AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

Agenda Item: Discussion; CBOE

Action Requested: Discussion CBOE meeting

Parties to the Agreement: CBOE, Assessor's office personnel, Matt Hoyt

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

Summary:

The Assessor's office will present a refresher on the rules and laws governing all aspects of the CBOE hearings, and discuss the trends in this reappraisal.

Fiscal Impact: 0

Submitted by: Kristy McFarland **Submitter's Email Address:** kmcfarland@gunnisoncounty.org

Finance Review: ○ Required ◉ Not Required

Comments:

Reviewed by: Discharge Date:

County Attorney Review: ◉ Required ○ Not Required

Comments:
I am not spotting any legal issues. MRH

Reveiwed by: GUNCOUNTY1\mhoyt Discharge Date: 9/25/2019 Certificate of Insurance Required

Yes ○ No ◉

County Manager Review:

Comments:

Reveiwed by: GUNCOUNTY1\mbirnie Discharge Date: 9/27/2019

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

Agenda Date: 10/8/2019

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, 2018. Sales beyond this date *cannot* – by law – be considered.

The Assessment date is January 1, 2019. 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 2019, using sales data as of June 30, 2018.

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, 2017 – June 30, 2018.

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 2019 reappraisal, between 24 and 36 months were used for residential improved property, between 30 and 60 months were used for vacant property, and 60 months were used for 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, 2018.

For example, a house in Crested Butte that sold on July 1, 2015 (the beginning of the sales study period) would have its sale adjusted to the market conditions on the appraisal date of June 30, 2018.

In this reappraisal, most areas have an increasing time-adjustment, some more significant than others.

INVALID SALES

Non-qualified sales are excluded from the assessor's sales comparison data pool.
Some common 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.

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 statutory 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 2019, 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, 2020.
- A manufactured home moves from another county to a vacant residential lot in February 2019. 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.