AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

Agenda Item: County Board of Equalization Orientation

Action Requested:

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:

Please see the attached submitted by the Assessor's Office

Fiscal Impact:

Submitted by: Josh Ost **Submitter's Email Address:** jost@gunnisoncounty.org

Finance Review: ○ Required ◉ Not Required

Comments:

Reviewed by: Discharge Date:

County Attorney Review: ○ Required ◉ Not Required

Comments:

Reveiwed by: Discharge Date: Certificate of Insurance Required

Yes ○ No ○

County Manager Review:

Comments:

Reveiwed by: GUNCOUNTY1\mbirnie Discharge Date: 9/22/2017

○ Consent Agenda ○ Regular Agenda ○ Worksession Time Allotted: 30

Agenda Date: 9/26/2017

Revised April 2015

COUNTY BOARD OF EQUALIZATION

CBOE HEARING REFRESHER

All points below are established by state statute, the state constitution or case law.

EQUALIZATION AND ASSESSMENT

Equalization refers to the process of equitably valuing an entire class or subclass of properties, whereas assessment refers to the valuation placed on an individual property.

DATES

The Appraisal date is June 30, 2016. Sales beyond this date *cannot* – by law – be considered.

The Assessment date is January 1, 2017. The use and characteristics of the property as of the assessment date determine how it is valued. For example, a house under construction will be valued based on its level of completion on January 1st. If a property is vacant on January 1st, the classification is vacant for the entire year, even if a residence was built later in the year. If a property is partially built as of the first of the year, the percentage complete (10%, 25%, etc.) is how the property is valued for 2017, using sales data as of June 30, 2016.

SALES STUDY PERIOD

The sales study period is the time frame set by state statute. Sales occurring during this sales study period are used to set value for all properties in the county. Only valid, qualified sales are used. The minimum sales study period is the 18 months prior to the appraisal date, which for this reappraisal is January 1, 2015 – June 30, 2016.

When a larger set of sales is needed for analysis, the sales study period can be extended back in time in 6 month increments up to 60 months. In Gunnison County, we always use a minimum of 24 months to account for the seasonal real estate buying/selling trends. For the 2017 reappraisal, 36 months were used for residential improved property and 60 months were used for vacant and commercial property.

TIME ADJUSTMENT

It is a statutory requirement that older sales be adjusted to account for any change in market conditions that have occurred between the time of sale and the appraisal date. The impact of time on market conditions is analyzed by economic area and property type. Sales occurring earlier in the sales study period are time-adjusted to match the market conditions as of the appraisal date, June 30, 2016.

For example, a house in Crested Butte that sold on July 1, 2013 (the beginning of the sales study period) would have its sale adjusted to the market conditions on the appraisal date of June 30, 2016.

In this reappraisal, most areas have an increasing time-adjustment, some more significant than others. However, some areas, such as Arrowhead, experienced a decline in value.

INVALID SALES

Non-qualified sales are excluded from the assessor's sales comparison data pool.
Some reasons for disqualification are:

- sales that occurred between related parties;
- sales that incurred under duress;
- sales that were not advertised on the open market;
- sales of partial interests.

a Contract for Deed is not a sale – and cannot be used to set value

REAL ESTATE LISTINGS

Real estate listing prices, or the length of time a property is listed for sale, *cannot* be considered.

ECONOMIC AREAS

Because different parts of the County are subject to differing economic condition (for example, supply and demand), the County is divided into several economic areas – portions of the county that have the same economic influences. As a consequence, some properties in the county may see an increase in value trends, whereas other parts of the county may see a decrease in value trends. The economic area are as follows:

Economic Area 1 – Gunnison and vicinity
Economic Area 2 – the Town of Crested Butte
Economic Area 6 – the upper East River valley (from Jack's Cabin north), excluding CB
Economic Area 8 – rural Gunnison County

MASS APPRAISAL

Mass appraisal is the appraisal method most commonly used by Colorado Assessors. With mass appraisal, *all* sales of properties of the same classification within an economic area are analyzed together to determine the influence of various property characteristics on value. Typical characteristics that are analyzed include neighborhood, location in the neighborhood, view, construction quality, square footage, architectural style, etc. The resulting mass appraisal model is then used to predict the value of every property of the same type in that economic area.

