



Department of Assessment

128 East Buffalo Street

Jay Franklin
Director

Inclusion through Diversity

Irene Kehoe
Assistant Director

To: Government Operations Committee

From: Jay Franklin

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Re: 2015 Annual Equity Maintenance (AEM) Program

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. Since our failed attempt at a triennial assessment cycle, we have and will continue to maintain a 100% level of assessment.

Introduction

In an attempt to provide the public with more information regarding the decision making aspect of the assessment function, the Department of Assessment will start issuing an end-of-year report regarding the current real estate market.

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.

Tompkins County has over 35,100 parcels of real property with a total market value of about \$11.2 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 \$300,000 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. Aiding this strong selling market were historically low lending mortgage rates which drove up sales prices. Demand also exceeded supply which led to a resurgence of bidding wars in the early spring of 2013.

2015 Annual Equity Maintenance Program

Since New York State adopted the Cyclical Reassessment Program (CRAP) in order 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. While this new program might pull some municipalities to update their rolls, it adversely affected those municipalities that have maintained an accurate and equitable 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 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 more costly to administer with no increase in accuracy or equity. The largest expense in participating in CRAP was 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

In the past 2 years, the number of valid arms-length transactions for residential properties has increased almost back to the peak years of 2002-2008. As a trend, both the average selling price and median selling price are slightly increasing although variations in the type of property being sold might show a decrease from year to year.

Asmt Year	Sales	Average Sale Price	Median Sale Price
1992	610	109,445	91,500
1993	605	115,493	96,500
1994	578	110,942	95,000
1995	676	107,478	92,950
1996	775	109,241	90,000
1997	545	106,604	92,700
1998	634	107,075	90,250
1999	754	108,028	89,700
2000	772	115,526	96,800
2001	860	115,766	95,500
2002	838	118,669	100,000
2003	909	125,993	108,500
2004	884	147,675	125,950
2005	1,011	165,982	140,000
2006	1,002	181,787	155,000
2007	1,048	194,750	164,650
2008	923	201,538	178,000
2009	808	204,744	178,700
2010	725	208,980	179,000
2011	736	209,652	182,000
2012	870	199,797	174,375
2013	961	207,005	184,000
2014	971	216,138	185,000

Because Tompkins County reassesses all properties each and every 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 both the International Association of Assessing Officers and the New York State Office of Real Property Tax Services assert that annual reassessment is the best way to ensure an equitable distribution of the tax burden.

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, 2013 and July 1, 2014. 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	=	0.99
Median Assessment to Sale Price Ratio	=	1.00
Price Related Differential	=	1.01
Coefficient of Dispersion	=	5.12

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 2014 Assessment Roll was already valued as a whole at 100% fair market value as of July 1, 2014. However, this information is not sufficient to make any determination regarding the level of assessment in Tompkins County. While the AVSP for the county as a whole is statistically at 1.00, further analysis needs to be undertaken to determine if there are sub markets in the county that are not representative of the county as a whole as some areas within the county do not trend the same as the rest of the county does as a whole.

The median sales price has only increased \$1,000 from the previous years which shows that the overall market value for residential properties within the county is not dramatically increasing however there are still pocket areas where that statement is not correct; the market value has in fact increased over previous years which is where we focused our reassessment efforts for the 2015 Assessment Roll.

Reassessment Projects for 2015 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 Danby
- Village of Dryden
- TOV Groton
- Town of Ithaca – Williamsburg Park/Cigarette Streets
- Town of Newfield
- TOV Ulysses (non-lake)
- Subdivision Land

Commercial (countywide)

- Parking Lots
- Hotels
- Office Space
- Industrial Properties
- Commercial Development Land
- City of Ithaca – Commons Area (slight adjustment due to construction)
- Condominiums/Cooperatives
- Bed & Breakfast

Conclusion

The overall measures for assessment equity and uniformity indicates that the 2015 Assessment Roll will not require any major changes from the 2014 Assessment Roll to maintain a 100% level of assessment. However some properties will change in value.

There are over 34,500 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 particular town.

The Department of Assessment will mail out a Preliminary Notice of Assessment Change to all property owners whose assessment changed since the 2014 Final Assessment Roll on March 13th. 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 information appeal is April 3rd. 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 26th. Grievance day will be held on May 26th 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 2016 Continual Equity Maintenance Program

Based upon sales from July 1, 2014 to January 1, 2015 the real estate market appears to be very level overall however there are still areas in the county that are appreciating, most notably the City of Ithaca and the Apartment Class. The Assessment to Sale Price Ratio for this period is still 0.99 which shows a slight under-assessment of all properties.

