

Department of Assessment

128 East Buffalo Street

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Inclusion through Diversity

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To: Government Operations Committee

From: Jay Franklin

Date: January 31, 2022

Re: 2022 Annual Equity Maintenance (AEM) Program

As we file the 2022 Assessment Roll, this will be our 53rd Assessment Roll. We were founded because of the 1968 charter vote with our office officially forming on January 1, 1970. This was an incredible task, and I would regret not mentioning the foresight that the County Real Property Tax Director at the time, Thomas Payne, had in spearheading this initiative.

Mr. Payne was way before his time with this idea of “shared services”. His push behind this consolidation was not a cost-savings measure but was to increase the professionalism in the assessment function as many of the municipal part-time assessors were retiring. It is safe to say that Mr. Payne’s vision has been rewarded. This structure has since not been duplicated in other counties in NYS because the political will is unfortunately not there elsewhere to ensure an equitable assessment roll.

Over the past 2 years, we have hired 4 new Assistant Real Property Appraisers (Heather Richway, Tyler Lawrence, David Ogden, and Ezra Nakornthab) to replace the 5 individuals that left our office either due to retirements or transfers to other county departments. These 4 individuals have shown that they have the ability and the desire to do the job well – they just need time to build up the experience that will supplement their ability and desire.

The 2022 AEM Program was different for many reasons as we had to deal with the challenges presented by COVID-19 while trying to revalue much of the county due to the rising residential sale prices. We reduced the density in our office to minimize the impact a potential positive case might have. We sent our employees home with a laptop and a limited connection to our state database. We limited the contact that we have with the public in our office and the field. We relied on the Town Code officers more this year than in the past to keep abreast of what projects are in. It has been extremely difficult trying to stay abreast of all the property developments occurring in the county and the nation which might affect us.

Introduction

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 adjusting the assessment roll as needed in order to keep uniformity. Since our failed attempt at a triennial assessment cycle, we have and will continue to maintain a 100% level of assessment. No other assessing unit in NYS has been as diligent as Tompkins County in maintaining a fair and equitable assessment roll. Tompkins County is the only assessing unit that has been awarded the Excellence in Equity Award from NYS every year it has been award (including being the only assessing unit that has received this award when at a fractional level of assessment).

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 ~35,632 parcels of real property with a total market value of about \$14.3 Billion. The Tompkins County Department of Assessment is the only true countywide assessing unit in New York State with all aspects of the assessment function occurring in this office. 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 that provide the same level of service to their constituents that this office does for ours.

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. The individual taxing jurisdictions determine the overall size of the pie while the proportionate assessed value cuts the pie into individual pieces.

It is the duty of the Department of Assessment to estimate the market value of all real property each year. The real estate market within Tompkins County has probably been the strongest that it ever has been. Years of neglecting for sale housing growth in favor of apartments have left the county with very little supply of housing which according to the basic economic law of supply and demand will simply drive-up prices. 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. Even the apartment market has remained incredibly strong in Tompkins County with all the challenges that Covid-19 has presented to this property class.

For residential properties, the job of appraising these properties has become even more complex. Buyers are placing more weight on houses that are “emotionally appealing”. This magnification of this subjective variable into the appraisal question just shows how much of an art and not a science property appraisal is. While data and measurements about a house obviously will get you in the ballpark of that house’s value, it is the appraisers experience with the marketplace that allows them to accurately value a piece of property when the numbers will only get you so far. However, there is no way to categorize or record the ‘emotional appeal-ness’ of a property so one really does need to rely on experience and the knowledge of the current real estate market to be able to appraise properties in this market.

2022 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 occasionally, it adversely affected those municipalities that have maintained an accurate and equitable assessment roll on a yearly basis which is still the most equitable way to assess properties according to the International Association of Assessing Officers (IAAO).

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 by the local towns, 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 only 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. There is simply no way to budget for anywhere between \$50,000 and \$150,000 that will come in year 3 but the work must be accomplished in year 1 (the revenue will come after the assessment roll is verified and long after the work is done).

