

Section 3—Property classification

Description

Each parcel of property within the state is classified in accordance with ORS 308.215. With the exception of specially assessed properties, the classification is based upon **highest and best use of the property*** and must be maintained on a continuing basis.

The basic property classes that are established by OAR 150-308.215(1)-(A) (Rev. 7/06) must be used to organize the sales data. For ratio studies, property class is the starting point for grouping sales data of similar properties for analysis. This sales grouping also facilitates determining adjustments and computing the weights of value components by property class by market area, countywide. When there are limited sales, related property classes may be combined to assist in reaching a

conclusion of RMV levels. When adequate sales data are available, ratio data should be further stratified as appropriate.

The basic classes are also used to summarize the results of county ratio studies. The standard grouping allows for comparison between counties and for statewide analyses.

Multi-account sales

Only one property class should be included in the sales record. If a sale includes more than one parcel and they are different property classes, the predominant class should be used. These types of sales should be handled with caution, if they are to be used in the ratio study.

Basic property classes

OAR 150-308.215

First Digit	Second Digit	Third Digit
0—Miscellaneous (See miscellaneous property, pages 3–4)	0—No significance	0—Vacant
1—Residential	1—Residential zone	1—Improved (typical of class)
2—Commercial	2—Commercial zone	2—Condominium
3—Industrial	3—Industrial zone	3—State responsibility
4—Tract	4—Unzoned farm land	4—Partially exempt
5—Farm	5—Exclusive Farm Use (EFU)	5—Taxable leased
6—Forest	6—Small Tract Forestland (STF)	6—Waterfront
7—Multi-family	7—Disqualified permanent FU	7—Mobile home parks
8—Recreation	8—Multiple special assessments	8—(Left blank)
9—Exempt (See exempt properties page 3–5)	9—Potential development	9—Manufactured structure

* A property's highest and best use is that use found to be physically possible, legally permitted and economically feasible, and that returns the highest value to that property. If the property is improved, the land as if vacant and available to be improved to its highest and best use is first considered, and then the property as improved is evaluated. The higher value of the two is the **highest and best use of the property**.

Property classification

1-0-0 *Residential land only* is an unimproved property that has residential use as its highest and best use, and the primary zoning is residential.

1-0-1 *Residential property* is an improved property that has residential use as its highest and best use.

2-0-0 *Commercial land only* is an unimproved property that has commercial use as its highest and best use, and the primary zoning is commercial.

2-0-1 *Commercial property* is an improved property that has commercial use as its highest and best use. This highest and best use is as income-producing property. Examples of commercial property include, but are not limited to: retail stores, supermarkets, discount stores, department stores, convenience marts, financial institutions, office buildings, small retail laundries, dry cleaners, medical and dental office buildings, recreational vehicle parks, hospitals, restaurants, theaters, automobile service stations and truck stops, automotive service centers, parking garages, car dealerships, hotels, and motels.

3-0-0 *Industrial land only* is an unimproved property that has industrial use as its highest and best use, and the primary zoning is industrial.

3-0-1 *Industrial property* is an improved property that has industrial use as its highest and best use. Industrial property includes, but is not limited to, those properties described by ORS 306.126, OAR 150-306.126(1), and ORS 308.408. Industrial property is typically located in an industrial zone, but may be located in areas with other types of zoning; for example, if it is a pre-existing or conditional use. Property use characteristics typically include assembly, processing, or manufacturing products from raw materials or fabricated parts and includes factories that render service; for example, large non-retail laundries and dry cleaners. Examples of industrial property include, but are not limited to, steel plants, foundries, chemical plants, and assembly plants; saw mills, plywood plants, and wood pulp or paper mills; high technology facilities, research and development facilities, science parks, and light and heavy manufacturing facilities; storage and distribution warehouses; and natural resource processing and refining facilities such as natural gas wells and rock quarries. Classification of property as industrial is a separate determination from appraisal responsibility. Department or county responsibility for appraising industrial property is described in OAR 150-306.126(1).

4-0-0 *Tract land only* is parcels of varying sizes of unimproved acreage where the highest and best use is for development to a suburban or rural homesite, but the land is not divided into urban type lots.

4-0-1 *Tract property* is parcels of varying sizes of improved acreage where the highest and best use is for

use as a suburban or rural homesite, but the land is not divided into urban type lots.

