Explanation of 2021 CBJ Commercial Property Valuations

We are in the process of a major review of the valuation models, the assessed values and the assessment level for all Juneau commercial properties.

A brief background. By State law we are to value properties at market value. Information that is looked at in determining market value includes sales prices, construction costs, income and expenses, lease rates, and capitalization rates.

Commercial property valuations are challenging in Juneau. We are a somewhat isolated market with a fairly low number of sales. Up until late this last year there was no requirement that the sales price be disclosed in real estate transactions. So, besides starting with a low number of sales we only had data on a portion of those.

It would seem that those challenges resulted in assessed values for commercial properties, on a whole, not being increased for the past 10 or more years causing the commercial property assessed values to lag behind the market. This caused a tax shift. A tax shift occurs when the tax burden that should be paid by one party is shifted to being paid by another party. In this case the shift was from commercial properties onto residential properties.

To rectify this tax shift the commercial property assessed values must be brought up to market. This means that commercial properties will see increases that should have occurred in smaller increments for the past 10 plus years being applied in a few years. Because the increases will represent multi-year corrections they may seem large.

This first year we are addressing the land component. Next year we will refine the land adjustments and also start making adjustments to the improvement portion of the commercial values.

As a commercial property owner you can help improve the assessed values of Juneau's commercial property!

The more sales, market and lease information we can gather the better our basis for market analysis.

For sales the primary year we look at is the last year. For property types with fewer sales, which include all commercial property types, we expand the sales data back a year at a time up to 5 years back until we have a large enough sample. For special studies we occasionally go back 10 or more years.

It would be helpful if you would provide information on commercial property sales or purchases that you have made as well as rental, lease and income and expense information.

Thank you for any information you provide.

Below are a few charts. For more detailed information please see the Summary Report.

