

Determining Mixed Use Percentages and Assessment Ratios



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Key Terminology for the Purposes of This Assessment Procedure

The terms *parcel* and *property* are used interchangeably to mean a contiguous area of land within a legally described boundary under a single ownership identified by a unique assessor's tax parcel number.

Property Classification is the act or process of putting property into groups, based on established criteria, for purposes of taxation. *Property Class* refers to one of Arizona's nine statutorily-defined groups of properties identified by A.R.S. [42-12001](#) through [42-12009](#).

A.R.S. [42-15001](#) through [42-15009](#) identify the assessment ratio assigned to each property class.

Many properties are simultaneously used for more than one purpose. These properties, referred to as *mixed-use properties*, must be classified proportionally in the appropriate property classification, or property class, for each use occurring on a property. Each part of a property used for a different purpose must be valued and assessed according to the statutory standards for each category of property use. Care must be exercised in calculating the assessment ratios that are applied to full cash values (FCVs) and limited property values (LPVs) when dealing with a property to which two or more property classifications apply. Caution must also be taken in order to avoid any erroneous overall assessment ratios being applied to mixed-use properties.

For example, a property which is used primarily for a "qualified" agricultural purpose, but which also has a commercial use on part of the property, must be classified as a class two property (for the agricultural use portion) and as a class one property (for the commercial use portion). Even though most of the property's land may be used for an agricultural purpose, the entire property does not qualify for a "qualified" agricultural use

property classification, or for application of the statutory land valuation procedure. Each part of the property must be classified according to its current use.

Statutory Authority

A.R.S. [42-15010](#) states: “In preparing the tax rolls, the county assessor shall apply the appropriate percentage to the full cash value or limited property value of property, as applicable, to show the assessed valuation.”

The procedure for calculating the “effective” (or overall) assessment ratio for a mixed-use property is described below. The effective assessment ratio is determined using the proportion of full cash value of the parcel(s) attributed to each use occurring on the property. Land area or other similar measures may not be used.

Calculating Mixed-Use Percentages and Assessment Ratios

1. Identify all of the current uses on the parcel and the property class appropriate for each use.
 - a) Identify the uses for the land and improvements separately.
2. Determine the FCV for the land in each property class occurring on the parcel.
 - a) Determine the percentage of the parcel’s total land value that is devoted to each use by dividing the value attributed to each use by the total land FCV.
3. Develop the assessed value for each property class by multiplying the land’s full cash value in each property class by the assessment ratio for that class, then adding the results. This recognizes the mixed-uses of the land.
4. Divide the total assessed value by the total land full cash value to arrive at the land’s mixed-use assessment ratio.
5. Determine the full cash value for the improvements in each property class in the same manner used for the land’s mixed-use calculation. This will develop the assessment ratio for the mixed-use as it applies to the improvements.
6. Add the full cash values and the assessed values for land and improvements for the parcel.
 - a) Divide the sum of the assessed values by the sum of the full cash values to yield the overall effective mixed-use assessment ratio for the parcel.
7. The limited property value is multiplied by the overall assessment ratio to arrive at the assessed limited property value for the parcel.

Example 1:

Property consists of approximately 100 acres. Total full cash value (FCV) of entire property is \$787,284. The full cash value of the land is \$418,400. Sixty-two percent (62%) of the land value is attributed to class two property (assessment ratio 15%); 38% is attributed to class three property (assessment ratio 10%). The full cash value of the improvement is \$368,884. Forty-eight percent (48%) of the improvement FCV is attributed to class three property (assessment ratio 10%); fifty-two percent (52%) of the improvement FCV is attributed to class two property (assessment ratio 15 %.) The total limited property value (LPV) of the entire property is \$635,881.

Class 2 Land Assessment Ratio: 15%	Current Land FCV: \$418,400
Class 3 Improvement Assessment Ratio: 10%	Current Impr. FCV \$368,884

Determine allocation of land FCV by each use of property; multiply result by assessment ratio for each use.

Land FCV Class Two	$\$418,400 \times 62\% = \$259,408$	$\$259,408 \times .15 = \$38,911$
Land FCV Class Three	$\$418,400 \times 38\% = \$158,992$	$\$158,992 \times .10 = \$15,899$

Divide sum of each parcel's land assessed value by the total land FCV to determine land assessed value ratio.

Land Assessed Value	$\$38,911 + \$15,899$	$=\$54,810$
Land Assessed Value Ratio	$\$54,810 \div \$418,400$	$=13.1\%$

Determine allocation of improvement FCV by each use of property; multiply result by the assessment ratio for each use.

Improvement FCV Class Two	$\$368,884 \times 52\% = \$191,820$	$\$191,820 \times .15 = \$28,773$
Improvement FCV Class Three	$\$368,884 \times 48\% = \$177,064$	$\$177,064 \times .10 = \$17,706$

Assessment Procedures

Divide sum of each parcel's improvement assessed values by the total improvement FCV to determine the improvement assessed value ratio.

Improvement Assessed Value	\$28,773 + \$ 17,706	=\$46,479
Improvement Assessed Value Ratio	\$46,479 ÷ \$368,884	= 12.6%

Determine overall mixed-use assessed value ratio by adding overall values of the land and improvement properties.

Total Current FCV	\$787,284	
Total Current LPV	\$635,881	
Overall Assessed Value	\$54,810 + \$46,479	=\$101,289

Divide total of assessed value of properties by total FCV of properties.

