



# Department of Assessment

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*Inclusion through Diversity*

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To: Government Operations Committee

From: Jay Franklin

Date: January 26, 2018

Re: 2018 Annual Equity Maintenance (AEM) Program

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Since 1999, the Tompkins County Department of Assessment has maintained a uniform percentage of value on the assessment roll by thoroughly analyzing the roll and making adjustments as needed in order to keep uniformity in our assessment roll. Since our failed attempt at a triennial assessment cycle, we have and will continue to maintain a 100% level of assessment.

Personally, I appreciate the commitment of the County Legislature for allowing my office to continue to act free of any political influence in maintaining our assessment roll. As we enter our 49<sup>th</sup> year of existence, my office has never had a single instance of any village, town, city, school district, or county official trying to influence a decision made in this office. This autonomy is essential in administrating the New York State Real Property Tax Law.

## Introduction

To provide the public with more information regarding the decision-making aspect of the assessment function, the Department of Assessment started issuing an annual report in 2010.

The main goal of this report is to disseminate accurate information regarding the current state of the assessed values in relation to the current sale prices of real property within Tompkins County. As one does not look to Miami for what weather will occur in Tompkins County, we do not look **nationally** when analyzing the current real estate market in Tompkins County. The Department of Assessment is monitoring the national trends in the real estate market and is ready to respond if/when these trends may in fact affect Tompkins County in the future. We look at what is occurring at both the state and federal level in terms of regulation and policy changes to monitor what effect any changes might have on our local real estate market.

Tompkins County has ~35,324 parcels of real property with a total market value of about \$12.2 Billion. The Tompkins County Department of Assessment is the only true countywide assessing unit in New York State.

By consolidating the assessment function at the county level, approximately \$619,000 per year is saved as compared to the cost of Town/City assessing units.

The real property tax is an ad valorem tax (Latin for *according to value*). One important benefit of the real property tax is that the amount collected always equals the amount levied, unlike the sales and income taxes whose collection rates can vary greatly from large windfalls, to large shortcomings. An assessment is not a tax but rather a way to apportion the amount of money that the taxing jurisdictions wish to generate. Each assessed value represents the proportionate share of the pie that each property owner will be responsible for by each taxing jurisdiction.

It is the duty of the Department of Assessment to estimate the market value of all real property – commercial and residential – each year. The real estate market within Tompkins County has held strong over the past year. Interest rates have been held relatively flat and a low supply of houses on the market coupled with a strong demand, has kept sale prices on the uptick. The low cost of capital has caused a ‘boom’ in the student housing rental market with prices being paid for properties whose return on that investment approaches that of municipal bonds.

### **2018 Annual Equity Maintenance Program**

Since New York State adopted the Cyclical Reassessment Program (CRAP) to try to get municipalities that have not performed a revaluation in many years, some since the Civil War, to update their assessment rolls, Tompkins County lost approximately \$150,000/year in state aid by maintaining an up-to-date assessment roll, *the equivalent of 2 full time appraisers*. While this new program might push some municipalities to update their rolls, it adversely affected those municipalities that have maintained an accurate and equitable assessment roll.

The CRAP has also increased the amount of work that is required of the NYS Office of Real Property Tax Services. By not having cyclical reassessments occurring on a regular basis, NYSORPTS is forced to perform full value measurements which require office staff to perform appraisals of property in the various towns that have not kept their values up-to-date. This has required the training and hiring of new personnel who must spend time traveling across the state to perform site visits and valuation estimates to confirm the local assessment roll.

While the amount of state aid available is up-to-\$5/parcel, the actual amount received will vary greatly depending on the number of parcels in this program each year. For instance, for the 2012 Assessment Roll the state aid was approximately \$2.25/parcel as New York City received the maintenance aid. This uncertainty of aid can amount to upwards of \$100,000 in loss of anticipated aid all depending on circumstances beyond our control.

Instead of joining into the CRAP, the Department of Assessment has decided to maintain the work processes that made the Annual Equity Maintenance Program in Tompkins County so successful. The CRAP was determined to be costlier to administer with no increase in accuracy or equity. The largest expense in participating in CRAP would be to re-measure at least 2 sides of every structure in the county once every 4 years or to perform updated oblique aerial imagery flights. At least in Tompkins County, we have found that buildings do not grow absent a significant construction project, which would require a building permit.

