

Revaluation – Statistical Update of Assessment Values

Frequently Asked Questions

What is a revaluation?

According to the Department of Revenue Administration (DRA), “Revaluation” means the act of re-estimating the worth of real estate of the entire municipality using standard appraisal methods, calibration of the CAMA tables and models, establishment of a new base year with a USPAP compliant report, and providing for statistical testing by either a full revaluation or a full statistical revaluation.

KRT Appraisal (KRT) and the Town of Grantham will be updating existing grading and pricing schedules for property valuations and maintaining the existing valuation system by performing a statistical update of assessment values. To do this, we will complete 5 phases: (1) Sales Measure and List/Validation, (2) Market Analysis, (3) Valuation, (4) Field Review, and (5) Informal Hearings. During these phases many tasks will be completed to ensure the Statistical Update is successful. Below is a general outline and explanation of each phase of the project.

PHASE 1: SALES MEASURE AND LIST/VALIDATION

During this phase, KRT appraisers will measure and list each property that sold between April 1, 2018 and March 31, 2020 and review the information on the property record card for data accuracy. Once keyed, an appraiser will perform a field review and make notes regarding the property location, size, condition, quality of construction, and numerous other characteristics that may affect value. The goal is to gain a clear understanding of what sold and for what price. In conjunction with the Assessing Office, KRT will begin the process of qualifying sales as “Arm’s Length”. Only qualified sales with market exposure between a willing buyer and willing seller (in other words, an “arm’s length” sale) will be used in the analysis.

KRT Field Representatives will carry Picture IDs, Municipal Letters of Introduction, and have their vehicles listed with both the Assessor’s Office and Police Department.

PHASE 2: MARKET ANALYSIS

A variety of resources are used to analyze the real estate market. KRT will be analyzing property sales that took place over the last two years to determine which market factors influenced property values. KRT Appraisal may gather and use information from Multiple Listing Service (MLS), property managers, developers, and local real estate professionals. Once all the data is collected and reviewed for accuracy, the appraiser will determine land values and delineate neighborhoods, which rate the desirability of locations throughout the Town as determined by actual market activity.

PHASE 3: VALUATION

Valuation is done using one of the three recognized appraisal methods: Cost Approach, Income Approach and Sales Comparable Approach. Mass appraisal uses a market adjusted cost approach to generate assessments.

During this phase, individual characteristics of the buildings are analyzed using information gathered in both phases 1 and 2. Each property is compared to other comparable properties with similar

characteristics. Then the market values of the improvements are added to the land value that was previously determined. This value is the final estimate for each parcel of property, building and land.

PHASE 4: FIELD REVIEW

Field Review is the method of checking and re-checking both the values that have been determined and the accuracy of the data used. During this phase, properties are viewed in the field by experienced appraisers to ensure that the appraisal methodology established from the sale properties is consistently applied to the entire population of properties within the Town of Grantham.

PHASE 5: INFORMAL HEARINGS

Once the Field Review is completed and the values are approved by the Assessor's Office, a notice stating the proposed value will be mailed to each property owner. The goal is for this phase to be completed in the late summer of 2020. At that time anyone with questions concerning the revaluation process or the value established for their property will have an opportunity to talk with a member of KRT's staff.

After all five phases are completed, all data, files, records, etc. used in the revaluation will be turned over to the Town for retention.

Why is a revaluation performed?

A revaluation is done to equalize the values within a municipality to ensure a fair distribution of the tax burden. It is not done to raise taxes. Property values change over time, but they do not all change at the same rate. Market value may have increased more for some neighborhoods and property types than for others, while others still may have decreased in value. A revaluation is done to make sure assessed values reflect changes that have occurred in the real estate market.

Will a revaluation increase my taxes?

A revaluation may result in an increase or decrease in an individual property's tax burden depending on how the property's value increased or decreased relative to the average change in assessment. A revaluation does not mean all taxes will increase or decrease.

Assessed values are the base by which the tax burden is determined. In contrast, the tax bill is determined by the amount of tax which must be raised by the municipality to cover the municipal, county, and school budgets. For example, if the municipal, county, and school budgets were to remain the same and all assessed property values were to double, the tax rate would merely be cut in half, but the same property tax amount would be due from each property.

