



LOCAL IMPROVEMENT DISTRICT APPRAISER PRESENTATION

November 2017

SPECIAL BENEFIT STUDY – WHY?



- A special benefit study is a tool consistently used with LID projects.
- Municipality retains an expert consultant to evaluate the project, special benefits attributable to properties and classes of property and confirms boundaries of the assessment district.
- Special benefit studies follow state law and judicial decisions, which provide guidance on how the appraiser conducts their analysis. The courts have ruled that assessments should be based on the proportionate special benefits received by all properties within the LID.
- In complex LID projects (like the Waterfront Seattle LID) where a property's highest and best use is influenced by a number of factors – including zoning and multiple types of use on one parcel – a special benefit study is an element of the City's formation process as well as outreach to the community within the LID.

SPECIAL BENEFIT/PROPORTIONATE STUDY



Discussion points below apply to both Formation and Final Special Benefit Studies.

- Difference in market value without (before) versus with (after) the LID project is completed.
- Special benefit is defined as: “ the difference in the fair market value of the property without the improvement and the fair market value of the property with the improvement (commonly called “before and after,” more properly called “without and with”).*
- Important Points of Study
 - Estimate the value of parcels without (“before”) and with (“after”) the LID.
 - The viaduct removal, Seawall, Deep Bore Tunnel, and surface road replacement are assumed to be completed as a base condition.
 - Based on the fair market value of the fee simple interest of each individual property within the LID boundary.
 - Market value based on highest and best use of land and improvements.
 - Market-based research and analysis:
 - Exterior inspection of each parcel within the LID.
 - Study of market data and sales (Income, Vacancy, Supply/Demand, etc.).
 - Review of other projects – Vancouver, B.C, Portland, San Francisco, New York, Boston.
 - Meetings and public hearings.
 - Prepare narrative report for formation and final assessment roll.

* Source: *Local Road Improvement Districts Manual for Washington State. Sixth Edition. 2009. Print.*

DEFINITION – MARKET VALUE



Market Value is defined as:

“The most probable price that 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. Implicit in this definition is 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 United States 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.”

DEFINITION – FEE SIMPLE INTEREST & HIGHEST AND BEST USE



Fee Simple Estate is defined as:

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.” *

Highest and Best Use is defined as:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

- Highest and Best Use – As Vacant and As Improved

COMPLEX PROPERTIES



Complex properties require more in-depth research.

- Special purpose properties
- Mixed use residential/office/retail/hotel
- Low income/affordable housing properties
- High rise office/retail buildings

REASONS WHY MARKET VALUES INCREASE



- Enhanced location amenities improved waterfront amenities/market appeal.
- Income Approach – Increase in rents, lower vacancy levels/capitalization rates as well as lower perceived risk.
- Direct Sales Comparison Approach – Higher land/overall property values and improved market perception.
- Above factors generally interrelated in an investor/developer/market participant thought process when buying income-generating properties similar to a number of properties in the Waterfront Seattle LID.
- Condominium owners typically receive an increase in market value due to enhanced location and market perception of waterfront amenities.

HOW ASSESSMENTS ARE CALCULATED



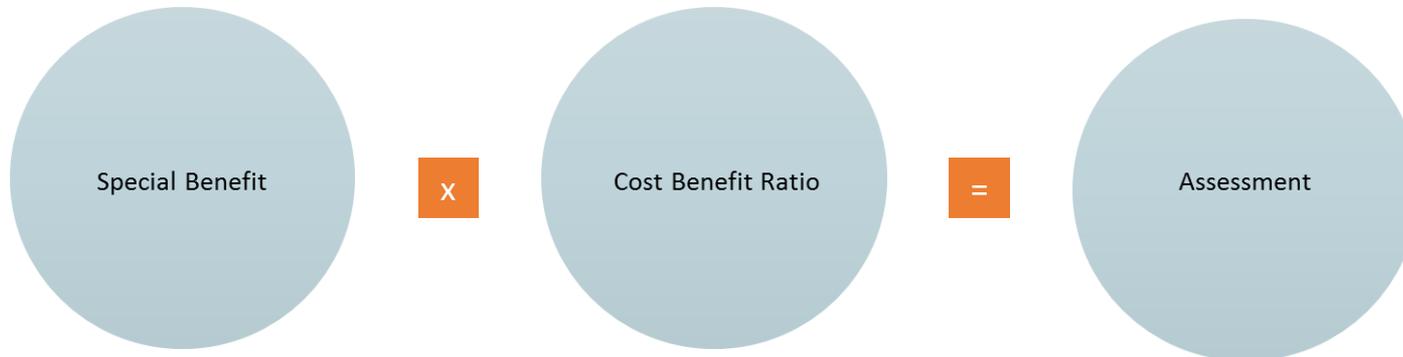
Assessments are calculated by taking each property's special benefit amount and multiplying it by the cost benefit ratio.

Example (for illustrative purposes only)*

| | |
|--|---------|
| Property Special Benefit (SB): | \$5,000 |
| Cost Benefit Ratio (determined by City Council): | 50% |
| Assessment: | \$2,500 |

*If SB = \$5,000 and cost/benefit ratio is 40%, assessment would be \$2,000.

*If SB = \$5,000 and cost/benefit ratio is 60%, assessment would be \$3,000.





FOR MORE INFORMATION:

lid@waterfrontseattle.org

(206) 499-8040