



Department of Assessment

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Inclusion through Diversity

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To: Government Operations Committee

From: Jay Franklin

Date: February 8, 2016

Re: 2017 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 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.

Tompkins County has 35,249 parcels of real property with a total market value of about \$11.9 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 (however they started to increase) and a low supply of houses on the market coupled with a strong demand, has kept sale prices on the uptick.

2017 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.

The CRAP has also increased the amount of work that is required of the NYS Office of Real Property Tax Services. By not having cyclical reassessments occurring on a regular basis, NYSORPTS is forced to perform full value measurements which require office staff to perform appraisals of property in the various towns that have not kept their values up-to-date.

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

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. Over the past year, we have some more movement in the higher-end properties than was typical in the past few years.

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
2016	677	\$238,796	\$205,000

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 the International Association of Assessing Officers asserts that annual reassessment is the best way to ensure an equitable distribution of the tax burden.

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

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

Analysis of Level of Assessment and Uniformity

The Department of Assessment has analyzed all the valid arms-length transactions of residential properties between July 1, 2015 and July 1, 2016. The mean and median Assessment to Sale Price Ratio (AVSP) along with the price related differential (PRD) and coefficient of dispersion (COD) was determined for the county as a whole.

Mean Assessment to Sale Price Ratio	=	0.92
Median Assessment to Sale Price Ratio	=	0.91
Price Related Differential	=	1.01
Coefficient of Dispersion	=	0.101

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 2016 Assessment Roll was not at a 100% fair market value as of July 1, 2016. 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 but as we were outside of that, work needed to be done to maintain 100% fair value assessments for all in the county.

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 2017 Assessment Roll **OR** that no market change has occurred.

Reassessment Projects for 2017 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 Caroline
- Village of Freeville
- Town of Enfield
- Town of Ithaca (South Hill – East Hill)
- Typical Subdivisions (PUDs, Penn Ave, Homestead Circle)
- Lake Properties
- Multiple Subdivisions (Towns of Dryden, Lansing, Groton)

Commercial (countywide)

- Food/Restaurants
- Mini Storage, Warehouses, Cold Storage
- Manufacturing
- Cell Towers
- Auto Repair
- Commercial Land

Results of the Reassessment Projects

Based upon the projects undertaken above, we were able to maintain a 100% level of assessment for the 2017 Assessment Roll. While we are still 3 months away from filing the Tentative Assessment Roll, the changes made above have changed our level of assessment statistics dramatically.

Mean Assessment to Sale Price Ratio	=	0.98
Median Assessment to Sale Price Ratio	=	0.99
Price Related Differential	=	1.004
Coefficient of Dispersion	=	0.051

There are 35,249 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 2016 Final Assessment Roll on

March 10th. 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 March 31st. 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 23rd. Grievance day will be held on May 23rd 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 2018 Continual Equity Maintenance Program

Based upon sales from July 1, 2016 to January 1, 2017 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. We are starting to see increased vacancies in student housing so what has become typical of reviewing student housing every other year, might not occur for the 2018 Assessment Roll.

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

Our biggest struggle today is the evolution of how the assessment function gets done. The days of cold calling properties and if someone is not home, the appraiser/data collector would simply run a tape measure around the building to measure the structures have come and gone. 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 were finally able to start working with local law enforcement to help protect my staff in the field.

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.

2017 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. We would anticipate that a revaluation will occur again for the 2018 Assessment Roll based upon the highly desirable walkable neighborhoods that the City of Ithaca offers. However, we are starting to see the trend back to the suburbs. Everything is cyclical in nature and while the City was the desirable neighborhood, much like national trends, the move back to the rural/suburban neighborhoods are starting to occur.

Town of Caroline

We did a parcel by parcel revaluation in the Town of Caroline. Some properties will experience a large increase in value while some properties might experience a decrease in value. This is one of the most diverse housing stocks within the County and the market is dramatically different for each variety. While the newer/renovated properties would experience a larger increase, the older/deferred maintenance properties would see less of an increase.

