



# Town of Bristol

## 2014 Revaluation Project

**Northeast Revaluation, Finnegan Appraisal and  
The Town of Bristol  
have prepared the following presentation.**



# What is a Revaluation, continued...

- A revaluation estimates new values on real estate based on specific rules and current market data.
  - Who's rules?
    - IAAO (International Association of Assessing officers)
    - State of Rhode Island guidelines
    - Regional methodologies tested over time

# What is a Revaluation, continued...

- A Careful analysis of **recent selling prices**, as well as property inspections, are conducted to identify and quantify the features that have motivated buyers and sellers in the Real Estate market.
- The analysis results in the creation of schedules which are used to **systematically** value the properties.
- The schedules are **statistically tested** to verify their ability to predict estimates of current fair market value, accurately and uniformly.



# Why is property revaluation important?

- Since all assessed valuations are based on sales *as of a certain date*, later changes in the market will gradually make assessments out of step with the real estate marketplace.
- The current assessments in Bristol are as of 12/31/2010. The assessment date for the current revaluation is **12/31/2014**
- The rise and fall of real estate values make certain properties more valuable or less valuable, in relation to each other.



## Why revaluation is important, continued...

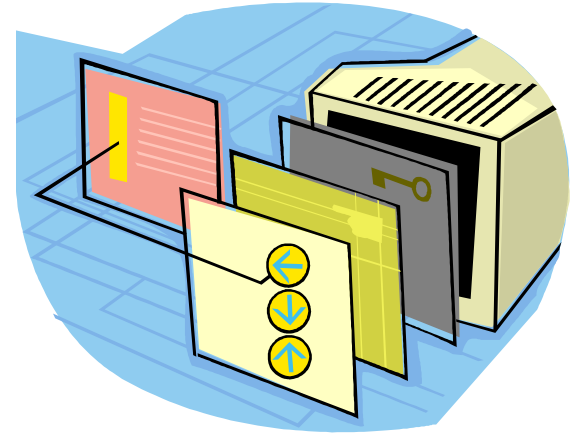
- Doing a revaluation every three years brings the assessments into line in a more timely manner; and it provides a quicker correction to assessments when markets boom or suddenly lower.
- When assessments are brought back into line with the market, the result is a *fair distribution of the tax burden*.

# What is a Revaluation, continued...

- The purpose of a revaluation is not to determine the **amount** of the Town's total property tax burden but rather to determine the **distribution** of this tax burden.
- The **amount** of the tax burden tax is determined by the Town's budgeting and legislative bodies
- The tax rate is simply the rate which provides the funds to pay for these services.

You may hear us use the term

“CAMA”



- Computer Assisted Mass Appraisal Software

*Stores all the information regarding the property & is used by the assessing department and the revaluation staff to analyze real estate market data and produce new assessed values.*



# Revaluation Process in a Nutshell:

- Take a group of properties that have recently sold representing all variety of characteristics and price ranges.
- Create a property data file of these sold properties that contains the sale prices and data about the characteristics that are key in determining value. such as neighborhood, land size, dwelling style, size and age, etc.
- Apply valuation models or schedules to this file of sold properties and repeatedly refine them until the new assessed value on each sold property closely matches its sale price.
- Apply the models to the property descriptions of all properties in the Town and produce a set of new property assessments.



# Revaluation Process

Data  
Collection

Inspection of All Improved Properties  
Building Permits  
Data Entry into CAMA



Primary  
Analysis

Building Costs  
Age/Depreciation Correlation  
Neighborhood Delineation  
Land Values  
Statistical Verification



Field  
Review

Drive by review of proposed values  
Do individual values make sense?  
Observe economic influences  
Additional discovery & adjustments



Final  
Analysis

Additional data collected in Field Review  
Latest sales data analyzed  
Final adjustments



