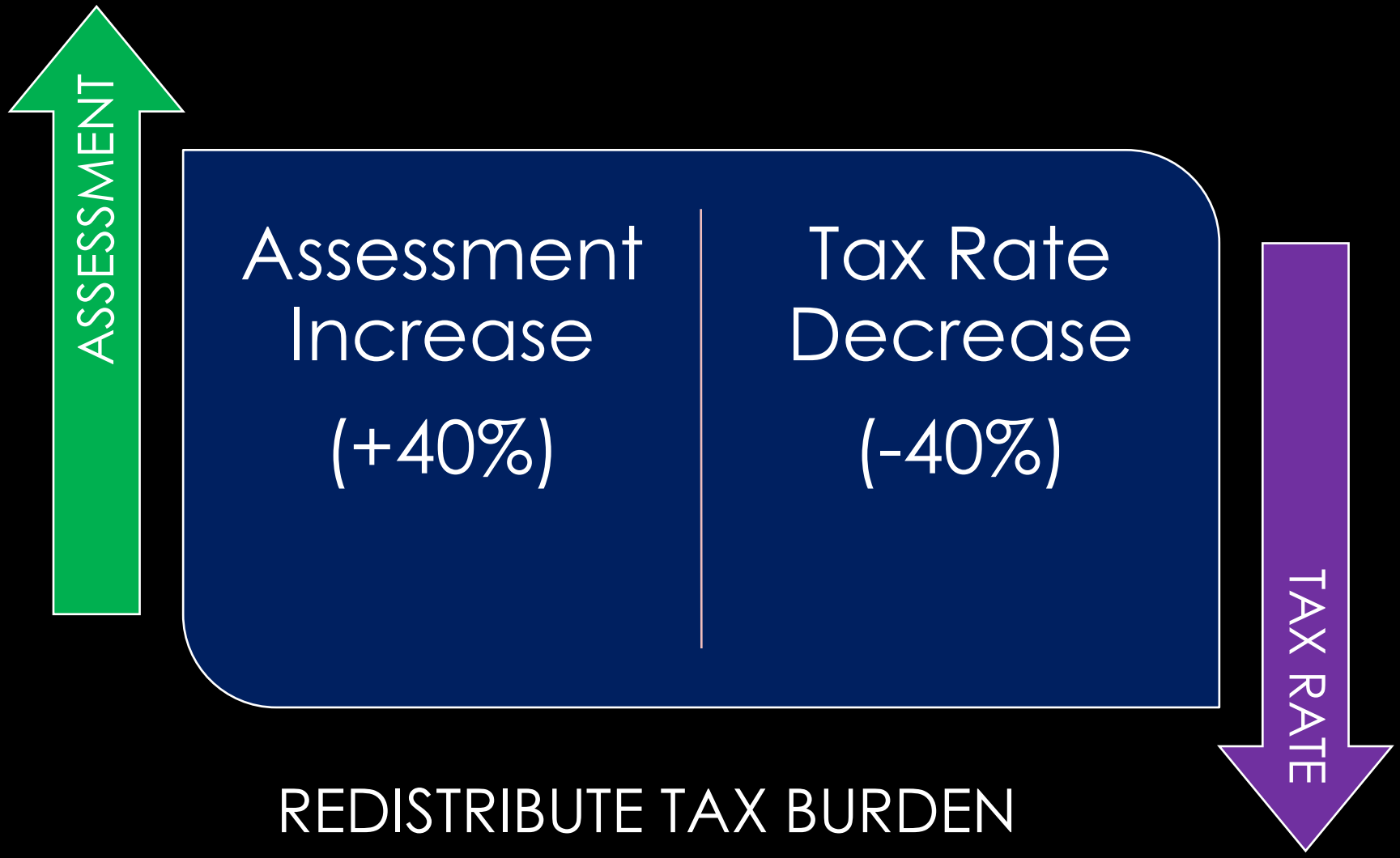
Reliable
Equitable
100% Market Value
Accurate
Valid

COMMERCIAL REASSESSMENT FEARS

- Pay more taxes
- Government will spend more
- Will Lose Tenants
- Have to Sell



REVENUE NEUTRAL



REDISTRIBUTE TAX BURDEN

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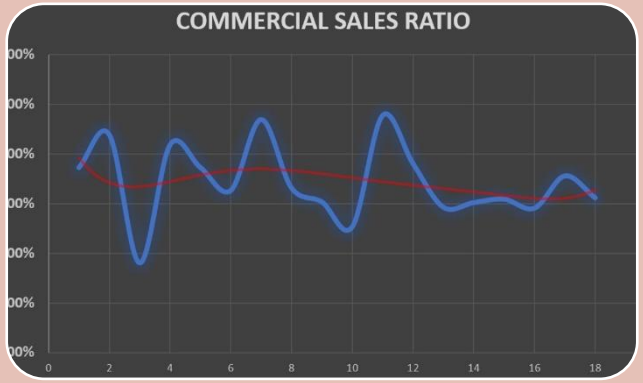
PHASES OF COMMERCIAL REASSESSMENT



Sketch Verification/ADV

January 2019

to

October 2019

Data Analysis and Final Review

May 2019

to

April 2020

Notices and Informal Meetings

April 2020

to

July 2020

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DEFINITION OF MARKET VALUE

USPAP MARKET VALUE

*Market value is defined as "the **most probable price** which a property should bring in a **competitive and open market** under all conditions requisite to a fair sale, the buyer and seller, each **acting prudently and knowledgeably,** and assuming the price is **not affected by undue stimulus**.*

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USPAP MARKET VALUE

*Implicit in this definition are the consummation of a sale as of a **specified date** and the passing of title from seller to buyer under conditions whereby:*

- ✓ *Buyer and seller are **typically motivated**;*
- ✓ *Both parties are **well informed or well advised**, and acting in what they consider their own best interests;*
- ✓ *A reasonable time is allowed for **exposure in the open market***
- ✓ ***Payment is made in terms of cash** in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- ✓ *The price represents the normal consideration for the property sold **unaffected by special or creative financing or sales concessions** granted by anyone associated with the sale."*

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DATE OF VALUE

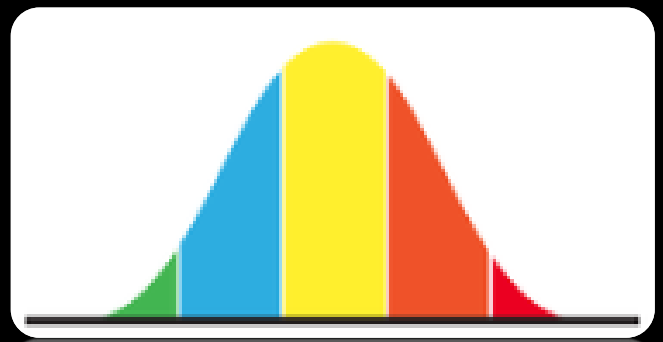
Market Value and Market Conditions as of April 1, 2020

Assessments must be between 95% and 100% of the median of all valid sales as of the Date of Value

KEY QUESTIONS

HOW HAVE MARKET VALUES CHANGED IN 16 YEARS?

- Did they change consistently?
- Will everyone go up or down the same amount?
- How will this affect me?

