

APPRAISAL RESEARCH COMMITTEE REPORT
TO THE PANTON SELECT BOARD
November 9, 2021

The Appraisal Research Committee (ARC) has met eight times between August and November 2021. Its charge was to 1) Share our findings about the appraisal process with the Selectboard and Town Clerk-Treasurer and 2) Create a page on the town's website that explains the town's current process in a lay person's terms.

At the September 14, 2021 Selectboard meeting, the charge was expanded to "Create and issue a Request for Proposals from Panton to the list of state-approved assessors and ask ARC to embody an assessor selection committee, interview candidates, and make a recommendation to the selectboard."

The proposed explanation for the Panton website, which was written as a series of questions and answers, is submitted separately.

In the course of the committee's research, there were a number of important issues and questions about the property appraisal process that we were unable to answer. To a significant degree we think these concern fairness, consistency, and transparency.

Issue #1 – How Panton Should Value Property

The Vermont Department of Taxes publishes the *Lister and Assessor Handbook*. It states that a property is to be assessed at fair market value. Fair market value is defined as:

"The price that the property will bring in the market when offered for sale and purchased by another, taking into consideration all the elements of the availability of the property, its use both potential and prospective, any functional deficiencies, and all other elements such as age and condition which combine to give property a market value. "

The Handbook further states that to estimate fair market value, the lister must first determine the highest and best use of the property. To determine the highest and best use, the lister must consider what is physically possible, what type or types of use are legal, what is financially feasible,

and in today's market and the near future, what use will bring in the most monetary return.

Once the highest and best use is determined, the lister must determine fair market value using several possible approaches: cost approach, market data approach and income approach.

In the last assessment process, it appears that Panton used only the cost approach to determine fair market value. It is not clear whether the town should reconsider the valuation approach to be used.

The committee learned that although some of the factors that contribute to an assessment of value are simply factual (objective), such as a building's dimensions, many of the factors are judgment calls (subjective.).

The town of Panton values a residential property this way:

The first two acres of any non-lakefront parcel is considered the "house site" and is generally currently assessed at \$50,000. This base rate may be lowered for poor quality land such as marsh/wetland or may be increased for positive aspects such as a good view.

Beyond the initial two acres, the following valuations are applied to all property, regardless of whether it is lakefront or non-lakefront.

Acre 3 through 7:	\$3,750/acre
Acre 8 through 15:	\$2,813/acre
Acre 16 through 31:	\$2,109/acre
Acre 32 through 63:	\$1,582/acre
Acre 64 through 127:	\$1,187/acre
Acre 128 through 255:	\$890/acre
Acre 256 through 511:	\$667/acre
Acre 512 and up:	\$501/acre

These are the values used in the 2012 town-wide appraisal. It is not clear in what year those valuations were determined or the source of those valuations.

Neighborhood Designations

Additionally in 2012, five neighborhood designations were used for Panton. Each designation adjusted the land value by a percentage. The values range from .7 to 1.1 which is a multiple (70% to 110%) applied to the parcel's assessment. Those 5 designations are as follows:

- .7 (15 parcels) Slang/South/West
- .8 (11 parcels) Stove Pipe City
- .9 (56 parcels) Jersey/Sunset Knoll
- 1.0 (247 parcels) All others
- 1.1 (23 parcels) Hopkins/Jackson

Recommendation: These questions should be answered by the appraiser or firm hired to conduct Panton's next town-wide appraisal.

1. What approach of valuation should be used?
2. In the current marketplace, the cost of new construction has increased dramatically based upon the cost of building supplies. Is this a factor that would support or require a different analysis of assessment approaches?
3. Should these valuations remain the same or should they be updated?
4. To what extent are Panton's valuations like other towns in Vermont?
5. Should the practice of dividing Panton into neighborhoods with different values be continued?

Issue #2 – Assessment of Developable Land

Beyond the initial 2-acre assessment, Panton does not value land that might be developed other than as "excess land." That is, a piece of excess land that meets road frontage and acreage definitions and is therefore "developable" is not valued differently than the rest of the excess property. This is apparently a uniform practice in Panton.

Recommendation: These questions should be answered by the appraiser or firm hired to conduct Panton's next town-wide appraisal.

