



Department of Assessment

128 East Buffalo Street

Jay Franklin
Director

Inclusion through Diversity

Irene Kehoe
Assistant Director

To: Government Operations Committee

From: Jay Franklin

Date: February 8, 2016

Re: 2016 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.

Personally, I appreciate the commitment of the County Legislature of allowing my office to continue to act free of any political influence in maintaining our assessment roll. In our 46 years of existence, my office has never had a single instance of any village, town, city, school district or county official try to influence a decision made in this office. This autonomy is essential in administrating the New York State Real Property Tax Law.

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 35,200 parcels of real property with a total market value of about \$11.6 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 \$420,000 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.

2016 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, *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. 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 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.

Year	Sales	Average Sale Price	Median Sale Price
1990	804	\$89,754	\$81,200
1991	791	\$96,410	\$85,000
1992	740	\$93,932	\$85,000
1993	774	\$94,108	\$85,000
1994	883	\$94,332	\$83,000
1995	706	\$98,158	\$87,000
1996	685	\$96,932	\$85,000
1997	790	\$99,708	\$85,000
1998	874	\$104,035	\$89,000
1999	926	\$102,550	\$89,900
2000	953	\$106,492	\$91,500
2001	1000	\$113,483	\$98,000
2002	1048	\$116,893	\$104,500
2003	1120	\$138,198	\$120,000
2004	1135	\$158,990	\$139,000
2005	1107	\$179,326	\$156,500
2006	1051	\$184,862	\$163,500
2007	928	\$191,179	\$172,000
2008	845	\$200,905	\$173,500
2009	751	\$191,093	\$166,000
2010	769	\$198,814	\$174,500
2011	722	\$201,409	\$180,000
2012	808	\$201,144	\$177,563
2013	873	\$215,883	\$189,000
2014	875	\$221,862	\$192,000
2015	804	\$228,442	\$200,000

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.

It is impossible to measure the level of assessment for Commercial properties by using any sort of sales ratio approach. The vast 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.

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 in order 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

actually worth more than the value of the current use of the building (which is how we have to 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.

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, 2014 and July 1, 2015. 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	=	0.96
Median Assessment to Sale Price Ratio	=	0.98
Price Related Differential	=	1.008
Coefficient of Dispersion	=	6.2

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 2015 Assessment Roll was already valued as a whole at 100% fair market value as of July 1, 2015. 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 as a whole.

However, this information is not sufficient to make any determination regarding the true 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 increased \$8,000 from the previous years which shows that the overall market value for residential properties within the county are slightly 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 in order to make a change for the 2016 Assessment Roll **OR** that no market change has occurred.

Reassessment Projects for 2016 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 Lansing (outside the village)
- Town of Dryden (outside the villages)
- City of Ithaca
- Town of Ithaca (West Hill)
- Town of Ithaca (PUDS)
- Village of Trumansburg

Commercial (countywide)

- Apartments
- Strip Malls
- Hotels/Motels
- Ithaca Commons (revised 2 year adjustment for construction)

Agricultural

- Active Agricultural land in Dryden, Groton, Lansing, Ulysses

Conclusion

The overall measures for assessment equity and uniformity indicate that the 2016 Assessment Roll will require some major changes from the 2015 Assessment Roll to maintain a 100% level of assessment. Some properties will change in value very significantly and some properties will not change at all this year.

There are over 35,200 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 2015 Final Assessment Roll on March 11th. 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. We also mailed out assessment change notices to larger apartment complexes earlier as the review of those complexes are more

involved and take more time both on our part and on the owner's part to compile the relevant income and expense information.

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 April 8th. 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 27th. Grievance day will be held on May 27th 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 2017 Continual Equity Maintenance Program

Based upon sales from July 1, 2015 to January 1, 2016 the real estate market appears to be slightly increasing. The Assessment to Sale Price Ratio for this period is still 0.99 which shows a slight under-assessment of all properties. The apartment property class appears to be as strong as ever. It will be noteworthy to see what happens to the vacancy rate as more units are brought on-line. Additionally, if interest rates were to increase, this will negatively affect the demand for alternative non-liquid investments.

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. 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 have tried for years to work with the local law enforcement community, to no avail 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 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.

For instance, when the County Clerk's office went to their new EDMS, our connection to their database was broken and we can no longer simply search with a single click of a link (and not to mention that we took on the additional 0.50 FTE of inputting sales information which used to be seamlessly transmitted from the input that occurred at the County Clerk's office). The loss of integration has caused a tremendous increase in the amount of time that is spent researching real property information.

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

2016 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. 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 really get down to why properties are moving so that sales that have been physically improved are not mistaken for market improved sales.

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 2016 assessment roll. The Fall Creek neighborhood has shown a large appreciation due to its central location in the City. It is being marketed as a 'walkable community' adjacent to the 'newly rebuild Ithaca Commons'.