5-0-0 *Farm and range land* is vacant land where the highest and best use is for the production of agricultural crops, feeding or management of livestock, or any other agricultural use, and the land is not specially assessed for farm use.

5-0-1 *Farm and range property* is land improved with buildings where the highest and best use is for the production of agricultural crops, feeding or management of livestock, or any other agricultural use, and the land is not specially assessed for farm use.

5-4-0 *Non-EFU zoned farm and range land* is vacant land that is under special farm use assessment by application.

5-4-1 *Non-EFU zoned farm and range property* is land improved with buildings that is under special farm use assessment by application.

5-5-0 *EFU-zoned farm and range land* is vacant land, which is under special farm use assessment by zoning.

5-5-1 *EFU-zoned farm and range property* is land improved with buildings, which is under special farm use assessment by zoning.

6-0-0 *Forestland* is vacant land, which has a highest and best use for growing and harvesting trees of a marketable species.

6-0-1 *Forest property* is land improved with buildings, which has a highest and best use for growing and harvesting trees of a marketable species.

6-4-0 *Forestland* is vacant land for which the highest and best use is other than growing and harvesting of trees of a marketable species, but the land has been designated as forestland by application.

6-4-1 *Forest property* is improved with buildings for which the highest and best use is other than growing and harvesting of trees of a marketable species, but the land has been designated as forestland by application.

6-6-0 *Small Tract Forestland property* is vacant land that is under special forestland assessment as Small Tract Forestland by application.

6-6-1 *Small Tract Forestland property* is land improved with buildings that is under special forestland assessment as Small Tract Forestland by application.

7-0-0 *Multi-family land* is unimproved land that has multiple housing (five or more living units) as its highest and best use, and the primary zoning is multifamily.

7-0-1 *Multi-family property* is an improved property that has multiple housing (five or more living units) as its

highest and best use. Multi-family property includes property developed as a manufactured housing park.

8-0-0 *Recreation land* is unimproved land that has recreational use as its highest and best use.

8-0-1 *Recreation property* is an improved property that provides recreational opportunity as its highest and best use.

Use of second digit

- 0 Indicates highest and best use and zoning are the same.
- 1, 2, 3 Indicates highest and best use and zoning are nonconforming. Example: A property has an improved residence and its highest and best use is for residential use, but it is located in a commercial zone. The property class would be 1-2-1.
- 4, 5 Indicates special assessment for farm-use and forest-use lands.
- 6 Indicates special assessment for Small Tract Forestland.
- 7 Indicates property permanently disqualified from farm or forest land use due to ORS 215.236 (non-farm dwelling).
- 8 Indicates property carries more than one special assessment; for example, combination of farm use and designated forestland or other combination of special assessments; or indicates government-restricted multi-unit rental housing that is specially assessed under ORS 308.701–ORS 308.724.
- 9 Indicates property has potential for further development; for example, it has been subdivided or it is subdividable.

Miscellaneous property: Class 0-0-0

The first digit denotes the major class: miscellaneous property.

The second digit indicates the basic class to which the property relates:

- 0-0 Miscellaneous property
- 0-1 Miscellaneous residential
- 0-2 Miscellaneous commercial
- 0-3 Miscellaneous industrial
- 0-4 Miscellaneous tract
- 0-5 Miscellaneous farm
- 0-6 Miscellaneous forest
- 0-7 Miscellaneous multifamily

0-8 Miscellaneous recreational

0-9 Miscellaneous exempt

The third digit is unique to the class:

- 0 Unbuildable-size, Department of Environmental Quality, easement or right-of-way
- 1 Improvement only
- 2 Mineral interest
- 3 Centrally assessed
- 4 Historic
- 5 Open space
- 6 (Left Blank)
- 7 Timeshare property
- 8 Enterprise zone
- 9 Manufactured structure

0-0-9 Real property manufactured structure

0-1-9 Personal property manufactured structure

Exempt property: Class 9-0-0

The first digit defines the property as exempt.

The second digit identifies the type of property or ownership:

- 9-0 Student housing
- 9-1 Church
- 9-2 School
- 9-3 Cemetery
- 9-4 City
- 9-5 County
- 9-6 State owned
- 9-7 Federally owned
- 9-8 Benevolent, fraternal ownership
- 9-9 Port properties or other municipal properties

The third digit is unique to this class and acts as an additional identifier:

- 0 Vacant
- 1 Improved
- 2 Partially exempt
- 3 Taxable leased property
- 4 In lieu of value
- 5 Temporarily exempt

Property classification

- 6 Native American holdings
- 7 (Left blank)
- 8 Mineral interest
- 9 Manufactured structure

Examples

- 9-0-1 OSU student housing
- 9-1-2 Church property with for-profit bookstore

Market areas

OAR 150-309.200(A) defines market area as a group of properties that generally share important characteristics that influence value. From a practical standpoint it is necessary that each market area should contain a sufficient number of accounts to ensure an adequate sale sample for analysis.