Instead of joining the CRAP, the Department of Assessment has decided to maintain the work processes that made the Annual Equity Maintenance Program (AEM) 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.

The 2022 Assessment Roll is based upon the economic value as of July 1, 2021 and the physical conditions of the property that are present on March 1, 2022. On July 1, 2021, the “masks were off” so to say as the COVID restrictions set by NYS had expired. But even before those restrictions were lifted, there were bidding wars on properties and properties didn’t last on the market for a significant period. In talking with

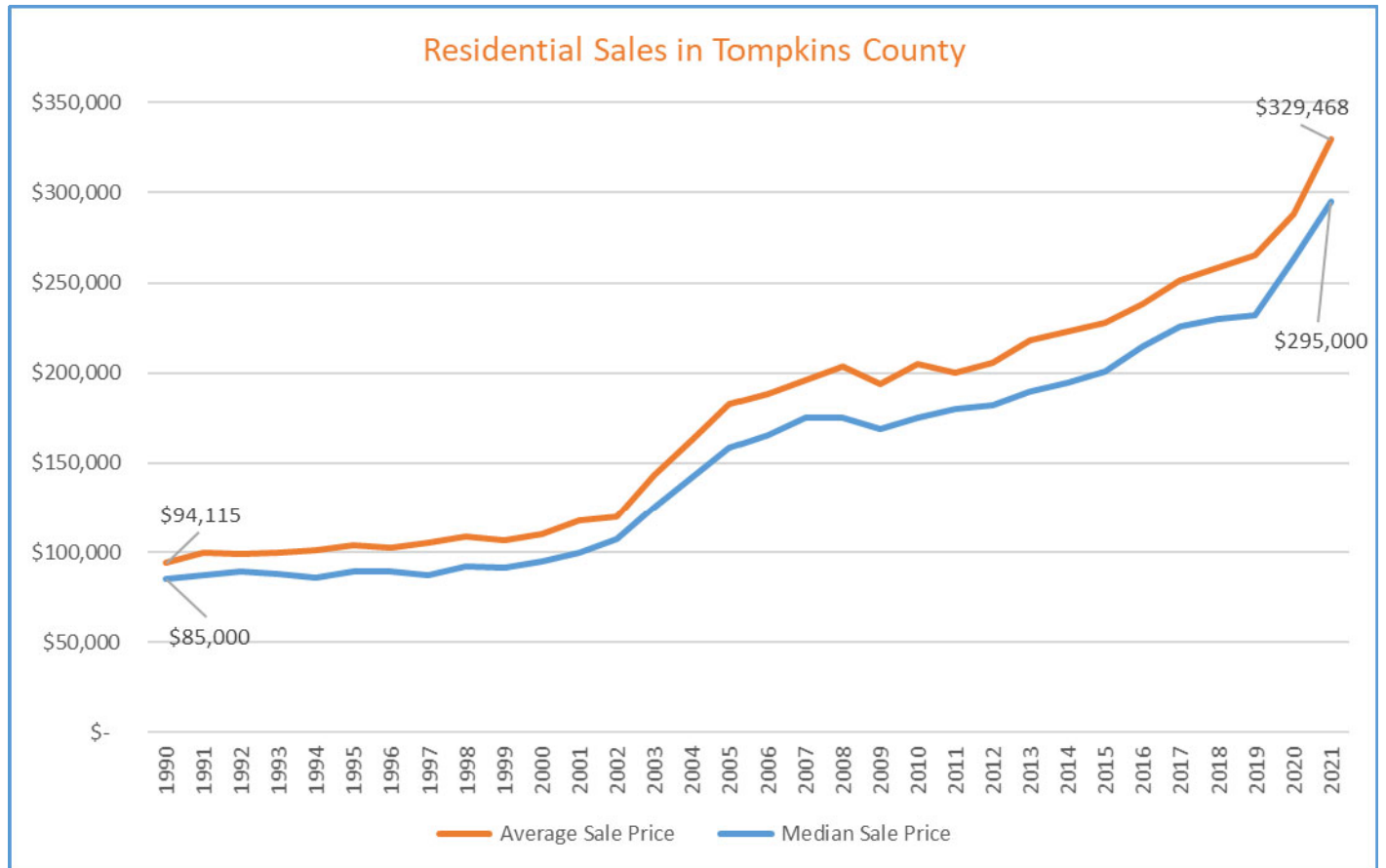
various real estate professionals who have worked in this field for over 40 years, they have never seen a market as active as this one.