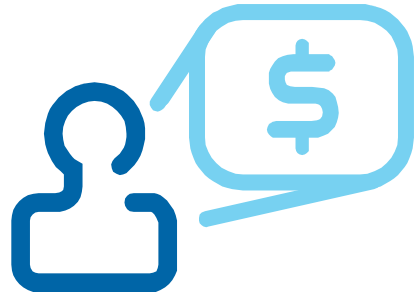
Informal  
Hearings

Homeowner's opportunity to meet with  
Northeast if they feel their value is  
not in line with the market, or if they feel the  
property information is incorrect



Appeal  
Process

Property Owners have the opportunity to  
appeal their value. First to the Assessor, then  
the Tax Board of Review, and finally  
to Rhode Island Superior Court



## What is “Market Value”

- “Market Value”
  - *The most probable sale price of a property in terms of money in a competitive and open market, assuming that the buyer and seller are acting prudently and knowledgeably, allowing sufficient time for the sale, and assuming that the transaction is not affected by un-due pressures.*
    - *The International Association of Assessing Officers*

# The Raw Material of A Revaluation: Recent Property Sales

- In order for a sale price to be used as an indicator of value, the sales transaction must be what is referred to as an “arm’s length sale” or an “open market sale.”
- An arms length sale is one that sells in a competitive and open market, assuming that the buyer and seller are acting prudently and knowledgeably, and assuming the price is not affected by special influences.
- A large number of sales occur each year that do not represent the arm’s length transactions necessary to be included in the revaluation process. These non-arm’s length sales are identified and excluded from the valuation process.

# Qualifying Sales:

## Examples of Non-arms length sales:

- Sales between family members
- Sales in which a financial institution is the buyer or seller
- Sales between corporate affiliates
- Sales involving courts, government entities, or public utilities
- Sales involving charitable, religious, or educational institutions
- Estate sales
- Sales to property abutters
- Sales where the buyer or seller is under duress or may not be acting prudently or knowledgeably regarding all potential uses of the property

# Valuation In General

- The valuation methodology used in Bristol and in many jurisdictions is known as the “market adjusted cost approach.”
- This valuation methodology is a variation of the traditional “replacement cost new less depreciation plus land.”
- In the final analysis, it is what the real estate market tells us about the value of property that determines the assessed value.

# Valuation In General, continued ...

- “Improved properties” consisting of a dwelling and land are sold as packages; and it is the total assessed value that is used as the basis for taxes and that must be defended in an appeal process.
- While it is common practice in a revaluation to produce separate land and building values for improved properties, it is helpful to recognize that these land and building value components do not actually exist as entities that are bought and sold separately.
- For example, we do not see separate land and building asking prices on “For Sale” signs or on multiple listing services; nor are they negotiated separately by buyers and sellers.
- In this sense, the segregation of the component land and building values of improved properties can be thought of as somewhat artificial in nature.

**Question:**  
***Is Revaluation an Art or a Science?***



**Answer: Both!**

Assessors and appraisers are trained professionals who must comply with appraisal standards and regulations; but they also need to ...

- ✓ Use judgment and common sense
- ✓ Have appraisal judgment and interpretative skills



# Building Valuation

- Building cost tables in the CAMA system reflect as credibly as possible the current cost to replace existing structures.
- Depreciation is applied to the replacement cost new estimate of the buildings to reflect their current value.

# Uniform Appraisal Dataset (UAD Codes)

Under the direction of the Federal Housing Finance Agency, (FHFA), Fannie Mae and Freddie Mac, (the GSEs), have developed the Uniform Mortgage Data Program to enhance the accuracy and quality of loan data.

Northeast Revaluation, working with the Town of North Providence, has adjusted the Quality and Condition definitions used in mass appraisal to match the UAD codes

18 Grades were replaced with 6 Q codes, and 11 Conditions were replaced with 6 C codes.

This provides consistency between the mass appraisal methodology, fee appraisals, and the Assessor's database.