Sales Volumes by Year

Total Transactions — Market Sales — Market with Price
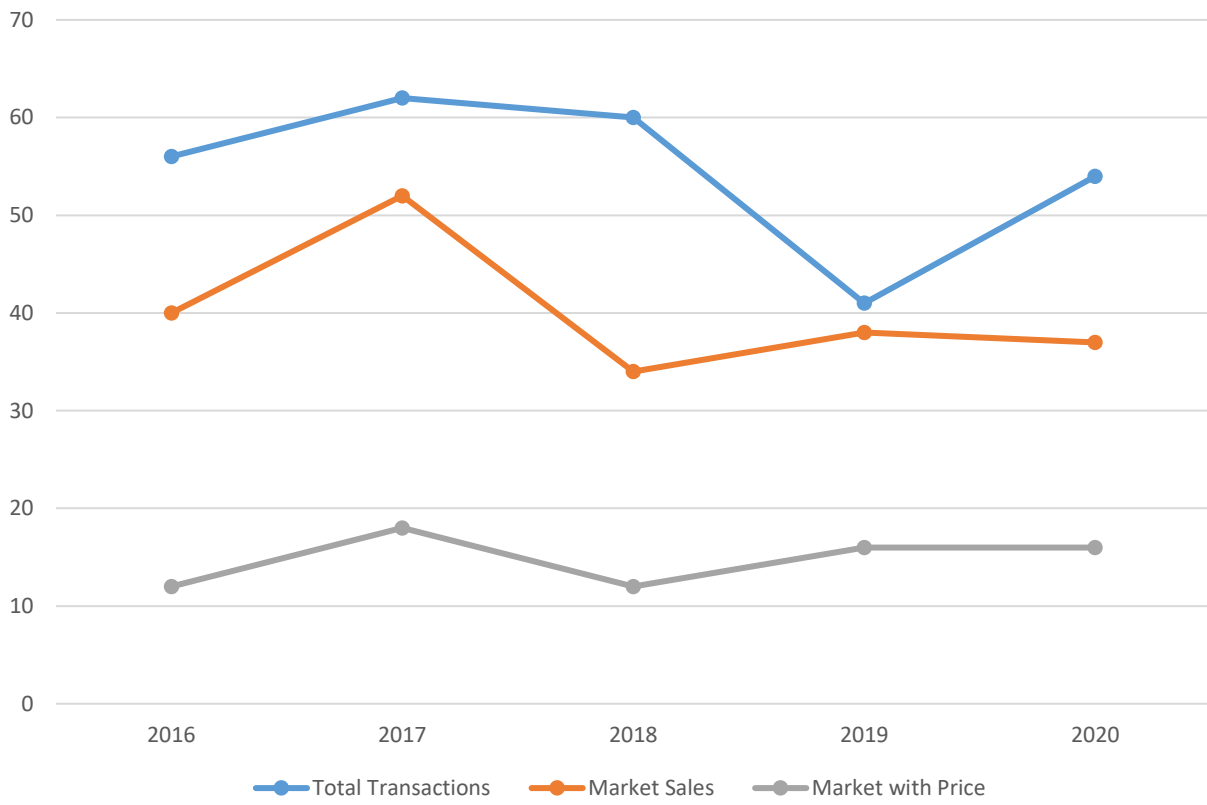