But what happens next? That’s a good question and one that this office does not know the answer. Is this a bubble that will burst? Signs are indicating that this is not a bubble. Interest rates are predicted to remain low, and the supply of houses is not anticipated to grow anytime soon. Our supply of houses will still not reach the demand for them unless local policies are changed to encourage that type of development. But the duty of the Department of Assessment remains intact – we will continue to adjust properties on a yearly basis so that the tax burden is distributed based upon value.

If the real estate were to burst and property values were to fail in future years, just like we did during the 1990s after the bubble burst in 1989, we will drop assessed values to reflect the market value of the property. During this market decline, the City of Ithaca saw a tax base that shrunk every year but 1 from 1990 to 1997. The Department of Assessment has never faced any political influence to raises values and we will not have that into the future either. Our duty is to reflect the market value of the property and we will do so in an appreciating or depreciating market.

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.



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.

Many reports¹ have been written about what happens when assessing units do not adjust values to reflect the current market value of the property. In most instances, the higher appreciating neighborhoods are typically those that are valued higher than others. The neighborhoods where values do not appreciate as quickly as the higher valued neighborhoods are the lower valued neighborhoods. If values are not adjusted yearly, the result will be that the lower priced neighborhoods will have a larger share of the tax burden than what they should have. Some municipalities haven't performed a revaluation since the American Civil War. It is reprehensible that New York State allows this mistreatment of property owners to still occur.

It is impossible to measure the level of assessment for Commercial properties by using any sort of sales ratio approach. Most of today's commercial sales are affected by outside influences such as 1031 exchanges, purchase of leases vs real estate, interest only loans, future appreciation, 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 BJ's 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 had 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 be 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. NYS should not get into the business of valuing a piece of paper (ie a lease) but instead we should continue the practice of valuing real property. NYS has recently limited the assessor's ability to value big box stores by limiting what it considers a comparable property by passing Chapter 497 of 2021. This Chapter will have zero influence on the assessment challenges that the Big Box Stores will file but it will limit what the assessor can consider as a comparable as most assessing units do not have enough similar properties (based upon location, age, condition, use) in their communities to be able to make a comparison without adjusting for those differences. Tompkins County has not had a sale of a Big Box Store since 2016 so without any local comparable properties, according to this new section of law, I'm not entirely sure how I can value the Big Box Stores without using properties outside of Tompkins County. Hopefully the NYS Legislature will review this issue again.

The market for Student Housing is another instance where the value today is influenced by the value in 20 years. While in the past, buyers of apartment housing would be looking to put money into their pocket at

¹ [Opinion | How Lower-Income Americans Get Cheated on Property Taxes - The New York Times \(nytimes.com\)](https://www.nytimes.com/2019/07/26/us/politics/property-tax-reform.html)

[NYC Equity Firm Makes Multi-Million Dollar Bet on Binghamton's Student Rental Market: Outdated, Inequitable Assessment System Exposed - The Bridge \(binghamtonbridge.org\)](https://www.binghamtonbridge.org/2021/01/26/nyc-equity-firm-makes-multi-million-dollar-bet-on-binghamton-student-rental-market-outdated-inequitable-assessment-system-exposed/)

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. However, it does not seem appropriate to value a property more today because we *think* it might be worth more in the future. The assessment should only be based upon what we know – individual investors are more than able to make investment decisions looking into the future, however that should not be part of the calculation of the assessment.

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 state provided database 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 so the land value on improved properties are fictitious numbers.

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, 2020 and July 1, 2021. 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.