Typically, market area delineation is made along physical or geographic boundaries, or to describe a particular property use or type. In some instances, a specific market area could encompass the entire county or region. For example, manufactured structure parks, golf courses, motels, gas stations, or fast-food restaurants can be viewed as countywide market areas for analysis and adjustment purposes.

Market areas that compete with each other may be combined as one market area to generate enough sales for market analysis, whether contiguous or not. Supplemental studies are needed in markets where sales data are limited. Even though there are enough sales data, analysis of market activity in preparation of the sales ratio study may show the need for a more comprehensive analysis. Additional analyses may give a clearer picture of market trends. Therefore, the development of stratum such as building class, age, or lot size within a market area may be used as another tool for the valuation process.

Market area boundaries

Boundaries are used to delineate market areas. Dividing lines may be physical in nature (e.g., a river, railroad tracks, major thoroughfare, or highway, etc.) or by issues not so obvious (e.g., zoning ordinances and school districts). These types of boundaries are observed and defined by the actions of buyers and sellers in the marketplace.

Boundary changes in a market area should be made whenever analysis indicates change is needed. Care must be taken when making boundary changes so that the integrity of existing appraisals and previously applied adjustments do not distort the appraisal equity of

properties within the redefined market area. This helps to ensure real market values will be equitably applied within each area.

From time to time, markets within a non-revaluation area also change. A subdivision may react differently than the rest of the properties in the market area, warranting a new market area designation. For example, a small town is designated as one market area. The area to the west of the downtown core area becomes very desirable, with demand escalating more rapidly than on the east side of town. The market analysis suggests that the town should be split into two market areas. Such a change will enable a more detailed analysis of the market activity, reflecting adjustments that more accurately represent RMV.

Ratio studies and the market area

One of the primary uses of the market area delineation is the assessor's certified ratio study. The stratification of the sub-markets within a county helps the data analyst properly analyze market activity.

Market analysis allows for combining market areas where the market indicates areas are competing for the same buyers. Delineation allows for crossover of market area boundaries and results in a more accurate indication of market values.

Atypical ratio indications of a particular area may suggest "hot spots" in the real estate market. Upon closer inspection, high or low ratios may all occur in a specific location. The location may not be large enough to warrant the creation of new market area delineation; however, the sub-area can be analyzed and adjusted separately through a special study.

Market area stratification allows for individual adjustments by property class, property type, building class, age, etc., thereby adjusting properties to reflect accurate real market value levels. Additionally, adjustments or revaluations by strata within a market area produce greater uniformity among the individual properties, and hence better measurements of dispersion for the market area.

The market area analysis provides a tool to assess the validity of appraisals and the valuation process through the Computer Assisted Appraisal Program (CAAP).

Market area codes and maintenance

Each property account must be assigned a market area code for identification. These codes serve several

purposes. A major use is the assessor's certified ratio study. The identification codes provide the ability to determine the number and value of the various property class accounts within each market area. This allows appraisal supervisors to plan valuation schedules and other special projects.

Market identification codes must be updated periodically. Updates must be made when a property class changes or a zone change occurs [e.g., commercial land in a commercial zone (2-0-0s) is rezoned multifamily (7-0-0s)]. Such a change may result in a market area change if the 2-0-0 and 7-0-0 property classes are in separate areas.

Market area changes may occur as a result of a new plat. The parent account may dictate the same area identification for the new accounts or because of its location. However, the new plat could be given a new identification

(area) code because of its location or be combined with an existing market area, depending on the market and characteristics of the new plat.

Once market areas have been established and property accounts coded, the market activity can be monitored with the aid of computer programs. Stratification of the market areas allows for meaningful analysis of market trends by property class. This leads to supportable adjustments and reliable real market values.

Conclusion

The definition and use of market areas are important tools in establishing real market values for all property classes. Properly utilizing market areas ensures that the value adjustments are applied to truly competitive properties as demonstrated in the market.