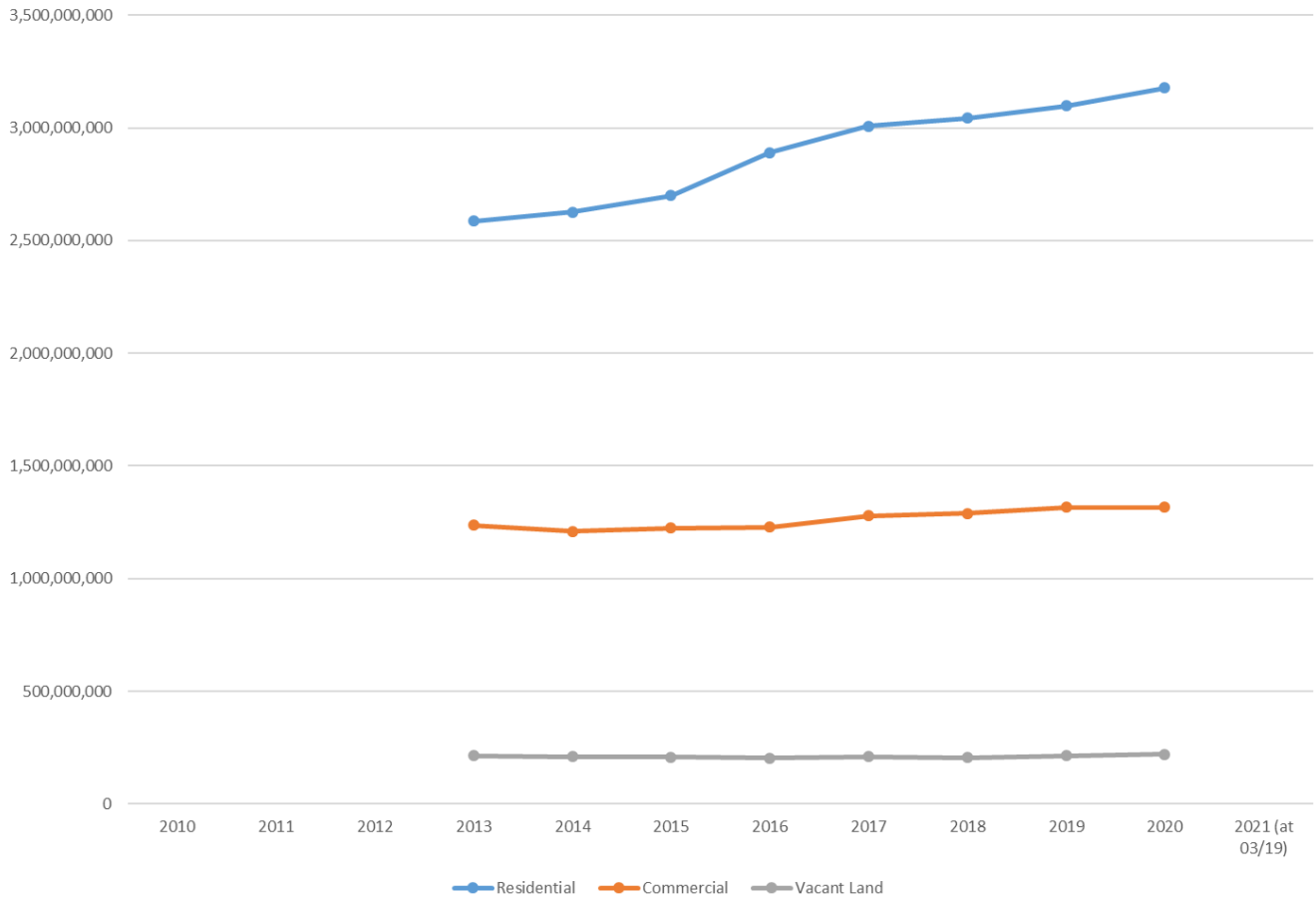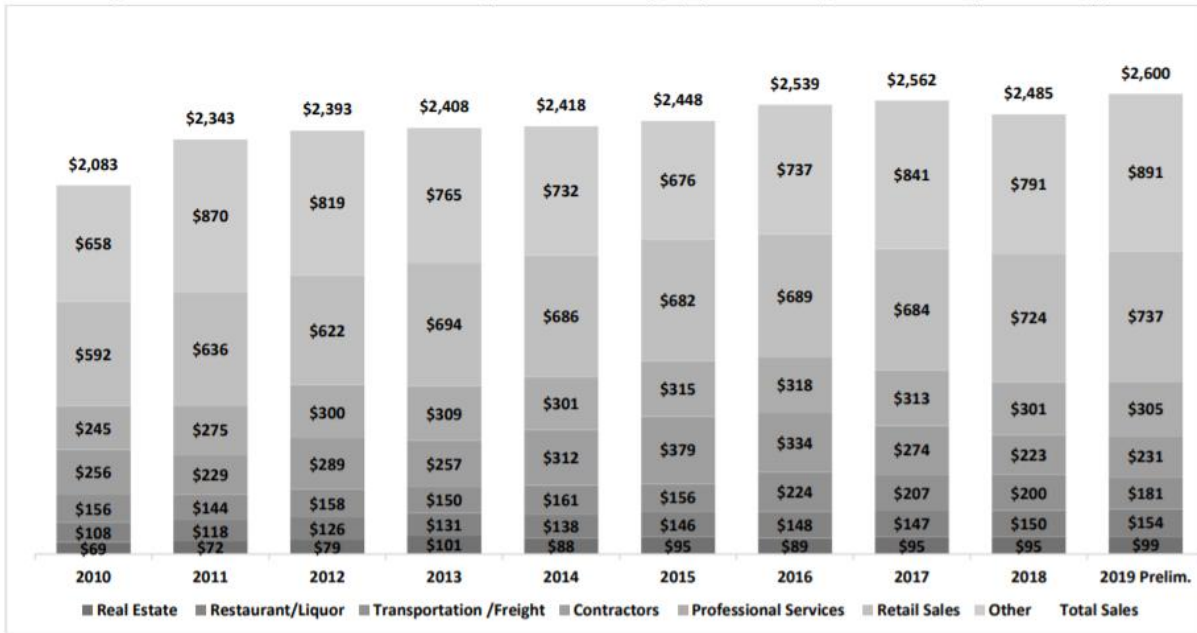Tax Role by Property Classification Grouped

