

**Lead Agency:** County Management

**Program Contact:** Ronald RODWICK

**Program Offer Type:** Existing Operating

**Related Programs:** 72023, 72024, 72029, 72030, 72032, 72034, 72035, 72037

**Program Characteristics:** In Target

### Executive Summary

The Commercial Property Appraisal Program, within the Division of Assessment, Recording and Taxation (DART), is responsible for valuing and appraising all commercial, small and large multi-family property. Commercial property represents 19% of the total taxable assessed value upon which taxes are calculated and levied for the benefit of all Multnomah County taxing districts.

### Program Description

This program is responsible for maintaining Real Market Value and Maximum Assessed Value on 22,000 commercial, and multifamily properties. Staff physically inspects and appraises 1,200 properties annually due to permits having been issued for new construction, remodeling or renovation.

Under Measure 50, such appraisals add new value for taxing districts beyond the statutorily required 3% increase in Maximum Assessed Value. Appraisals are also performed to defend values under appeal; and to verify that sales of property are valid market-based transactions that can be used to adjust automated valuation models, to appraise other property, and to generate the annual Ratio Report that measures the effectiveness of the program. This program primarily contributes to the fair and accurate appraisal of commercial property as required by the Oregon Revised Statutes (ORS).

Maintaining accurate Real Market Values on all property directly affects the maximum bonding capacity and general obligation bond tax rates for all applicable taxing districts in the County. This program ensures that all commercial property is valued in accordance with the law, which maximizes property tax revenues to fund programs for the County and other jurisdictions. Property taxes account for approximately 65% of the County's General Fund revenues.

Various computer and online tools are used to maximize appraisal effort. Focus is on discovery of new taxable property and resolving value appeals to minimize cost to taxpayers. Accurate values maximize the level of tax assessment allowed under Measure 5 and Measure 50 tax limitation measures.

### Performance Measures

Measure Type	Primary Measure	Previous Year Actual (FY10-11)	Current Year Purchased (FY11-12)	Current Year Estimate (FY11-12)	Next Year Offer (FY12-13)
Output	Accounts Appraised	559	2,000	550	550
Outcome	New Taxable Exception Value in Millions	812	850	850	850
Efficiency	% Automated Recalculation	53.0%	55.0%	20.0%	20.0%
Outcome	% Market Groupings with COD Compliance	75.0%	85.0%	85.0%	85.0%

### Performance Measure - Description

Oregon law requires property appraisals to be at 100% of Market Value as of January 1 of each year within standards established by the Oregon Department of Revenue (DOR). One of the primary standards is a statistical measure called the Coefficient of Dispersion (COD). Failure to meet these standards can result in loss of CAFFA grant revenue and program control. The DOR annually reviews compliance through three required reports: The Assessor's Certified Ratio Study, the Assessor's Appraisal Plan and the CAFFA Grant application. The DOR's most recent review as of 2011 determined that this program complies with standards.

Estimates made regarding new taxable value from Measure 50 exceptions are speculative due to the difficulty in predicting market forces. With the real estate market still in flux, we are focused on physical reappraisal, targeted resource allocation and improved methodology to maximize assessments. It was discovered in FY 2012 that the method used to estimate the number the number of accounts appraised was faulty, resulting in significant over-estimation; the method was improved for the current-year estimate.

## Legal/Contractual Obligation

Oregon Revised Statutes (ORS) Chapters 92, 205, 294, 305, 306, 307, 308, 308A, 309, 310 and 321 and related Oregon Administrative Rules regulate virtually all aspects of the assessment and property tax calculation process. ORS 306.115 assigns statewide general supervision of the property tax system to the Oregon Department of Revenue (DOR). Through the County Assessment Function Funding Account (CAFFA) Grant process described in ORS 294.175, the DOR determines the acceptable level of staffing. The DOR has determined that DART staffing is at the minimally acceptable level to perform their functions. Any reduction to this program may jeopardize this grant revenue.

## Revenue/Expense Detail

	Proposed General Fund	Proposed Other Funds	Proposed General Fund	Proposed Other Funds
<b>Program Expenses</b>	2012	2012	2013	2013
Personnel	\$1,445,462	\$0	\$1,524,192	\$0
Contracts	\$64,677	\$0	\$30,500	\$0
Materials & Supplies	\$34,849	\$0	\$73,931	\$0
Internal Services	\$178,256	\$0	\$193,988	\$0
Total GF/non-GF:	<b>\$1,723,244</b>	<b>\$0</b>	<b>\$1,822,611</b>	<b>\$0</b>
Program Total:	<b>\$1,723,244</b>		<b>\$1,822,611</b>	
Program FTE	15.30	0.00	15.30	0.00
<b>Program Revenues</b>				
Intergovernmental	\$422,537	\$0	\$430,988	\$0
<b>Total Revenue:</b>	<b>\$422,537</b>	<b>\$0</b>	<b>\$430,988</b>	<b>\$0</b>

## Explanation of Revenues

Participation in the Oregon Department of Revenue County Assessment Function Funding Account (CAFFA) Grant, which supports Assessment & Taxation Programs, provides reimbursement of approximately 25% of program expenditures. Total annual Multnomah County share of CAFFA is estimated at \$3,518,268 with \$430,988 allocated to DART Commercial Appraisal Program. Remaining program support is from General Fund revenues.

## Significant Program Changes

✔ Significantly Changed

**Last year this program was:** #72046, DART Commercial Property Appraisal

High-rise condominiums formerly reported in this program are now reported in program 72034—DCM-Dart Residential Property Appraisal. This transfer of workload caused a significant change in the current-year estimates for the Commercial program's performance measure, "% Automated Recalculation;" however, there is no net reduction in property accounts using an automated recalculation appraisal method. Also, small apartments (5-20 units) formerly reported in program 72047-DCM-DART Residential Appraisal are now reported in this program. Division reorganization resulted in Program Supervisor reclassification to Property Appraiser 2 for FY 2013.