## Sales vs Assessment Analysis

As a trend, both the average selling price and median selling price are increasing although variations in the type of property being sold might show a decrease from year to year.

Year	Number of Sales	Average Sale Price	Median Sale Price
1990	763	90,633	82,000
1991	812	96,917	85,000
1992	762	94,699	85,950
1993	797	95,988	85,000
1994	913	96,090	84,000
1995	734	98,736	87,000
1996	717	97,784	85,000
1997	814	100,654	85,000
1998	904	104,136	89,000
1999	934	103,426	89,950
2000	974	107,024	92,000
2001	1015	114,767	98,000
2002	1076	116,396	104,000
2003	1138	138,255	120,450
2004	1141	158,296	139,000
2005	1134	179,324	156,000
2006	1071	185,559	165,000
2007	950	192,173	174,000
2008	870	200,608	172,000
2009	768	191,133	166,000
2010	779	202,249	175,000
2011	744	199,052	180,000
2012	852	201,596	179,250
2013	898	217,291	190,000
2014	912	221,758	192,000
2015	871	226,792	199,250
2016	881	237,174	215,000
2017	857	256,708	230,000

Because Tompkins County reassesses all properties each year to reflect a property's current market value, it is very crucial that the Department of Assessment analyze the real estate market in depth. In the financial environment of today, it is important that the tax burden be distributed equitably and is the reason why the International Association of Assessing Officers asserts that annual reassessment is the best way to ensure an equitable distribution of the tax burden.

It is impossible to measure the level of assessment for Commercial properties by using any sort of sales ratio approach. The clear majority of today’s commercial sales are affected by outside influences such as 1031 exchanges, purchase of leases vs real estate, and owner financing. The sale prices that are often reported do not reflect what a prudent buyer would purchase that property for. For instance, the BJs wholesale club in the Village of Lansing sold for \$16.8 million – this is over \$187/sqft for a ‘big box’. The only reason this sold for \$16.8 million is the fact that BJ’s has 15 years remaining on their lease and they are a Class A tenant. The real estate did not “sell” per se – the main reason behind this purchase was the lease. The courts in NYS have been very inconsistent on how they address the build-to-suit lease transactions and this is typical of what is occurring across the country in the so called “Dark Store Theory”. In many townships/counties in Indiana, Michigan, and Texas, millions of dollars of refunds have had to issued when a large Big Box Store has successfully convinced a court that their value should be significantly less than the cost to build their store.

This is similar to the sales that we are seeing of student housing. While in the past, buyers of apartment housing would be looking to put money into their pocket at the end of each year, today they are willing to lose money to hopefully make a profit out of appreciation at the end of their holding period. And with some student housing in the heart of Collegetown, the land is worth more than the value of the current use of the building (which is how we must value the property – the current use value). If the system would allow, the land value on the parcel would exceed the overall value of the property reflecting the sales that have occurred for redevelopment purposes.

For student housing, we are starting to see the supply equal the demand as noted by the increase in vacant units. Landlords are also having to toss in incentives to rent their units (free month rent, parking, etc). Cornell University has announced plans to house all sophomore students on campus which would indicate a plan to build about 2,000 new beds on campus. Coupled with the uncertainty at the national level, our student housing market is much different than it has been in the past.

**Analysis of Level of Assessment and Uniformity**

The Department of Assessment has analyzed all the valid arms-length transactions of residential properties between July 1, 2016 and July 1, 2017. The mean and median Assessment to Sale Price Ratio (AVSP) along with the price related differential (PRD) and coefficient of dispersion (COD) was determined for the county as a whole.

Mean Assessment to Sale Price Ratio	=	0.92
Median Assessment to Sale Price Ratio	=	0.92
Price Related Differential	=	1.013
Coefficient of Dispersion	=	0.114

An AVSP under 1.00 indicates that the sale prices are greater than the current assessments while conversely, an AVSP over 1.00 indicates that the sale prices are less than the current assessments.