Mean Assessment to Sale Price Ratio	=	0.889
Median Assessment to Sale Price Ratio	=	0.889
Price Related Differential	=	1.013
Coefficient of Dispersion	=	10.972

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. For a non-heterogeneous area such as Tompkins County, a coefficient of dispersion of under 15 is acceptable. A price related differential between 0.98 and 1.03 will show no vertical inequity in the assessment roll. Vertical equity means that lower priced properties are not valued differently than higher priced properties. There is a tendency in mass appraisal to not be able to value low- and high-priced properties accurately as it is hard to branch out from the ‘middle’.

Based upon a countywide analysis, it is determined that the 2021 Assessment Roll would not be considered at 100% fair market value as of July 1, 2021. Statistically speaking for the purposes of level of assessment, an AV/SP 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 just over \$31,500 from the previous years (or a 12% increase from the previous year’s median sale price) 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 2022 Assessment Roll **OR** that no market change has occurred.

Reassessment Projects for 2022 Assessment Roll

While overall the Assessment to Sale Price Ratio (AVSP) indicated that the assessment roll was at 89% fair market value, the increase has been spread out throughout the whole county. These areas were all done by trending an area or by a parcel-by-parcel review looking at each property individually to ensure equity. After a trend was applied or the parcel-by-parcel review was complete, we again look at all the properties to ensure uniformity.

Residential

- City of Ithaca
- Town of Caroline
- Town of Danby
- Town of Dryden
- Town of Enfield
- Town of Groton (excluding the Village of Groton)
- Town of Ithaca (excluding Cayuga Heights)
- Town of Lansing
- Town of Newfield
- Town of Ulysses

Commercial (countywide)

- Apartments
- Restaurants/Fast Food/Bars/Night Clubs
- Hotels
- Parking Lots
- Retail Establishments

Results of the Reassessment Projects

Based upon the projects undertaken above, we maintained a 100% level of assessment for the 2022 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	=	1.01
Median Assessment to Sale Price Ratio	=	1.01
Price Related Differential	=	1.01
Coefficient of Dispersion	=	3.31

There are ~35,632 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 2021 Final Assessment Roll starting on February 11. We will stagger the mailings so that each municipality will be able to have a dedicated 3-week period for property owners to make an appointment to discuss their value over the phone. Change notices will be mailed on a Friday and property owners will have 1 week before appointments are open to them. They then will have 3 weeks to schedule an appointment. 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 concerns regarding COVID-19, all informal assessment review meetings will take place over the phone.

The deadline to file an informal review application is April 15th. 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 24. We have reinstated the Local Advisory Boards of Assessment Review this year and they will be scheduled at each town during the weeks of May 9 and May 16. Appointments for the County Board of Assessment Review grievance day will be able to be scheduled starting on May 1.

Outlook for 2022 Annual Equity Maintenance Program

Based upon sales from July 1, 2021 to the end of December, 2021, the real estate market appears to be leveling off. The Assessment to Sale Price Ratio for this period is still 0.9938 which shows that our assessments on a whole are reflective of their fair market value. After a few years have gone by, we can say that we have not seen any noticeable effect of the elimination of the SALT deductions on the local real estate market – if anything the SALT deduction have proven to be very beneficial to the typical property owner in Tompkins County. Between January 1, 2020 through December 1, 2021 we have seen 10 sales of residential houses over \$1 million. Prior to that period back to 1990, we had 28 sales over \$1 million in the last 30 years.

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 privacy 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 Osborn and Kim Moore (ITS) 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, 3rd 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.

2022 AEM Addendum

Residential Decision-Making Process

COVID-19 has presented new challenges that we never thought we would ever have to address. Who would have thought that NY would have been on “Pause”? The fact that the economy was shut down by the governor in 2020 for many months will affect the real estate market for years to come. The changing landscape caused by the stay-at-home executive orders will cause shifts in the desirability of different property class types. It will be many years before the true effects on the market for various office, retail, warehouse, etc., property class types are realized.

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 prior Governor of New York recognized the need for the public’s privacy when he did not discuss the status of the basement in the house that he shared with his girlfriend with his local town assessor. This now has continued to make the assessor’s job exponentially more difficult when they are not always given the correct information by the property owner regarding the interior information of the property.