A revaluation does not increase the tax dollars that a municipality is able to raise. The amount of taxes to be raised is determined by the budgets that are passed by the municipality, school, and county, and not by property assessments.

Will all property values change?

It is likely that most property values will change, however, they will not all change at the same rate. Market value may have increased more for some neighborhoods and property types than for others. The values of some neighborhoods and property types may have even stayed the same or decreased in the

current market. The purpose of the revaluation is to make sure that the assessments reflect those changes in market value.

What is fair market value?

Market value is defined as the amount a typical, well-informed buyer would be willing to pay a willing seller for a property. For a sale to be considered a qualified sale used to determine market value, it must be an arm's length transaction -- the buyer and seller must not be related, the buyer must not be under pressure to buy and the seller must not be under pressure to sell, the property must be on the market for a reasonable length of time, the payment must be in cash or equivalent, and the financing must be typical for that type of property.

How will market value determine my assessed value?

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, in this case from April 1, 2018 to March 31, 2020. The sales are researched and analyzed and factors such as location, size, quality of construction, age of improvements, topography, utilities, zoning restrictions, etc. are analyzed to establish valuation parameters (construction rates, land rates, market adjustments, etc.). When these valuation parameters are applied to the properties that sold, the calculation will result in a value that is very close to the sale price. The revaluation appraisers then test that the valuation parameters consistently produce values that closely approximate the sales prices across all types of properties throughout the Town. When this is accomplished, the revaluation appraisers can then reapply 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 recent, qualified sales. Using this methodology, there is no particular sale or group of sales that are used to determine your property's value (unlike a bank appraisal for a mortgage).

Do all assessments change at the same rate?

Not necessarily. Individual properties within the same neighborhood differ in characteristics and different neighborhoods command different values. In one area, the sales may indicate a substantial increase in value, while another neighborhood may see a lesser change in property values. Different types of properties within the same neighborhood may show different value changes. For example, older homes may be rising in value more slowly than newer homes in the same neighborhood, or one story homes may be in more demand than two story homes, or vice versa. There are numerous factors that will cause values to differ between properties including, but not limited to, location, condition, size, age, quality, and building style.

The inside of my home was not inspected, so how could you reassess it?

The Assessor's Office maintains a complete record of each property. Information is kept current through permit inspections, sales inspections, periodic re-inspection and exterior reviews. These records are available for your review in our office. The details on your property card are used to determine your new value. When entry is not gained, assumptions and estimates are made by the appraiser as to the quality and condition of the interior during the field review. We encourage you to review your property card for data accuracy.

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

Improvements that increase the market value of a property will, likely, increase the assessment. Examples of improvements that are likely to increase the value of your property are building additions, kitchen, bath or other substantial renovations, adding features such as central air conditioning, finished basement, garages, etc.

Will my assessed value increase if I repair my property?

Normal and routine maintenance will help retain the market value of your property but will not generally affect your assessed value. Extensive repairs to a property that greatly improve the condition of buildings, however, will likely increase the value.

Why did my assessment change when I haven't done anything to my property?

Market value is determined by the activity in the real estate market and the general economy. As property values change in the marketplace, which is reflected in sales, those changes will eventually be reflected in the assessments.

Will the construction cost of my recently built home be considered?

The cost to build your home, though recent, 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 if there hasn't been an arm's-length sale of my property recently?

Your property's value will be determined using the valuation model built by analyzing the qualified (arm's-length) sales of properties in Grantham over the past 2 years (see "How will market value determine my assessed value?" above).

What if there are no reasonably comparable sales?

All other factors that may affect the market value of your property will then be considered, such as the cost to replace your building(s) less any depreciation, plus the value of the land could be used to estimate the market value. For income producing properties, the income and expenses may be considered.

When will I know how much my next tax bill will be?

A notice stating the proposed assessed value will be mailed to each property owner. The goal is for this phase to be completed in the late summer of 2020. The tax rate (the rate used to calculate property taxes due) is determined by the DRA after the municipal, county, and school budgets and values are finalized and the Town sends DRA an MS-1 report. In general, this happens in the fall of the Revaluation year.