Based upon a countywide analysis, it is determined that the 2017 Assessment Roll would not be considered at 100% fair market value as of July 1, 2017. Statistically speaking for the purposes of level of assessment, a AVSP of +/- 5% would be considered at 100% based upon the overall static that is within the real estate

market but as we were outside of those boundaries, work was needed to be done to maintain 100% fair value assessments for all property in the county.

The median sales price has increased \$15,000 from the previous years which shows that the overall market value for residential properties within the county are strongly increasing however there are still pocket areas where this statement is not correct; either the market value has increased more within the past year **OR** the market value has increased enough over the past few years to make a change for the 2017 Assessment Roll **OR** that no market change has occurred.

### **Reassessment Projects for 2018 Assessment Roll**

While overall the Assessment to Sale Price Ratio (AVSP) indicated that the assessment roll was at 100% fair market value, there were a few neighborhoods that either required their assessed values to be adjusted in order to reflect this uniform percentage of value or required a review of all assessments to ensure the uniformity.

#### **Residential**

Town of Ithaca –	Cigarette Streets/Williamsburg Park Cayuga Heights Saponi Meadows
Town of Lansing -	Except for Village and lake front properties
Town of Dryden -	Ellis Hollow (except for the Villages)
City of Ithaca -	All residential properties

#### **Commercial (countywide)**

Apartments  
Office Space  
Golf Courses  
Commercial Development Land

#### **Vacant Land (countywide)**

All land on residential properties was also adjusted.

### **Results of the Reassessment Projects**

Based upon the projects undertaken above, we maintained a 100% level of assessment for the 2018 Assessment Roll. While we are still 3 months away from filing the Tentative Assessment Roll, the changes made above have changed our level of assessment statistics dramatically.

Mean Assessment to Sale Price Ratio	=	0.98
Median Assessment to Sale Price Ratio	=	1.000
Price Related Differential	=	1.000
Coefficient of Dispersion	=	0.047

There are ~35,324 parcels within Tompkins County and there will be properties that are either over assessed or under assessed. With each passing year, the Department of Assessment tries to smooth out these inequities.

Additionally, we are constantly monitoring the 'For Sale' properties on the Multiple Listing Service to help determine the movement of the real estate market when no sales occur. The Department of Assessment does not value property based upon listings however listing prices in respect to the current assessed values does shed light on the current state of the real estate market.

All property owners in the county are encouraged to review the data that is on file at the Department of Assessment. Any corrections to the inventory on file are welcomed. If a property owner wishes to have a member of the professional appraisal staff inspect their property, a request may be made with the Real Property Appraiser responsible for that town.

The Department of Assessment will mail out a Preliminary Notice of Assessment Change to all property owners whose assessment changed since the 2017 Final Assessment Roll on March 9<sup>th</sup>. Beginning that Friday, a property owner who received that notice can begin scheduling an Informal Assessment Review Meeting with one of the members of the professional appraisal staff of this office. These appointments are the property owners' opportunity to present information to the Department of Assessment to take into consideration when reviewing the assessed value.

Due to staffing constraints, if a property owner did not receive a change notice but would like to submit information to the Department of Assessment to consider when reviewing their assessment, they may either file that information by paper or by filling out the review request on our webpage.

The deadline to file an informal review application is March 30<sup>th</sup>. The formal review period when a property owner can file a grievance application with the Board of Assessment Review is from May 1 to May 22<sup>nd</sup>. Grievance day will be held on May 22<sup>nd</sup> at the Department of Assessment. A small number of appointments for grievance day will be able to be scheduled starting on May 1. A walk-in period will be scheduled from 4-8PM.

### **Outlook for 2019 Continual Equity Maintenance Program**

Based upon sales from July 1, 2017 to mid December, 2017, the real estate market appears to be slightly increasing. The Assessment to Sale Price Ratio for this period is still 0.986 which shows a slight under-assessment of all properties. We will be monitoring the real estate market to see what the results of the recently passed tax reform at the federal level will do to our local real estate market. While some special interest groups have reported that the real estate market will drop as much as 10%, it remains to be seen exactly how this will play out in the actual real estate market. As this occurred after July 1, 2017, any changes because of the new tax plan would be applicable to the 2019 Assessment Roll.

The Department of Assessment is committed to maintaining an equitable assessment roll. The Department is constantly analyzing the local real estate market and will make the necessary adjustments needed to maintain a full value equitable assessment roll.