Today it is very easy for a property owner to make improvements to their property without having to contract with a professional to make the improvements to their property. With the big box home improvement stores to Youtube showing how to do a project, many homeowners are taking on improvement projects themselves. While this has the potential to allow homeowners to make improvements without the added cost of paying for labor, it has created instances where work was done that required building permit and the local code officer has required the improvement to be ripped out and performed to code.

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 increased sales. We have changed our sales 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 never 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. This is even more of an issue today when the ‘emotional appeal’ of a house is driving the value of the property more than it ever had in the past.

As a result of the 2022 AEM Program, all improved properties have at least been reviewed since the 2021 Assessment Roll.

City of Ithaca

All residential properties within the City of Ithaca were revalued for the 2022 Assessment Roll. A few neighborhoods within the City are very ‘hot’ right now with the other neighborhoods experiencing 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. We have begun to see that there is no value difference

between the Northside and the Southside. This market segment has been on a bi-yearly review cycle for many years. We are however very concerned about the introduction of new FEMA flood plain maps which have the potential for a drastic social-economical change for the “flats”.

Town of Caroline

We did a parcel-by-parcel revaluation in the Town of Caroline in 2019 and again for the 2022 Assessment Roll. We are starting to see some higher valued land sales in Caroline which we are monitoring. With a lack of local zoning control, these sales are somewhat curious. It might simply be a case of a lower price alternative to other more expensive areas slightly closer to the City of Ithaca (or a further expansion of the Ellis Hollow neighborhood).

Town of Danby

We reviewed the whole town for the 2019 Assessment Roll and for the 2022 Assessment Roll. Similarly, to the Town of Caroline, some properties will see a larger increase than others to keep them in line with their full market value. The recent change in the zoning for the Town of Danby is something that we will monitor to see how it affects the local real estate market.

Town of Dryden

All of Dryden was trended for the 2022 Assessment Roll by neighborhood. After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Town of Enfield

The Town of Enfield was reviewed for the 2019 Assessment Roll. Enfield was also trended for the 2022 Assessment Roll. After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Town of Groton

We did a review of the Village of Groton in 2021 and we reviewed the Town outside of the Village in 2020. For the 2022 Assessment Roll, we trended the Town outside of the Village. After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Town of Ithaca

For the 2021 Assessment Roll, we revalued the Village of Cayuga Heights. The market for Cayuga Heights appears to be very cyclical – it will fall out of favor for a few years and then come back into style. The proximity to Cornell and the historic houses in the Village never fall out of favor for too long before coming back into style. For 2020, we revalued the West Hill and South Hill neighbors in the Town of Ithaca. For the 2022

Assessment Roll, we trended the Town of Ithaca (outside of the Village). After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Town of Lansing

As in 2018, all properties within the Town of Lansing (outside the Village) have been reviewed for the 2021 Assessment Roll on a parcel-by-parcel basis. For the 2022 Assessment Roll, we trended the Town of Lansing. After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Town of Newfield

The Town of Newfield was reviewed for the 2019 Assessment Roll. For the 2022 Assessment Roll, the Town of Newfield was trended. After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Town of Ulysses

We revalued the Town and Village for the 2020 Assessment Roll and we trended both for the 2022 Assessment Roll. After all parcels were trended, we did a parcel-by-parcel review to determine if there were any outliers that still needed to be adjusted either upwards or downwards after the trending occurred.

Lake Valuation

In the fall of 2019, we had the Tompkins County Sheriff's office take us on their boat along the shoreline to videotape the lakeside of the properties on the lake. For the 2022 Assessment Roll, we revalued all lakefront houses. This year we have experienced more over \$1 million lake sales than ever before. One particular property had a multi-year tax certiorari (contesting their assessment in the Tompkins County Supreme Court). The property was purchased for \$1.65 million in 2009 and the owners tried to say it was worth \$950,000 through their attorney. The property then sold in November 2021 for \$1,770,500. It was almost comical that the attorney and their appraiser still stood by their \$950,000 value but they ultimately agreed to drop the court case. Unfortunately, all too often, tax certiorari attorneys and tax representatives will waste the time of my office and of the courts to see if they are able to get a settlement reduction. We will not be bullied to reduce a value when it is not warranted.

