

## ADMINISTRATIVE RULE REVIEW

Amended Rule

Permanent Rule

Rule No.	150-308-0240	
Page	Page 1 of 5	Last Revised Date April 20, 2018
NOTICE OF INTENDED ACTION		
Bulletin Dated May 2018		Hearing Scheduled May 22, 2018

**PURPOSE:** Clearly defining what constitutes “no immediate market value” and how to value just compensation to the owner, for special purpose properties pursuant to Real Market Value statutory requirements. Moving language for partial exemptions and special assessments of land to new rule 150-308-0245 because it is not relevant to appraising a property for Real Market Value purposes. Also, minor non-substantive language changes are being made for clarification.

### 1 **150-308-0240**

#### 2 **Real Property Valuation for Tax Purposes**

3 (1) For ~~the~~ purposes of this rule, ~~the following~~these words and phrases have the following

4 meaning~~meanings~~:

5 (a) ~~A~~ “unit~~“Unit~~ of property~~“is”~~ means the item, structure, plant, or integrated complex as it physically  
6 exists on the assessment date.

7 (b) “Real property” means the real estate (physical land and appurtenances  including structures, and  
8 machinery and equipment~~which, that~~ comprise an integral part of the property or manufacturing  
9 operation) and all interests, benefits, and rights inherent in the ownership of the physical real estate.

10 (c) “Rural lands” means those lands with property classification 400, 401, 500, 501, 600, 601, 800, and  
11 801 as defined by OAR 150-308-0310. They are distinguished from platted land as acreages in varying  
12 sizes and are either improved or unimproved.

13 (d) “Utility” means the quality or property of being useful  which may either add to or subtract from real  
14 market value.

15 (e) “Highest and best use” means the reasonably probable use of vacant land or an improved property  
16 that is legally permissible, physically possible, financially feasible, and maximally productive, which  
17 results in the highest real market value.

18 (f) “Just compensation to the owner” means the amount of compensation for a property that an owner  
19 would expect for the casualty loss or taking through condemnation of their property. Just compensation is the  
20 real market value of the property at its highest and best use.

21 (2) Methods and Procedures for Determining Real Market Value:

22 (a) For the valuation of real property  all three approaches-sales comparison approach, cost approach, and  
23 income approach-must be considered. For a particular property, it may be that not all three approaches

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1    1 ~~cannot be applied, however~~are applicable. However, each approach must be investigated for its merit in  
2    2 each ~~specific~~ appraisal.

3    (b) The real market value of a unit of property ~~shall~~may not be determined from the market price of its  
4    4 component parts, such as wood, glass, concrete, furnaces, elevators, etc., each priced separately as an  
5    5 item of property, without regard to its being integrated into the total unit.

6    (c) In utilizing the sales comparison approach, only actual market transactions of property comparable to  
7    7 the subject, or adjusted to be comparable, ~~will~~may be used. All transactions utilized in the sales  
8    8 comparison approach must be verified to ensure they reflect arms-length market transactions. When  
9    9 nontypical market conditions of sale are involved in a transaction (duress, death, foreclosures,  
10   10 interrelated corporations or persons, etc.), the transaction ~~will~~may not be used in the sales comparison  
11   11 approach unless market-based adjustments can be made for the nontypical market condition.

12   (d) If there are no market transactions of property comparable to the subject, then it is still appropriate to  
13   13 use market value indications derived by the cost, ~~and~~ income ~~or stock and debt~~ approaches.

14   (e) Sales on the basis of disposal at salvage or scrap levels are indicators of market value only when on  
15   15 the assessment date such disposal of the subject property is imminent, or has actually taken place.

16   (f) The cost approach must use the reproduction, replacement, or used equipment technique; ~~however~~,  
17   17 However, original historical cost may be used when appraising property under ORS 308.505 to 308.730.  
18   The value estimate must include all costs required to assemble and construct the unit of property.

19   (g) The income to be used in the income approach must be the economic rent that the property would  
20   20 most probably command in the open market as indicated by current rents being paid, and asked, for  
21   21 comparable space. Income from the operation of the property may be utilized for property types, such as  
22   22 industrial plants, that are not typically leased or rented.

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1 (h) The real market value for rural lands is based on an average price per acre for each size of parcel.

2 Adjustments to the value must be made to those acres with more or less utility. For improved parcels, the

3 value of the site developments as defined by OAR 150-307-0010 must be added.

4 (i) Determining highest and best use for the unit of property is necessary for establishing real market

5 value. This determination of highest and best use may include, among others, all possible uses that might

6 result from retaining, altering or ceasing the integrated nature of the unit of property.