Our biggest struggle today is the evolution of how the assessment function gets done. The days of cold-calling properties and if someone is not home, the appraiser/data collector would simply run a tape measure around the building to measure the structures have come and gone. Today, where privacy is almost non-existent; with the information that can be obtained on the internet, property owners are much more protective of their personal property than ever before. And rightfully so. We are respectful of the issue of privacy and we try hard to balance that with trying to create an equitable assessment roll.

As Director of this office, I will not put my people at risk in the field. If at any point they do not feel safe while in the field, they are instructed to leave as quickly and as safely as possible. We were finally able to start working with local law enforcement to help protect my staff in the field. I appreciate the work that Sheriff Lansing and Kim Moore have done to help protect my staff.

We have realized this change in the public, have respected this change, and we have changed how we do things because of this change. But this has affected our product by having to paint with a larger brush and making bigger assumptions about the condition of the property, about whether a building permit was completed or not etc. We have adjusted from cold-calling properties to sending out postcards asking for information as opposed to leaving door hangers. We firmly believe that for us to continue to provide such a high standard product, that we need the input of the public in reviewing our information and our values.

We are also adjusting to being inundated with information – however none of the data is integrated together and unlike the past, is spread out amongst many applications. We now have access to listing information, recorded documents at the County Clerk's office, local planning/zoning board information, aerial imagery, 3<sup>rd</sup> party websites etc. While we have access to all this information, none of it is integrated completely and much time is spent searching for information that may or may not prove to be important when valuing property.

We are constantly looking to improve upon our service to the community and we welcome any suggestions.

## 2018 AEM Addendum

### Residential Decision Making Process

The biggest issue that we are encountering is the changing physical condition of residential properties that are not reflected in either building permit work nor exterior conditions. Even the current Governor of New York recognizes the need for the public's privacy and now this has made the assessor's job exponentially more difficult when they are not always given the correct information by the property owner in regards to the interior information of the property.

It is imperative that a comprehensive sales review takes place to weed out these condition issues and to get down to why properties are moving so that sales that have been physically improved are not mistaken for market improved sales. We have changed our values verification process from simply confirming the physical inventory of the property to asking questions about the motivation of the buyer and why they made the decision they did to buy where they did. This helps us to get inside the head of the typical buyer.

Even when reviewing sales by talking to a property owner, sometimes their memories are hazy when it comes to whether a basement is finished into living area or not. Statistics can be misleading which is why there will not be a substitute for a good appraiser to know what is going on in their municipality. What work needs to be done to maintain an equitable assessment cannot strictly be determined by looking at numbers.

#### City of Ithaca

All residential properties within the City of Ithaca were revalued for the 2018 Assessment Roll. A few neighborhoods within the City are very 'hot' right now with the other neighborhoods experience the "spill-over" effect. This is caused by buyers being priced out of one neighborhood so they decide to buy in an adjacent neighborhood where prices are less expensive.

#### Town of Caroline

We did a parcel by parcel revaluation in the Town of Caroline in 2017. This area has held somewhat steady since our last year's revaluation. Parcels on acreage and adjacent to state/protected land are showing an increase in value. This is something that we are monitoring for the 2019 Assessment Roll.

#### Town of Danby

We reviewed a few small pocket areas for 2017 which would be considered "rural subdivisions". This is probably a town that we will have to value for the 2019 Assessment Roll if current trends continue.

#### Town of Dryden

While some pocket areas were reviewed in 2015 including the Village of Dryden (using Google Streetview), the rest of the Town of Dryden was reviewed for the 2016 Assessment Roll. We reviewed the area known as Ellis Hollow for the 2018 Assessment Roll. This area continues to be a strong market – as the alternative for the urban walkable neighborhood.



#### Town of Enfield

The Town of Enfield was reviewed for the 2017 Assessment Roll by doing a parcel by parcel review. Much like the Town of Caroline, properties in Enfield experienced the same type of result from this review.

#### Town of Groton

The Village of Groton was reviewed for the 2014 Assessment Roll and the Town outside the Village was reviewed for the 2015 Assessment Roll. We reviewed the ranch style houses in the Village of Groton for the 2018 Assessment Roll. Groton is a municipality that trends more to our neighboring counties to the North and East. It has not seen the appreciation that has been seen in other areas of Tompkins County.