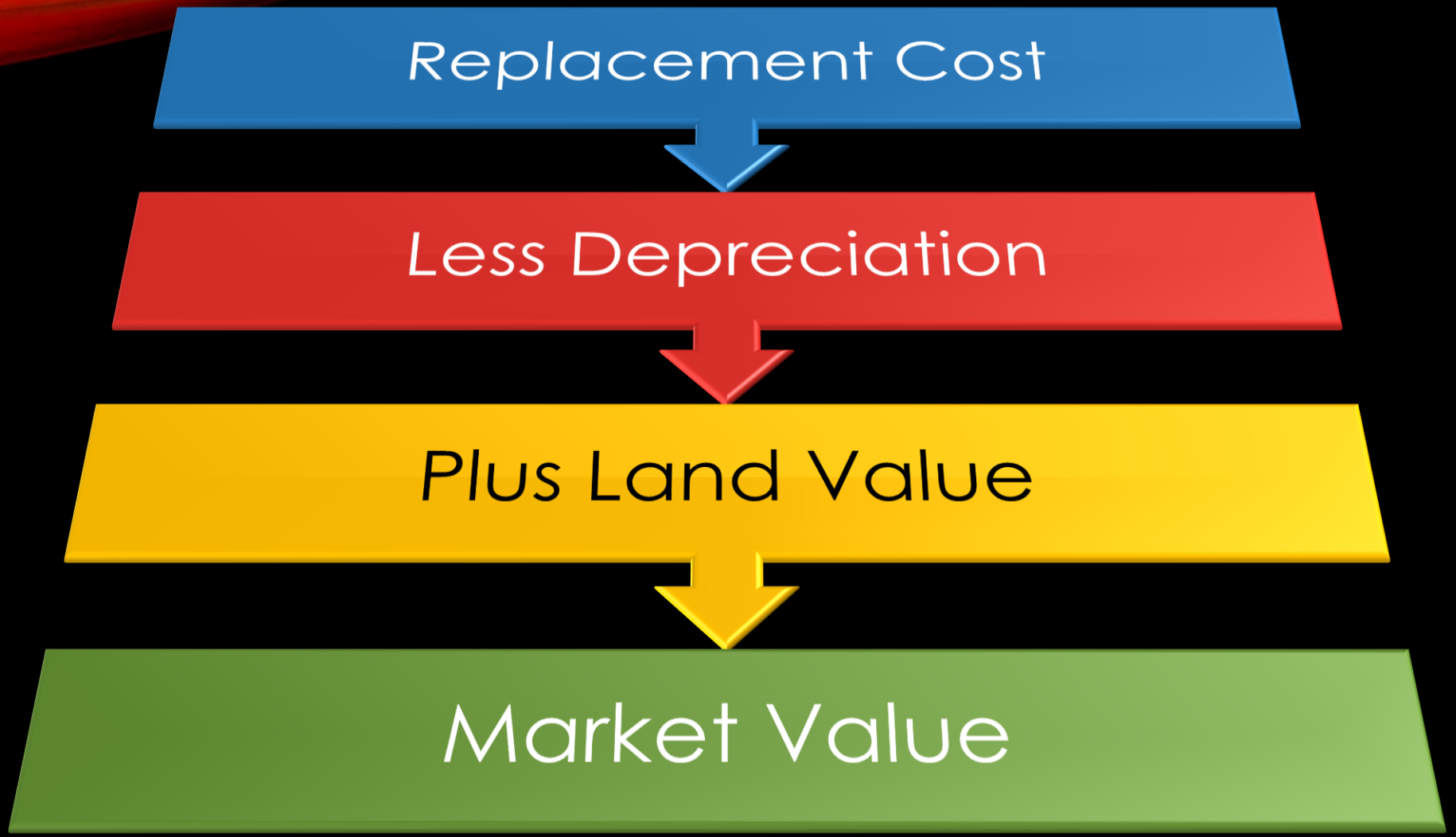


APPROACHES TO VALUE

- Cost Approach
- Sales Approach
- Income Approach

APPROACHES TO VALUE

COST APPROACH


Replacement Cost
Less Depreciation
Plus Land Value
Market Value

MARSHALL SWIFT KEYED JUNE 2019 - PORTLAND MAINE

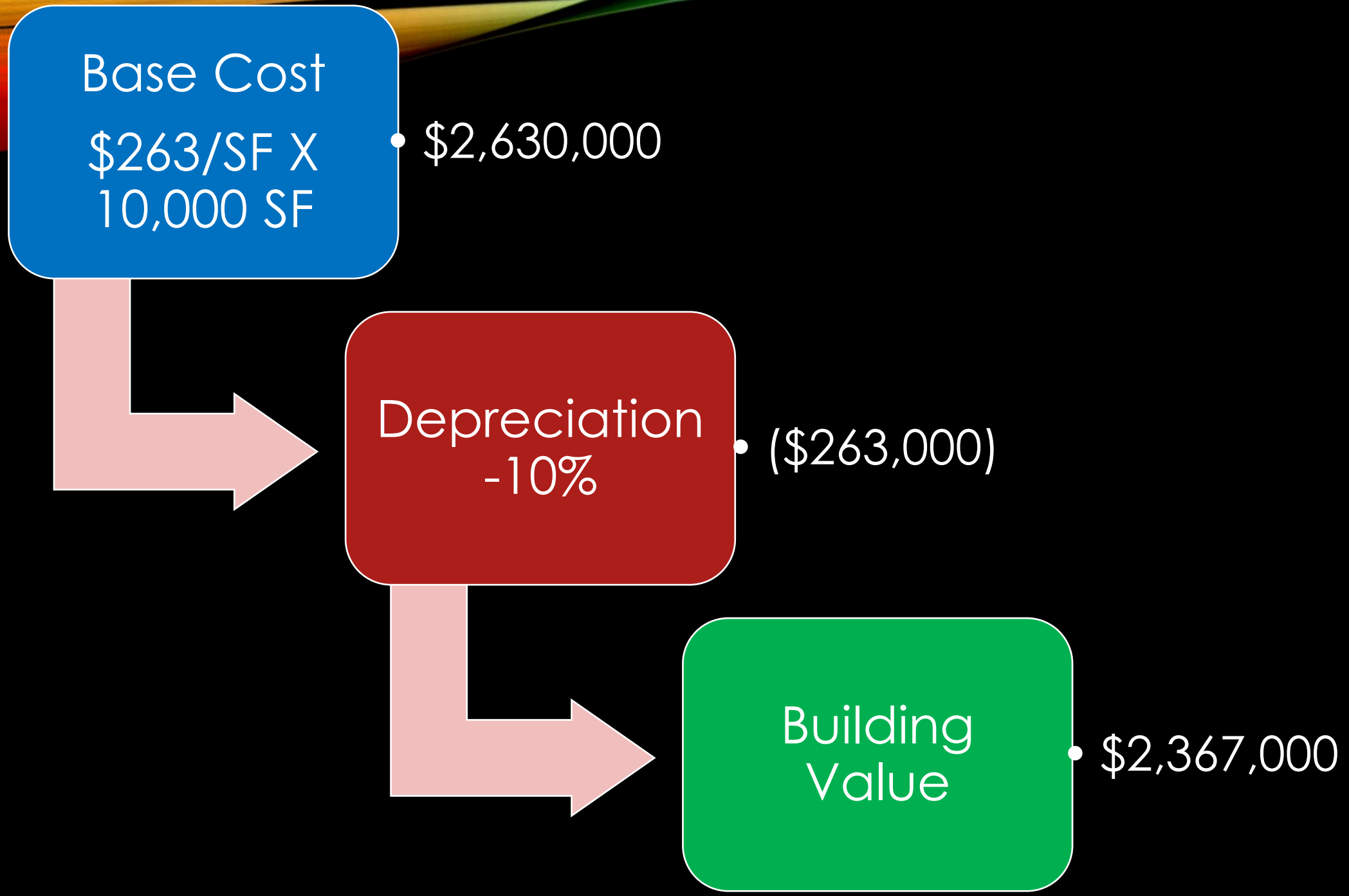
CODE	TYPE	QUALITY	MS SECTION	DATE	BASE	CURRENT MULTIPLIER	LOCAL MULTIPLIER PORTLAND MAINE	COMPOSITE FINAL RATE
212	Apartment High Rise	B Average	11	11/14/2018	$126.00	1.05	0.99	$130.98
211	Apartment Low Rise	D Average	12	8/14/2018	$78.50	1.02	1.02	$81.67
630	Auditorium	B Good	16	8/15/2017	$235.00	1.06	0.99	$246.61
331	Auto Dealer	C Good	14	2/14/2018	$125.00	1.05	1.03	$135.19
332	Auto Service Center	C Good	14	2/14/2018	$94.50	1.05	1.03	$102.20
351	Bank	C Average	15	11/15/2017	$170.00	1.07	1.03	$187.36
327	Bar/Lounge	D Average	13	5/14/2018	$97.50	1.04	1.02	$103.43
391	Cold Storage	C Good	14	2/14/2018	$95.00	1.05	1.03	$102.74
342	Community Shopping Center	D Average	13	5/14/2018	$92.00	1.04	1.02	$97.59
348	Convenience Store	D Good	13	5/14/2018	$107.00	1.04	1.02	$113.51
318	Department Store	C Average	13	5/14/2018	$111.00	1.05	1.03	$120.05
345	Discount Store	C Average	13	5/14/2018	$68.00	1.05	1.03	$73.54
395	Distribution Warehouse	D Average	14	2/14/2018	$67.00	1.04	1.02	$71.07