	<b>Grade</b>	<b>Condition</b>	
	<b>Q1</b>	<b>C1</b>	
	<b>Q2</b>	<b>C2</b>	
	<b>Q3</b>	<b>C3</b>	
	<b>Q4</b>	<b>C4</b>	
	<b>Q5</b>	<b>C5</b>	
	<b>Q6</b>	<b>C6</b>	



# What about Land values?



- Land values can vary dramatically based on:
  - Location
  - Zoning
  - Waterfront, View, Partial View
  - Topography, Easements, Wetlands

# Land Valuation, continued ...

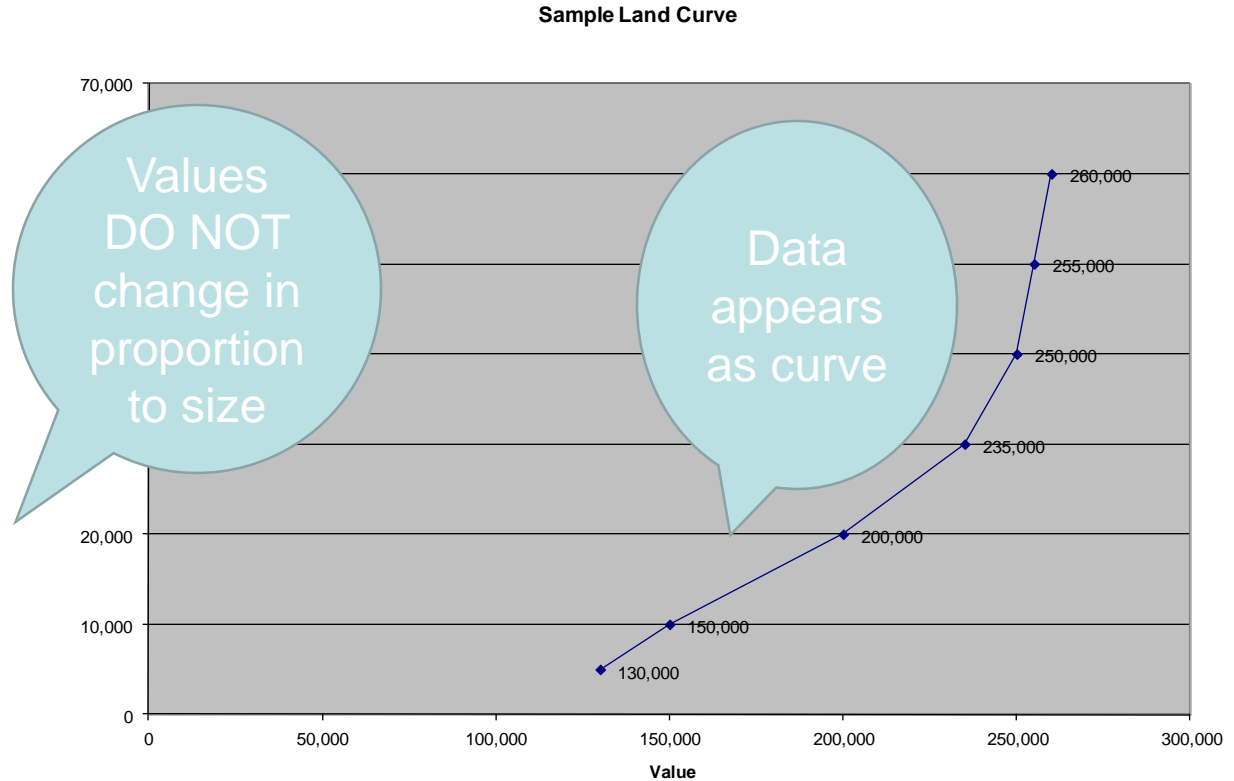
- The use of what is referred to as “land residuals” or “abstraction” is a method of land valuation that is used when there are not an adequate number of land sales.
- Using this method, the assessor and the revaluation contractor turn to improved property sales rather than solely to vacant land sales to develop land values.
- By subtracting an indicated market value of the improvements from a sale price, one is able to arrive at the contributory value of the land. For example:
  - Sale Price: \$400,000
  - Building Value: -\$250,000
  - Land Residual: \$150,000

# Land Valuation, continued ...

- In general, the value of land in the real estate market rises as parcel size increases; but it does not rise in direct proportion to size.
- If a town's zoning regulations dictate that only one house can be constructed on a 10,000 square foot parcel and, likewise, only one house can be constructed on a 40,000 square foot parcel, then both lots have essentially the same utility – the construction of one house.
- Therefore, buyers do not pay four times the price of a 10,000 square foot lot for a 40,000 square foot lot.