With mass appraisal, all valid sales within an economic area are included in a sales array. Using the mass appraisal technique, some predicted values will be lower than the sales price and some will be higher. State standards require that the median sales ratio is between .95 and 1.05. The coefficient of dispersion (COD) for vacant land and commercial is less than 20.99, and less than 15.99 for residential improved properties. This shows that the state statute recognizes that the value is not exactly what the person paid for the property.

Mass appraisal models are designed to minimize the total difference between sales prices and predicted values. They do not use average sales prices or sales price per square foot.

FEE APPRAISALS

The assessor's office uses mass appraisal techniques – as supported by law. The degree to which attributes affect value has been extensively tested by the assessor's office using multiple regression and other appraisal analyses, using statistical software not normally used by fee appraisers due to the expense and knowledge needed to operate the software. It is quite possible that the assessor staff will challenge "fee" appraisal techniques (such as how values were established for each attribute) for validity.

ATTRIBUTES

Attributes include type and size of land, access, neighborhood, location, view, quality of construction, square footage, architectural style, size of garage, etc. Each of these attributes contribute to value, and the degree to which they affect value is determined by multiple regression analysis and paired sales analysis, as well as other appraisal techniques.

MASS APPRAISAL METHODS

All residential property – can only be valued using the market, or sales comparison approach.

Vacant land – market, cost and income can all be considered, but the market approach is the most direct and reliable.

Commercial - market, cost and income can all be considered. Income can only be considered if there is sufficient data.

Agricultural – the income approach is used for land, based on production with a capitalization rate of 13%. Agricultural out buildings are valued on the cost approach and agricultural residences can only be valued by the market approach. Agricultural status is tested stringently, as in accordance with the state's requirements.

RESIDENTIAL PROPERTY AS A WHOLE

Property owner cannot separate components of residential property (i.e. land value and house value) to argue their valuation. Only the total valuation of the property as a whole can be considered.

VACANT LAND

Direct sales comparison is the most reliable method of valuation. When there are no or few vacant land sales available for comparison, a land-to-building ratio can be used on improved sales to allocate a value percentage to land and a percentage to the improvement. This allocation method is considered a poor substitute for the direct sales comparison and is useful only in certain restricted circumstances.

ASSESSOR IS AUDITED

The assessor's mass appraisal procedures, such as fairly and equitably applying the values from sold properties to the unsold properties, and the multiple regression analysis results, are audited every year. Gunnison County has had a perfect record of compliance for over 20 years.

ERRORS NOT COMPOUNDED

If the assessor inadvertently sets a wrong value for a property, case law states that other property values cannot be adjusted based on this error.

PERCENTAGE CHANGE NOT A BASIS FOR VALUATION

The overall percentage change in value for all property in the County, or for a particular class or subclass of property, is not a valid basis for the valuation of an individual property (Podoll v Arapahoe County Board of Equalization).

PROPERTY OWNERS RENTING TO NON-PROFITS

The law does not distinguish between renting to a non-profit versus renting to a for-profit organization. Either one is considered a commercial endeavor. A non-profit must own the property and apply for and receive exemption status from the state in order to be tax-exempt. There is no other legal reduction in property taxes for non-profits.

PROPERTY USE

Property is valued in accordance with its use as of the assessment date. When the use of a property changes after January 1, the classification assigned to the property as of January 1 remains in place until the following January 1.

For example:

- A residential subdivision plat is filed in February 2017, creating a split from one parcel to many parcels. For the remainder of the year, each lot within that subdivision remains classified as unplatted vacant land, with the status not changing to vacant residential lots until January 1, 2018.
- A manufactured home moves from another county to a vacant residential lot in February 2017. The land remains classified as vacant residential for the remainder of the year.

TAX AGENTS

Tax agents are individuals or businesses that seek monetary compensation by representing property owners in protesting their value. Tax agents are typically paid, regardless of the success of the protest, at each level of appeal - Assessor's office level, CBOE level, and BAA level. As a consequence of being compensated regardless of the outcome, tax agents typically offer a limited or no argument for a value change since their compensation is greater if the protest is denied and they can further the appeal to the next level.

2017 Gunnison County Assessor's Report

LOWER RESIDENTIAL ASSESSMENT RATE IN 2017?

Colorado has one of the lowest residential tax rates in the country – and it is poised to drop even lower in 2017, due to an intersection of two constitutional amendments – Gallagher and TABOR. Lower property taxes provide relief to homeowners but create hardships for local tax districts that rely on property taxes to fund their services.

In 1982, the Gallagher Amendment to the Colorado Constitution was passed. This new law changed the way homes were appraised and requires that residential assessed value must be 45% of total state-wide assessed value, with non-residential comprising the remaining 55%. This ratio is often called the 45/55 split.

Gallagher also permanently established the assessment rate for all non-residential property at 29%. The assessment rate on all residential property would be adjusted every two years to maintain the 45/55 ratio.

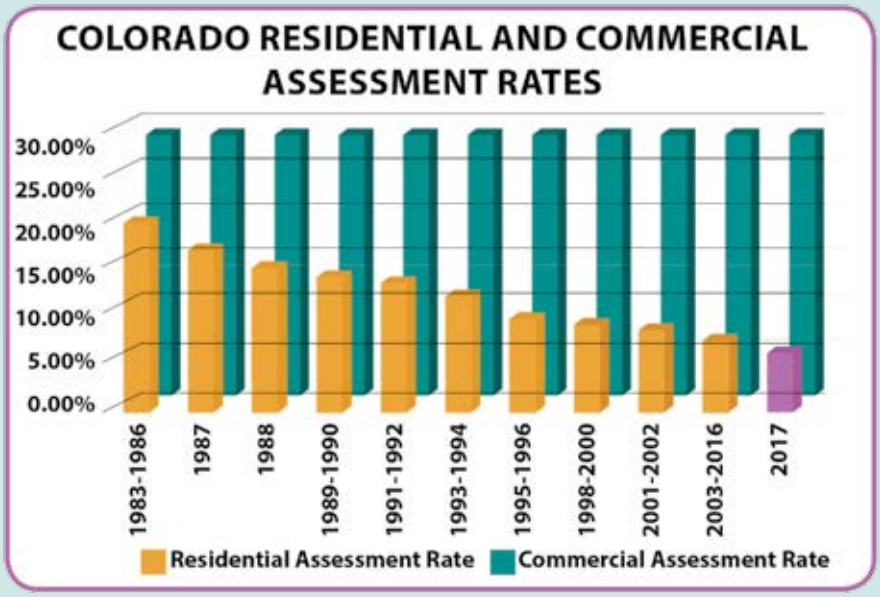
When this law was enacted in 1983, the residential assessment rate was 21%. Throughout the 1980s the increasing value of residential property outpaced the increases in non-residential property. With ever-rising residential property values, the assessment rate had to be lowered continually to maintain the 45/55 split. In 2003, it fell to its current low point, 7.96%.

When the oil and gas boom occurred, there was a turnaround in growth and non-residential property was actually growing faster than residential property. So, to maintain the 45/55 split, the residential assessment rate should have been increased to 9.13% in 2013. This didn't happen, though, due to another constitutional amendment: the Taxpayer Bill of Rights (TABOR), passed in 1992. TABOR requires that all tax increases, which include an increased assessment rate, go to a vote of the people. This is a non-starter, because the majority of Colorado voters are residential property owners, and are unlikely to vote to increase their taxes.

So, the residential assessment rate can go down to maintain the Gallagher split, but can't go back up because of TABOR.

In the early 1980s local property taxes paid 54% of the cost of public schools in Colorado, with the state back filling the remaining 46%. During this time, Colorado spent $488 *more* per student than the national average and the assessment rate was 21%. By 2015, local property taxes paid only 34% of the cost of public schools in Colorado, with 66% backfilled by the state. In 2015, Colorado spent $2,024 *less* per student than the national average, with the assessment rate at 7.96%.

Source: Colorado Fiscal Institute



As of 2017, the value of residential property was again growing faster than non-residential (due to a combination of Denver metro skyrocketing residential values and the oil and gas industry values falling), and in order to maintain the 45/55 split, the residential assessment rate is projected to be lowered to 7.2%. The final number will be set before the legislative session concludes in early May.

You might be asking yourself, why is this important? Lower property taxes are a beautiful thing, right? Yep, except - local schools are funded with property taxes and other taxes collected at the state level. The state is on the hook to backfill the amount that the local property taxes don't provide. More backfill from the state means less money for roads, colleges and senior programs, like the senior property tax exemption.

Across the state, the proposed lower tax rate means a 10% drop in residential tax collections. Gunnison County, similar to other ski area counties and neighboring western slope counties, has had an increase in residential value approximately proportional to the projected decreased tax rate, and effects of the lower tax rate are expected to be minimal. Other communities that have had a flat economy and stagnant or decreasing values will be impacted – some of them severely – by this loss of revenue.

2017 Gunnison County Assessor's Report

ATTENTION SENIORS!

You may be entitled to the senior property tax exemption. The Colorado Constitution establishes a property tax exemption for qualifying senior citizens and surviving spouses of senior citizens who previously qualified.

QUALIFICATIONS

- Qualifying seniors who were born on or before January 1, 1952, and
- Lived in the home continuously starting before January 1, 2007, and
- Owned the home continuously starting before January 1, 2007.

EFFECT ON TAXES

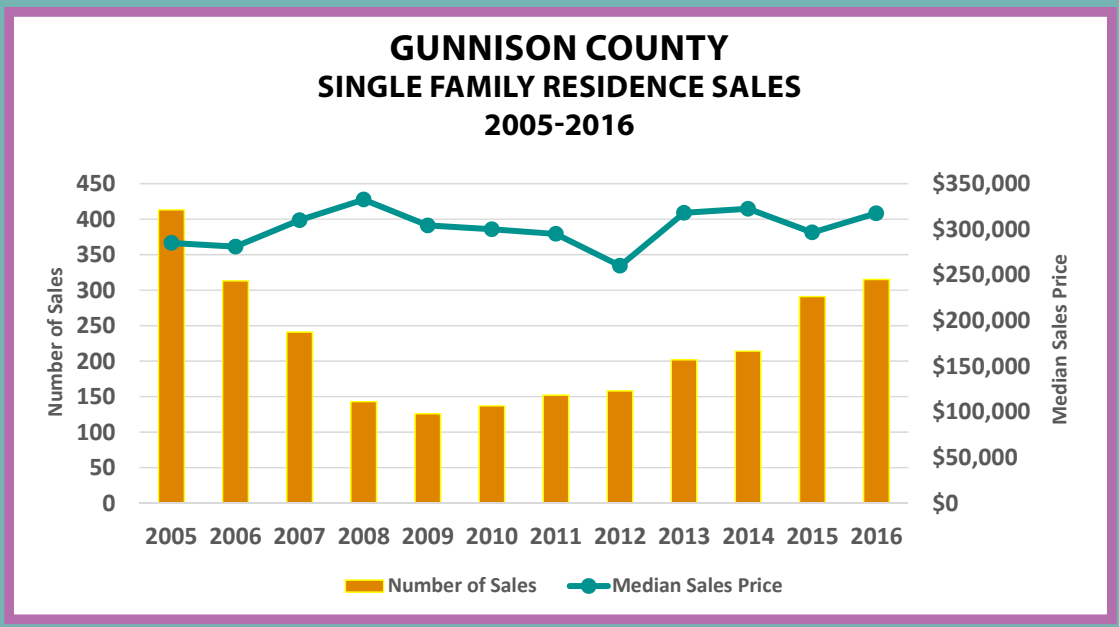
- The exemption goes into effect for tax year 2017.
- The discount will first appear on the tax bill sent in January 2018.
- 50% of the first $200,000 of actual value on the applicant's primary residence is exempted
- The exemption remains in effect until a disqualifying event occurs.

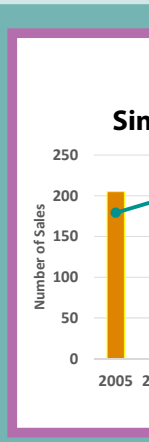
Deadline: Applications must be filed no later than July 15 to have the exemption apply to your tax bill the following year. Applications are available online at the Assessor's website: www.gunnisoncounty.org/assessor.html or at the Assessor's Office.

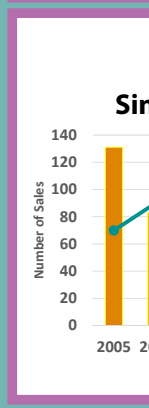
Disabled veterans may also qualify for a property tax exemption. Information and applications on our website, or contact the Dept of Military and Veterans Affairs at www.colorado.gov/vets

Assessor sets → Property Value X State sets → Assessment Rate X Taxing Districts set → Mill Levy = Property Taxes

SINGLE FAMILY RESIDENCE SALES TRENDS







FREQUENTLY ASKED QUESTIONS

Q IF MY PROPERTY VALUE HAS INCREASED, WILL MY PROPERTY TAXES GO UP?

A If your property value has increased, that does not automatically mean that your property tax will go up by the same percentage. THE ASSESSOR DOES NOT SET PROPERTY TAXES OR MILL LEVIES. Property taxes are a result of assessed value running against the mill levies. The mill levies are established by the taxing districts at the end of each calendar year, based on the revenue needed to fund their annual budget. While there are constraints within the Colorado Constitution and Statutes to prohibit excess taxation, the responsibility lies with the taxpayer to attend the annual budget meetings of these tax districts and ensure the expenses within the budgets are reasonable and necessary. Tax districts are political subdivisions of the state, subject to all of Colorado's open government laws, and are required to publish the dates of their meetings and provide financial statements at the public's request.

Q DO ALL ASSESSMENTS OR VALUES CHANGE AT THE SAME RATE?

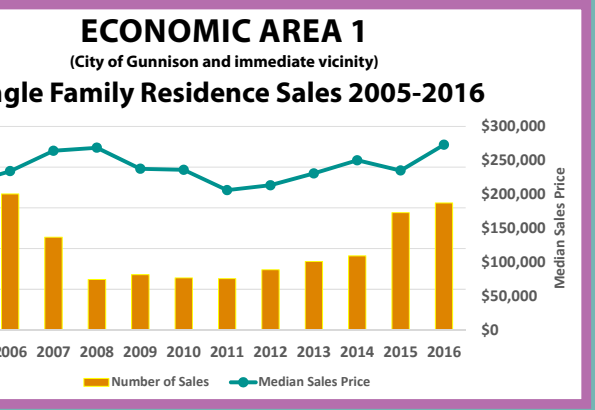
A Each reappraisal cycle the Assessor's Office disregards the old valuations and starts from scratch using an entirely new sales list extending two years beyond the previous reassessment, with a new appraisal date. Colorado law requires that market value for a parcel is established using sales from a specific time frame (see back page). Over the course of two years, values in different neighborhoods may change by significantly different amounts.

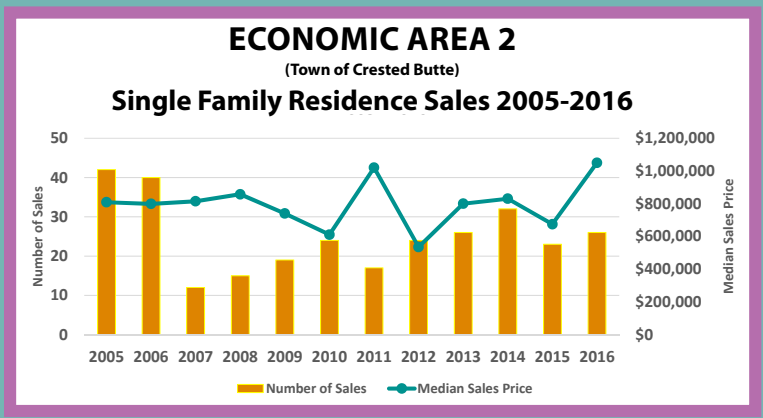
Q IF I BOUGHT MY HOUSE DURING THE STUDY PERIOD, SHOULDN'T THE VALUE BE THE SAME AS WHAT I PAID FOR IT?

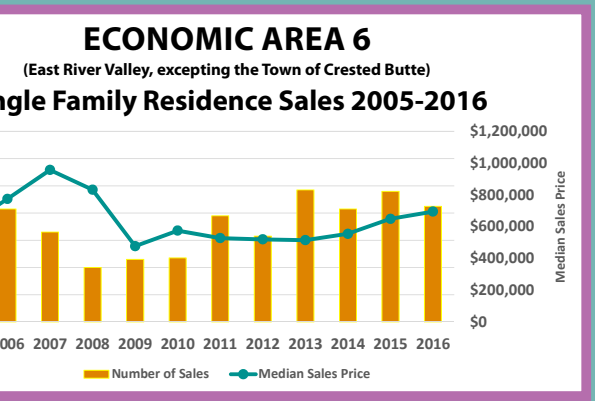
A One sale by itself does not determine market value. All neighborhood sales must be considered when establishing a level of value for consistency and equalization purposes. Your sales transaction is verified and then will be considered along with sales of similar properties, so long as it is an arm's length, open market transaction.

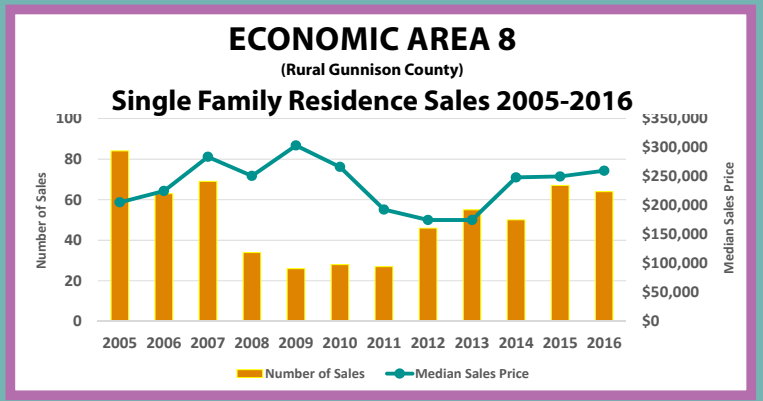
Q HOW CAN MY ASSESSMENT OR VALUE CHANGE WHEN I HAVEN'T DONE ANYTHING TO MY PROPERTY?

A While a property may not have been updated and characteristics remain the same, the property value is based on what it would sell for as of the prescribed appraisal date. Real estate values are influenced by numerous external economic, social, governmental, and physical factors. As property values change in the market place, those changes must be reflected on the assessment roll. The word 'improvement' is an appraisal term that refers to the structure that is on a property, and does not imply that the structure has been improved since the last reassessment.









2017 REAPPRAISAL TIMELINE - APPRAISAL DATE: JUNE 30, 2016

When sales volume is low, the sales study period can be extended up to 60 months prior to the reappraisal date. For the 2017 reappraisal, Gunnison County used 5 years of sales for commercial property, between 2 – 5 years for vacant land, and 2-3 years for residential improved. When sales volume is high, fewer years can be used. When sales volume is low, more years may be necessary to obtain adequate comparable valuation data.

Sales used for analysis are valid, arm's length transactions. The sales in the study period are adjusted to match the market conditions as of the appraisal date. The time adjusted sales price reflects what the sales price would have been had the property sold on June 30, 2016.

Values are based on condition and level of property completion as of the January 1st Assessment Date.

2017 property taxes are calculated on the June 30, 2016 level of value and are due on January 1, 2018.

Residential Improved Base Sales Study Period
July 1, 2013 - June 30, 2016

Commercial Base Sales Study Period
July 1, 2011 - June 30, 2016

Vacant Land Base Sales Study Period
July 1, 2011 - June 30, 2016

Sales Beyond June 30, 2016 Are Not Used In the 2017 Reappraisal

July 1, 2011 | June 30, 2012 2013 Reappraisal Date | July 1, 2013 | June 30, 2014 2015 Reappraisal Date | June 30, 2016 2017 Reappraisal Date | January 1, 2017 Assessment Date | Present Date | January 1, 2018 Assessment Date

WHAT YOUR 2017 NOTICE OF VALUATION REPRESENTS

- All property in Colorado is reappraised by county assessors in even-numbered years, on June 30. Your valuation notice is dated May 1, 2017, and represents your property value as of June 30, 2016, the reappraisal date.
- While the market may have changed between July 1, 2016 and May 1, 2017, those changes do not affect the June 30, 2016 appraisal date, the basis for your 2017 value. Sale activity occurring after June 30, 2016 affects the next reappraisal, in 2019.
- Your 2017 value is determined by analyzing sales between July 1, 2011 and June 30, 2016. These sales establish the value of all properties.
- Sales occuring early in the sales study period are time-adjusted to reflect the market conditions as of the appraisal date, June 30, 2016.
- To see the effect of the time adjustment on the sales, visit the Gunnison County Assessor's Office website and choose the link "Reappraisal Sales."

Gunnison County Assessor's Office

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Gunnison County COLORADO

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www.gunnisoncounty.org/assessor.html