Total Current Mixed-Use Ratio	\$101,289 ÷ \$787,284	= 12.9%
Current LPV Net Assessed Value	\$635,881 x 12.9%	=\$82,029

Example 2:

Total Land Full Cash Value: \$125,000

Commercial use	1 acre (43,560 sq. f.)	1 acre (43,560 sq. ft.)	= \$ 75,000
Agricultural use	50 acres	x \$1,000/acre	<u>= \$ 50,000</u>
			= \$125,000

Percent of Use by Value in Each Property Class

Agricultural use	\$50,000	÷ \$125,000	= .400
Commercial use	\$75,000	÷ \$125,000	= .600

<u>Land Use</u>	<u>Land Value</u>	<u>Assessment Ratio</u>	<u>Assessed Value</u>	<u>Land Mixed-Use Assessment Ratio</u>
Agricultural use	\$50,000	x .15	\$ 7,500	
Commercial use	\$75,000	x .18	<u>\$13,500</u>	
			\$21,000	÷ \$125,000 = .168

Improvement Mixed-Use Calculation

Commercial use FCV:	\$ 88,000
Agricultural use FCV:	<u>\$ 52,000</u>
Total Improvement FCV:	\$140,000

Percent of Use by Value in Each Property Class:

Agricultural Use:	\$52,000 ÷ \$140,000=	.371
Commercial Use:	\$88,000 ÷ \$140,000=	.629

<u>Improvement Use</u>	<u>Imp. Value</u>	<u>Assessment Ratio</u>	<u>Assessed Value</u>	<u>Imp. Mixed-Use Assessment Ratio</u>
Agricultural use:	\$52,000	.15	\$ 7,800	
Commercial use:	\$88,000	.18	<u>\$15,840</u>	
			\$23,640	÷ \$140,000 = .169

Overall Mixed-Use Assessment Ratio Calculation

Land FCV	\$125,000	Land Mixed-Use Assessed Value	\$21,000
Improvement FCV	<u>\$140,000</u>	Improvement Mixed-Use Assessed Value	<u>\$23,640</u>
Total FCV	\$265,000	Total Assessed Value	\$44,640
Total AV	Total FCV	Effective (Overall) Mixed-Use Assessment Ratio	
\$44,640 ÷	\$265,000	=	.168

Example 3:

Property consists of a twenty-five acre citrus grove, a one-acre owner’s homesite with residence, and two acres devoted to fruit sales and shipping. Local area market data indicates one-acre residential sites are valued at \$50,000; commercial land is valued at \$3 per square foot. “Qualified” agricultural land used for permanent crops is valued by the assessor at \$1,000 per acre. Improvements on the residential homesite consist of a single-family house with a detached garage valued at \$125,000. The commercial improvements consist of a warehouse, shipping docks, etc., valued at \$100,000. The agricultural improvements on the land consist only of mature citrus trees, which are valued at \$600 per acre.

Land Mixed-Use Calculation:

Land Full Cash Value

Residential Use:	1 acre x	\$ 50,000 / acre	= \$ 50,000
Commercial Use:	2 acres x	\$ 3.00 / sq. ft.	= \$261,360
Agricultural Use:	25 acres x	\$ 1,000 / acre	= \$ 25,000
Total Land Full Cash Value	28 acres		= \$336,360

Percent of Use by Value in Each Property Class:

Residential use	\$ 50,000	÷ \$336,360 = .149
Commercial use	\$261,360	÷ \$336,360 = .777
Agricultural use	\$ 25,000	÷ \$336,360 = .074

<u>Land Use</u>	<u>Land Value</u>	<u>Assessment Ratio</u>	<u>Assessed Value</u>	<u>Land Mixed-Use Assessment Ratio</u>
Residential use	\$ 50,000	x .10	\$ 5,000	
Commercial use	\$261,360	x .18	\$47,045	
Agricultural use	\$ 25,000	X .15	<u>\$ 3,750</u>	
			\$55,795	÷ 336,360 = .166

Improvement Mixed-Use Calculation

Residential use	\$125,000
Commercial use	\$100,000
Agriculture	<u>\$ 15,000</u>
Total Improvement FCV:	\$240,000

Percent of Use by Value in Each Property Class:

Residential	$\$125,000 \div \$240,000 =$.521
Commercial	$\$100,000 \div \$240,000 =$.417
Agricultural	$\$ 15,000 \div \$240,000 =$.063

<u>Improvement Use</u>	<u>Imp. Value</u>	<u>Assessment Ratio</u>	<u>Assessed Value</u>	<u>Land Mixed-Use Assessment Ratio</u>
Residential use	\$125,000	x .10	\$12,500	
Commercial use	\$100,000	x .18	\$18,000	
Agricultural	\$ 15,000	x .15	<u>\$ 2,250</u>	
			\$32,750	$\div \$240,000 = .137$

Overall Mixed-Use Assessment Ratio Calculation

Land FCV	\$336,360	Land Mixed-Use Assessed Value	\$55,795
Improvement FCV	<u>\$240,000</u>	Improvement Mixed-Use Assessed Value	<u>\$32,750</u>
Total FCV	\$576,360	Total Assessed Value	\$88,545
Total AV	Total FCV	Effective (Overall) Mixed-Use Assessment Ratio	
\$88,545÷	\$576,360	=	.154