



State of New Hampshire  
Department of Revenue Administration

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Commissioner

City of Claremont  
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PROPERTY APPRAISAL DIVISION  
January 23, 2007 Guy L. Petelli  
Director

Mr. Santagate,

The Department has been given the authority to monitor revaluations and updates to ensure assessments that follow proper assessing standards guidelines have been achieved per:

**Section 21-J: 11**

**21-J: 11 Appraisals of Property for Ad Valorem Tax Purposes. –**

II. The commissioner, at no expense to the municipality, shall monitor appraisals of property and supervise appraisers as follows:

- (a) Assure that appraisals comply with all applicable statutes and rules;
- (b) Assure that appraisers are complying with the terms of the appraisal contract or agreement;
- (c) Review the accuracy of appraisals by inspection, evaluation, and testing, in whole or in part, of data collected by the appraisers; and
- (d) Report to the governing body on the progress and quality of the municipality's appraisal process.

This report to the governing body is in regards to Claremont's update of assessments for the tax year 2006. There are a few areas I will be addressing. As you know, besides my typical monitoring for your community I attended a public forum on December 7<sup>th</sup> hosted by representative Thomas Donovan to hear concerns of the public. I will attempt to answer both the concerns of the public and report on my monitoring functions conducted during Claremont's update of value.

First I would like to review the definitions regarding the methods for town-wide assessment changes verses assessment changes as result of physical changes to an individual property:

**Asb 301.10 "Revaluation" or "mass appraisal" means the process of valuing a group of properties within a municipality using standard appraisal methods and allowing for assessment of statistical testing whether it is:**

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(a) Full with a complete measure, listing and valuation of all taxable and nontaxable properties in a municipality with or without use of, or access to, existing or prior appraisal data;

(b) Partial with a specified portion of a municipality or any individual properties using either a full data collection effort completed with or without use of, or access to, existing or prior appraisal data or less than a complete data collection effort; or

(c) A statistical update analyzing market sales throughout the entire municipality to identify and implement needed value changes to the affected areas or classes of property at the municipality's general level of assessment.

The city of Claremont's assessing department up dated citywide assessments utilizing method (c.)

Per Asb 302.01 Company or Municipality Requirements. A company or municipality shall, prior to starting a revaluation, submit in writing to the department the names of all employees and their duties for that particular revaluation.

During my visit with Claremont's assessor, David McMullen, on August 31, 2006 he informed me that he was in the process of finishing a statistical update of values for April 1, 2006. This was the first concrete communication the Department of Revenue Administration (DRA) had regarding such an update. The Department prior to this meeting had received no written communication indicating that the City of Claremont was conducting a statistical update of values for April 1, 2006.

It should be noted that on March 13, 2006 Claremont's prior DRA monitor Robert Gagne meet with Mr. McMullen to discuss the DRA's 2005 equalization survey for Claremont. Mr. McMullen has since left the city of Claremont for employment in another community.

The overall median ratio for 2005 was 70.1 (percent of assessment to market value – see the attached list of assessing terms) While a ratio of 70.1 as a whole is not a great issue of concern, there were certain strata within the community that were not proportional. Commercial land and buildings had ratio of 86.2 and manufactured housing located within parks had a ratio of 89.8. This would indicate that these two strata were running 16 to 19 percent above the median ratio for the community – overvalued in comparison to the whole. Vacant residential land had a ratio of 55.3 indicated that land was under assessed by approximately 15%. Mr. Gagne's notes indicate that Mr. McMullen was aware of the lack of proportionality between individual strata and that both discussed the need to adjust values prior to Claremont's Assessment Review year, 2008.

The Department has just finished Claremont's 2006 equalization survey. As a result of Mr. McMullen's update of value, the overall median rose from 70.1 to 84.6 and the Coefficient of Dispersion (COD) was slightly reduced, 17.1 in 2005 to 14.4 in 2006. The COD measures the uniformity of a set of numbers, in this case the assessments of properties that were included in the 2006 sales ratio study. Overall, the portionality between strata has been improved. Manufactured housing located within parks now has a

median ratio of 94.4 and vacant land has a median ration of 75.2. Both are now within ten percentage points of the overall median.

The intent of the equalization process is to measure both the level of uniformity of assessments and the relationship between the assessment and actual sales price of properties that have sold within a certain period; the sale group being representative of the entire community.

In October I was able to conduct a field audit of the physical data on twelve properties that had sold within the past twelve months and would have been utilized within the sales analysis for the 2006 update of values. The DRA utilizes a check off sheet with points assigned to certain errors that may be found on a property record card (PRC). The check off sheet (CS1) allows minor errors that could accumulate up to six points. Scores over six points represent PRCs that likely have enough errors that would adversely impact the overall assessment of the property. The goal should be to have as few of points as possible. Out of the twelve randomly selected properties, the highest score recorded was six. Five properties received a score of zero, indicating no physical errors or mistakes. While a relatively small sample, it gives the Department some indication as to the level of overall quality of the assessment data.

As part of my neighborhood review conducted just a couple weeks ago, I did note some grading issues with some individual properties where there appeared to lack consistency in the quality rating. It has been documented that neither Mr. McMullen nor the City were fully satisfied the 2003 revaluation conducted by Vision Appraisal. Mr. McMullen confirmed that the 2006 update of values was essentially a "desk top" statistical update without a complete field review of neighborhoods and individual properties. Mr. McMullen did change the tables for one neighborhood in particular, the B-1.5 neighborhood along a section of North Street. The entire neighborhood zone B-1.5 had their land tables adjusted from a residential pricing to a commercial pricing. While this may have made sense for commercial properties, the result may cause some residential and multifamily properties to not be proportional to other similar properties outside the B-1.5 neighborhood. These properties will need to be taken a look at via the abatement process.

Once an update or revaluation has been completed, the Department is to be provided with an updated sales / assessing manual. As of this date the Department has been provided with only the computer aided mass appraisal (CAMA) reports but this is not considered an updated manual that contains the complete documentation as to the thought process behind the changing of the tables.

The city of Claremont is in a unique position. While the city is looking for new assessor, this may be a good opportunity to set some benchmarks for the incoming assessor. Prior to the 2008 assessment review year, I would suggest a complete field review of the city to check for inconsistencies in quality grades on individual properties as well as neighborhood boundaries. A complete and thorough documentation of the thought process behind any changes would provide the basis for a good sales and assessing

manual to be kept in the office. As always, the Department recommends that at a minimum, all sale properties be physically inspected as part of an ongoing certification process allowing the assessing department to be prepared to conduct an update when and if necessary.

2008 will be Claremont's next Assessment Review year. Documentation for the next statistical update or revaluation will have to meet the guidelines as set forth in: **Section 21-J: 14-b**

(c) The establishment of guidelines for revaluations by July 1, 2006 based on the 2005 edition of USPAP Standard 6. The department of revenue administration shall in its assessment review process incorporate these guidelines and report its findings to the assessing standards board and the municipality, in accordance with RSA 21-J: 11-a, II. These guidelines shall be reported to the assessing standards board for all reviews conducted on or after the April 1, 2006 assessment year. These guidelines shall be incorporated in the assessment review process for all reviews conducted on or after the April 1, 2007 assessment year.

Recent Board of Tax & Land Appeal cases have also given clear evidence that written documentation showing the analysis for the uses of all types of market derived adjustments need to be included in assessing manual for each community. Such adjustments would included but not limited to: View Adjustments, Neighborhood Adjustments, Base Site Values, Quality Adjustments, Condition Adjustments, Cost Tables etc.

At the public meeting held on December 7<sup>th</sup>, a resident, Mr. Sullivan provided me with a copy of his questions regarding assessing practices in Claremont. I hope to address a few of his questions, in a manner that may be useful to all property owners.

One question concerned the recently renovated Way School building. A recent advertisement indicated that property taxes at the Way School had actually decreased. A review of all the property record cards (PRCs) regarding the Way School Condo Complex indicated that many of the individual assessments for 2006 are based upon the fact that the individual units were incomplete. In fact many of the individual assessments for 2006 were listed at less than 50% of what their assessments will be once they are completely finished. The tax savings for these units are short lived and I'm afraid the advertisement by Blackwood Properties may be slightly misleading.

Mr. Sullivan had some questions regarding the acreage in current use and the assessed valuation of the land in current use. In 2003 Claremont went through the process of an Assessment Review by the DRA. Part of this process was to examine and update, as needed, the current use files. Many communities sent letters to property owners with land in current use asking them to update their current use records and maps indicating which land was in or not in current use. As a result of such an update in current use files, many communities have seen changes in the total acreage in current use regardless of any acreage being removed from current use via change in ownership or change in use. As a

result of this process, it is likely additional property owners have increased the amount of their current use land receiving the 20% recreational adjustment, as seen in a steady increase in acreage receiving such adjustments from 2004 through 2006. Mr. Sullivan reported that number of parcels in current use had dropped to 266 parcels in 2006; in fact the Department's 2006 MS1 shows 483 parcels in current use. As a result of increases in property taxes over the past few years, it is possible more property owners that may have qualified in the past have decided to enroll their property in current use. Also, as subdivisions are approved, the actual number of lots in current use may increase until the individual lots are sold off, which will show a decline in the number of parcels in current use the following year.

Another issue of concern to Mr. Sullivan was that of the variation in price per square foot for lots along his street. This variation in price per square foot is the direct result of a graduated land curve. This is an interesting subject in which the IAAO has a weeklong class on how to value land, course 210. It is based upon the theory that the size of the lot is only one of several factors that play a part in estimating the value of the lot. Some of the other factors include topography, frontage, economies of scale, the ability to subdivide and location. Utility of a lot is one of the main driving features. A lot that is 50% larger than the abutting lot may not have 50% more utility or desirability, thus the resulting price per square foot would differ. The true measurement in the valuation process is the resulting land assessment, not the price per square foot as variation in the price per square foot is expected. A simplified look would be when grocery shopping, a larger box of cereal will sell for less per ounce than a smaller box.

The Department has been made aware of a minor error in how the land curve tables are functioning and the interim assessor is aware of the problem and is working on correcting the error. Lot sizes within a certain range appear to have been slightly under assessed.

Mr. Sullivan questioned the assessments of two condominium complexes in town. I conducted a field review of all the condominium complexes to check of consistency in the quality grading and condition adjustments.

One of the complexes of concern to Mr. Sullivan was Southbrook. Of the sixteen units reviewed, there were four sales that had occurred from 1/10/05 to 2/21/06. The individual assessment to sale ratios ranged from .76% to 95% with the average ratio 88.5% and the median ratio 85.5%. Only one unit had an inconsistent quality rating, which resulted in a raised assessment.

The other was Westwood Village. The most recent sale at this complex occurred in 2002. However, Westwood Village has some similar features to Cardinal Lane. Cardinal Lane has had three sales since June 2005. The most recent sale had a ratio of 1.10% while the two prior sales had ratios of 84% and 89%. Cardinal lane is similar in terms of Gross Living Area but are older units. Oakwood Park units generally run a little smaller in terms of Gross Living Area and are also older. There were two sales in 2006, one with a ratio of 86% and one with a 90% ratio. Adjusted base rates for Oakwood Park range from \$99/SF to \$102/SF and for Cardinal Lane \$81/SF to \$86/SF. The adjusted base rate

of Westwood Village ranges from \$50/SF to \$54/SF. All prices per SF were rounded. This would indicate that Westwood Village may not be proportional to other condominium units in Claremont.

The adjusted base rate for Westwood Village is another indication that a complete and thorough field review is recommended prior to or in conjunction to Claremont's next update of values, be it a full revaluation or statistical update. 2008 is Claremont's next assessment review year. Per the Assessing Standards Board the following must be achieved during a community's year of assessment review:

- A. Level of assessments and uniformity of assessments are within acceptable ranges as recommended by the Assessing Standards Board by considering, where appropriate, an assessment-to-sales-ratio study conducted by the department for the municipality.
  - 1. A median ratio should be between 0.90 and 1.10 with a 90% confidence level in the year of the review.
  - 2. An overall coefficient of dispersion (COD) for the municipality's median ratio should not be greater than 20.0 without the use of a confidence interval.

While Claremont's current assessments may have some minor inconsistencies in individual property in terms of quality grades, the overall quality of the physical data meets current guidelines. Maintaining proportionality among strata groups takes continual work in terms of analyzing neighborhood, strata and market trends, keeping the physical data as accurate as possible and being available to answer the public's questions. Claremont's recent update of values has improved the proportionality between strata but also has identified a few areas that will need attention prior to or during the assessment review year.

As always, the Department and I are available to assist Claremont as the assessing department goes through recruitment of a new assessor and gears up for the next assessment review year.

Yours Truly,



Charles K. Reese, NHLR, CNHA  
Department of Revenue  
Property Appraisal

ASB – Assessing Standards Boards established under RSA 21-J: 14-a.

Assessment Review Year - The property tax year set by the department for which a municipality's assessment review shall occur.

BTLA – Board of Tax and Land Appeals

Coefficient of Dispersion (COD) - A measure of assessment equity that represents the average absolute deviation of a group of ratios from the median ratio expressed as a percentage of the median.

Confidence Interval - The range established by electronic means within which one can conclude a measure of population lies.

Confidence Level - The required degree of confidence in a statistical test or confidence interval.

DRA - The New Hampshire Department of Revenue Administration.

ESB – Equalization Standards Boards established under RSA 21-J: 14-c.

Level of Assessment - The overall ratio of appraised values of properties to market value of properties.

Mean Ratio - The result reached after the sum of all ratios is divided by the total number of ratios.

Median Ratio - The middle ratio when a set of all ratios is arranged in order of magnitude.

Point Estimate (of the Median Ratio) - A single number that represents the midpoint, or middle ratio, when the ratios are arrayed in order of magnitude.

Price Related Differential (PRD) - A measure of the differences in the appraisal of low value and high value properties in assessments, as calculated by dividing the mean ratio by the weighted mean ratio.

Ratio Study - The study of the relationship between appraised or assessed property values and the current market value of the properties.

Strata - A division of properties into subsets for analysis.

