• The Office of Real Property Services (ORPS) and the Local Assessors use different valuation methodologies
  o Based on a showing of hands in the audience, Dave concluded that everybody is processing their assessments through the New York State Version 4 computer program. Therefore he eliminated talking about all those other assessment administration programs that are out there because everyone is talking the same language with V4.

• The first area of difference is that ORPS has moved to a computerized program called SPSS.
  o SPSS stands for Statistical Package for the Social Sciences. And, that program is used by many industries for many different purposes. One of the minor applications is to use the program for property valuation in the assessment field.
    ▪ It’s a statistical package that determines property values primarily through the use of multiple regression analysis.
    ▪ While SPSS is a great tool, we assessors really don’t utilize it, though we could.
      • One can buy the package, which is a little pricey – so one may have an issue with their town boards about its cost.
      • Training would be required in order to become proficient in using it, which would require some education, which, again, would incur more costs.
      • Use of the package and related training would be required to put the local assessor on the same level playing ground as with ORPS.
  o The Level of Assessment (LOA) analysis prepared each year by ORPS is based on two criteria:
    ▪ One: Sales ratio, if the municipality has enough sales.
    ▪ Two: Computer Assisted Mass Appraisal (CAMA) estimate, which is based on SPSS.
    ▪ ORPS does a really good job trying to make these two approaches be similar so there’s consistency between these two methods.
  o In the equalization process, one is trying to determine the aggregate value of one’s residential properties in a class. If you were to run the Version 4 Valuation program, based on the sales that you have, to come up with an aggregate value for that class, and then you looked at the ORPS’ SPSS CAMA estimated model of the aggregate value, they’re going to differ.
    ▪ I’ve heard from assessors all over the state for a number of years: “How do we challenge, or question, the CAMA estimate?” Short of becoming an SPSS user, this is their model, this is not your model. I think that this is one area where the playing field is not level. I think if ORPS is going to be utilizing the SPSS program, they should make it available to the assessor and they should provide training in how to use it. Those assessors who want to become proficient in SPSS could do so, and then comparisons between their results and the ORPS results could be done.
    ▪ If there are not enough comparable sales for ORPS to use to determine your LOA, the CAMA estimate will be your level. And that makes sense. If you don’t have enough sales to make a determination, the best thing, or next best thing, is the CAMA estimate.
    ▪ However, the SPSS level also becomes your Residential Assessment Ratio (RAR) for that year. I’m more comfortable with a check and balance system than just: “We don’t have sales, we go with our CAMA estimate, that’s your RAR.” To me that’s a problem.
The second area where there are some differences and problems associated with the state methodology and local methodologies is with the valuation of state-owned land.

- This is a particularly big issue here in the Adirondacks. Currently the state, for state-owned land; and particularly for forest classified properties (what we’re familiar with as the 900 series in our property classification code), will appraise and monitor the local assessors’ valuations.
  - Their approach is sound appraisal practice. The method they use is to calculate a total value based on the sum of the value of the bare land + the value of the timber on the land + any contributory value if waterfront is associated with that parcel.
  - I’ve always had a little issue with the sum of the aggregates not always equaling the value as a whole. And, that sometimes is true with house land valuations.
  - The state does timber cruises and they do site inspections to determine forest inventory. Now, most of the inventory is done off of aerial photography. And, while that’s good and proper and while a lot of us have access to aerial photography; it’s different.
  - Most of the things that assessors see in aerial photography are with leaf-off, so that one can see buildings and improvements.
  - For forest valuations, one needs leaf-on, because that’s what they’re actually looking at to determine the actual board feet of timber of a particular species. The volume of a species is based on the crowns of the trees that they’re looking at on an aerial photography map as of a particular time. And that’s very unique to the forestry industry.
  - And with the current financial crunch, the state doesn’t do leaf-on fly over aerial photography frequently, or as often as they should.
  - The state will fine tune its valuation of state-owned land based on whether the forest land is remotely located or accessible. Anything beyond a quarter mile of a year-round road is considered to be remote, anything within is accessible.

