

Response to Questions on the FY 2018 Budget

Request By: Supervisor McKay

Question: Referencing the Nonresidential Equalization chart on slide 27 of the County Executive's budget presentation, please provide additional information on the cause of decreasing values in the "Industrial" category.

Response: Overall, the industrial properties decreased by 0.26 percent between January 1, 2016 and January 1, 2017. The figure is made up of the values from three industrial property types: Industrial-Warehouse, Special Use Industrial and Industrial-Flex.

The Industrial-Warehouse properties increased overall from January 1, 2016 to January 1, 2017 by 3.12 percent and are comprised of the traditional warehouse product. They account for approximately 60 percent of the total January 1, 2017 Industrial equalization value.

In the same period, the Special Use Industrial properties decreased overall by 1.27 percent. Due to lack of reliable income and expense data these properties are typically valued using the cost approach and decreased due to depreciation. They account for approximately 4 percent of the total January 1, 2017 Industrial equalization value.

The Industrial-Flex properties decreased overall by 5.36 percent and are comprised of properties that may have more of an office component than standard warehouse properties. They account for approximately 36 percent of the total January 1, 2017 Industrial equalization value. These properties are appraised using rates that are more comparable to office buildings in terms of vacancy, expenses, and cap rates. The cap rates for the flex properties are approximately 100 basis points higher than the traditional warehouse properties. If they had vacancy above 50 percent, they were also given an additional 100 to 150 basis point increase on their capitalization rate this year along with office properties. Higher cap rates result in lower assessments.