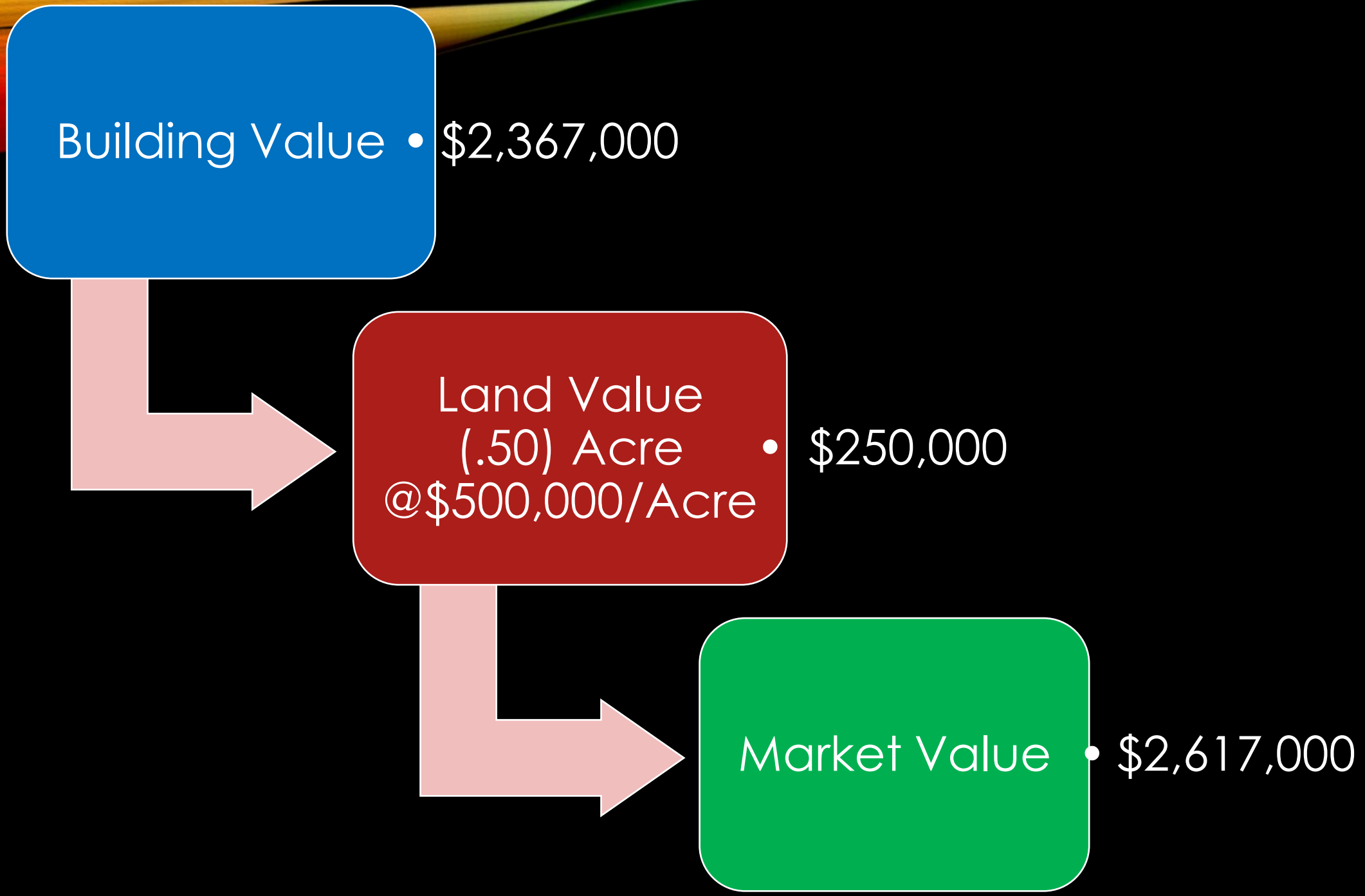
MARSHALL COSTS

OFFICE VS MEDICAL OFFICE COSTS

Source: Marshall Swift 2017, Adjusted to August 2019

	Standard Office	Medical Office	Differential
Class A Good	$233.26	$256.15	9.81%
Class B Good	$218.40	$240.45	10.10%
Class C Good	$170.13	$200.09	17.61%
Class D Good	$158.55	$187.95	18.54%
		Median	**13.85%**


Base Cost
$263/SF X
10,000 SF
$2,630,000
Depreciation
-10%
($263,000)
Building
Value
$2,367,000

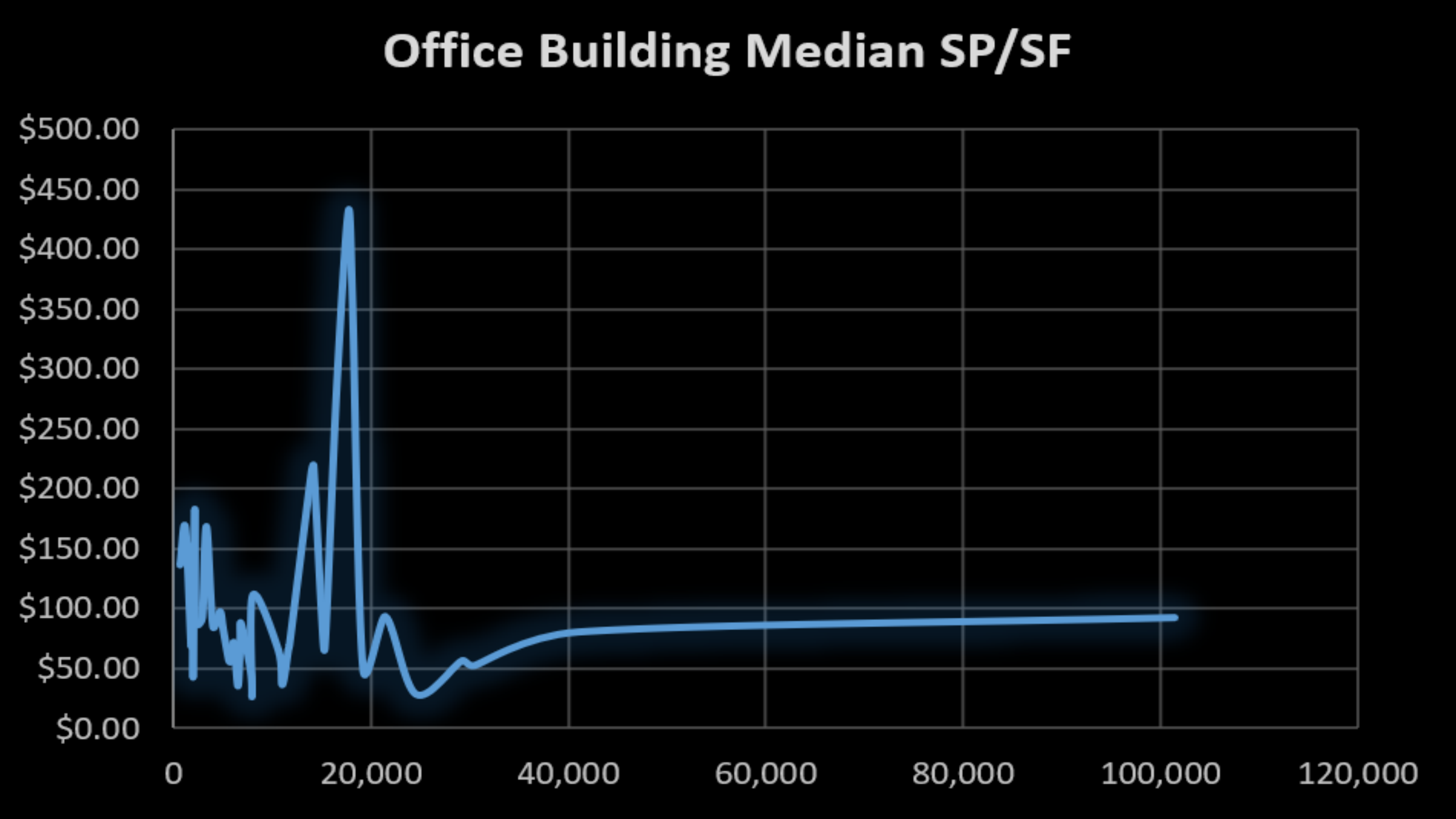

Building Value
$2,367,000
Land Value
(.50) Acre
@$500,000/Acre
$250,000
Market Value
$2,617,000