# Land Valuation, continued ...

LAND SIZE (SF)	LAND VALUE
10,000	150,000
20,000	200,000
30,000	235,000
40,000	250,000
50,000	255,000
60,000	260,000



*Typically, land curves are created for several neighborhoods*

# Land Valuation, continued ...

While smaller parcels of land generally have lower *values* than larger parcels of land, it is important to understand that smaller land parcels nevertheless typically have higher *dollar per square foot* values.

LAND SIZE IN SQ FT	LAND VALUE	VALUE PER SQ FT
10,000	150,000	15.00
20,000	200,000	10.00
30,000	235,000	7.83
40,000	250,000	6.25
50,000	255,000	5.10
60,000	260,000	4.33

# Sales Ratio Analysis

The principal method of evaluating the extent to which assessed values reflect the current real estate market is to analyze the relationship (i.e. “the ratio”) between the assessed value of properties that have recently sold and their selling prices.

**Assessment**

**\$475,000**

**Sale Price**

**\$500,000**

**Ratio**

**.95**



# Sales Ratio Analysis, continued ...

There are two principal ways to analyze lists of assessment to sale price ratios:

- The Level of Assessment
- The Uniformity of the Assessments (COD)

# Sales Ratio Analysis, continued ...

- Level of Assessment refers to the overall (median) Assessment to Sale Price Ratio (ASR). That is, for example, it answers the question of whether the assessments are at one hundred percent of market value; or lower than market value; or at some percentage above market value.
- Uniformity of Assessment refers to the extent to which all the assessment to sale price ratios being analyzed in the revaluation are clustered together as opposed to being widely disparate. Assessment uniformity is usually expressed in terms of the statistical measure: “COD” (Coefficient of Dispersion).

# Level of Assessment

ASSMNT	SALE PRICE	RATIO	ASSMNT	SALE PRICE	RATIO	ASSMNT	SALE PRICE	RATIO
750,000	825,000	0.91	900,000	825,000	1.09	895,000	825,000	1.08
275,000	400,000	0.69	275,000	400,000	0.69	435,000	400,000	1.09
210,000	365,000	0.58	360,000	365,000	0.99	390,000	365,000	1.07
620,000	700,000	0.89	645,000	700,000	0.92	780,000	700,000	1.11
450,000	670,000	0.67	590,000	670,000	0.88	725,000	670,000	1.08
824,000	953,000	0.86	899,000	953,000	0.94	1,100,000	953,000	1.15
475,000	759,000	0.63	698,800	759,000	0.92	830,000	759,000	1.09
304,000	430,500	0.71	405,000	430,500	0.94	445,000	430,500	1.03
295,000	575,000	0.51	550,000	575,000	0.96	600,000	575,000	1.04
268,000	417,000	0.64	400,000	417,000	0.96	525,000	417,000	1.26
	<b>Median Ratio</b>	<b>0.68</b>		<b>Median Ratio</b>	<b>0.94</b>		<b>Median Ratio</b>	<b>1.09</b>

# Coefficient of Dispersion (COD)

The standard for COD's in a municipality the size of Bristol, is 15% or less. The COD, (Coefficient of Dispersion), simply measures how far apart the new assessments are from the actual sale prices.