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. In today's society where privacy is almost non-existent; with all of 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. Just recently in the past, one never had to be so worried as to what scam that they were being taken advantaged by, that a property owner was always more than willing to allow you onto their property so that you could gather all the information that you needed to do your job.

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. I will also continue to pursue ways to work with the local law enforcement community so that we can be alerted of areas that we do not need to be around.

We have realized this change in the public, have respected this change and we have changed how we do things as a result of this change. But this has affected our end 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 in order 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 constantly looking to improve upon our service to the community.

2015 AEM Addendum

Residential Decision Making Process

The biggest issue that we are encountering is the changing condition of residential properties that are not reflected in either building permit work nor exterior conditions. Our sales verification process weeds out these sales that may have sold for more (or less) than our current assessment but that difference was due to physical work that was not valued prior. Even the Governor of New York recognizes the need for the public's privacy and how that has made the assessor's job exponentially 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 really get down to why properties are moving so that sales that have been physically improved are not mistaken for market improved sales. 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.

City of Ithaca

The City of Ithaca is still showing a slight increase. All properties were reviewed for the 2014 Assessment Roll so no change was needed at this time for the 2015 Assessment Roll.

Town of Caroline

For 2014, we reviewed the old style houses. Based upon a review of the sales that have occurred within this market area, no change is needed for 2015. It is highly likely that we will be doing a parcel by parcel data collection of this municipality for the 2016 Assessment Roll.

Town of Danby

This town was reviewed parcel by parcel in the field to account for the major changes that have occurred in this market area – both by being a slight cost savings as compared to the Town of Ithaca and also physical changes that have occurred on the property that are not necessarily reflected in building permit data. There was a significant amount of change in this town.

Town of Dryden

This Town was partially reviewed for 2014 by reviewing some pocket areas within the town. On a whole, the value did not change for the rest of the rural area, however the pocket neighborhoods that act more like the Town of Ithaca (Ellis Hollow area for instance) were reviewed on a parcel by parcel basis. The Village of Dryden was reviewed for the 2015 Assessment Roll on a parcel by parcel basis. This was done utilizing Google Earth's Street View whereby a parcel by parcel drive by review was completed while "driving" from the Donald P Franklin Conference Room. This resulted in a much quicker turnaround for this project. We will be pursuing additional sustainable field review techniques in the future.

Town of Enfield

The mobile homes within the town were reviewed for the 2014 Assessment Roll. Based upon a review of the sales within the town, no further review was needed for the 2015 Assessment Roll. This is a town that does not reflect the general trends that occur within Tompkins County.

Town of Groton

While the driving factor in the change in the market within Groton was the Village for 2014, the factor now is the Town outside the Village. This was reviewed by a parcel by parcel basis for the 2015 Assessment Roll.

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. This allows for a more focused review than what is really possible in other towns. For 2014, we reviewed the "usual suspects" (Commonland, Eastwood Commons, Deer Run – the PUDs within the Town). For 2015, we have reviewed what is commonly referred to as the Cigarette Streets and Williamsburg Park located in the Northeast Area of the Town. This area is adjacent to Cornell University which is highly desirable. We also reviewed the "usual suspects" again as it easy to update the information we have when new sales come into those cookie cutter neighborhoods.

Town of Lansing

Besides reviewing all of the mobile homes and old style houses in the town for the 2014 Assessment Roll, we reviewed the major pocket areas within in the Town. In reviewing current sales, the majority of the large subdivisions within the town are accurately valued and thus no need for change. The lake still remains a challenge in this town. The fact that the railroad runs adjacent to the lake has caused a lot of confusion and uncertainty as to the ownership and even use of the lake front for what are lake front properties. The railroad has notified a few property owners of their intent to block or require a license to cross railroad property. More than a handful of sales have fallen through over the questionable ownership of the lake front. This question of ownership has caused seasonal cottages to sell for more than year-around residences based strictly upon the feeling of the new owner in regards to how strictly the railroad will/will not enforcement any encroachment violations. While we have read every single deed that is along the lake, every deed has (or has omitted from a prior deed) language to the extent that transferred "any land if any such exists to the westerly side of the railroad track". We are seriously considering removing all properties from the "lakefront" neighborhood in response to the questionable ownership of the lakefront however we are not going to be reducing the values when doing so as the lakefront is obviously used by the properties adjacent to them based upon the size of the docks, cottages etc that are placed on the land whose ownership is in question.