#### Town of Ithaca

The Town of Ithaca is made up of a few distinct pocket areas and lends itself for more intense review as compared to other towns within the County. For 2017, we reviewed the "usual suspects" (Commonland, Eastwood Commons, Deer Run – the PUDs within the Town). We also reviewed the South Hill and East Hill areas (south of the Cigarette Streets). The sales within the Forest Home area were finally in enough abundance to show a substantial increase in that area (as opposed to the 1 sale does not make a market view that we were looking at for the prior rolls). We also reviewed the lake for the 2017 roll. We did a parcel by parcel review via the lake side of the property.

For 2018, we reviewed the East Hill portion of the Town of Ithaca – including the 'Cigarette' Streets and Williamsburg Park. We also revalued the Village of Cayuga Heights.

#### Town of Lansing

For 2018, all properties within the Town of Lansing (outside the Village) have been reviewed on a parcel by parcel basis. We just revalued the Town of Lansing for the 2016 Assessment Roll but based upon the high desirability of Lansing which is reflected in the sale prices, we needed to review the properties again. We also reviewed some areas within the Village of Lansing for the upcoming assessment roll. We did review the lake for the 2017 roll. We did a parcel by parcel review via the lake side of the property.

#### Town of Newfield

The Town of Newfield was reviewed for the 2015 Assessment Roll similar to Town of Danby. And similar to Danby, the sales that have occurred since then have been in line with the new assessments however we are starting to see maybe a slight appreciation and this is an area that we are looking at for 2019.

#### Town of Ulysses

While the Town of Ulysses was reviewed on a parcel by parcel basis for 2015, for 2016 we reviewed the Village of Trumansburg on a parcel by parcel basis. We reviewed the

lake for the 2017 roll. We did a parcel by parcel review via the lake side of the property. We are anticipating to revalue the Village of Trumansburg for the 2019 Assessment Roll. We are also investigating some recent sales that have occurred between Rt. 89 and Rt. 96. These sales have shown an amazing increase in value and we are still investigating why.

#### Residential Land

As part of revaluing the vacant land within the county, we reviewed the land value on all the residential properties. We recalculated the land value based upon our land tables and reviewed all the residential properties overall value. It has been a few years since we updated our land values on each parcel however not many changes were needed because of this process since when we revalued the property, we considered the change in land value.

#### Vacant Land Decision Making Process

There are really 2 categories of vacant land – not including farm land. Vacant land can be broken down into vacant land and subdivision land.

Vacant lands were reviewed extensively for the 2013 Assessment Roll resulting in some cases a doubling of property values. While the property value did not increase 2x's from 2012 to 2013, we were awaiting to gather enough data to determine what effect if any gas speculation had on vacant land values. In retrospect, knowing in the past what we know today, we would have gradually made adjustments to vacant land to account for the increase in value that occurred not because of gas speculation but due to a true increase in market value. Based upon ORPS opinions, we held off with this valuation until we had enough sales that were not influenced by gas leases and we were able to show differences in those with leases and without leases. This task would be made easier with slight adjustments to our CAMA database but we had to work with what we have.

We reviewed the land values again for the 2018 Assessment Roll. As everything is cyclical, we are experiencing a return to the rural parts of the county based upon the sales of land that we have seen. Just like we saw after 9/11, buyers are also gravitating towards the rural parts of the county where they can have some land to themselves. The prevalence of smaller 'farms' have led buyers to want some land to be as self-sufficient as possible.

Subdivision land is something that we review each year. For true subdivision land, we value per an absorption calculation realizing that not every single piece of land within the subdivision could possibly sell within one year. So, we value the whole subdivision and what a prudent buyer would pay for that subdivision assuming a build-out period. Quite honestly, I do not know if this is the correct way to value a subdivision in terms of assessment but in terms of how that subdivision will build out, it is the fairest way. One of the biggest holdups for affordable for-sale housing is the holding period and infrastructure costs that are associated with the subdivision. This absorption valuation process allows for a developer to have less costs associated with the subdivision while keeping all the lots on the tax map (they could easily just only subdivide out what would be sold within a single year). Sales occurring within a subdivision will show an inaccurate valuation however the absorption period and values are adjusted as necessary.