1. Is this practice the highest and best use?
2. Is this fair to Panton residents broadly?

Issue #3 – Assessment of Lakefront Property

In the Town of Panton, lakefront property is assessed differently from non-lake front property. It is not clear if other Vermont towns treat this in the same way, but anecdotal information suggests that they do not.

The following 3-step process currently applies to valuations of lakefront property in the Town of Panton:

STEP 1. A \$225,000 base rate assessment is applied to every lakefront property, regardless of its size.

STEP 2. A per foot lake frontage assessment is then added. The per foot lake frontage assessment is based on a sliding scale with per foot values reduced as footage increases:

- a. Foot 1 through Foot 159: \$1125/foot
- b. Foot 160 through Foot 319: \$675/foot
- c. Foot 320 through Foot 639: \$405/foot
- d. Foot 640 through Foot 1,279: \$243/foot
- e. Foot 1,280 and up: \$146/foot

The result of the method used for the assessment of lakefront property is that the larger the frontage, the lower the per footage assessment. This happens in two ways:

1. The \$225,000 per parcel amount is added regardless of the overall size of the lot or the lake frontage.
2. As lakefront footage increases, the blended value yields a lower per foot average rate for the property.

STEP 3. Finally, an assessment is added for any remaining land beyond 2 acres, using the same valuations as are applied to all property in Panton, as described in Issue #1. In other words, for this additional assessment of land beyond 2 acres, lakefront and non-lakefront properties are assessed on the same basis.

Examples of the impact of Steps 1 & 2 of this process are shown in the following chart which combines the base rate (\$225,000) with the additional assessment calculated on the actual linear foot frontage and illustrates the combination as a per foot value. This may help in comparing the treatment of different properties.

Lake Foot Frontage	Per Foot Assessment Average Based on \$225,000 Base Rate Per Parcel (Step 1)	Per Foot Assessment Average Based Solely on Lake Frontage (Step 2)	Actual Per Foot Assessment Average Based on \$225,000 Per Parcel Plus Per Foot Assessment (Combined effect of Steps 1 & 2)
200	\$1,125	\$1,033	\$2,158
400	\$562	\$798	\$1,360
600	\$375	\$667	\$1,042
1000	\$225	\$506	\$732
1400	\$161	\$450	\$611
2000	\$113	\$338	\$451

Chart Explanation:

For example, a parcel with 200 feet of lakefront is assessed at \$2,158 per foot **before** Step 3 assessment is applied. By contrast, a parcel with 2,000 feet of lake frontage is assessed at \$451 per foot **before** Step 3. The calculation of this illustration is attached at the end of this document as “Illustrative Calculation of Issue #3.”

3. Step 3: An additional assessment will be added if the parcel consists of over 2 acres, as per the town-wide valuation chart.

Recommendation: The appraiser or firm hired to conduct Panton’s next town-wide appraisal should provide advice on these issues:

1. Is this valuation scheme an industry standard that should/must be adopted in the future?
2. Should the current valuations remain the same or should they be updated?
3. To what extent are the values like other towns with lakefront property in Vermont?
4. Should there be both an initial lakefront assessment as well as a per foot assessment?
5. To the extent that a lakefront property is permitted to be further subdivided as per Town rules, what is the rationale for a diminishing valuation scheme?
6. If diminishing values are appropriate, are the various diminishing values set at appropriate levels and amounts?

Issue #4 – Town-Wide Appraisal

Vermont law does not require appraisals to be conducted on any given periodic basis. However, there are criteria that force a town to reappraise because of the town assessment going through the equalization process.

Those criteria are: “If a town’s Common Level of Assessment (Appraisal) (CLA) falls below 85% or above 115%” OR “if the town’s “Coefficient of Dispersion (COD) is above 20% then the town will be ordered to reappraise.” (32 V.S.A. §4041a(b)). Currently, Panton’s CLA does not require a town-wide appraisal.

If a forced reappraisal is not the issue, each town establishes its own guidelines for the scheduling of a town-wide appraisal. The Town of Panton has generally conducted town-wide appraisals approximately every ten years. Panton's last town-wide assessment occurred in 2011, resulting in new assessments in 2012.

There is a lack of details about the methods used in that last town-wide appraisal. The committee was advised by a NEMRC representative that the data tables used in the 2012 appraisal are quite outdated. If that information is correct, then these data tables result in what may be incorrect and inconsistent values of appraised structures and land. The tables are still in use today.

