



# City of Newport

## 2014 Revaluation Project



# Revaluation Process in a Nutshell:

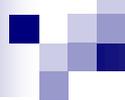


- Take a group of properties that have recently sold representing all variety of characteristics and price ranges.
- Create a property data file of these sold properties that contains the sale prices and data about the characteristics that are key in determining value. such as neighborhood, land size, dwelling style, size and age, etc.
- Apply valuation models or schedules to this file of sold properties and repeatedly refine them until the new assessed value on each sold property closely matches its sale price.
- Apply the models to the property descriptions of all properties in the City and produce a set of new property assessments.



# Why is property revaluation important?

- Since all assessed valuations are based on sales *as of a certain date*, later changes in the market will gradually make assessments out of step with the real estate marketplace.
- The current assessments in Newport are as of 12/31/2011. The assessment date for the current revaluation is **12/31/2014**
- *The rise and fall of real estate values make certain properties more valuable or less valuable, in relation to each other.*



## Why is property revaluation important, continued...

- The purpose of a revaluation is not to determine the **amount** of the City's total property tax burden but rather to determine the **distribution of this tax burden**.
- The **amount** of the tax burden is determined by the City's budgeting and legislative bodies
- The **tax rate** is simply the rate which provides the funds to pay for these services.

# Revaluation Process

Data  
Collection

Inspection of Recent Sales-  
Interior & Exterior  
Building Permits  
Data Entry into CAMA



Primary  
Analysis

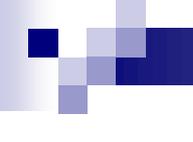
Building Costs  
Age/Depreciation Correlation  
Neighborhood Delineation  
Land Values  
Statistical Verification



Field  
Review

Drive by review of proposed values  
Do individual values make sense?  
Observe economic influences  
Additional discovery & adjustments





Final  
Analysis

Additional data collected in Field Review  
Latest sales data analyzed  
Final adjustments



Informal  
Hearings

Homeowner's opportunity to meet with  
Northeast if they feel their value is  
not in line with the market, or if they feel the  
property information is incorrect

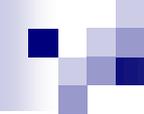


Appeal  
Process

Property Owners have the opportunity to  
appeal their value. First to the Assessor, then  
the Tax Board of Review, and finally  
to Rhode Island Superior Court

# The Raw Material of A Revaluation: Recent Property Sales

- In order for a sale price to be used as an indicator of value, the sales transaction must be what is referred to as an “**arm’s length sale**” or an “open market sale.”
- An arms length sale is one that sells in a competitive and open market, assuming that the buyer and seller are acting prudently and knowledgeably, and assuming the price is not affected by special influences.
- A large number of sales occur each year that do not represent the arm’s length transactions necessary to be included in the revaluation process. These non-arm’s length sales are identified and excluded from the valuation process.



## Qualifying Sales:

### Examples of Non-arms length sales:

- Sales between family members
- Sales in which a financial institution is the buyer or seller
- Sales between corporate affiliates
- Sales involving courts, government entities, or public utilities
- Sales involving charitable, religious, or educational institutions
- Estate sales
- Sales to property abutters
- Sales where the buyer or seller is under duress or may not be acting prudently or knowledgeably regarding all potential uses of the property

# Market Adjusted Cost Model....

- Comps are familiar to some tax payers since they are familiar with Fee appraisals



- Mass Appraisal uses “all the sales” when building the market adjusted cost model



# What comps did you use.....

- Taxpayer has a cape...
- We did not pick out several specific properties as an appraiser would
- We used all the qualified sales of cape style homes to (model) determine the new assessed value of your home.
- The schedules are **statistically tested** to verify their ability to predict estimates of current fair market value, accurately and uniformly.

# Why is the Market Adjusted Cost model used?

- The strength of the MAC model is that it works well with limited sales data.
- We are in New England and Real Property has unique characteristics. In Particular:
  - *Housing stock is heterogeneous*
  - *Housing stock is historic*
  - *Land sizes are not consistent*
  - *Local Municipal Government*

