

Sample Valuation Methodology for Kulshan CLT Property

Address: 2618 Birchwood Ave, Bellingham, WA
Tax Parcel Number (land): 380224 235522 0000
Tax Parcel Number (improvements): 380224 235522 0001
Lease Agreement recorded as Auditor File Number 2020705409

Methodology: The taxable value of properties subject to the Regulatory Agreement will be determined by the county assessor after the review of, and accounting for, the recorded deed restrictions that affect the marketability of the property.

Land: In the case of land subject to the community land trust's recorded lease agreements or covenants, the land will be valued using an appraiser's income approach, capitalizing the income stream from the land rent stipulated in the applicable ground lease or other covenants.

Improvements: In the case of improvements subject to the community land trust's recorded lease agreements or covenants, the improvements will be valued at the maximum resale price determined by the recorded lease agreements or covenants.

The first home to come into the Kulshan Community Land Trust is located at 2618 Birchwood Avenue in Bellingham. The homeowner purchased this home for \$79,230 in July, 2002. The future resale price is prescribed in the lease agreement, which stipulates that on January 1, 2009, the improvements will have a maximum resale price of \$87,175. This resale price is a function of the homebuyer's original purchase price multiplied by 1.50 percent compound annual interest for the six and one-half years of ownership between those two dates. This resale price is not a guaranteed resale price; it represents the maximum price under the terms of the lease.

The land under this home produces \$35.00 per month as a ground rent payment to KulshanCLT, for a total of \$420 per year. A reasonable capitalization rate applied to this income put the value at \$7,000.

Therefore, the taxable value for 2009 would be \$87,175 for the improvements and \$7,000 for the land. On January 1, 2010, KulshanCLT would report to the WSHFC and the Whatcom County Assessor that the improvements would be valued at \$88,483, based on this same methodology. The land would be valued at \$7,000 unless the ground rent payment amount had been increased, as allowed and prescribed in the lease agreement.