A new town-wide appraisal would bring the values of all parcels up to the current market value. The longer a town goes without a reappraisal, the larger these potential discrepancies could be.

Lengthy spans between town-wide appraisals neither serve the town nor its residents. As a recent example, the Town of Mendon waited 16 years to reappraise property. As expected, valuations were higher in most cases as was the resultant outcry by residents.

Seeing an increased valuation frequently leads a landowner to conclude that taxes will also rise. However, an increase in value does not necessarily lead to an increase in taxes. This is an important message when a town announces a new appraisal. If a property value increases or decreases at roughly the same rate as others in the town, there would not be an increase in taxes. However, it is also reasonable to assume that a new appraisal could result in either a higher or lower assessment on any given property, which would have an impact on required taxes.

Recommendations:

1. A town-wide appraisal is an expensive undertaking, estimated to be at least \$30,000. But due to the lack of documentation related to the 2012 town-wide appraisal; all the committee's unanswered questions; and the subjective judgments used in appraisals in the subsequent years, the committee recommends scheduling a town-wide appraisal as soon as practical. It may take several years to hire a qualified appraisal firm and to conduct the appraisal.
2. The Town should increase the amount budgeted each year for the Reappraisal Fund.
3. The following questions should be answered by the appraiser or firm hired to conduct Pantons's next town-wide appraisal:
 - a. Should the Selectboard consider a more frequent appraisal process?
 - b. Should the Town evaluate adjusting values on an annual basis, perhaps tied into the Consumer Price Index, COLA changes or other standard indices?
 - c. Should the Computer Assisted Mass Appraisal (CAMA) tables be updated annually by the town assessor and the updates applied to all properties in the system?

Issue #5 – How to Handle the Town's Appraisal Process Going Forward The committee developed a deep respect and appreciation for the complexities of property appraisal and taxation and the work of a town lister. The committee recognized early on the serious financial impact property appraisal has on the residents of Pantons. It is a process that requires in-depth training and knowledge as well as fairness and consistency.

In the past, Pantons has relied on the elected, unpaid town listers working with a professional appraiser from NEMRC to handle appraisal duties on an ongoing basis. The committee believes this model, while it may have been sufficient in the past, no longer serves the town. Residents who run for the elected position of lister most likely do not have the understanding, background, knowledge or time to dedicate to the responsibilities involved in appraisal work. It has also become more difficult over the years to find residents willing to serve as listers.

Recommendations:

1. The committee recommends that Pantou immediately initiate the hiring process for a professional appraiser, either as a town employee or on a contractual basis, to conduct ongoing appraisals of changes in town that occur between town-wide appraisals and perform related duties. **The Town's contract for appraisal services expired in June 2021, and therefore this is an urgent need.** A draft of a Pantou Town Assessor job description is submitted separately.
2. The Selectboard should decide whether to eliminate the office of town lister. "A town may vote by ballot at an annual meeting to eliminate the office of lister." (17 V.S.A. § 2651c(b)(1)).
3. Currently, clerical and administrative duties related to appraisal work are handled by a volunteer town lister. The committee recommends that the clerical duties associated with those ongoing changes be handled by the town office staff. This would ensure that these responsibilities be completed on a more regular and timelier basis.
4. The committee recommends that the newly hired professional appraiser either write the RFP for a town-wide appraisal or undertake the town-wide reappraisal as part of the job responsibilities.

Illustrative Calculation of Issue #3

To illustrate the chart, calculation for the 200-foot parcel, using the values currently used in appraisals, is as follows:

1. Step 1: \$225,000 (the base rate for all lakefront property is assessed. (\$225,000 divided by 200 = \$1,125.)

2. Step 2: (**Note:** The base rate calculation for the first 159 feet of property is coincidentally \$1,125, but should not be confused with Step 1 above which is the calculation related only to a 200 lake front linear foot.)

First 159 feet x \$1,125 = \$178,875

Next 41 feet x \$675 = \$ 27,675

Total of Step 2 = \$206,550

Per foot assessment of Step 2

(\$206,550 divided by 200) = \$1,033

Total assessment of Steps 1 and 2 = \$431,550

Per foot assessment of Steps 1 and 2

(i.e. \$1,125 + \$1,033) = \$ 2,158

In comparison, this per foot calculation for a 2,000-foot parcel is \$338 + \$113 = \$451.