# Land Valuation

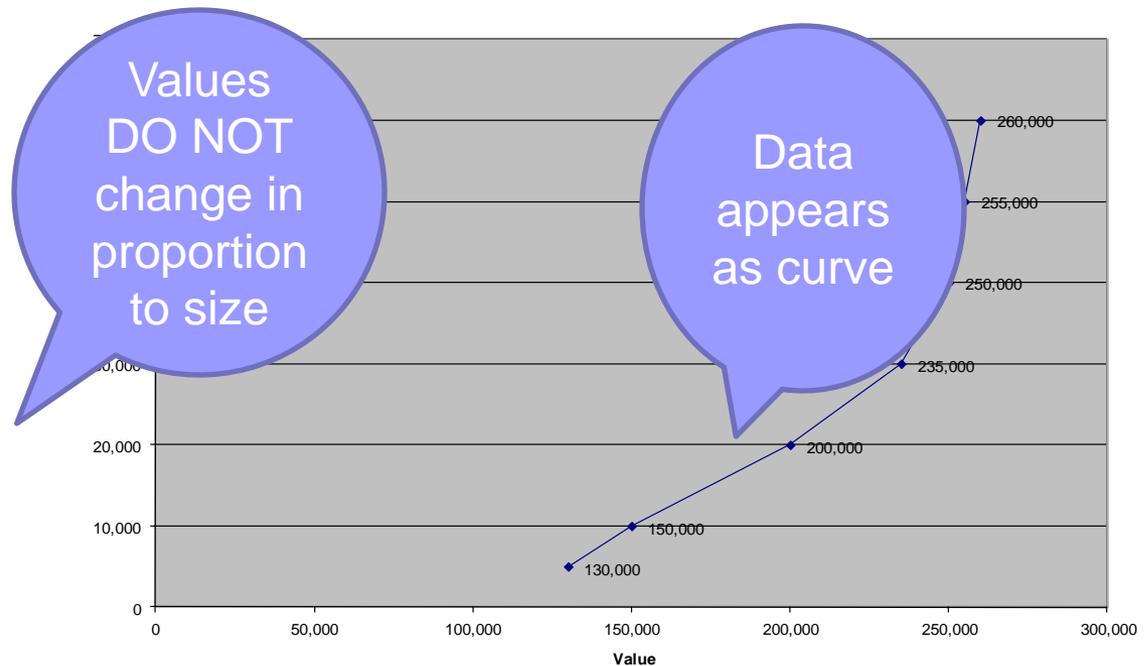
- The use of what is referred to as “land residuals” or “abstraction” is a method of land valuation that is used when there are not an adequate number of land sales.
- Using this method, the assessor and the revaluation contractor turn to improved property sales rather than solely to vacant land sales to develop land values.
- By subtracting an indicated market value of the improvements from a sale price, one is able to arrive at the contributory value of the land. For example:
  - Sale Price: \$400,000
  - Building Value: -\$250,000
  - Land Residual: \$150,000

# Land Valuation, continued ...

- In general, the value of land in the real estate market rises as parcel size increases; but it does not rise in direct proportion to size.
- If a City's zoning regulations dictate that only one house can be constructed on a 10,000 square foot parcel and, likewise, only one house can be constructed on a 40,000 square foot parcel, then both lots have essentially the same utility – the construction of one house.
- Therefore, buyers do not pay four times the price of a 10,000 square foot lot for a 40,000 square foot lot.

# Land Valuation, continued ...

LAND SIZE (SF)	LAND VALUE
10,000	150,000
20,000	200,000
30,000	235,000
40,000	250,000
50,000	255,000
60,000	260,000



*Typically, land curves are created for several neighborhoods*

## Land Valuation, continued ...

While smaller parcels of land generally have lower *values* than larger parcels of land, it is important to understand that smaller land parcels nevertheless typically have higher *dollar per square foot* values.

LAND SIZE IN SQ FT	LAND VALUE	VALUE PER SQ FT
10,000	150,000	15.00
20,000	200,000	10.00
30,000	235,000	7.83
40,000	250,000	6.25
50,000	255,000	5.10
60,000	260,000	4.33

# Sales Ratio Analysis

The principal method of evaluating the extent to which assessed values reflect the current real estate market is to analyze the relationship (i.e. “the ratio”) between the assessed value of properties that have recently sold and their selling prices.

**Assessment**  
**\$475,000**

**Sale Price**  
**\$500,000**

**Ratio**  
**.95**



# Sales Ratio Analysis, continued ...

There are two principal ways to analyze lists of assessment to sale price ratios:

- The Level of Assessment
- The Uniformity of the Assessments (COD)

# Sales Ratio Analysis, continued ...

- Level of Assessment refers to the overall (median) Assessment to Sale Price Ratio (ASR). That is, for example, it answers the question of whether the assessments are at one hundred percent of market value; or lower than market value; or at some percentage above market value.
- Uniformity of Assessment refers to the extent to which all the assessment to sale price ratios being analyzed in the revaluation are clustered together as opposed to being widely disparate. Assessment uniformity is usually expressed in terms of the statistical measure: “COD” (Coefficient of Dispersion).

