

HOW REAL PROPERTY TAX ASSESSMENTS ARE DERIVED

INFORMAL MEETING
Monday, February 24, 2025



CITY OF RICHMOND
900 E BROAD STREET ROOM
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RICHMOND, VIRGINIA 23219
MR. RICHIE MCKEITHEN
(CITY ASSESSOR)



BASIC DEFINITION OF MASS APPRAISAL

- ▶ The task of discovering, listing, and valuing all real property in a jurisdiction for tax purposes.
- ▶ Performs the task in an environment of equalization and uses statistical testing as a check and balance.
- ▶ Differs from fee appraisal in that the focus is on many parcels as opposed to one parcel.

LEGAL REQUIREMENTS

- ▶ Code of Virginia; Section 58.1-3201 states the following:
- ▶ ***All real estate, except that exempted by law, shall be subject to such annual taxation as may be prescribed by law.***
- ▶ ***All general reassessments or annual assessments in those localities which have annual assessments of real estate, except as otherwise provided in Section 58.1-2604, shall be made at 100 percent fair market value***

INDUSTRY STANDARDS

- ▶ Industry standards are mainly handed down by the International Association of Assessing Officers, aka the I.A.A.O.
- ▶ The I.A.A.O. is an internationally recognized organization that has been in existence for many years. It establishes professional standards by which jurisdictions adopt and follow. These standards have been referred to in state statutes and are to be followed for legal assessment compliance.

ASSESSMENT VALUATION METHODS

- ▶ The actual method and approach that is used to value a parcel of real property depends on how that parcel is being used. Common uses of real property fall into categories such as residential single-family, multi-family, commercial, industrial, and vacant land, just to name a few.
- ▶ Real property concepts such as highest and best use, zoning, location, restricted use, etc., are all considered in the valuation process.
- ▶ In mass appraisal there are three approaches to value or methods of valuation. The three approaches to value are the sales comparison approach, the cost approach, and the income approach. Each approach is used in its own regard and stands on its own merit.
- ▶ The approach that is used typically depends on the actual use of the property.

THE SALES COMPARISON APPROACH

- ▶ The sales comparison approach to value is a set of procedures in which a value indication is derived by comparing the property being assessed, aka the subject property, to similar properties that have recently sold.
- ▶ It can be used to value improved properties or vacant land.
- ▶ It is the most commonly preferred method of valuation when there is an abundance of recent sales.
- ▶ A good example of this is a situation where a neighborhood has an abundance of residential single-family home sales.

THE COST APPROACH

- ▶ The cost approach to value is a set of procedures where a value indication is derived by estimating the reproduction or replacement cost new of a structure, subtracting any accrued depreciation, and adding back in a land value.
- ▶ It is only used to value improved properties and not vacant land.
- ▶ It breaks down every component of a structure into a cost per square foot, subtracts out the depreciation, and gives a total value.
- ▶ Marshall and Swift is one of the more renowned providers of this information.

THE INCOME APPROACH

- ▶ The income approach to value is a set of procedures that indicates a value for an income producing property by converting its anticipated cash flows into a value.
- ▶ Income and expense information is requested from the property owners, reviewed and scrutinized by the Assessor's Office and converted into an assessed value for each property.
- ▶ This approach is typically used for properties such as large office buildings, apartment complexes, and large hotels.

2001 Fendall Avenue

- ▶ The actual parcel number is N0000402008
- ▶ The parcel is currently vacant and contains approximately 21,436 sq.ft.
- ▶ There was a demolition permit filed around April of 2007
- ▶ The current assessed value is \$80,000

QUESTIONS & COMMENTS

CITY ASSESSOR; RICHIE MCKEITHEN

DEPUTY ASSESSOR; CHARLES EVERS