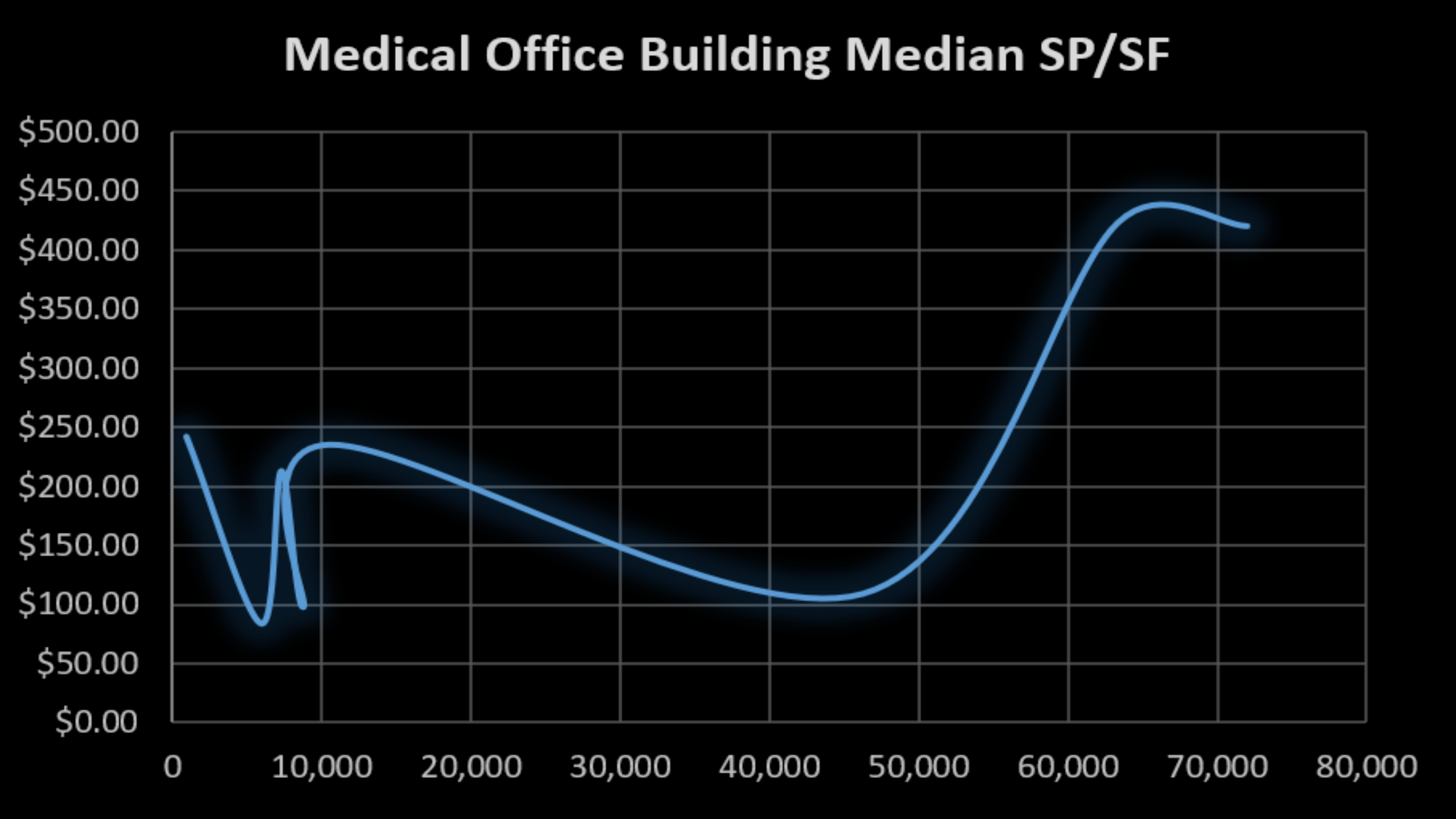
APPROACHES TO VALUE

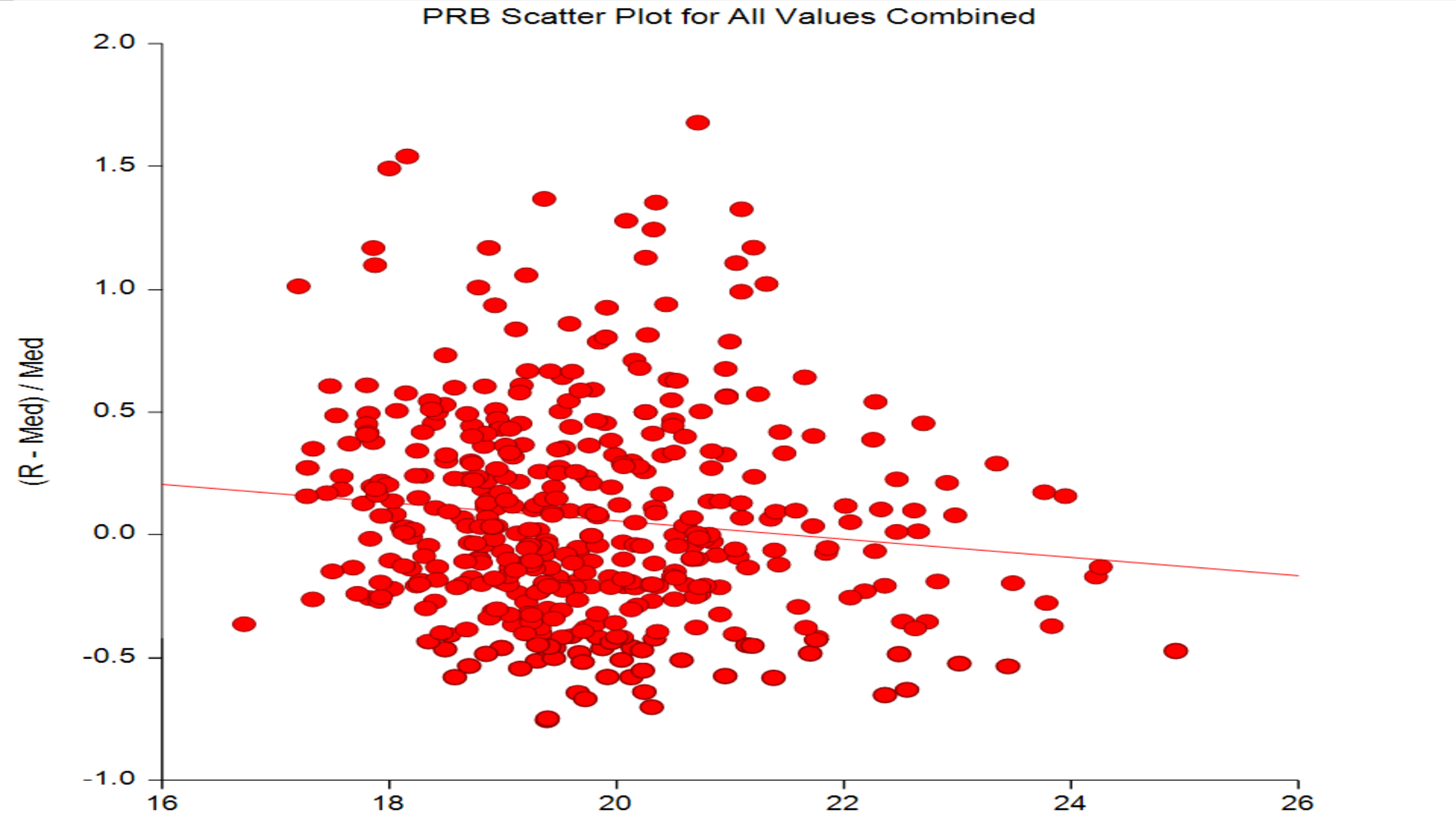
SALES COMPARISON APPROACH

COMMERCIAL SALES 2014 TO MAY 2019 - PORTLAND ME

TYPE	COUNT	MEAN ACRES	MEAN YEAR BUILT	MEAN AREA	MEAN SELLING PRICE	MEAN SP/SF	MEAN ASSESSMENT RATIO
01:APARTMENT/UNITS	118	0.18	1909	8,810	$901,628	$108.33	65.36%
02:MOTEL/HOTEL LOW RISE	4	0.17	1858	8,541	$1,387,500	$175.17	68.10%
03:GENERAL RETAIL	28	0.28	1949	38,757	$3,367,354	$167.41	70.57%
04:GENERAL OFFICE	44	1.00	1956	14,014	$1,667,563	$146.16	79.58%
06:MOTEL/HOTEL HIGH RISE	2	0.39	2011	107,643	$28,300,100	$247.82	59.65%
10:MEDICAL OFFICE	5	1.22	1987	10,005	$1,217,540	$126.07	96.71%
15:BANKS - SAVINGS & LOANS	1	0.74	2007	3,160	$1,562,500	$494.46	73.51%
16:GENERAL RETAURANT	19	0.29	1933	15,158	$2,082,682	$180.10	76.98%
23:WAREHOUSE	52	2.92	1962	30,945	$2,867,306	$106.71	71.77%
SUMMARY	**273**	**0.85**	**1934**	**18,100**	**$1,950,630**	**$128.92**	**70.82%**


Office Building Median SP/SF
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
0
20,000
40,000
60,000
80,000
100,000
120,000


Medical Office Building Median SP/SF
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
0
10,000
20,000
30,000
40,000
50,000
60,000
70,000
80,000


PRB Scatter Plot for All Values Combined
(R - Med) / Med
2.0
1.5
1.0
0.5
0.0
-0.5
-1.0
16
18
20
22
24
26

COMMERCIAL SALES RATIO TESTING

Type of Property	Median [ASR]	Coefficient of Dispersion [COD]	Price Related Differential [PRD]	Price Related Bias [PRB]*
Commercial properties				
IAAO Standards	0.90–1.10	15.0 or less	0.98–1.03	-.05 to +.05
CITY OF PORTLAND	**.59**	**25.13**	**1.15**	**-.08**
RESULTS	**Failed**	**Failed**	**Failed**	**Failed**

APPROACHES TO VALUE

INCOME APPROACH

INCOME APPROACH

The income capitalization approach involves the estimation of the present worth of anticipated future benefits of an income producing property.