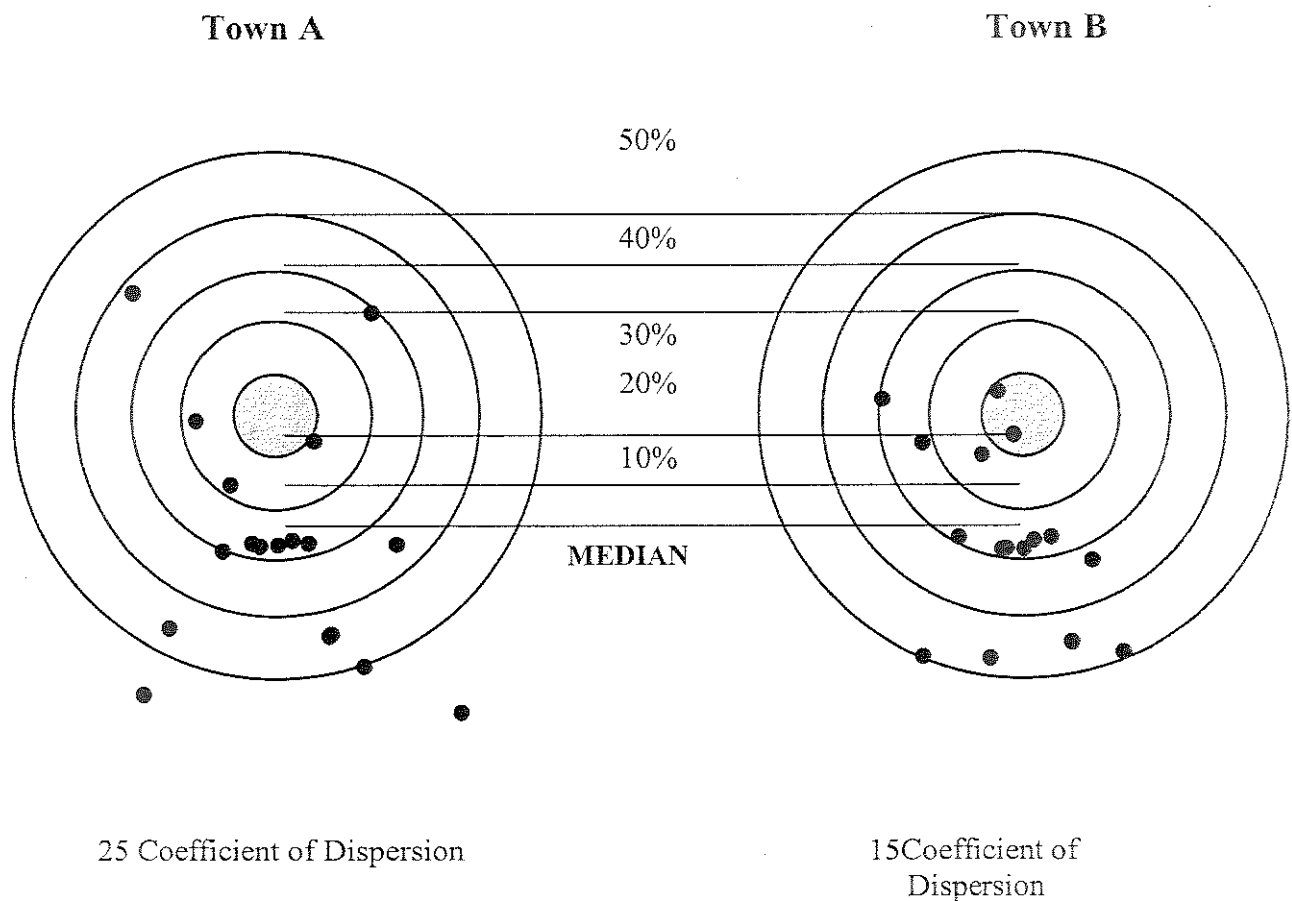
Uniformity of Assessments - The degree to which assessments bear a consistent relationship to market value.

Weighted Mean Ratio - The result reached when the sum of all appraised values is divided by the sum of all sale prices.

## COEFFICIENT OF DISPERSION

The COD is calculated by summing the absolute difference between each ratio and the median ratio and dividing the result by the number of ratios in the sample. The average absolute deviation is then divided by the median ratio and multiplied by 100 to obtain a proportional difference. This resulting Coefficient of Dispersion is the relative percentage by which the various individuals differ, on average, from the median ratio. The lower the coefficient of deviation, the more uniform the assessments. A high COD suggests a lack of uniformity. The ideal, but impossible, coefficient of dispersion is 0.

### Example of Two Coefficients of Dispersion



Each dot represents one individual assessment/sales ratio.

In Town A the individual assessment/sales ratios are spread out, or dispersed considerably in relationship to the median ratio for the group of properties sold.

In Town B the individual assessment/sales ratios are grouped closely in relation to the median ratio for the group of properties sold.