Let’s take a forest valuation example: A farmer has a 200-acre woodlot, as a separate parcel. It is classified as 910. Most of the assessors here would establish a land schedule based on sales of “woodland is worth, or forest land is worth xx$ per acre.” We don’t have the ability, the time, or the resources to go out and do a timber cruise and look at some aerial maps with leaf-on to determine species and board feet.

- Historically, when Hamilton County did a reassessment, they went to great steps to get a forest inventory. That was something that they felt was very important; but I haven’t seen it done very frequently. It’s something that the municipalities don’t want to fund, as it is an additional cost of doing timber valuation.

So, the methodology that the state uses and the methodology that the assessors use are different. To me that is a really big problem.

- For example, in one small town in my county, the state selected one 910 property, privately owned, and appraised it. The resulting valuation came in at least 60% higher than the current assessed value. Applying the valuation of that one parcel to the database of the town as a whole, resulted in a 4-point reduction in the equalization rate of the town.
- If that one property had just been classified something different, like a 300-series property, it would have been out of the forest property mix, and the town’s equalization rate would have been four points higher.
This difference in methodology between the ORPS and the local assessors is a problem. I think assessors who have state-owned land and privately-owned forest land recognize this issue. This is something that we need to discuss, work at, and come to some mutually-accepted methodology to get these values in line.

- There is also a state methodology for waterfront valuation, particularly in large tract parcels. Doug will be addressing that in a little bit.

- Equally as important, but not quite as widespread, there are differences between the ORPS’s valuation methodology for commercial and utility properties and the valuation methodology used by local assessors.
  - A lot of us are in small towns and we have a very small commercial database.
    - When you do your assessments, reassessments, or annual reassessments, you will probably run commercial properties through a cost system to come up with a value. It’s a property that is income producing, you might do some income analysis. For example, if it’s a marina on a lake, you might go around and look and talk to your fellow assessors to get a few marina sales to come up with a value. But without a big database in commercials, it’s sketchy.
    - On the other hand, ORPS will look at their market area and they will have data from all over that area. They will build a regional valuation factor file as to what the income and capitalization components are regionally, and apply it to your parcel if they’re using it in the sample for equalization. So, they have tools that again the assessors don’t have.
  - With utility properties, the assessor is responsible for assessing Rural Section 6 properties, and the state has the responsibility for assessing Special Franchise Rural Section 5 properties. In addition, most of us that do reassessments will ask the state for advisory appraisals.
    - Most of the time the utility properties are valued by the cost approach. Utilities are a unique property type where the cost approach is the most valid approach in determining value.
    - Most of the time the depreciation that the state uses is a result of a negotiated depreciation through litigation. And they will take a negotiated depreciation for special franchise properties and apply it to utility properties. And, that negotiated depreciation may be different than other locally-owned utility properties for which the assessor is responsible.
    - The utility companies (phone, power, and gas) are very in tune to this. So if you do a reassessment and you ask for utility advisory appraisals on power lines, if the utility also owns a service building with a depreciation that is different, they will question it.
  - In summary, there are differences between the valuation methodology and depreciation schedules for utility properties used by ORPS and those used by local assessors. As before, such differences are cause for concern.

- The state deals entirely with the market value of a property, while local assessors must also deal with equity.
  - The state will use market value whether the property is private, a utility, complex commercial, state-owned land, etc. That is their charge and that is what they do.
We, as assessors, also deal with market value. But, we also have to be cognizant of the equity issue. We have to be sure that the property’s valuation is in line with all the other properties in the municipality. And so, there is a tendency, or there is a need to have some give and take in valuation in order to achieve equity. This give and take is not needed when appraising specific property.

For example, ORPS can come in with an appraisal for equalization purposes, on an apartment house. It can be either on the low side or the high side.

- ORPS may assess the apartment building at $35,000 an apartment, on the average, while you assess all others in town higher. In this case you would tell ORPS that their value is too low.
- Depending on your logic and the data you provide to ORPS, they may adjust their valuations or they may not.
- However, the local assessor must be aware that the other apartments in town are all assessed higher. A property owner may come in and ask: “Why is that guy’s apartment only assessed at $35,000, while I’m assessed at $50,000?” If you don’t have an answer, the property owner will be unhappy & may file an Article 7.

I think the answer to the equity issue is to use Assessment Comparative Reports. They allow us to compare like-type properties to make sure that though based on market value, they are in line and to make sure we achieve equity.

Again, the fact that ORPS doesn’t have to consider equity when assessing properties, is another fundamental difference between their valuation methodology and ours.

- **Afternoon Breakout Session Results:**
  - Current Valuation Problem/Issues:
    - Lack of an ample number of comparable sales in a municipality.
    - Version 4 Comparable Sales reports do not show adjustments of comparables (like on Universal Residential Appraisal Reports) to arrive at the subject property’s estimated value.
    - Current Version 4 comparable sales point system adjustments are difficult to explain to taxpayers.
    - Property data/land type may be outdated and need to be updated.
    - Version 4 valuation may currently be underutilized by assessors.
    - Valuation neighborhoods need to be fully understood to ensure true comparability between towns.
    - Unsure of State Valuation methodologies (State owned land, timber, waterfront, etc.)
    - Effect of assessed values for easements and certified wetlands.
  - Possible Solutions:
    - Promote consistent data collection methods.
    - Promote periodic update of property data collection.
    - Use prior year sales, adjusted for time, when there is a lack of current comparable sales in a municipality.
    - Share Version 4 valuation components such as models, cost depreciation, commercial income and expense information, etc.
    - Mandatory cyclic reassessment and use of assessment standards.
    - Property tax policy reform.
    - Additional funding, both local and State, for the assessment function to enable it, to among other things, get access to tools such as the MLS.
    - Comprehensive public relations procedures for assessment offices.
Valuation Models and Techniques by David Briggs  
Assessor for the City of Cortland, & the Towns Cortlandville, Homer, Taylor, Virgil, and Willet

- Additional Thoughts:
  - Assessors need to better communicate with each other for support and additional resources.
  - Assessor and County Assessor Associations need to work together and be more active.
  - Assessors need to develop and share various contact lists.
  - Promote joint County Assessor’s Association meetings.
  - Create list serves to disseminate information.

- Next Steps:
  - Have the North Country County RPS Directors and the Presidents of the North Country County Assessor Associations form the core of the new North Country Assessors’ Association. The initial counties to include:
    - St. Lawrence
    - Franklin
    - Clinton
    - Essex
    - Hamilton
    - Warren
  - Conduct a start-up workshop with the RPS Directors and County Assessor Presidents during the NYSAA's meeting in Lake Placid to run from Sunday, September 26, to Wednesday, September 29.
  - The schedule of meetings, topics to be covered, organizations to be invited, and hosting of the meetings to be determined by the North Country assessors.
  - Logistical support for the meetings to be provided by AdkAction.org.
  - Ask the Association of Adirondack Towns and Villages to support the creation of the new North Country Assessors’ Association.

- Wrapup:
  - First I want to thank Dave Wolff and AdkAction.org. Unlike many taxpayer organizations, this group has staying power; and it has gone the extra step to understand the real property tax system – with its flaws and its pluses. They should be commended for that, and they should be thanked for putting on something like this today.
  - We tried to get Education Credit for today’s session.
    - We went to ORPS, and they did not feel that it was creditworthy. They were concerned that it was going to be biased. I think that the results of today show that the session was unbiased and that it was for the assessors as originally intended.
    - We’re going to be working at the state level to be sure that, in the future, a session like today does receive continuing education credit. I’m a member of the training governance group, and I will bring it up there.
  - The New York State Assessors Association recently came out with a white paper on tax reform. Please take a look at the white paper and if you have any particular passions concerning one or more of the topics, contact either the State Assessors Association or myself with your support or your ideas of how to get the reform done. Make your comments known.