

REVISED – February 1, 2017
FREQUENTLY ASKED QUESTIONS (FAQ'S)
2017 COMMERCIAL PROPERTY ASSESSMENT

The City of Charlottesville City Assessor is preparing to issue real estate assessments for 2017. The assessments for commercial properties in the City are increasing by an average of 29.45%. This is primarily driven by an incredibly robust commercial real estate market in terms of new construction and sales of existing properties and a new assessment system that allows City Assessor staff to more thoroughly analyze the value of commercial properties.

The information below addresses some commonly asked questions regarding the commercial assessments.

Who conducts the assessment, how often, and why?

The City Assessor assesses all residential and commercial properties in the City on an annual basis. Assessments are required by the Code of Virginia to be assessed at 100% fair market value.

What are examples of commercial properties?

Commercial properties include apartments, stores, offices, and industrial properties.

What is fair market value?

Market value is defined as the most probable price expressed in terms of money that a property would bring if sold on the open market.

How is fair market value determined for commercial properties?

The most frequently used method for both residential and commercial properties is the “sales approach” which determines the value of a property based on similar properties which have been sold recently.

For commercial properties, two additional methods are also used to determine fair market value. The “cost approach” seeks to determine how much a property would cost to replace (rebuild) after subtracting depreciation. It takes into account construction materials, quality, size, design, condition and age.

The third method for determining the fair market value of commercial properties is the “income approach”. When a property generates income for its owner (apartments for example) that income helps substantiate the fair market value of the property.

How does an assessor determine which methodology is appropriate to determine the fair market value of commercial properties?

Each method analyzes a different component of a commercial property and provides several data points. An assessor may use all three methodologies and sets of data points to confirm the value of an individual commercial property. Having several pieces of information about a property allows the assessor to validate and confirm the value of the property.

How has the City of Charlottesville assessed commercial properties in the past?

Between 2000 and 2016, commercial properties were valued primarily on the sales approach using sales data to trend the values of both land and buildings.

What changed in 2017?

The City Assessor's Office has implemented new assessment software (called Vision). This system is more robust than the previous system allowing for more in-depth and comprehensive commercial property valuations using the cost and income approaches. As noted earlier, in the past the City relied primarily on the sales approach and employed the cost approach on a limited basis and the income approach was used only on some larger apartment, office and shopping centers.

Why did a new system result in the large increase in commercial assessments?

The change in systems did not cause the large increases. It did allow the City Assessor's Office to more thoroughly analyze what was already happening in the commercial real estate market in Charlottesville. The City's commercial real estate market is incredibly robust in terms of new construction and sales of existing properties. There are numerous examples of recent commercial real estate transactions in the City where properties were sold for much more than their assessed value.

Will commercial assessments go up this much every year?

It is difficult to project future assessments (either increase or decreases). It is unlikely that future increases will be of a similar magnitude.

Do commercial property owners pay a different real estate tax rate than residential property owners?

No. All property owners in the City pay the same rate of \$0.95 per \$100 of assessed value.

Can commercial property owners appeal their assessments?

Yes. All property owners (both residential and commercial) can appeal their assessments. The appeals process is located on the City Assessor's Office website at www.charlottesville.org. Once the assessments are mailed, property owners have 30 days to appeal the assessment by mail or in person at the City Assessor's Office in City Hall. The appellant may speak to an appraiser, review the data used in computing the assessment and, if necessary, schedule an inspection of the property.

After this, should a dispute still exist, a property owner may appeal to the Board of Equalization. The three-person board, appointed by the Circuit Court, is composed of City property owners. The board may affirm, reduce or raise the assessment, if in their opinion such adjustments are necessary to equalize the tax burden upon all citizens in the City.

Finally, if a property owner is dissatisfied with the Board's decision, they may appeal to the Circuit Court. If you have any additional questions, please contact the City Assessor's Office at 970.3136.