



Revaluation

by Alan Aronow

Summer is traditionally a time of sun and fun—but for members of the Haddam's Assessor's office it's been an all out race to gather the field data needed to complete the town's state mandated revaluation due on October 1, 2010.

Most property owners are familiar with the term 'revaluation' (aka: reassessment or reval). In Connecticut, municipalities raise the bulk of their budget revenues by levying property taxes. The state requires that every five years, towns and cities reassess all local real estate to establish its current fair market value. According to Town Assessor Marilyn Baumann the process of reassessing the value of all properties by the same standard at the same point in time is done to assure property owners that they are paying only their fair share of local taxes.

Revaluations are necessary because, over time, not all homes or neighborhoods experience similar changes in desirability. These changes are reflected in the price people are willing to pay for a specific property. As such, inequities develop where homes become worth more or less than other homes as a result of prevailing market trends. The revaluation process attempts to correct these inequities so that the appraised value of each property in town accurately reflects its actual market value as of a fixed date. (Note: In Connecticut a property's assessed value equals 70% of its appraised or market value).

This year, part of the process of accurately determining fair market value involves visiting and physically inspecting the exterior and interior of resident's homes to verify measurements, condition, quality of construction and to update current records on such as things as number of bedrooms, bathrooms, whether basements are finished, and special amenities like fireplaces, air-conditioning, exterior decks, garages, out-buildings, swimming pools and boat docks.

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Commercial and industrial properties will also be inspected this year. The last time the assessor's office physically inspected properties was in 2001.

Performing this task is a huge undertaking. To assist in the process the firm of Vision Appraisal Technology was awarded a contract totaling \$175,000

to perform the inspections, compile town-wide data and prepare the final tabulation of reassessed valuations. In addition, the firm of George E. Sansoucy, PE, LLC, was awarded a \$30,000 contract to perform a special appraisal of property belonging to the town's largest taxpayer, CT Yankee, in Haddam Neck.

How Does the Town Determine Fair Market Value?

Fair market value is generally defined as the amount a well-informed purchaser would be willing to pay for a property in an arms-length transaction where the parties are unrelated, not under duress, and where typical financing arrangements are used to complete the sale.

Most homeowners are familiar with having a bank appraisal as part of obtaining a mortgage. When one wants to borrow money, the mortgage lender needs to be satisfied that the property used as collateral is equal in value to the amount of the loan. To determine the value of the property in question a trained appraiser identifies recently sold homes in the same neighborhood with similar qualities and characteristics to the one you want to buy or refinance. By comparing these char-

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acteristics, and adjusting valuations up or down for different variables like acreage, square footage, number of bedrooms, etc., the bank appraiser can estimate the property's fair market value.

While bank appraisals are straightforward, it is important to remember that this is not how assessors throughout the state conduct town-wide revaluations. According to Vision Appraisal Technology, while the bank appraisal method and town's appraisal method may result in similar valuations, the process of deriving that valuation is very different.

Instead of trying to match a resident's property with a similar one nearby that recently sold, the assessor takes a different approach. As part of their contract, Vision Appraisal Technology's staff is compiling data on homes sold in Haddam between October 1, 2009 and September 30, 2010 to establish a database of what they call 'valuation parameters'. These valuation parameters are based on all properties sold, not just a few that might match your own home.

Once all the valuation parameters have been established, they are back-tested using a computer modeling program which projects, based on the town-wide valuation parameters and updated data from the physical inspections, the estimated fair market value of any given piece of property in town.

Vision Appraisal Technology says that, unlike the bank appraisal method, no particular sale or group of sales will be used to determine the value of your property. This is because all of the recent sales will be included in the

analysis that set the parameters used for the revaluation.

While the assessor's method might sound like rocket science, the fact remains that conducting a mass appraisal of the town's 3,000+ residential properties, and non-residential properties, takes serious computer power. Vision Appraisal Technology plays down the computer basis for determining fair market value. Company executives say that their approach is tempered by input from their appraisal staff, professionals that have personal knowledge of Haddam's real estate market.

Regardless of how it is computed, if your property assessment has increased, especially in this tough real estate market, you'll likely ask the question: "does my new assessment really represent fair market value?"

Top Ten Combined Real Estate & Personal Properties

(2009 - in dollars)

Conn Yankee Atomic Power Co	\$38,052,825
Conn Light & Power Co	29,190,150
Carmen Cocomo Realty Holdings LLC	8,258,770
The Riverhouse Properties LLC	2,524,260
The Davidson Co	1,979,090
Touchstone Development Assoc LLC	1,856,150
Bridge Street Associates	1,799,060
Camp Bethel Assoc Inc	1,727,070
Village Plaza LLC	1,150,300
MJM Land Development	1,100,880

Total **\$87,638,555**

(The final Grand list for 2009 was \$898,246,307)

What Happens If You Don't Agree with Your New Assessment?

Since the last reval in 2005 the United States has endured an economic rollercoaster with real estate values first soaring, then plummeting, and recently stabilizing. For most Haddam property owners, their current assessed

value equals the amount determined in 2005 (unless one has added space or remodeled, which may trigger a higher valuation).

Despite the daily drumbeat of bad news about the economy, town Assessor Baumann cautions residents not to automatically assume their properties are worth less today than five-years ago.

"At this point, it is not evident that values have dipped below those from 2005," said Baumann.

While no one has a crystal ball predicting what will happen in the real estate market between now and October 1, once the revaluation is complete, all residents will receive preliminary notification of their new assessment by mail starting on or about November 8, 2010.

Residents will then have an opportunity to discuss the amount of their assessment with the assessor during an informal hearing process tentatively scheduled to run between November 22 and December 30. Following these informal hearings final notice of property assessments will be mailed to all residents in January 2011.

Those residents who still do not agree with the town's valuation of their property will have the right to contest the amount before the town's Board of Assessment Appeals.

To do so one must submit an appeal application (available on-line at the town's website) before February 20, 2011.

Following this appeal process, residents who still feel their assessment is excessive have the right to file an action for relief with the State Superior Court.

Revaluation and Haddam's Tax Base

Haddam's tax base (aka: net taxable grandlist) equals the combined assessed value of all residential, industrial, public utility and commercial properties in town, plus motor vehicles and personal property used in business.

Revaluations can have a big impact on the town's tax base. At present, residential properties account for 77% of Haddam's tax base. When real estate markets are soaring, as they did between 2001, the date of the previous revaluation, and 2005, the tax base can increase dramatically.

Following completion of the 2005 revaluation, Haddam's tax base rose 38% to \$842,083,954. While some of that increase resulted from new home construction, much of the change was due to higher property assessments on Haddam's existing stock of homes over 2001 valuations. Because of this dramatic surge in the tax base, Haddam's tax rate dropped from 31.0 mills to 25.0 mills, a reduction of 19%.

This raises a disturbing question: what happens if residential assessments decline during the revaluation process?

As mentioned earlier, the revaluation will be measuring the change in fair market value between 2005 and 2010. Given the topsy-turvy real estate market over the past few years, some believe that Haddam could experience a shrinking, rather than growing tax base in 2010. Should this come to pass and barring drastic reductions in town spending, Haddam residents should expect the tax rate to climb from the current level of 27.4 mills.

If you would like more information about Haddam's tax base click on-line at *HaddamBulletin.com*.