



Albemarle County

Legislation Text

File #: 15-093, **Version:** 1

AGENDA DATE: 6/3/2015

TITLE:

Annual Reassessment of Real Estate

SUBJECT/PROPOSAL/REQUEST: Update on the 2015 Reassessment Process

ITEM TYPE: Regular Information Item

STAFF CONTACT(S): Foley, Letteri, Davis, Burrell, and Willingham

PRESENTER (S): Bob Willingham, County Assessor

LEGAL REVIEW: Yes

REVIEWED BY: Thomas C. Foley

BACKGROUND: At a recent Board meeting, the Board requested additional information on the methodology used in the County's annual real estate reassessment process, an explanation of the statistical measures used, and specifically the validity and reliability of the methodology deployed in the reassessment process.

STRATEGIC PLAN: Mission: To enhance the well-being and quality of life for all citizens through the provision of the highest level of public service consistent with the prudent use of public funds.

DISCUSSION: The process of assessing real estate is governed by the Constitution of Virginia, the Virginia Code, the Albemarle County Code, rules and regulations promulgated by the Virginia Department of Taxation, and by standards established by the International Association of Assessing Officials (IAAO).

Article X, Section 1 of the Constitution of Virginia requires all property to be taxed, with certain exceptions dictated by the General Assembly. It further requires that all taxes be levied and collected under general laws and be uniform upon the same class of property within the County. Article X, Section 2 requires all assessments of real estate be at their fair market value.

Albemarle County Code §15-1000 requires the office of Real Estate Assessment to annually reassess all real property. The frequency of reassessments was changed from biennial to annual for the tax year beginning January 1, 2007.

Reassessments comprise the vast majority of the work of the Real Estate Assessor's Office. The duties and responsibilities of the Assessor's Office include:

- 1) Annual assessment of all real estate
- 2) Administrative assessment and Board of Equalization reviews
- 3) Assessment of substantially complete new buildings
- 4) Assessment of new lots and parcels
- 5) Mapping of new parcels, splits and mergers
- 6) Record management from deeds, wills and other recorded documents
- 7) Tax exemptions by classification

- 8) Tax exemptions for qualifying veterans
- 9) Membership in the Agricultural and Forestal District program
- 10) Chairing the ACE Appraisal Review Committee
- 11) Internal and external customer service on matters concerning real estate assessments
- 12) Administration of the Land Use Assessment Program

Overview of Assessment Process This Executive Summary provides an overview of the most salient points regarding the complex process of mass appraisal. Some of the explanations below are excerpted from the Standard on Mass Appraisal of Real Property published by the IAAO.

Real estate assessments are produced by a Computer-aided Mass Appraisal (CAMA) System based on input from the County's appraisal staff. Mass appraisal is the systematic appraisal of a group of similar properties as of a given date and using common data, standardized procedures, and statistical testing. Market value for assessment purposes is generally determined through the application of mass appraisal techniques.

There are three traditional approaches to value: cost, sales comparisons, and income. Mass appraisal values are not derived based solely on comparable sales. Though the comparable sales approach is used widely in fee-based appraisals of individual properties, it is not practical or financially prudent for the Assessor's Office to perform individual analyses and appraisals of all 44,905 properties in Albemarle County.

Mass appraisal requires the development of a valuation model that replicates market forces and demand over a large area. Appraisal judgment relates to groups of property rather than single properties.

Assessed Value Testing The primary test for assessment levels is the relationship of sales price to assessed value in the sale to assessment ratio (SAR). The primary test for uniformity is the coefficient of dispersion (COD). The Virginia Department of Taxation performs these studies annually for every jurisdiction in the Commonwealth. SARs between 90% and 100% and CODs of less than 15% are deemed to be very good and indicate fair and equitable assessment based on standards established by the IAAO. Albemarle County's ratios over the most recent available years are:

| Year | Sales/Assessment Ratio | Coefficient of Dispersion |
|------|------------------------|---------------------------|
| 2013 | 94.51% | 6.94% |
| 2012 | 96.94% | 5.72% |
| 2011 | 100.29% | 11.25% |

These statistical measures reflect an increase in market value over the three-year period. Real estate assessments are effective January 1 of the tax year and are based on market data from the preceding year, basically a trailing indicator. The studies performed by the Virginia Department of Taxation analyze sales that occur after the reassessment date, as compared with the January 1 assessed value. This after-the-fact comparison may result in skewed sales/assessment ratios, particularly in a dynamic real estate market.

Assessor's Office Statistics based on the 2015 Land Book

- 44,905 Total Parcels Assessed (43,842 Taxable, 1,063 Tax-Exempt)
- 4,771 Parcels in Land Use Assessment
- 2015 Total Fair Market Value \$21,870,284,000
- Taxable Fair Market Value - \$17,756,141,600
- Exempt Fair Market Value - \$4,114,142,400
- Land Use Deferred Value - \$1,958,041,100
- Assessor Office approved staffing level - County Assessor, Assistant County Assessor, eight Appraisers, three Administrative Support Staff

BUDGET IMPACT: Real estate assessments are the basis for generating real estate revenues, the largest source of locally generated tax revenue.

RECOMMENDATION:

This executive summary is intended for information purposes and to address the Board's questions. No action by the Board is required.