Figure 52: Business Sales in Juneau by Business Category (in Millions), 2010– 2019 (Preliminary)

Source: City & Borough of Juneau Sales Tax Office and CBJ Comprehensive Annual Financial Report, July 1, 2018- June 30, 2019, Statistical Section. **Note**: "Other" category includes mineral sales, wholesale equipment, food suppliers, and fuel companies.

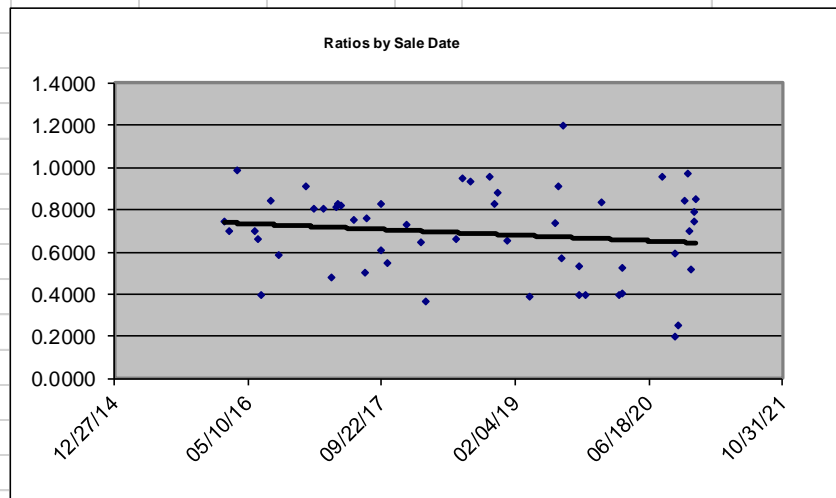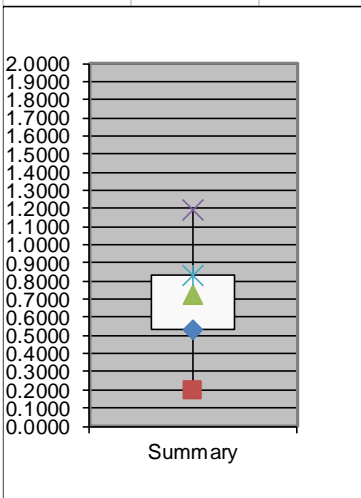**AY2021- Comm- Set 2- 20210316- No19- All, 5 Yr, 5% Trend**
Summary Report

		IAAO Standards for COD	
Statistics		SFR	15.0 or less
Current	**Proposed**	SFR-newer/homog	10.0 or less
54	54 Count (Number of Records with Ratio)	Income Properties	20.0 or less
0.1959	0.3419 Minimum Ratio	Income-Urban area	15.0 or less
1.1908	1.6221 Maximum Ratio	Vacant Land	20.0 or less
0.9950	1.2801 Range		
0.6879	**0.8989 Mean** (This is the average ratio for your sample.)		
0.7286	**0.8375 Median** (This is the mid-point value for your sample. Preferred measure of central tendency.)		
0.5418	0.7694 Weighted Mean		
2.3448	4.4163 Sum of the Square of Deviations		
0.1720	0.2321 AAD		
0.2103	0.2887 Standard Deviation	**Coefficients (0=Normal Distribution)**	
23.6036	**27.7094 COD** (Good indicator of confidence level.)	**Kurtosis**	#DIV/0!
30.5772	**32.1131 COV**	**Skewness**	#DIV/0!
1.2696	**1.1683 PRD- Price-Related or Factor Differential**	Alt.Cyhelsky's Skew	-0.1481
	(PRD s/b between 0.98 & 1.03, IAAO)	Alt.Pearson's Skew	-0.5808
	(PRD over 1=Regressive)		

Trending Factors

Normal / Skewed Distribution Evaluation

Trending Factors	Normal / Skewed Distribution Evaluation
0.98 Target Level	0.0407 Differential Mean to Median
1.4246 Factor on Mean	23 Number of data points below the mean.
1.3450 Factor on Median	31 Number of data points above the mean.
1.8087 Factor on Weighted Mean	*Note- # below/above works on data sets up to 5,000 pts.

Summary

Ratios by Sale Date

Histogram of Ratio Frequency