## Neighborhood A

Assessment	Sale Price	A/S Ratio
468,000	600,000	78.0%
442,500	500,000	88.5%
400,000	399,990	100.0%
500,000	400,000	125.0%
567,000	420,000	135.0%
<b>Median Ratio</b>		<b>100%</b>

COD = 18.7

## Neighborhood B

Assessment	Sale Price	A/S Ratio
598,500	607,615	98.5%
595,200	600,000	99.2%
580,000	580,000	100.0%
575,000	558,250	103.0%
585,000	559,800	104.5%
<b>Median Ratio</b>		<b>100%</b>

COD = 2.0

# Types of Assessment to Sale Price Ratio Analysis Reports

- Overall
- Neighborhood (e.g. location)
- Dwelling style
- Sales price ranges
- Sale date ranges
- Dwelling construction quality
- Dwelling age ranges
- Dwelling condition
- Condominium complex

# How can I tell if my value is correct?



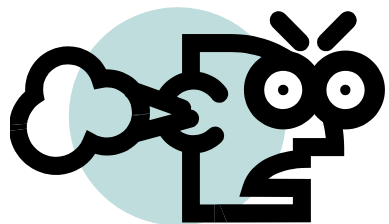
- Compare your value to similar properties in your area which have sold.
- Compare to recent appraisals you have had on your property for mortgages or refinancing.
  - Note that prices trend both up and down, so an appraisal greater than a year old needs to be adjusted.

# Why can similar properties have different values?



- Location
  - Desirability of the neighborhood
  - External influences
  - Traffic, schools, waterfront, view
- Buildings
  - Size of the buildings
  - Quality of construction
  - Condition
  - Amenities





## Suppose I disagree with my value?

- On the notice will be a telephone number which you can call to arrange an informal hearing with our company.
- Personal hearings will be made by appointment with everyone who requests one.



# Website Scheduler

## Town of North Providence

### Office of the Assessor

2000 Smith Street  
North Providence, RI 02911

March 20, 2014

Smith, John  
123 Smith Street  
N Providence, RI 02904

Username: **np1234**  
Password: **aQ6fT2**

The Town of North Providence, in accordance with Rhode Island State Statute 44-5-11.6, has completed its Full Revaluation. The purpose of this Revaluation is to bring the assessed values of property in line with the current market values. Your new valuation is effective December 31, 2013 and applicable to the 2014 tax bill. It represents the full value of your property based upon 2013 market values. Please do not multiply this value by the current tax rate. The new tax rate will be set by the Town at the annual Financial Town Meeting. Your assessed values do not reflect any exemptions to which you may be entitled.

A listing of all properties is available on the internet at [www.nereval.com](http://www.nereval.com). They are also available at the Assessor's office during normal business hours. In addition we have posted a Power Point presentation regarding the revaluation at the same website; [www.nereval.com](http://www.nereval.com). If you feel you need an informal hearing and can demonstrate that the appraised value is in excess of market value as of December 31, 2013, please contact Northeast Revaluation at 401-737-0300 between the hours of 9:00 AM and 4:00 PM by April 9th to schedule an appointment that is convenient for you. You can also schedule appointments online at [www.nereval.com](http://www.nereval.com) with the credentials shown above.

**Location:** 123 Smith St

**Assessed Value as of 12/31/2013:** \$357,700

**Plat/Lot:** 1-12      **Account Number:** 1234

**State Code:** 02

## Appointment Book

Username:

Password:

Submit





# What should I bring to the hearing?

- *Any documents or evidence that supports your claim. This includes:*
  - Recent real estate appraisals
  - Any documents regarding easements, wetlands, etc.
  - Photographs or documents that relate to structural or other problems. (please bring in copies, we cannot return originals)



# Keep in Mind...

- No Adjustments are made at the Hearing.
- We will listen, and collect any info you have that relates to the value of your property.
- All properties that have a hearing are reviewed and adjustments are made where appropriate.
- The hearing officer will be discussing property values and *will not have information regarding tax rates.*



# Then what happens?

- Those who attend a hearing will receive a notice (by mail), indicating whether their assessment has been changed, and, if so, what the new value is.
- If a property owner is still not satisfied, they have the right to appeal to the North Providence Tax Assessor's Department after receiving the new tax bill.

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