

- **Purpose of Assessing**

- **Is not** to raise money so the city can spend more.
- The purpose of Assessing is to divide the cost of running the city by the total value of all real estate holdings.
- Illustrate tax rate calculation

$$\frac{\text{Cost to run the city (less other revenue sources)}}{\text{Net Assessment (Total of All Assessments)}} = \text{Tax Rate}$$

- **How appraised**

- Assessments are not based on services received.
- State law requires that assessments be based on market value and that all properties are to be proportionately assessed.
- Market Value is defined in state law as:  
“Market value means the property's full and true value as the same would be appraised in payment of a just debt due from a solvent debtor.”

Appraisals done for lending purposes, to secure a just debt from a solvent debtor (mortgagee) typically expand this definition to be:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

- **Proportionately Assessed Values**

Before coming to this job, I spent ten years performing appraisals for lending purposes, based on this experience, I can tell you that there are three major differences between appraising real estate for property tax purposes and appraising for other purposes, i.e. lending, court cases, etc.

1. Point In Time
  - Appraisals for Assessing purposes are always as of April 1<sup>st</sup> .

- Appraisals for all other purposes could be as of today's date, a date in the future or a date in the past, depending on the needs of the client.

## 2. Methods used

- Residential Appraisers typically utilize the direct sales approach to value. They select at least three sales that have recently sold that offer a similar appeal and marketability as the property being appraised.
- Mass Appraisal Models utilize a market adjusted cost approach to value. That is to say, they appraise a universe of properties at the same time utilizing all valid sales available in a market during a given period. If more sales are needed to get a representative sample, older sales adjusted for time can be utilized.

## 3. Proportionality

- Appraisers are concerned only with the value of the subject of their appraisals.
- Whereas an Assessor must have values that not only meet the test of market value, but these values must be proportional. That is to say, all properties are either at market value or at the same distance from market value.

## • How is a Mass Appraisal Performed

- A Mass appraisal is not performed by adding a percentage to the previous year's assessment
- It is performed by developing a set of standards that when applied to all properties in the community and calibrated by current market conditions provide proportional assessments
- Description of Standards
  - Define neighborhoods – a group of properties that are impacted by similar external forces.
  - Determine from sales the value of the first acre in each neighborhood, the declination of value for lots less than 1 acre, and the value of excess land (land in excess of the 1<sup>st</sup> acre)
  - Utilizing national cost services, interviews with builders and conversations with Realtors, determine what components of a building are considered when a property is purchased and what value is attributed to these components. i.e. size measured in square feet, number of bathrooms, style, condition, age, quality, amenities, etc.
- Description of Calibration
  - After establishing & setting base values in the appraisal model contained in the computer software, the properties that sold are calculated with the new base values.
  - These calculated values are then divided by their sale prices to get a market to assessment ratio.

- These ratios are then grouped by age, condition, use, building type and location.
  - The tables that contain the values for these groups are calibrated, so that when these groups are arrayed again, the value of the median assessed value to market value ratio is at market value.
  - Notice we use the median (middle) ratio, not the highest, lowest or average ratio.
  - When the tables in the appraisal model are set to current market values, all properties in the city are then calculated and posted as the new assessed values for that year.
  - The above calibration procedure is for residential homes. Commercial & Industrial value tables are calibrated utilizing the income approach to value, since there are fewer sales available.
  - The income approach to value is base on a property's ability to generate a cash flow.
- **OK Then, That's the Assessing Crash Course, Now the important stuff!!**
    - **Is the information in the Assessing records on my property correct?**
    - This information is available on the Internet or at the counter in the assessing office.
    - Check such things as measurements, rounded to the nearest foot, number of bathrooms, style of home, outbuilding quantity and size, etc.
    - **Is your assessment fair compared to other similar homes in your neighborhood**
    - If a home on your street has more quantitative and qualitative features is their assessment higher than yours and also if a home has less is their assessment lower than yours.
    - Put yourself in the shoes of a buyer, would you pay more or less for other homes on your street.
    - In the end it all comes down to what sellers are willing to sell for and what buyers are willing to pay.

**The Purpose of Assessing is to Divide the Cost of Running the City, Based on the Value of Real Estate Holdings**

- **Appeals**

- If after reviewing your assessment, you have reason to believe that your assessment is not reasonable or the physical data is incorrect you should file an appeal.
- The filing period for appeals is from the receipt of your final tax bill, typically referred to as your December bill, and no later than March 1<sup>st</sup>. For instance from when you receive your final bill in November of 2009 and no later than March 1, 2010.
- The Forms for these appeals are available on the Assessing page of the City's Internet site or at the Assessing Office.

Please remember, "My taxes are too high", is not a valid reason for an appeal.

- **Internet Access**

- [www.rochesternh.net](http://www.rochesternh.net) See attached flyer. Remember less gives you more from a computer, i.e. if you want to search on a street, say Wakefield, **do not** put in the street number. Just enter WAKE and hit enter. You will get a list of every street address that begins with those letters. **Less will give you more.** And when you select the search tab again the list will still be there.
- **Veteran Credits**, the information flyer is attached. There is a one time application, but if you move to another home in the city, you will need to apply again and the credit stays with your old home for the balance of the year. Also, you must apply no later than April 15<sup>th</sup> of the tax year. However, a veteran with a total and permanent service-connected disability or their surviving spouse may apply anytime.
- **Exemptions** must apply every year, no sooner than January 1<sup>st</sup> and no later than April 15<sup>th</sup> preceding the tax year the exemption is for. Before an exemption is granted, a complete review of applicants' finances will be conducted by the assessing office. Until the office is satisfied that the applicant is qualified, no exemption will be granted.
- Elderly exemptions, review attached flyer, comment on councils review of income.
- Disabled Exemptions, review attached flyer, comment on councils review of income.