Town of Newfield

Similar to Danby, the Town of Newfield was reviewed on a parcel by parcel basis. After this review, it was determined that a significant amount of homes were improved without a building permit (and one might not have been needed for some of these improvements). While mobile homes were reviewed in 2014, all residential properties were reviewed for 2015. There was no trend that could have been determined as both level of assessment and equity was adjusted in this review

Town of Ulysses

The Town of Ulysses was reviewed on a parcel by parcel basis for 2015. Additionally, we are reviewing the lake neighborhood and this area will hopefully be adjusted in a future assessment roll however there is no rhyme or reason behind the lake sales that we have. The buyers are strictly motivated by what is currently on the market and will pay what they can afford for those properties. We have 900 square foot seasonal cottages that are selling for more than 1,600 square foot houses on similar land. These prices do not reflect a "willing" buyer but an "excited" buyer. We are hoping to have a police escort on the lake in order to data collect these properties from the more important side in 2015.

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 a no difference 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.

The subdivision land is something that we review each year. For true subdivision land, we value according to 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. The biggest holdup for affordable 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.

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. This segment of the market is heading for a downturn in the near future. 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.

Apartments

This class was revalued for the 2014 assessment Roll and will be revalued again for the 2016 assessment roll. The prices that are being paid for apartments are not supported by their income with most properties actually losing money on a yearly basis. We have made the determination that we are going to value properties based upon the prudent buyer/prudent seller approach and the sales of these properties do not reflect that decision making process. There was also a change in the parking requirements that just was passed by the Common Council for the City of Ithaca that might make "doubling up" more prevalent in bedrooms (2 people sharing a 1 bedroom apartment).

We are reviewing the more modern apartments within the Town of Dryden as our 2014 review has proven to be light based upon new income and expense information that we have gathered as a result of the 2014 reviews.

City of Ithaca – Commons

The Ithaca Commons is under a rebuild and the whole Commons area is expected to be under construction for the next 2 years in addition to the past year. Based upon discussions with the property and business owners, we decided to make a small reduction in value for the retail space on the commons. While the destination businesses have not seen a drop-off in sales or traffic, the accessory businesses that rely on foot traffic have seen a decline in business. The office space and apartments were not adjusted, only the retail first floor space. We had made a 5% adjustment for the 2014 Assessment roll and we made an additional 5% adjustment again for the 2015 Assessment roll. We anticipate this to be a temporary adjustment as once the Commons is complete, the downtown area should be revitalized with the planned development in either construction phase or planning phase.

Other areas

Parking Lots – parking spaces within the downtown area have increased in value with the influx of new office space.

Hotels – the occupancy rates have remained strong while the average daily rate has approached \$150/night. 3 new hotels are planned for the downtown area which shows a strong market for this property type.

Office space – office space has shown a slight uptick after a few years of level ground where any increase in rent were offset by an increase in expenses. Additionally in order to keep a tenant in place, concessions were often granted as a filled space was much better than a vacant space.

Industrial Property – the small various industrial properties in the county were reviewed and adjusted. The lack of main road/rail into the county has severely limited the amount of industrial property within the county.

Commercial Development Land – the areas within the County that are receiving development pressure for commercial uses were reviewed and revalued on a parcel by parcel basis for the 2015 Assessment Roll Year.

A look forward – 2016

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 to do all of the work that's needed to maintain that level.

For 2015-2016 we are going to be experiencing a change in our staffing that has not been felt for many years. 20% of our staffing will retire in the last quarter of 2014 and the first quarter of 2015. This represents over 60 years of appraisal experiences that will be walking out the door. We are hoping to retain our commercial appraiser for at least a part time basis for a few years however that is not set in stone at this point in time. We are actively recruiting for new employees however the fact is that there are not a lot of local appraisers who are looking to join the public sector. If qualified individuals are not found, we must find people who can be trained to be appraisers.

Known Projects

Apartments

Once again, this is a strong category for Tompkins County, in particularly the City of Ithaca. We would again be looking at a 5-20% increase depending on location of the apartment, which the ones near the heart of Collegetown receiving the higher increase.

City of Ithaca Residential

The idea of a walkable community is ever present in the housing prices we are seeing for those highly desirable walkable neighborhoods of Fall Creek and Belle Sherman. This increase in price for those neighborhoods have led to an increase in the other "lower"

priced neighborhood. This trickle affect has even made its way to West Hill, which despite all of the negative press that it has gathered, still is a highly desirable area.

Town of Caroline

As part of our Annual Equity Maintenance Program, if we have not revalued an area for a few years, we will at least perform a parcel by parcel data collection to weed out those properties that have changed in physical condition from our last review. While we are constantly “driving the roads”, there is not a substitute for making sure your information is correct and valuing properties.

Farmland

Based upon the sales that we are seeing, I would highly expect that we would increase the value on active farmland again for this year. Based upon the workload for the other projects, this would be the last project for the year as any increase in value for this project would be exempted off due to the agland exemption.