# Summary Reports, Statistical Testing and the Revaluation Process

- The 2014 Project included a detailed review of arms length sales from 2013 and 2014.
  - The first slide shows the sales by major style. For example, there were 59 sales of Colonial style homes that were used in the sales analysis. The median sales price for this group was \$410,000. The median appraised value is \$383,900, or 96% of the sales price. In addition, the COD is 8.97% and indicates how accurate the results are.
  - The next slide summarizes the data by neighborhood, providing a cross check of the results since each neighborhood will have multiple styles.
  - An additional report is included that also checks the data by groups of age built. Another test to view the data from a different perspective, and to verify the accuracy of the results.
- The remaining slides review the revaluation process in general and provide a more detailed look at such things as the level of Assessment and The Uniformity of assessment.

# Major Styles

## Statistical Verification of Sales

*Summary by Style  
NEWPORT, RI*

02/09/2015

Style		Count	Mean Sale Price	Mean Appraised	Mean A/S Ratio	Median SalePrice	Median Appraised	Median A/S Ratio	Median Abs Disp	COD	Weighted Average
01	Ranch	20	333,570	317,430	0.96	312,950	284,400	0.95	0.03	7.74%	0.95
02	Split-Level	1	655,000	585,600	0.89	655,000	585,600	0.89	0.00	0.00%	0.89
03	Colonial	59	449,785	428,302	0.97	410,000	383,900	0.96	0.07	8.97%	0.95
04	Cape Cod	29	445,534	421,879	0.96	375,000	354,600	0.94	0.06	8.25%	0.95
05	Bungalow	12	461,833	440,958	0.96	358,000	347,300	0.96	0.03	4.95%	0.95
06	Conventional	125	382,596	361,069	0.96	366,000	340,800	0.95	0.06	7.87%	0.94
07	Modern/Contemp	1	960,000	919,100	0.96	960,000	919,100	0.96	0.00	0.00%	0.96
08	Raised Ranch	6	326,500	307,667	0.97	318,000	305,600	0.97	0.05	6.87%	0.94
10	Two Family	46	407,626	386,843	0.95	365,000	334,700	0.94	0.06	7.63%	0.95
11	Three Family	18	473,056	461,300	0.98	467,500	451,450	0.98	0.08	8.67%	0.98
20	Estate Condo	4	832,500	788,800	0.95	732,500	696,950	0.95	0.01	0.79%	0.95
36	Custom	20	2,508,500	2,338,865	0.94	1,775,000	1,670,700	0.94	0.02	3.30%	0.93
45	Apt House	8	686,750	613,062	0.91	526,000	523,700	0.94	0.06	8.38%	0.89
55	Condominium	172	341,115	327,923	0.96	271,225	260,050	0.96	0.02	4.00%	0.96
60	Estate	6	3,200,000	3,147,150	0.98	3,217,500	3,110,850	0.97	0.02	2.58%	0.98
63	Historical	52	782,341	735,800	0.95	777,500	702,200	0.95	0.04	5.93%	0.94
67	B & B / Inn	4	1,475,094	1,392,325	0.95	1,392,688	1,307,800	0.94	0.02	3.19%	0.94
94	Outbuildings	19	199,368	188,400	0.94	150,000	135,000	0.95	0.03	4.38%	0.94
99	Vacant Land	3	169,167	131,500	0.81	160,000	135,600	0.85	0.05	8.24%	0.78
			<b>525,750</b>	<b>498,603</b>	<b>0.96</b>	<b>375,000</b>	<b>351,600</b>	<b>0.95</b>	<b>0.04</b>	<b>6.37%</b>	<b>0.95</b>

This slide shows one method of verifying the accuracy of the values. As part of the revaluation process, a number of statistical tests are used to verify the results. The standard for COD's in a municipality the size of Newport, is 15% or less. The COD, (Coefficient of Dispersion), simply measures how far apart the new assessments are from the actual sale prices.