This approach is a valuation technique that **capitalizes the earning capability of a property.**

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CAPITALIZE VALUE

- 10,000 SF X $25/SF $250,000

NET INCOME

CAP RATE

- Divided By 10% Capitalization Rate

- $2,500,000 Income Approach Value

100% Market Value

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REASSESSMENT PROJECT

Annual Income and Expense Statement
for the year ending: _____ PROPERTY ADDRESS: _____

PROPERTY USE (check all that apply): ☐ Apartment ☐ Office ☐ Retail ☐ Mixed Use ☐ Shopping Center ☐ Industrial ☐ Other _____

CHECK HERE IF ANY PART OF THIS PROPERTY IS OWNER OCCUPIED: ☐

1. Total gross building area (Including owner-occupied space) _____ Sq. Ft.
2. Owner-occupied area _____ Sq. Ft.
3. Net Leasable area _____ Sq. Ft.
4. Number of rental units, including owner-occupied _____
5. Number of parking spaces _____
6. Actual Year Built, if known _____
7. Year Remodeled _____

ACTUAL GROSS INCOME *	
9. Apartment Rents (From Schedule A)	
10. Office Rents (From Schedule B)	
11. Retail Rents (From Schedule B)	
12. Mixed Rents (From Schedule B)	
13. Shopping Center Rents (From Schedule B)	
14. Industrial Rents (From Schedule B)	
15. Other Rents (From Schedule B)	
16. Parking Rents	
17. Other Misc income (e.g. CAM, INS or TAX Reimbursement)	
18. TOTAL ACTUAL GROSS INCOME =	
19. Less, losses from vacancy and credit collection	
20. EFFECTIVE GROSS ANNUAL INCOME =	

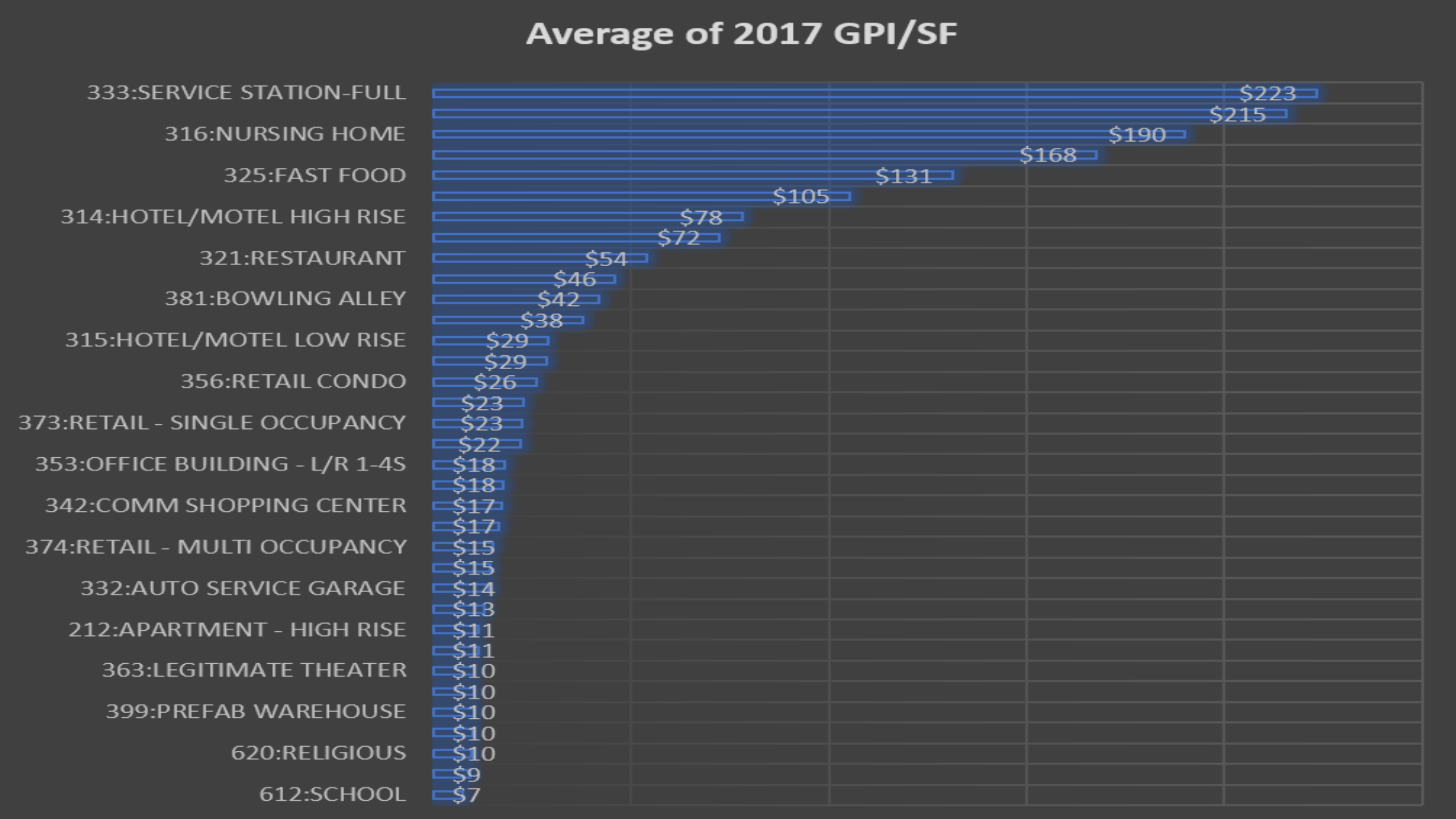
* Do not include estimates for vacancies

LESS, ACTUAL EXPENSES	
21. Heating fuel	
22. Gas and electricity	
23. Water and sewer	
24. Other utilities	
25. Payroll (do not include management)	
26. Supplies	
27. Management	
28. Insurance	
29. Common Area Maintenance	
30. Leasing Fees/Commissions/Advertising	
31. Legal and Accounting	
32. Elevator maintenance	
33. Tenant improvements	
34. General repairs	
35. Other (specify) _	
36. Other (specify) _	
37. Other (specify) _	
38. Reserves	
39. Security	
40. TOTAL ACTUAL EXPENSES =	
41. NET OPERATING INCOME =	

INCOME EXPENSE ANALYSIS

GPI/SF, EXPENSE RATIO, NOI/SF BY STRUCTURE [2017]