Town of Caroline

For 2016 we had hoped to do a parcel by parcel data collection of this town however due to the workload needed to maintain values in the rest of the county, this project was delayed until 2017. This is not necessarily something that needs to be done for level of assessment however based upon us driving the roads each year, we feel that some improvements have been made to some properties over the years that are not reflected in our inventory.

Town of Danby

This town was reviewed in 2015 and saw some significant increases in value. Based upon sales that have occurred since the 2015 AEM program, values have held steady since that review. No further wholesale changes are needed for 2016/2017 at this point in time.

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. Some areas saw a larger increase than others. This is due to the fact that Dryden is the largest municipality in both size and parcel count. This largest town encompasses vastly different market areas and they were looked at on an individual basis so that these differences can be accounted for.

Town of Enfield

The Town of Enfield is one of the smallest towns within the county. It is difficult to determine a trend in this municipality as the sales often do not reflect the rest of the population of the town. This town is due for a parcel by parcel data collection in 2017.

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. Since that time, no major changes have occurred. We are monitoring the Village of Groton sales. There is a perception that some properties have not been kept up in condition and these properties are drawing down the marketability of this once vibrant village.

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 2016, we reviewed the "usual suspects" (Commonland, Eastwood Commons, Deer Run – the PUDs within the Town). For 2015, we reviewed the Northeast part of the town and for 2016 we have reviewed what is known as West Hill (everything to the West of Rt 13). For 2017, we are planning on reviewing East/South Hill but most of this area is in pocket areas that have been frequently reviewed over the past few years.

Town of Lansing

For 2016, all properties within the Town of Lansing (outside the Village) have been reviewed on a parcel by parcel basis. While the pocket neighborhoods have been kept up to date in the previous years, the rest of the town hasn't been revalued. A 10-15% increase in value would not be atypical. 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 enforce 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

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. No change is needed for the upcoming year.

Town of Ulysses

While the Town of Ulysses was reviewed on a parcel by parcel basis for 2015, for 2016 we have reviewed the Village of Trumansburg on a parcel by parcel basis. 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 feet seasonal cottages that are selling for more than 1,600 square feet 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 2016.

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.

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.

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.

Apartments

This class was revalued for the 2014 assessment Roll and was 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.

Rents have increased significantly over the past few years and while expenses have increased too, a simple drop in the capitalization rate has caused the value to increase. Based upon some sales that we have seen, capitalization rates could be as low as 4% for some of the smaller cut-up student housing. Financially, these market driven capitalization do not make financial sense when investment grade apartment buildings are using 5% capitalization rates.

City of Ithaca – Commons

The Ithaca Commons rebuild is finally complete and is rather nice. The two negative 5% adjustments we made to the first floor retail space will be back to what they were prior to the adjustment. In addition to this change, apartments above the first floor will have increased in value as well. This is an area to watch as some large scale developments are planned.

Other areas

Strip Malls – We have reviewed all of the strip malls within the County to make sure there is uniformity. All things come around in a circle and while these malls used to be the shopping destination in the past, for a while they fell into disrepair when the enclosed shopping mall was the place to be. Now, the outside strip mall is making a resurgence.

Hotels – We have made a percentage increase on the hotel property class of 5%. The demand for rooms is still strong and the ADR is increasing. It is worth noting that there are 2 hotels under construction with 1 renovation in the planning phase and another new hotel in the planning phase as well.

Farms

We reviewed the northern town's farmland (Dryden, Groton, Lansing, Ulysses) to reflect the growing demand/prices for this land. This shouldn't have any significant effect on the taxable value for these properties as that value is picked by the State Legislature when they determine the Ag Ceiling values for the year. While some properties might see an increase based upon the limit of 50 acres of woodland, I can see more agricultural dividing in order to take advantage of this loophole.

A look forward – 2017

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 to do for 2017 – however these projects are subject to change as we approach the valuation date of July 1, 2016.

Known Projects

Apartments

Once again, this is a strong category for Tompkins County, in particularly the City of Ithaca. We have to monitor how the new units that are coming on-line in the near future affect the vacancy rates. In addition any change to the interest rates might negatively affect this market segment.

Town of Caroline / Town of Enfield

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.

Town of Ithaca

We will review the South Hill part of the town of Ithaca as this area hasn't been fully reviewed in a few years. There are many pocket neighborhoods in this area so there are not many properties to be reviewed in this project.

Lake Properties

The Town of Covert is performing a revaluation for the 2016 Assessment Roll. We plan on reviewing the values used for the lakefront properties and see how they compare to the lake front on the west side of the lake. This might cause a revaluation. The difficulty in this project will be creating equitable assessments based upon sales that show no rhyme or reason to their sale prices.