

**Additional Neighborhood Support**  
**Neighborhood 103 Revaluation Analysis and Procedures**

**Valuation Process**

The first procedural step in any revaluation is analyzing all of the sales at the macro level so the tables and cost modeling that affect all properties can be updated. These tables include the home and outbuilding base rates, building depreciation schedule, the building size curve, the building median size, and the land curve. In communities like Portsmouth where sales are abundant, only one year is necessary and will yield the most accurate results as it is the time period closest to the assessment date of April 1, 2015.

Once all of the tables and cost modeling have been updated, the sales are analyzed from a micro level and stratified into groups including style, building age, building size, sale date, sale price, grade, lot size, site index and neighborhood. Neighborhood is usually one of the last strata's to be looked at as we are simply applying an adjustment to the land to account for the varying degree of desirability within the community. Upon analysis by neighborhood, the following results for neighborhood 103 were found:

**Analysis of Neighborhood 103**

<u>Count</u>	<u>Nbhd</u>	<u>Median Sale \$</u>	<u>Median Assessed \$</u>	<u>% Change</u>	<u>Old Ratio</u>	<u>Old COD</u>
27	103	\$600,000	\$437,300	37%	0.75	12.01

\* See Exhibit 1 for Detail

At this point, it should be as simple as increasing the 103 neighborhood factor to reach the desired ratio. Doing this, however, did not fix the alarmingly high Coefficient of Dispersion (COD) of 12.01. This should be below 10.00 and should be close to the overall COD of 5.70. To figure out why the COD was so high, the sales were plotted on a map by ratio. Immediately there was a cluster of sales east of Richards Ave that had the lowest ratios. The neighborhood 103 sales were then stratified into two groups using Richards as the boundary line. The following results were found:

**Analysis Richards East Neighborhood 103**

<u>Count</u>	<u>Nbhd</u>	<u>Median Sale \$</u>	<u>Median Assessed \$</u>	<u>% Change</u>	<u>Old Ratio</u>	<u>Old COD</u>	<u>Sale \$/Eff Area</u>
8	103A	\$612,500	\$410,500	49%	0.67	6.31	\$292.77

**Analysis West of Richards Neighborhood 103**

<u>Count</u>	<u>Nbhd</u>	<u>Median Sale \$</u>	<u>Median Assessed \$</u>	<u>% Change</u>	<u>Old Ratio</u>	<u>Old COD</u>	<u>Sale \$/Eff Area</u>
19	103B	\$600,000	\$473,800	27%	0.80	10.70	\$252.92

\* See Exhibit 2 for Detail

This analysis clearly illustrates the need to separate the 103 neighborhood into two groups. The COD of neighborhood 103A immediately went down to 6.31. Another interesting note is while the median sale price was almost the same for the 2 groups, the old median assessed value was significantly lower for 103A. This is due to the smaller lot sizes and smaller building sizes (see exhibit 2). This is illustrated by the huge discrepancy (16%) between the sale price per effective area for the two groups. This analysis shows that the market for the 103A area had increased at a significantly higher rate than the 103B area since the last revaluation.

The last test that shows the justification for breaking neighborhood 103 into two neighborhoods is the land residual analysis. This analysis clearly illustrates the need for two neighborhoods. This analysis takes the sale price and subtracts the total improvement value to come up with an indicated land value. Since the median lot size and median building size is smaller for the neighborhood 103A group, the results really jump off the page. The following results were found:

**Land Residual Analysis for Neighborhood 103A**

<u>Count</u>	<u>Nbhd</u>	<u>Median Lot Size</u>	<u>Median Eff Area</u>	<u>Median Indicated Land</u>	<u>Indicated \$/Sf Land</u>
8	103A	5,082	2,183	\$362,200	\$71.27

**Land Residual Analysis for Neighborhood 103B**

<u>Count</u>	<u>Nbhd</u>	<u>Median Lot Size</u>	<u>Median Eff Area</u>	<u>Median Indicated Land</u>	<u>Indicated \$/Sf Land</u>
19	103B	8,055	2,388	\$299,500	\$37.18

**\* See Exhibit 3 for Detail**

Once the neighborhood was broken up into the two new classifications, a full field review was done as well as a review of MLS to ensure that all of the data was accurate. Once completed, the neighborhood was then reanalyzed with new assessments using the two groups. Another macro analysis is done and the tables are modified one last time. This process really tightens the overall COD. The final results are the final analysis for the two newly created neighborhoods:

**Analysis for Neighborhood 103A**

<u>Count</u>	<u>Nbhd</u>	<u>Median Sale \$</u>	<u>Median Assessed \$</u>	<u>Ind. % Change</u>	<u>New Ratio</u>	<u>New COD</u>
8	103A	\$612,500	\$540,000	49%	0.91	4.93

**Analysis for Neighborhood 103B**

<u>Count</u>	<u>Nbhd</u>	<u>Median Sale \$</u>	<u>Median Assessed \$</u>	<u>Ind. % Change</u>	<u>New Ratio</u>	<u>New COD</u>
19	103B	\$600,000	\$563,300	27%	0.96	4.34

**\* See Exhibit 4 for Detail**

### Hearing Process

During the hearing process, our responsibility is to listen to the taxpayers concerns and consider all credible information. One of the biggest concerns brought forth by taxpayers was the exclusion of Richards Ave as part of neighborhood 103A. After discussions with the City Assessor about these concerns, another review of both neighborhoods was performed. It was recommended to extend the neighborhood delineation line to include Richards Ave and a few properties on South St.

There was a sale at 165 Richards Ave with a ratio of .89 before the hearings. After changing the neighborhood to 103A, the ratio increased to .96 which is fully supported by the overall City median ratio of .95.

### Summary of Key Points Supporting the Creation of Two Neighborhoods:

- 1) The median old assessment for neighborhood 103A was \$63,300 less than the median old assessment for neighborhood 103B, while the median sale price was \$12,500 higher for neighborhood 103A.
- 2) The median lot size for neighborhood 103B is 59% larger than the median lot size for neighborhood 103A, while the median indicated land value by the land residuals was \$62,700 more for neighborhood 103A.
- 3) The median ratio for the original 103 neighborhood using the old assessments was .75, while the median for the 103A neighborhood was .67 and the median for the 103B neighborhood was .80.
- 4) Many taxpayers have argued that the sample size for neighborhood 103A is too small to support the values, while in fact 8 of the 157 (5.1%) total 103A parcels sold and 19 of the 548 (3.47%) total 103B parcels sold.

**Conclusion: It would be impossible to equitably assess all properties in neighborhood 103 at fair market value without separating it into two neighborhoods.**