

Clallam County Board of Equalization  
Port Angeles, WA

To whom it may concern:

We are respectfully appealing our 2011 Notice of Value and request that the valuations of ID #49963 and #49962 remain at or below the 2011 tax year values.

Our guests, whom we solicit to stay at our B&B and farm, bring significant additional business and tax revenue to Clallam County, Washington State, and the National Park Service. These guests, the vast majority of whom are from outside the county, patronize other businesses such as restaurants, gas stations, gift shops, recreational activities, etc. while staying at the Inn. We serve a vital role in bringing visitors to the area as evidenced by 662 bed nights, mostly couples, in 2011. In the past 9 years, our development of an under-utilized 10-acre hayfield has increased annual county and state tax revenues from \$316.42 (based on adjoining & identical property ID#'s 49960 & 49952) to \$28,418. As actively-involved members of the Sequim Lavender Farmers Association, and as a Farm on Tour, thousands of visitors are attracted to the area by our privately-funded association of farmers.

For the 12 Months ending 11/30/2011 the following numbers apply:

Bed Nights: 662

Permit Fees Paid: \$1,029.36

Property Taxes Paid: \$10,905.57

Lodging Taxes Paid: \$16,483.06

No recent or comparable property sales of B&Bs can be found in Clallam County. Due to the fact that we must comply with residential zoning and limit our B&B to only 5 bedrooms, it is classified as a small B&B. As a result, the market value should be closely tied to the actual real estate value. Per reputable commercial property appraisers and research in this field, B&Bs often sell at valuations consistent with other residences in the residential neighborhoods in which they are located. An overbuilt house in a residential neighborhood will often be discounted, especially in a soft real estate market. A valuation tool often used in the B&B industry is one that's based on using the Net Operating Income and a Capitalization Rate (<http://www.eliotdalton.com/inn-value.html>). Utilizing a Cap Rate of 9%, the business valuation of our entire property, B&B and farm, comes to \$553,144 based on a NOI of \$49,783.26 (past 12 months). This figure includes both B&B and farm income and excludes the mortgage and depreciation.

Due to the fact that the property is zoned residential and a business valuation is below the current residential value of homes in our neighborhood, an increase based on a commercial valuation should not be a consideration. We believe our property is fairly valued at or below the 2010 tax valuation level and accurately reflects its 9 1/2 acre farm status, where the Carriage House is used exclusively as a seasonal farm store during the lavender season (July and August) and "farm stay" during the summer months, in lieu of not employing an on-site caretaker at the present time.

Signed: