

# FROM THE ASSESSOR'S OFFICE

The following provides general information on the revaluation process. The majority of this information was taken from the Vision Appraisal website. I hope it answers some of your questions about the 2010 revaluation currently going on in the Town of Deep River.

### What is a revaluation?

**A:** A Revaluation is the process of performing all of the necessary Market Analysis and Valuation steps to determine accurate and equitable values for all properties within a municipality. The equalization of the values within a Town creates a fair distribution of the tax burden. The purpose of a Revaluation is not to raise taxes. The purpose is to create an equitable distribution of the tax load.

### What happens during a revaluation?

**A:** This project requires a physical inspection of both the interior and exterior of each property in Town, referred to as data collection. While data collection is being conducted, appraisers are studying the recent market sales in order to gain a full understanding of the real estate market in our Town. This study of recent property sales allows the appraisers to establish parameters to estimate the value of property that have not been sold using comparisons with recent sales. The appraisers then gather and review these parameters and apply them to all non-sale properties in order to approximate the market value of each property that they are charged with appraising.

## Revaluation Flowchart



## Will a revaluation increase taxes?

**A:** A revaluation may result in an increase or decrease of individual assessments depending on how a property value increased or decreased relative to the average change in assessment. It does not mean that all property taxes will increase or decrease. Remember assessments are only the base that is used to determine the tax burden. The tax burden is the amount that the municipality must raise to operate the local government and support the many services each of us has come to expect, such as schools, police, etc. As an example, if the same amount of money is to be raised after the revaluation as the previous year and each assessment doubles, the tax rate would merely be cut in half.

## I am seeing a lot of bad news coming from the real estate industry. The press is reporting that property values are going down and that the credit crunch caused by risky mortgage loans is causing things to get worse not better. Is this being shown in my new assessment?

**A:** Your current assessment will be based on a State defined date of value which is October 1, 2010. Actual sales that have occurred up to that date are used as a basis for the creation of all of the valuation models. That date of value would reflect prevailing economic conditions (i.e. credit crunch caused by bad mortgage loans etc..) that are occurring at that time. **It is important to remember that when evaluating your change in assessment that you factor in when the previous assessment was calculated. The previous assessment in Deep River was October 1, 2005. Within the five year period, the market may have enjoyed substantial appreciation for three years before realizing some value decline.** The net result could still be a positive increase over a five year period. What you are currently reading in the papers is most likely a comparison of value changes over a one or even two year period which is not an apples to apples comparison of the revaluation results.

## What is market value and who determines my property value?

**A:** Market value is determined by people, by the activity in the real estate market and the general economy. The value of your property is based on an analysis of the entire market for a specified period of time before the completion of the revaluation project. The market can generally be defined as, you, the person who sold the property to you, and the person willing to buy it from you. It is the appraiser's job to research and analyze the values in any particular area or neighborhood. In effect, they do what you would do to determine the selling price when putting your property up for sale. However, the appraiser has specific guidelines to follow during their research. Some factors that are examined for each property are: location, size, quality of construction, age of improvements, topography, utilities, zoning restrictions, if any, etc.

## I've heard the values are developed by computer. Is this correct?

**A:** Just as in many other fields, computers are useful in the assessment process. Assessors are trained to look for relationships between property characteristics and market value. By coding these characteristics and studying sale prices, assessors can estimate value by developing

formulas and models. Computers are much faster and are capable of advanced analysis in this area. Despite these capabilities, common sense and assessor judgment are always required to verify assessments. Assessors most familiar with the neighborhoods and properties review all assessments.

### **What is market value?**

**A:** Market value is defined as the amount a typical, well-informed purchaser would be willing to pay for a property. For a sale to be a market value (arms-length) sale, the seller and buyer must be unrelated, the buyer must be willing (but not under pressure) to buy, the property must be on the market for a reasonable length of time, the payment must be in cash or its equivalent, and the financing must be typical for that type of property.

### **Will all property values change?**

**A:** Most likely, yes. However, not all property values will change at the same rate. Market value may have increased more for some neighborhoods and property types than for others. Some neighborhoods and property types may have decreased in value and others may have remained the same. One purpose of a revaluation is to make sure that the assessed values reflect the changes that have occurred in the real estate market.

### **Do all assessments change at the same rate?**

**A:** There are differences between individual properties and between neighborhoods. In one area, the sales may indicate a substantial increase in value in a given year. In another neighborhood, there may be a lesser change in property values.

Different types of properties within the same neighborhood may also show different value changes. For example, one - story houses may be more in demand than two - story houses or vice versa. Older homes in the same area may be rising in value more slowly than newer homes.

Among the numerous factors to be considered that will cause values to differ are location, condition, size, quality, and number of baths, basement finish, garages, and many others.