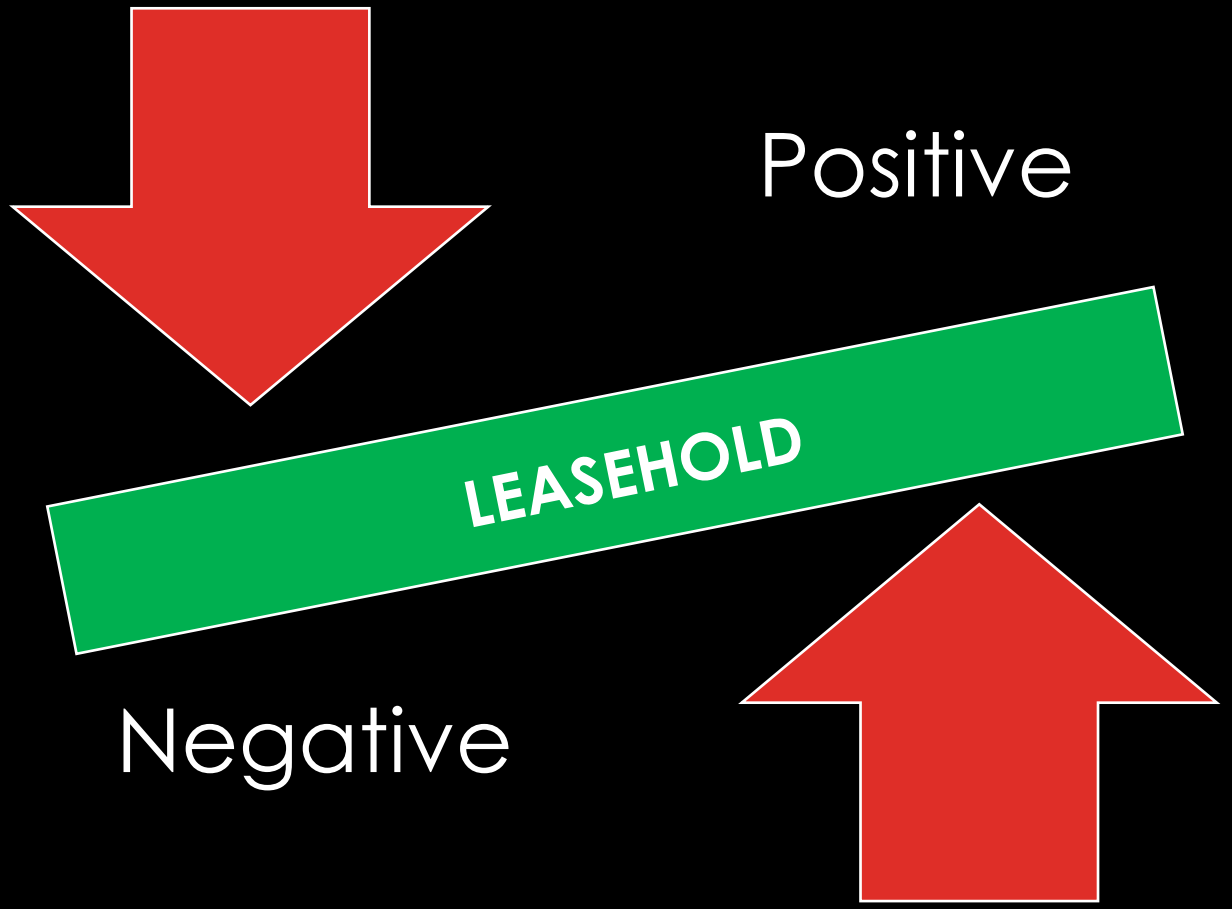
STRUCTURE	COUNT	Average of YRBLT	Average of AREA	Min of 2017 GPI/SF	Max of 2017 GPI/SF	Average of 2017 GPI/SF	Average of EXP RATE 2017	Average of 2017 NOI/SF
105:MIXED RES/COMM	19	1918	5,334	$5.65	$16.40	$10.29	26.3%	$7.67
211:APARTMENT - GARDEN	51	1940	29,184	$4.22	$45.59	$13.00	39.4%	$7.94
212:APARTMENT - HIGH RISE	10	1997	40,273	$9.01	$14.86	$11.38	40.6%	$6.89
314:HOTEL/MOTEL HIGH RISE	5	1955	108,450	$29.77	$112.79	$78.06	52.6%	$29.64
315:HOTEL/MOTEL LOW RISE	4	1952	43,756	$6.23	$46.63	$29.08	54.3%	$14.14
316:NURSING HOME	2	1967	59,872	$120.38	$259.78	$190.08	53.5%	$57.69
319:MIXED RES/COMM	15	1920	19,281	$6.41	$220.74	$28.60	34.3%	$18.55
321:RESTAURANT	4	1925	11,256	$15.82	$82.11	$54.10	34.0%	$34.04


Average of 2017 GPI/SF
333:SERVICE STATION-FULL
316:NURSING HOME
325:FAST FOOD
314:HOTEL/MOTEL HIGH RISE
321:RESTAURANT
381:BOWLING ALLEY
315:HOTEL/MOTEL LOW RISE
356:RETAIL CONDO
373:RETAIL - SINGLE OCCUPANCY
353:OFFICE BUILDING - L/R 1-4S
342:COMM SHOPPING CENTER
374:RETAIL - MULTI OCCUPANCY
332:AUTO SERVICE GARAGE
212:APARTMENT - HIGH RISE
363:LEGITIMATE THEATER
399:PREFAB WAREHOUSE
620:RELIGIOUS
612:SCHOOL
$223
$215
$190
$168
$131
$105
$78
$72
$54
$46
$42
$38
$29
$29
$26
$23
$23
$22
$18
$18
$17
$17
$15
$15
$14
$13
$11
$11
$10
$10
$10
$10
$10
$9
$7

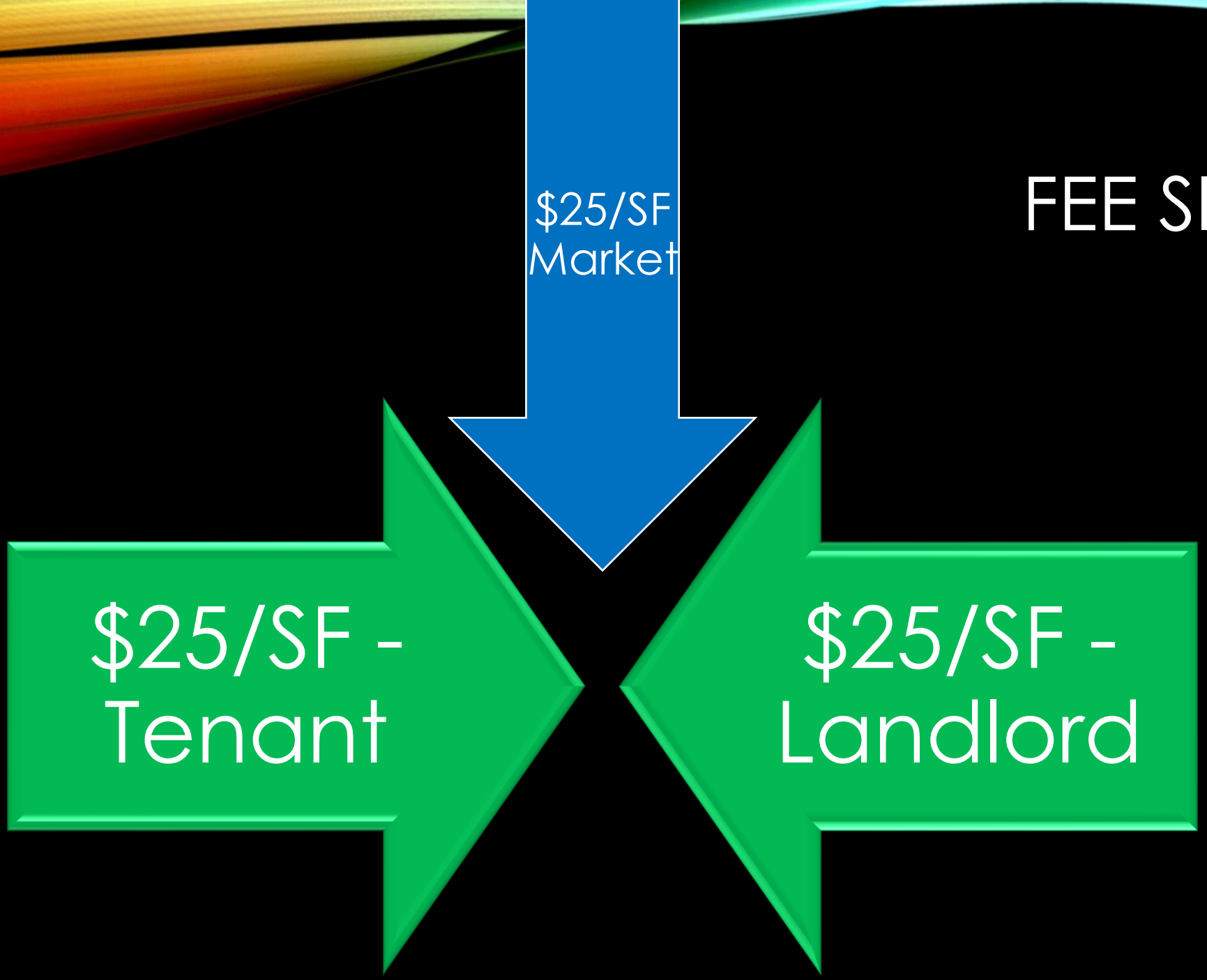
TYPES OF LEASE TERMS

	WHO PAYS:				
Lease Type	Utilities	Property Taxes	Insurance	Property Maintenance	Structural Repairs
Gross	Landlord	Landlord	Landlord	Landlord	Landlord
Modified Gross	Landlord and Tenant Share Expenses				
Single NET	Tenant	Tenant or Landlord		Landlord	Landlord
Double NET	Tenant	Tenant	Tenant	Landlord	Landlord
Triple NET	Tenant	Tenant	Tenant	Tenant	Landlord
Absolute NET	Tenant	Tenant	Tenant	Tenant	Tenant

BELOW MARKET OR AT MARKET LEASE?