## Commercial Revaluation Decision Making Process

The current sales that are occurring within the commercial sector make no sense when reviewing the profitability of the investment. With interest rates so low, investors are willing to invest in the non-liquidity of real estate as compared to other more liquid investments. They are ignoring the risks involved with real estate when they normally would put their money elsewhere as elsewhere is a losing proposition as well. We have seen some student housing sales approach capitalization rates of 3-4%.

The last time that sales have shown this much deviation from what the income of the property would support is back in the late 1980s. Most of these sales involve some sort of owner financing or large down payment if it involves bank financing. In other deals, buyers are putting liens on existing properties to have the equity to make a deal work. Other areas across the country are starting to experience a downturn in rental rates. While we do not look to NYS for what is happening today in Tompkins County, it is indicative of macro-trend of our country. While Tompkins County is somewhat isolated from this as our demand for student housing is very strong as Cornell/Ithaca College are not going anywhere soon.

We do not look at sales ratios when we are seeing if the market has changed in the commercial sector. Far too often other influences other than what the true sale price would be occur to cloud the true market value. As the assessment is based upon the current use of the property, most commercial sales involve some sort of expansion or new planned use of the property that while reflected in the sale price, cannot be reflected in the assessment.

For instance, a large student housing complex is current for sale for about double our current assessment. Based upon the listing documents, a small investment could net a much larger cash flow due to the ability to raise rents along with decreasing expenditures. This investment would be a net positive to value and while a potential buyer would look at that to leverage their investment, it is not something that we can consider.

### Apartments

Based upon the strong market for student housing, we have revalued this market segment every 2 years. We are starting to hear of more vacancies along with rental concessions as the market is starting to become inundated with housing stock. Cornell University has announced a plan to house all sophomore students on-campus. The additional housing stock that would be built to accomplish this goal would have a negative effect on the price for the privately-owned student housing in the City of Ithaca. In addition, if the 2,000 bedrooms that Cornell is proposing for on-campus doors would be a taxable endeavor, it would also be like adding in the taxable value for the entire Town of Enfield to the tax base.

### Mini Storage/Warehouses/Cold Storage

The mini storage market is under-served within this area as evidenced by the new construction projects that are occurring in the county right now. The income that these properties can produce are far and above their construction costs.

### Other areas

## Manufacturing

Tompkins County is not a home to many manufacturing properties however the few that we have were not reviewed in a few years. We took a look at uniformity for these properties.

## Cell Towers

Unfortunately there still continues to be no guidance from the NYS regarding the taxability of certain parts of a cell tower. Regardless we are reviewing cell towers to determine their equitability. Additionally, we are reviewing broadband towers...again without any guidance from NYS. And finally, we are reviewing the taxable status of the antennas that NYSEG has constructed for use with their smart meters. While NYSEG has told NYSDTF that NYSEG considers them to be personal property, the NYS Real Property Tax Law would disagree.

## A look forward – 2019

Our Annual Equity Maintenance Program is a constant balancing act ensuring that all properties are at a level of assessment of 100% and ensuring that we have the time and staffing to do all of the work that's needed to maintain that level. These are projects that we are looking at in our crystal ball to do for 2019 – however these projects are subject to change as we approach the valuation date of July 1, 2018.

Last year, we were monitoring the results of the presidential election. This year, our macro focus will shift to the tax reform bill that was recently passed. While some special interest groups are causing an alarm over the capping of the SALT reduction, we will monitor to see what effect if any this has on our local real estate market. Based upon preliminary analysis, only 10% of the residential properties within the county have a combined tax bill over \$10,000.

## **Towns of Danby, Newfield, Groton, Enfield**

We have not reviewed these areas in a few years. We will probably do a parcel by parcel review to pick up any physical changes that have occurred in these properties.

## **Villages of Trumansburg, Lansing**

While we have reviewed these areas in recent years, they still have shown a positive to value. While both are Villages, they are at the opposite ends of the “village spectrum”. The Village of Trumansburg is your typical village while the Village of Lansing is more of a geographic boundary that was incorporated to manage development pressures.