### **I own a waterfront property. Are waterfront properties unfairly singled out during a revaluation?**

**A:** The simple answer is no. Contrary to popular belief, waterfront properties are assessed at the same level of market value as every other type of property located within a Municipality. Over the last 10 to 15 years, due to a small supply and an ever-increasing demand, waterfront property values have increased at a significantly higher rate than properties in other City and Town locations. Revaluations that have been undertaken since this significant value appreciation simply reflected this substantial increase in market value in the form of a new, higher assessed value. Although we fully understand that these value changes and resulting tax increases can certainly have a negative economic impact on an owner, assessors are powerless to do anything

but reflect full and fair market value as required by State law. It is also of the utmost importance to be aware that the higher assessed values are not created by the appraisal firms or the Assessor's Office, but by the sales activity that occurred along the waterfront prior to a revaluation. Despite lots of negative press regarding the impact revaluations have had on waterfront property owners, there has been hard market data to back up the waterfront assessed values. In fact, studies conducted after revaluations that occurred in the early 2000s actually showed that waterfront properties were still appreciating and were in fact selling for more than their new assessment. As we come to the end of 2007, this trend seems to be changing. Waterfront properties that were heavily impacted from revaluation 5 years ago do not seem to be increasing as much in subsequent revaluations. Only time and sales activity will tell what impact the next revaluation will have.

### **Why did my land value change differently than my building value?**

**A:** Since the last revaluation, real estate values have changed significantly. Over the same period, building construction costs have increased at a slower rate than property values have appreciated. Since building costs have not increased as much as total values, the bulk of the total increase, if any, is attributable to land. This makes perfect economic sense, as it is land that is limited supply.

### **What sales did you compare to my home to arrive at my value?**

**A:** This question, although common, highlights one of the clear differences between the revaluation appraisal process and the more well-know "bank" appraisal. Most homeowners have had a "bank" appraisal on a property before and are familiar with the process involved and the resulting report. Many assume that the revaluation company uses the same process. Although the appraisal concepts are the same and the results similar, the process is different.

To answer this question it is important to understand that in a revaluation, the value of your property is based on an analysis of the entire real estate market for a specified period of time before the completion of the revaluation project (usually a one or two year period). This study of recent property sales allows the appraisers to establish valuation parameters (construction rates, land rates, market adjustments, etc). Ideally, when these valuation parameters are applied to the properties that sold, the calculation will result in an appraised value that is very close to the sales price.

The revaluation appraisers are required by the State to test that the parameters being used are consistently producing values that closely approximate the sale prices across all types of properties throughout the town. When this is accomplished, the appraisers can then apply these same valuation parameters to all of the "non-sale" properties in the town. In doing so, they are approximating the market value of each property using the information derived from all of the sales. Therefore, no particular sale or group of sales was used to determine the value your property. This is because ALL of the recent sales were included in the analysis that set the parameters used in the revaluation of your town.

### **What if there hasn't been a recent arms - length sale of my property?**

**A:** The next best evidence is the arms length sales of reasonably comparable properties. These are properties similar to yours in location, age, style, condition, and other features that affect market value, such as the number of bedrooms and bathrooms and size of garage.

### **What if there are no reasonably comparable sales?**

**A:** We will then consider all other factors that may affect the market value of your property. The cost to replace your building(s), less any depreciation, plus the value of the land could be used to estimate market value. For income producing properties, the income and expenses could be considered.

### **I have recently built my home. Will the actual construction costs be considered?**

**A:** Your construction cost is a historical figure that may or may not reflect the current market value of your property. It is only one element that will be considered.

### **What will happen to my assessment if I improve my property?**

**A:** Generally speaking, improvements that increase the market value of a property will increase the assessment. The following examples are typical items that may increase the assessed value of your property. - adding living or rentable area - substantial modernization of kitchen or baths - extensive remodeling - adding features such as A/C, finished basement rooms, garages, pools, etc.

### **Will my assessment go up if I repair my property?**

**A:** Normal maintenance will help retain the market value of your property, but generally will not affect your assessment.

### **How can my assessment change when I haven't done anything to my property?**

**A:** General economic conditions such as interest rates, inflation rates, and changes in the tax laws will influence the value of real estate. As property values change in the marketplace (sales), those changes will eventually be reflected on the assessment roll.

### **Will the person who inspects my property be able to tell me my new assessment?**

**A:** No. We have to first analyze all of the information gathered throughout the Town before placing a value on your property. We will then further review this information to ensure that your assessment corresponds fairly to the assessments of other properties.

## Who is Vision?

**A:** Vision is a real estate appraisal and appraisal software development company headquartered in Massachusetts. They are typically hired by a City or Town to help them fulfill the State requirement to reassess all real property so that the assessments reflect current market value as of a certain date, October 1, 2010 for Deep River. The work is largely regulated by State law which dictates when and how we reassess properties. They have been providing Appraisal Services and Computer Assisted Mass Appraisal Software (CAMA) to Assessing departments located throughout the United States since 1975.

Despite the fact that they are a Massachusetts company, their employees live and work throughout New England and contrary to popular belief, also own houses and pay property taxes. Because their employees are geographically dispersed, they can assign them to projects in their home State thus allowing them to apply their local knowledge to their professional experience.