FEE SIMPLE



AS SUBMITTED

INCOME	
Retail Rentals	$692,515
Other Property Income	
TOTAL POTENTIAL INCOME	$692,515
VACANCY AND CREDIT	
EFFECTIVE ANNUAL INCOME	$692,515

EXPENSES	
Electricity	$6,669
Other Utilities	$10,116
Management	$44,697
Insurance	$12,639
CAM	$36,992
Legal Accounting	$3,562
General Repairs	$1,000
Reserves	$14,899
Total Expenses	**$130,574**

NOI	$561,941

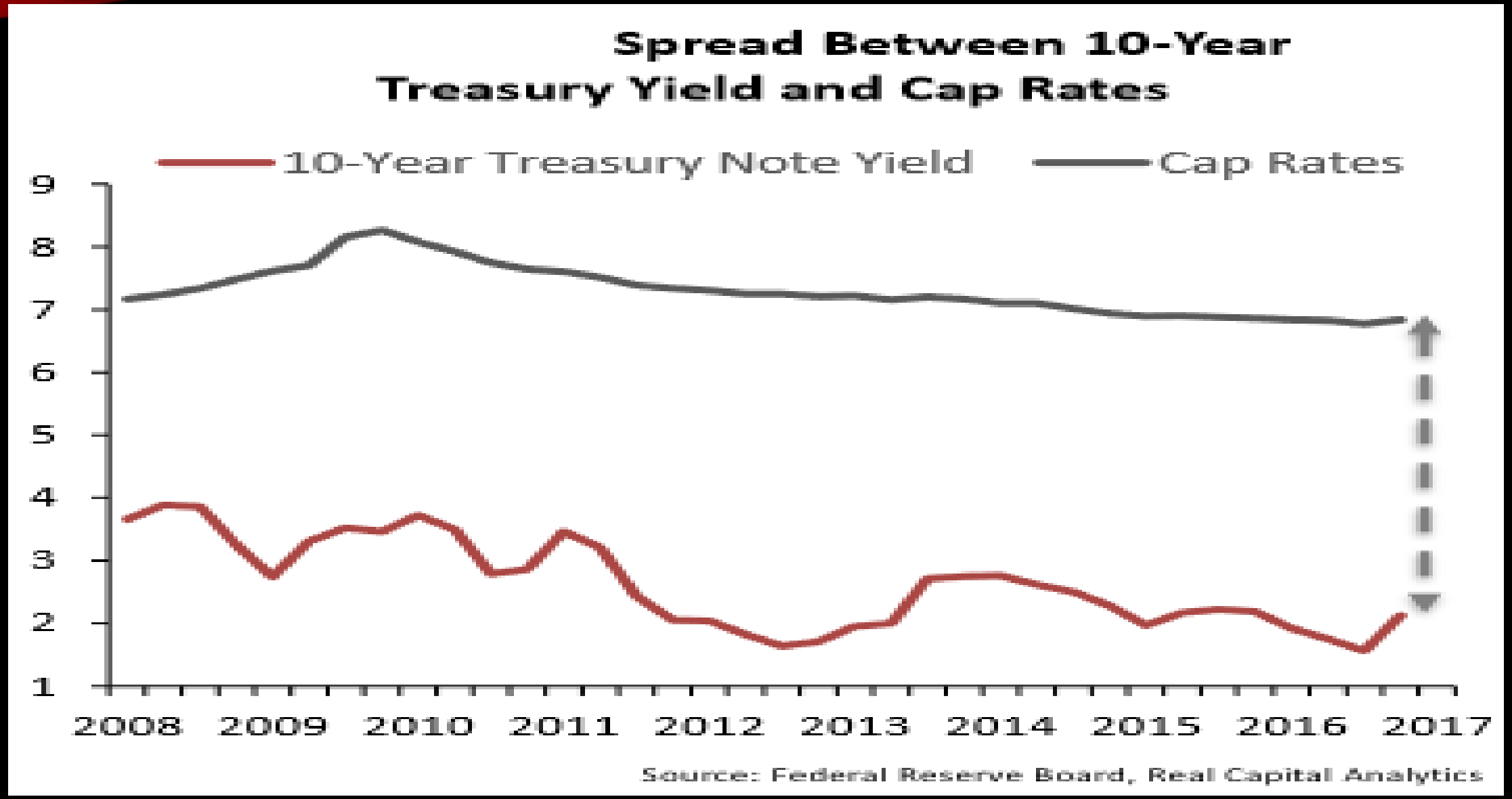
AS REVISED

INCOME	
Retail Rentals	$692,515
Other Property Income	$53,777
TOTAL POTENTIAL INCOME	**$746,292**
VACANCY AND CREDIT	
EFFECTIVE ANNUAL INCOME	**$746,292**

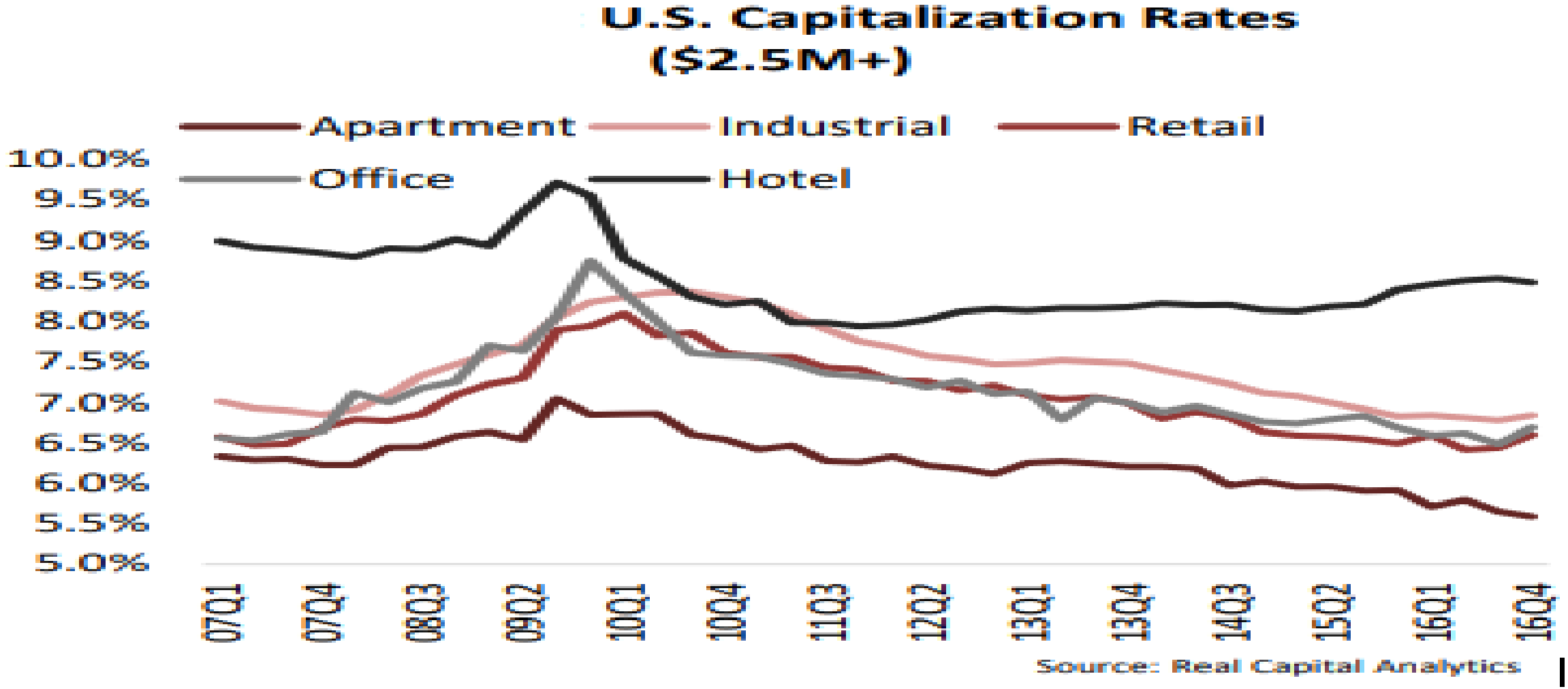
EXPENSES	
Electricity	$6,669
Other Utilities	$10,116
Management	$44,697
Insurance	$12,639
CAM	$36,992
Legal Accounting	$3,562
General Repairs	$1,000
Reserves	$14,899
Total Expenses	**$130,574**