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. We are seeing interest only loans and loans with a due date significantly less than the amortization period. In other deals, buyers are putting liens on existing properties to have the equity to make a deal work.

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 occurs 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.

We have seen an introduction of large institutional real estate firms that have made their way into the local market. We had our largest sale ever at \$75 million on a property which cost significantly less than that to build however some of that sale price was influenced by the fact that this property has a very advantageous PILOT agreement with the Tompkins County Industrial Development Agency that it ultimately did not need to order to be a profitable development.

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 for higher bedroom numbered apartments along with rental concessions as the market is starting to become inundated with housing stock. Cornell University has started construction on their North Campus addition to house all sophomore students on-campus. The additional housing stock that would be built to accomplish this goal should 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 dorms 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.

Since the COVID emergency was declared on March 13, 2020, we have had 60 sales of apartments in the County. The overall ratio is 0.70 meaning that the apartment class is undervalued but not by what the ratio would indicate. Only 3 sales were lower than the current assessment on the property (one sale was \$5,000 lower than the assessment and the 2 other sales obtained mortgages more than 50% higher than the current assessment). The sales of these apartments are influenced by future appreciation of the property that would be improper for an assessor to take into consideration when valuing the property today, but the sale price is also influenced by the prior assessment and the taxes associated with that prior assessment.

When reviewing the sales of apartments, we find that the indicated capitalization rate is 3.00% (median) and 3.39% (average). These rates are considerably lower than what some capitalization rate studies have determined are appropriate capitalization rates for our area. Based upon this, we have determined that an appropriate capitalization rate for multi-family housing in the City of Ithaca is 6%.

The average selling price for a bedroom since COVID is \$98,756.

Hotels/Motels

We reviewed the hotel property class for the 2021 Assessment due to the dramatic downturn in the travel industry due to COVID. Occupancy rates in this industry in Tompkins County have returned to somewhat normal albeit from a different traveling class though. No major adjustments are planned for this property class type for 2022 but it will be reviewed again for 2023.

Other areas

Restaurants/Fast Food/Bars/Night Clubs

These property classes were reviewed for the 2022 Assessment Roll. A review of the property class code was made to determine the most accurate property class code to value the property (and to compare it to other similar properties). A parcel by parcel review was done to determine any outliers and adjustments were made to assess each property class more equitably.

Retail Establishments

These property classes were reviewed for the 2022 Assessment Roll. A review of the property class code was made to determine the most accurate property class code to value the property (and to compare it to other similar properties). A parcel by parcel review was done to determine any outliers and adjustments were made to assess each property class more equitably.

Alternative Energy Forms

Solar Arrays – The NYS Department of Taxation and Finance has created a new solar calculator in conjunction with the NYS Assessor’s Association (The Real Property Tax Directors were not asked to be a part of this group despite being the organization that provides advisory appraisals to the assessors in each county). This new calculator has many flaws that will hopefully be addressed in future iterations of the calculator as this calculator does not estimate the market value of solar arrays by any means.

Battery Storage – We have had multiple instances of Tesla’s battery storage being installed in Tompkins County. Again, it is unfortunate that NYSDTF does not provide guidance as to what might be taxable in these instances and additionally how to value them. In an area such as Tompkins County, where the demand pricing for electricity is not significant, the value of these battery storage facilities appears to be non-existent if a property owner had to purchase one without incentives. Once these installations are present, there is value - but no financially concerned individual would build one without the generous concessions offered for these types of facilities.

Additional Projects

Not all work that is completed in the Department of Assessment is regarding the valuation project. We continue to do many other projects that contribute to the real property tax administration function in Tompkins County.

Agricultural Parcel Review

For the 2021 Assessment Roll, we reviewed all the agricultural properties to confirm the inventory that is present on the property.