Town of Danby

This town was reviewed in 2015 and saw some significant increases in value. We reviewed a few small pocket areas for 2017 which would be considered "rural subdivisions".

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. The area known as Ellis Hollow continues to be a strong market – as the alternative for the urban walkable neighborhood.

Town of Enfield

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

Town of Groton

The Village of Groton was reviewed for the 2014 Assessment Roll and the Town outside the Village was reviewed for the 2015 Assessment Roll. 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 2017, we reviewed the “usual suspects” (Commonland, Eastwood Commons, Deer Run – the PUDs within the Town). We also reviewed the South Hill and East Hill areas (south of the Cigarette Streets). The sales within the Forest Home area were finally in enough abundance to show a substantial increase in that area (as opposed to the 1 sale does not make a market view that we were looking at for the prior rolls). We also reviewed the lake for the 2017 roll. We did a parcel by parcel review via the lake side of the property.

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. For 2017, we reviewed a few of the larger subdivisions as there appears to be a rebound for the higher-end homes. We also reviewed the lake for the 2017 roll. We did a parcel by parcel review via the lake side of the property.

Town of Newfield

The Town of Newfield was reviewed for the 2015 Assessment Roll similar to Town of Danby. And similar to Danby, the sales that have occurred since then have been in line with the new assessments. 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. We reviewed the lake for the 2017 roll. We did a parcel by parcel review via the lake side of the property.

No Change Properties

We also looked at all properties where their assessment hasn't changed since the 2009 Assessment Roll (the last roll on our RPS db). While we have reviewed certain

neighborhoods, property class types, etc – there are those ‘oddball’ properties that are unlike others. We wanted to ensure that these properties that might have been missed were addressed for the 2017 Assessment Roll. We did not find many but there were a few commercial properties that had a use not typical of its property class code.

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. We are starting to hear of more vacancies as the market is starting to become inundated with housing stock. Cornell University has announced a plan to house all sophomore students on-campus. The additional housing stock that would be built to accomplish this goal would have a negative effect on the price for the privately owned student housing in the City of Ithaca.

Mini Storage/Warehouses/Cold Storage

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

Other areas

Manufacturing

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

Cell Towers

Unfortunately there still continues to be no guidance from the NYS regarding the taxability of certain parts of a cell tower. Regardless we are reviewing cell towers to determine their equitability. Additionally, we are reviewing broadband towers...again without any guidance from NYS.

A look forward – 2018

Our Annual Equity Maintenance Program is a constant balancing act ensuring that all properties are at a level of assessment of 100% and ensuring that we have the time and staffing to do all of the work that's needed to maintain that level. These are projects that we are looking at in our crystal ball to do for 2018 – however these projects are subject to change as we approach the valuation date of July 1, 2017.

Somewhat concerning is the possibility for a major change based upon the results of the 2016 Presidential Election. Typically when a presidential election has occurred, the status quo would be the norm. However, as a result of this election, all options appear to be on the table – good/bad/indifferent. Any change to the interest rates which are starting to tick up, will have a negative effect on the market value of property. We will continue to watch what occurs in the first 6 months of President Trump's tenure. The last thing we want to do is to make a change in value only to have to undo that change we made in the previous year if we have the data to show the future change is occurring.

Land

We need to review both vacant land and improved land. Based upon sales within the county, it would appear that the prices of land are increasing in certain market areas within each town.

We are running into an issue with vacant land in the City of Ithaca as the "dirt" is often worth much more than the improvement that is on the property. For instance, an apartment building in Collegetown might be worth \$500,000 (or \$125/sqft) but the land under the apartment building would be worth \$3 million (or \$300/sqft). RPS does not allow a land value higher than the improvement value.

City of Ithaca

Based upon sales, we would need to review the City of Ithaca again. Sales continue to show that this is a desirable market area.

Town of Ithaca

We received the Northeast area (Williamsburg Park/Cigarette Streets) back in 2015 but based upon sales, this is an area that we have to revalue again this year.

Town of Lansing/Groton

We are anticipating looking at the single floor living units in these towns (Ranches and Doublewides).