# Sales Statistics by Neighborhood

*Summary by Land Neighborhood  
NEWPORT, RI*

02/09/2015

Land NBHD	Count	Mean Sale Price	Mean Appraised	Mean A/S Ratio	Median SalePrice	Median Appraised	Median A/S Ratio	Median Abs Disp	COD	Weighted Average
	28	322,232	313,368	0.96	273,750	271,650	0.95	0.03	3.83%	0.97
0100	4	214,625	207,550	0.97	197,000	198,100	0.97	0.04	4.90%	0.97
0200	2	294,250	272,000	0.93	294,250	272,000	0.93	0.07	6.99%	0.92
0300	15	308,100	292,553	0.96	300,000	282,100	0.94	0.05	6.67%	0.95
0400	77	317,548	305,955	0.97	292,000	287,400	0.97	0.08	8.53%	0.96
0500	29	390,276	373,510	0.97	400,000	366,200	0.98	0.08	9.29%	0.96
0600	7	760,768	705,414	0.92	675,000	606,100	0.94	0.03	4.71%	0.93
0700	15	348,467	334,060	0.96	365,000	333,300	0.95	0.06	8.07%	0.96
0750	16	368,806	342,975	0.94	360,000	351,200	0.94	0.03	7.31%	0.93
0800	129	450,306	423,177	0.95	416,000	384,800	0.94	0.06	7.69%	0.94
0900	11	785,455	735,682	0.95	665,000	685,600	0.93	0.04	5.96%	0.94
1000	59	623,871	583,832	0.95	506,000	496,900	0.96	0.05	6.71%	0.94
1100	10	815,675	753,190	0.93	651,250	594,200	0.94	0.05	5.43%	0.92
1200	22	1,348,841	1,282,936	0.96	1,078,750	1,047,150	0.95	0.03	4.26%	0.95
1250	9	1,316,278	1,257,533	0.97	1,095,000	979,700	0.96	0.05	6.71%	0.96
1300	2	8,500,000	7,884,850	0.94	8,500,000	7,884,850	0.94	0.03	3.19%	0.93
1400	9	2,881,944	2,778,978	0.96	2,790,000	2,813,300	0.95	0.01	3.74%	0.96

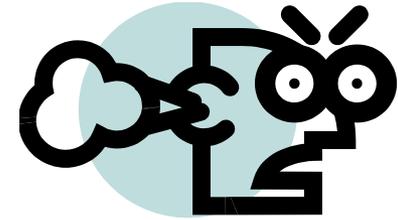
# Sales Statistics by Year Built

*Summary by Actual Year Built  
NEWPORT, RI*

02/09/2015

AYBGroup	Count	Mean Sale Price	Mean Appraised	Mean A/S Ratio	Median SalePrice	Median Appraised	Median A/S Ratio	Median Abs Disp	COD	Weighted Average
0-1900	169	548,739	516,275	0.95	422,000	401,700	0.95	0.04	5.82%	0.94
1900-1930	215	479,987	455,042	0.95	385,000	355,300	0.95	0.05	6.67%	0.95
1930-1940	27	377,931	378,367	0.99	320,000	317,900	0.99	0.04	5.31%	1.00
1940-1950	14	395,279	376,321	0.96	345,000	350,850	0.97	0.05	6.19%	0.95
1950-1960	32	354,641	339,466	0.96	310,000	306,650	0.94	0.05	7.48%	0.96
1960-1970	40	273,040	256,405	0.95	160,000	144,100	0.95	0.05	6.66%	0.94
1970-1980	28	415,168	402,764	0.97	364,500	338,350	0.95	0.03	6.28%	0.97
1980-1990	35	451,984	431,317	0.97	337,500	320,300	0.95	0.02	5.89%	0.95
1990-2000	16	1,131,812	1,097,156	0.98	543,750	494,000	0.99	0.04	4.42%	0.97
2000-2014	29	1,330,462	1,242,710	0.97	625,000	603,800	0.96	0.04	6.65%	0.93
		525,750	498,603	0.96	375,000	351,600	0.95	0.04	6.37%	0.95

Suppose I disagree  
with my value?



- On the notice will be a telephone number which you can call to arrange an informal hearing with our company.
- Personal hearings will be made by appointment with everyone who requests one.



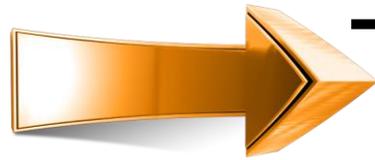
# What should I bring to the hearing?

- *Any documents or evidence that supports your claim. This includes:*
  - Recent real estate appraisals
  - Any documents regarding easements, wetlands, etc.
  - Photographs or documents that relate to structural or other problems. (please bring in copies, we cannot return originals)



# Keep in Mind...

- No Adjustments are made at the Hearing.
- We will listen, and collect any info you have that relates to the value of your property.
- All properties that have a hearing are reviewed and adjustments are made where appropriate.
- *Hearings, at times, highlight a value issue for a larger population of properties - a street or neighborhood for example. If this occurs, corrections are then made even if the property owner did not appeal.*



# Then what happens?

- Those who attend a hearing will receive a notice (by mail), indicating whether their assessment has been changed, and, if so, what the new value is.
- If a property owner is still not satisfied, they have the right to appeal to the Newport Tax Assessor's Department after receiving the new tax bill.

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