NOI	$615,718

T BILLS AND CAP RATES



SURVEY CAP RATES



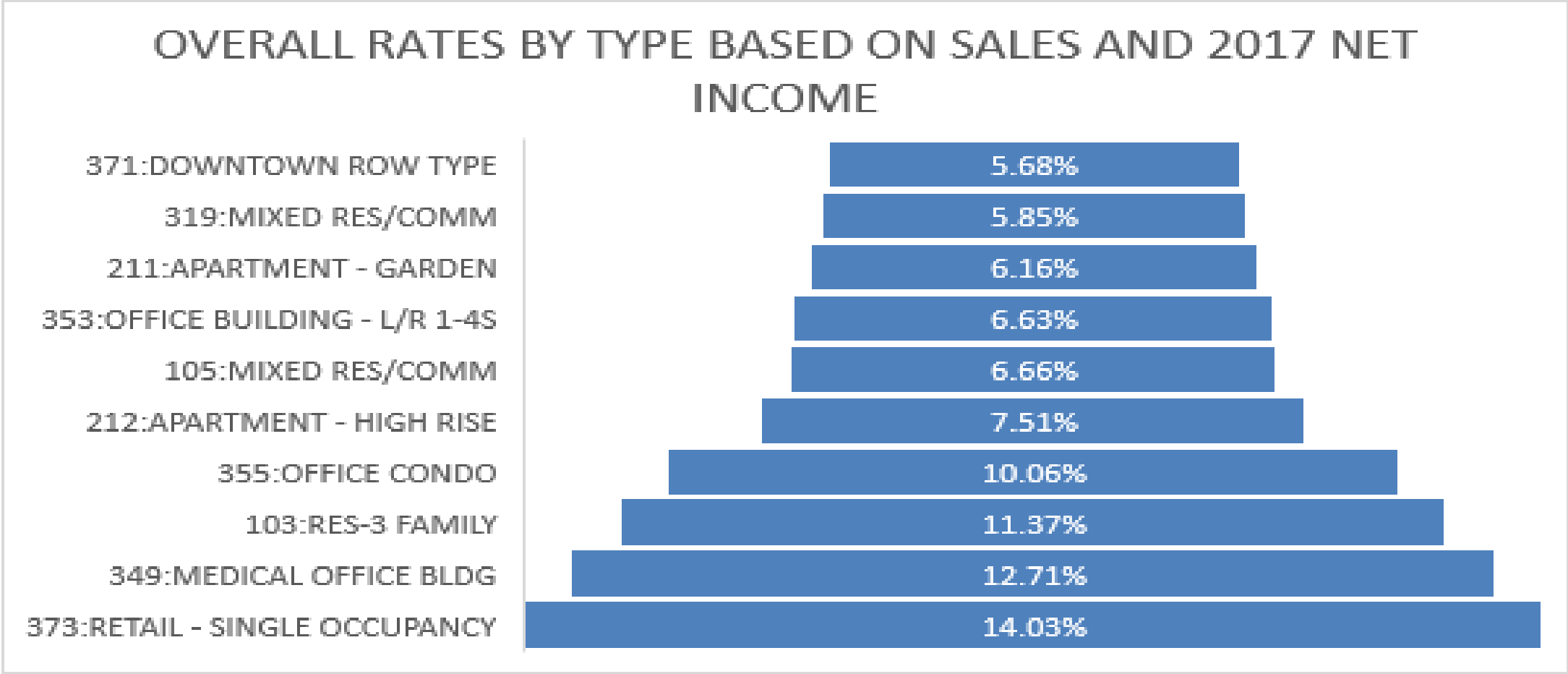
CAP RATE DEVELOPMENT

- Market Says….

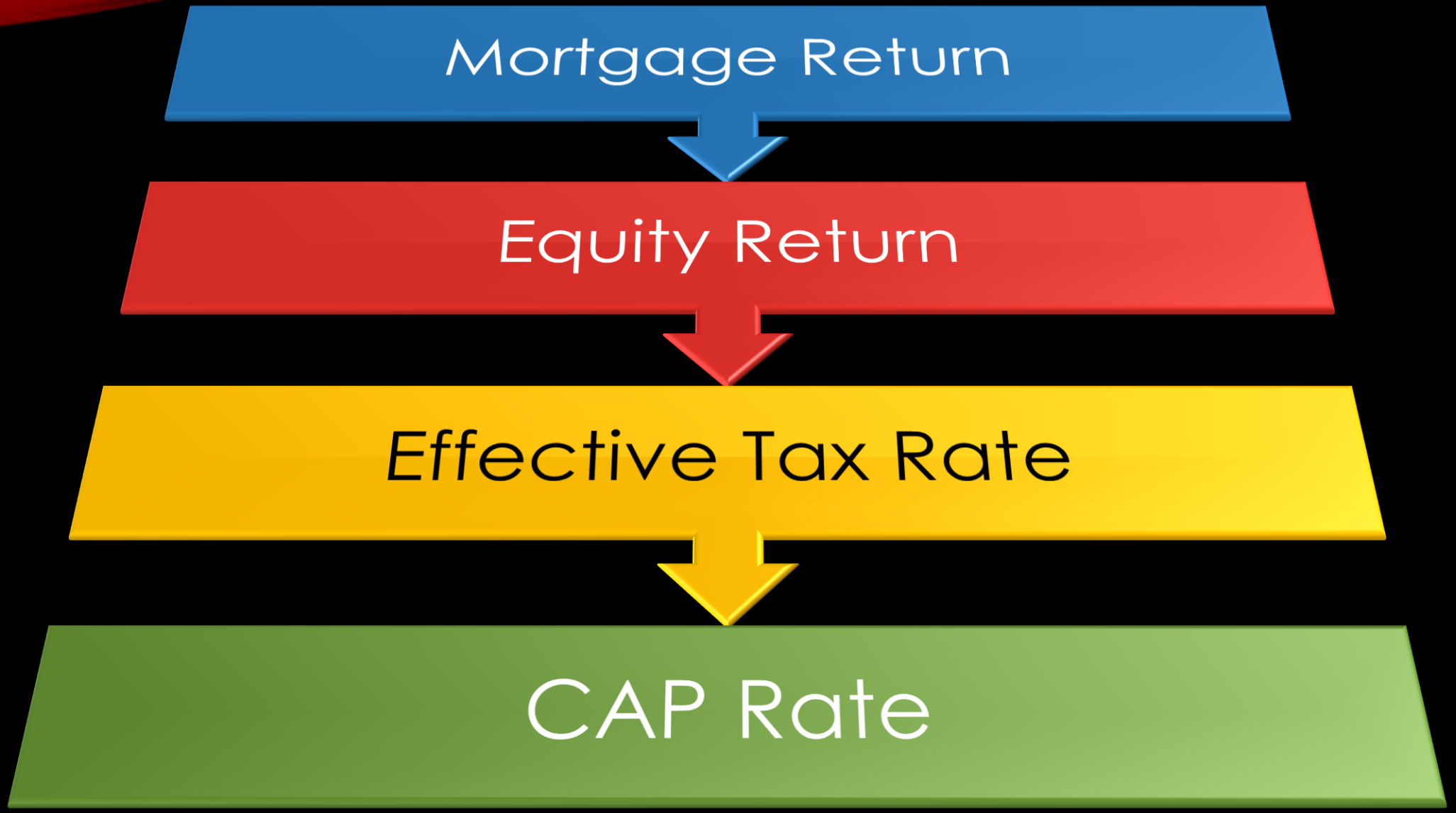
IMPUTED OVERALL RATES - OFFICE VS MEDICAL					
Type	Number	Office GPI/SF	Office NOI/SF	SP/SF	Imputed Overall Rate
Medical Office	29	$16.09	$9.00	$190.83	4.72%
Office	178	$13.74	$7.52	$115.52	6.51%

38% Difference in CAP

OVERALL CAP RATE DEVELOPMENT



CAP RATE COMPONENTS



CAP RATE DEVELOPMENT: BAND OF INVESTMENT

PORTLAND ME (2019) - CAPITALIZATION RATE: [10%]

	Loan To Value	Invested	Installment to amortize one	Return on Investment
Bank Position	70.00%	$700,000	6.67%	4.67%
	Equity	Invested	Equity Dividend Rate	Return on Investment
Investor Position	30.00%	$300,000	10.27%	3.08%
Hypothetical Purchase	100.00%	$1,000,000	Capitalization Rate Excluding Taxes	7.75%
			Effective Tax Rate	2.25%
			Captalization Rate Including Taxes	10.00%

CAP RATE DEVELOPMENT: BAND OF INVESTMENT

PORTLAND ME (2019) - CAPITALIZATION RATE: [9.5%]

	Loan To Value	Invested	Installment to amortize one	Return on Investment
Bank Position	70.00%	$700,000	6.67%	4.67%
	Equity	Invested	Equity Dividend Rate	Return on Investment
Investor Position	30.00%	$300,000	8.60%	2.58%
Hypothetical Purchase	100.00%	$1,000,000	Capitalization Rate Excluding Taxes	7.25%
			Effective Tax Rate	2.25%
			Captalization Rate Including Taxes	9.50%

CAPITALIZE VALUE

- 10,000 SF X $25/SF $250,000

NET INCOME

CAP RATE

- Divided By 10% Capitalization Rate

- $2,500,000 Income Approach Value

100% Market Value

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SO WHAT DOES ALL THIS MEAN TO YOU?

- Prepares you for upcoming notice
- Helps you understand reassessment process
- Helps you understand the reassessment appraisal methods
- Helps you prepare for hearings

DEATH, TAXES AND QUESTIONS

TAKE A BUSINESS CARD

COMMERCIAL REASSESSMENT

PORTLAND, MAINE

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Tyler Technologies

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November 1, 2019