Due to the combination of NY Pause, the need to reduce density in the office, and the fact that NYSRPS is inaccessible from outside of our county network, we needed a project to keep employees working while at home. Using ESRI's web application services, we were able to have our appraisers create building footprints for all the agricultural buildings. We were also able to associate each one of those buildings with the inventory included in RPS.

It is anticipated that these properties will be reviewed for 2023.

Mandatory IVP

For the 2022 Assessment Roll, we had to juggle the overly complex process that is the Mandatory IVP. We got 92 separate reports for this process that had to be compiled, analyzed, and a determination had to be made regarding the eligibility of the application. (And these 92 separate reports do not consider the random single parcel emails that appeared after the reports were produced. We never had this many corrections even in a bad year). NYS simply lacks the resources to administer this program correctly so they still must rely on the local assessing units for input without giving the assessors any oversight of the program. The whole process was more equitable when the eligibility was determined by the local assessors.

STAR Changes to Manufactured Home Parks

As part of the 2021-22 NYS Budget, all STAR exemptions for manufactured homes that are not separately assessed will no longer receive the benefit of the STAR Exemption on the tax bill for the land that the home is situated upon. NYS will now force these individuals to receive a STAR Credit Check instead. While more beneficial to the manufactured homeowner in that the savings is not administered to them by the park owner in the form of a lot-rent adjustment, there is much confusion about when this takes effect, how NYS is notifying the park owner and the manufactured homeowner. We are working with the parks to try to facilitate this change over, but we do not have access to all the information that NYS has so it is challenging to say the least.

2023 – An Assessment Odyssey

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 the work that is needed to maintain that level. These are projects that we are looking at in our crystal ball to do for 2023 – however these projects are subject to change as we approach the valuation date of July 1, 2022.

The effects of COVID-19 will be felt for the next few years especially as we falter in our response as a state and a nation. As companies reevaluate the need for office space and for company travel, this will affect many different properties. Without people in the central business areas, small local 'support businesses' (small restaurants, convenience stores, etc.) has faltered

immensely. Many small local Tompkins County establishments have closed their doors either permanently or as an effort to reduce costs when opening that day would be more costly than closing. Supply chain issues (like Maines going out of business) have also affected smaller stores to the point where they shop at BJ's/Sam's Club instead of having those products delivered to them.

Vacant Land

Based upon the sales we are seeing, there seems to be a spill-over from other areas which is causing an increase in value. Due to the untimely death of a long-time Ithaca landlord (Rocco Lucente), a 908 acre of piece of land was recently subdivided into 40 parcels. These 40 parcels were marketed to downstate (or out of state) buyers. This resulted in sale prices that were significantly higher than comparable properties even though some parcels were bought by local buyers. This is not the first time that we have seen this phenomenon in Tompkins County.

Farms

For the 2021 Assessment Roll, we did step 1 of an agricultural land reappraisal project by verifying all the inventory on each agricultural property. With the inventory verified, we will revalue the entire property class for the 2023 Assessment Roll. Any increase in the land value of an active farm is typically exempted off due to the agricultural land exemption application.

New FEMA FIRM Flood Maps

We were recently provided a link to the new draft proposed FEMA Flood Maps. We are anxiously awaiting to see what sort of effect these new maps will have on the real estate market. Most homeowners in the areas that will be shifted to a 1% flood zone probably do not have the financial means to purchase new flood insurance at an estimate average rate of \$300-400/month. This will change these neighborhoods irrevocably. In addition, with a large portion of the Commons and the West End now in a flood zone, we will have to see how that affects new and existing commercial developments.

Town of Covert Assessment Function

The year 2022 will mark our 9th assessment roll that we file in the Town of Covert. This unique arrangement in New York State has provided a full-time assessor to a small town of only 1,600 parcels. We were able to recover after the devastating fire which destroyed all the records (and none were digitized) and performed a town-wide revaluation in 2016. This arrangement has proven so beneficial to the property owners in Covert, that we even take a significant number of calls from other towns in Seneca County as their assessor is often difficult to reach according to the property owners. Not all part-time assessors have the time that is needed to serve their public.