

Administration & Finance July 17, 2017: Assessment Process

Goal #3: Citizen Engagement

Strategic Action 3-1 states - Create “City 101 Academy” to deepen citizen and stakeholder knowledge regarding City services and budget/plans/priorities, and strategic goals and outcomes/progresses of city-wide plan alignment.

The City will provide a three-part “City 101 Academy” for citizens on an annual basis in February and March. The topics may include...assessment process...

What is Assessing?

- Distribute the tax burden fairly and equitably in a uniform manner.
 - Piece of the pie
 - Multiple taxing jurisdictions
 - Not popular, no one likes to cut those big checks, but at the bare minimum we can ensure the tax burden is being distributed fairly and equitably
- History of Ad Valorem “according to value”
 - Ancient Egypt – but exemptions were given to the wealthiest, which gave rise to fairness and equity
 - Tax collections were initiated by the Greeks and Romans
 - But it wasn’t until the Romans that “ad valorem” property taxation took form. It was developed to protect land owners (olives, vineyards) an army was raised. The administration, soldiers, and expenses were paid for by taxing land owners based on the value of their land.
- Three Pillars of Property Assessment
 - Appraisal
 - Discover, List and Value real and personal property
 - Defend assessed values
 - Three methods of valuation
 - Cost Approach – original approach
 - Market Approach or Sales Comparison Approach – second approach
 - Income Capitalization Approach – newest, developed by Graaskamp
 - Assessment Administration
 - Management of an office
 - Tracking market data
 - Deciding when to perform revaluation
 - Legal (statutorily)
 - Budgetary
 - Public Relations
 - Public relations
 - Tax Policy
 - Assessment of Market Value Varies
 - Wisconsin 100%

- Illinois 33.33%
 - Colorado 25%
 - Florida 70%
 - Iowa – low property tax burden, but high user fees
 - Property tax in relation to sales and income taxes and user fees.
 - Appraisers are often amazed and impressed at the breadth of knowledge and skills required to be an assessment professional – they deal with one aspect – valuation – whereas assessors deal with administration and policy in addition.
- Mass Appraisal vs. Single-Property Appraisal vs. Review Appraisal
 - Single-Property Appraisal – primarily done for lending purposes “Bread and Butter” but also for divorce, right-of-way transactions
 - Review Appraisal – niche market, lending
 - Mass Appraisal
 - Assessing purposes
 - AVM – automated valuation models – large portfolio
 - Appraiser shortage
 - Large banks and mortgage backed securities
 - Computer Assisted Mass Appraisal
 - Paper-based
 - Advent of computers, one of the first major users of computers in the 1960’s was the assessment industry – because the property tax was that important
 - Advent of personal computers and programmers
 - Market Drive came to West Allis 2001
 - Is integrated with statistical analysis software, GIS mapping
 - Future involves “mobile” apps and increased efficiencies in field work

What Assessors do?

- Discover real and personal property
- List
 - Age, condition, grade
 - Architectural style; foundation/superstructure/roof/façade
 - Best source is actual viewing of subject property
 - Recent supreme court – cannot deny appeal if owner refuses entry – Realtors are hypocrites
- Stratification & Neighborhood Groups
- Cost Approach and Market Modified Cost Approach
 - Sales validation
 - Ratio Studies
 - Market Modifiers
- Measures of Uniformity
 - Coefficient of Dispersion
 - Coefficient of Concentration
 - Price-Related Differential

- Assessment Quality Report
 - 10 measures of quality
 - You can “cook the books” and fake the top three, but not the other measures.
- Municipal tax appeal process
 - Discuss/educate property owner on their right to appeal assessed value
 - Defend assessed values through procedures prescribed by State law.
 - It’s a right and there’s a process to facilitate that right.
 - It’s not something to shy away from; it’s part of the job.
 - You win some, you lose some.
 - Board of Review
 - Circuit Court
 - Court of Appeals
 - Supreme Court
- Report results
 - Annual reports submitted to the Department of Revenue
 - Report to Common Council and other City departments

Four Types of Assessment Cycles

Dictated by assessment administration, statistical analysis, market activity, budgetary/public relations

- Annual Review/Maintenance – typical year
- Interim Market Update – when market change
- Exterior Revaluation – when data changes
- Full Revaluation – when data needs to be updated

Statutes, Regulations and Court Cases

- Wisconsin State Statute Chapter 70
- Wisconsin Property Assessment Manual
- Court Cases
 - Markarian vs. City of Cudahy and the “Markarian Hierarchy”
- The Appraisal of Real Estate
- The Dictionary of Real Estate Appraisal

Interactions

- Citizens and taxpayers
 - Lots of questions about their property and their neighbor’s property
 - Complaints
- Attorneys, tax representatives, appraisers, brokers and corporate representatives
- Inter-department
 - Finance/Treasurer
 - BINS
 - Planning/Economic Development
 - Engineering

- Inter-Government
 - Milwaukee County Register of Deeds
 - Milwaukee County Treasurer
 - Wisconsin Department of Revenue
- Administration and Finance
- Common Council

What Assessors don't do?

- Grow the tax base – market supply and demand and economic development efforts
- Lower the tax burden – budgetary process of taxing jurisdictions

Challenges on the Horizon

- Shortage of competent professionals
 - Two types of people are drawn to assessing work
 - People looking for a steady paycheck, great “bennies” and a pension. They may or may not have an interest or passion for this line of work. They are here for the paycheck.
 - Professionals that have interacted with assessing profession or assessors and make a career change: city planners, public administrators, real estate brokers. Oddly, very few fee appraiser cross over to assessing.