7 (3) Valuation of EspecialSpecial Purpose Property: Especial

8 (a) Special purpose property is property specially designed, equipped, and used for a specific operation or

9 use that is beneficial to only one particular user. This may occur because the especialspecial purpose

10 property is part of a larger total operation or because of the specific nature of the operation or use. In

11 either case, the improvement's usefulness is

12 (b) Some, but not all, special purpose property may be designed without concern for marketability.

13 Because general market

14 (c) Market sales data for the property does at its highest and best use may not exist, the property has for a

15 special purpose property, which is what is meant by the phrase "no apparent immediate market value" in

16 ORS 308.205(2)(c). Where there is no immediate market value. Real, real market value must be is

17 determined by estimating just compensation for loss to the owner of the unit of property through either

18 the cost or income approaches, whichever is applicable, or a combination of both.

19 (4) Real market value for all personal property must be determined as of the date of assessment in accord

20 with the statutory definition and must take into account the location and place in the level of trade of

21 items of property in the hands of manufacturers, producers, wholesalers, distributors, retailers, users, and

22 others.

23 (5) Valuation of Land Under Improvements Having Only Partial Exemption. This does not apply to those

24 cases where land is not eligible for inclusion in the exemption.

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1    ~~(a) The value of land under a single story improvement when part of the improvement is receiving an~~  
 2    ~~exemption must be apportioned between the exempted and taxable portions of the improvement based on~~  
 3    ~~the value of each portion.~~

4    ~~Example 1: There is a one story building of which a part representing 80 percent of total value is under~~  
 5    ~~exemption and the remaining part is taxable and consists of new construction representing 20 percent of~~  
 6    ~~the total value. The value of the land under the building would be apportioned 80 percent to the~~  
 7    ~~exemption and 20 percent to the taxable or market value each year.~~

8    ~~(b) The value of land under a multiple story improvement when all or part of one or more stories of the~~  
 9    ~~improvement is receiving an exemption must be apportioned between the exempted and taxable portions~~  
 10   ~~of the improvement based on the contribution of the current market value of each portion.~~

11   ~~Example 2: There is a two story building which occupies a 100' x 100' lot in its entirety. The first story is~~  
 12   ~~under exemption, and the value carried on the roll represents 60 percent of the total improvement value.~~  
 13   ~~The second story, valued at market, represents 40 percent of the total improvement value. The value of~~  
 14   ~~the land under the building must be apportioned 60 percent to the exemption and 40 percent to the~~  
 15   ~~property valued at market.~~

16   ~~(c) Where an improvement does not fully occupy the land and where only a portion of the improvement~~  
 17   ~~and land are used for an exempt purpose, then the value of the improvement and land must be allocated~~  
 18   ~~between the exempt and taxable portions of the parcel. Any portion of the land or improvement that is~~  
 19   ~~not used, developed, or that is being held for future expansion is fully taxable.~~

20   ~~Example 3: Assume a parcel that measures 200' by 200', a building measuring 100' x 100', paved parking~~  
 21   ~~measuring 100' x 100' and unimproved land measuring 200' x 100'. One half or 50% of the building and~~  
 22   ~~parking are used by an exempt entity. One half (50%) or 5000 square feet of the building is exempt, one-~~  
 23   ~~half (50%) of the parking is exempt. The remainder of the building, the parking lot and unimproved land~~  
 24   ~~are fully taxable.~~

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1    ~~Example 4: There is a building measuring 100' x 100' located on one fourth of a 200' x 200' lot. The~~  
 2    ~~remaining portion of the lot is a parking area. The taxable portion of the building rents or leases a 100' x~~  
 3    ~~100' parking area and has exclusive use. The value of the remaining 100' x 200' area of the lot is~~  
 4    ~~exempted only to the extent it is used as a parking area for the exempt entity. If 100' x 100' of this 100' x~~  
 5    ~~200' parking area is used for parking and the remainder is held by the exempt entity for future expansion,~~  
 6    ~~the area held for expansion is fully taxable.~~

7    ~~(d) When an improvement is partially exempted and that improvement contains common areas (i.e.,~~  
 8    ~~hallways, restrooms, conference rooms, etc.), the percentage of the total area of these common areas that~~  
 9    ~~receives exemption shall be the same as the percentage of the total net rentable area occupied by the~~  
 10   ~~exempt entity.~~

11   ~~(6) Valuation of Land Under Improvements Having Only Partial Special Assessment: The procedures~~  
 12   ~~described in Section (5) of this rule also apply to properties receiving a partial special assessment, such~~  
 13   ~~as a partial historical designation.~~

14   ~~(7) This rule is effective January 1, 2016.~~

15   **Statutory/Other Authority:** ORS 305.100-~~&~~<sup>2</sup> 308.205

16   **Statutes/Other Implemented:** ORS 308.205