

# CITY OF PORTSMOUTH

## ASSESSOR'S OFFICE



## IN-HOUSE WORK PLAN

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# Index

- Section I:* Statutory Requirements
- Section II:* Purpose Statement
- Section III:* Mass Appraisal and Market Value
- Section IV:* Appraisal Neighborhood
- Section V:* Methods to Measure Quality of Assessments
- Section VI:* Public Relations and Notification Methods
- Section VII:* Reappraisal and Inspection
- Section VIII:* Uniform Standards of Professional Appraisal Practice

*Section I*

**Statutory Requirements**

**RSA 75:8 Revised Inventory. –**

I. Annually, and in accordance with state assessing guidelines, the assessors and selectmen shall adjust assessments to reflect changes so that all assessments are reasonably proportional within that municipality. All adjusted assessments shall be included in the inventory of that municipality and shall be sworn to in accordance with RSA 75:7.

II. Assessors and selectmen shall consider adjusting assessments for any properties that:

- (a) They know or believe have had a material physical change;
- (b) Changed in ownership;
- (c) Have undergone zoning changes;
- (d) Have undergone changes to exemptions, credits or abatements;
- (e) Have undergone subdivision, boundary line adjustments, or mergers; or
- (f) Have undergone other changes affecting value.

**RSA 75:8-a Five-Year Valuation. –**

The assessors and/or selectmen shall reappraise all real estate within the municipality so that the assessments are at full and true value at least as often as every fifth year, beginning with the later of either of the following:

I. The first year a municipality's assessments were reviewed by the commissioner of the department of revenue administration pursuant to RSA 21-J:3, XXVI and the municipality's assessments were determined to be in accordance with RSA 75:1; or

II. The municipality conducted a full revaluation monitored by the department of revenue administration pursuant to RSA 21-J:11, II, provided that the full revaluation was effective on or after April 1, 1999.

**RSA 75:8-b Annual Appraisal; Municipalities Over 10,000. –**

Except when assessing real estate under RSA 75:8-a, any municipality with a population over 10,000 as determined pursuant to RSA 78-A:25 intending to appraise real estate annually at market value, as defined in RSA 75:1, shall authorize such annual appraisal by a majority vote of the governing body. The governing body shall hold 2 public hearings regarding the annual appraisal process at least 15 days, but not more than 60 days, prior to the governing body's authorization vote. Any municipality with a population over 10,000 as determined pursuant to RSA 78-A:25 annually appraising real estate at market value shall provide notification of changes to the assessed valuation prior to the issuance of the final tax bill, either by individual notice to the property owner, by

*Section I – cont.*

public notice in a newspaper of general circulation, or by any other means deemed appropriate by the governing body.

HB 1206, an act relative to the Assessing Standards Board (ASB), and the approval of appraisal contracts, became effective May 30, 2006. This bill addresses two distinct areas affecting revaluations.

First, it established an additional duty for the ASB, namely, to establish by July 1, 2006, guidelines for revaluations based on the 2005 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) Standard 6, Mass Appraisal Development and Reporting. When finalized, the Department of Revenue Administration (DRA) will be responsible for incorporating these guidelines into its current assessment review process.

Starting in tax year 2007, all municipalities shall comply with the guidelines in conducting revaluations. The guidelines will also become a part of the assessment review process, and will be reported in the same manner as all other current criteria.

## *Section II*

### **Purpose Statement**

The purpose of a Five-Year Reappraisal effort is to provide a vehicle for the assurance of current, accurate and equitable property assessments. If property valuations are accurate across the entire city, inefficiencies and inequities in property taxation are greatly reduced.

The City of Portsmouth Assessors office is committed to a quality reappraisal plan and process by adhering to the following standards:

1. Design the plan, process and methods in order to obtain the most accurate information available while maintaining statutory obligations and authority.
2. Structure the plan with each method/task clearly defined so as to minimize inefficiencies within the plan.
3. Design the plan and methods of reappraisal in a manner that will best utilize existing resources (labor, technology, and etc.) while minimizing the need for the acquisition of additional resources.
4. Should the process require additional resources (i.e. labor, technology etc.) strive to obtain such resource in the most proficient manner possible and take all necessary precautions to ensure that such acquisition be the most productive and long-term possible.
5. Integrate the plan in all areas possible with the “daily business” of the Assessors office as a means to make the plan not only a tool to meet state mandates, but also as a vehicle to better the department’s customary appraisal productivity.

### *Section III*

## **Mass Appraisal and Market Value**

Mass Appraisal is the valuation of multiple properties as of a given date while utilizing statistical methods to measure quality. In New Hampshire as with many other states, the valuation or assessment of property is based on its current market value as of April 1st of a given tax year. Market value can be defined as: the most probable sale price of a property in terms of money in a competitive and open market, assuming the buyer and seller are acting prudently and knowledgeably, allowing sufficient time for the sale, and assuming the transaction is not affected by undue pressures.

Appraisal practice dictates three basic methods to determine market value:

**The Cost Approach.** The cost approach is based on the principle of substitution wherein a rational and informed purchaser would pay no more for a property than the cost of building an acceptable substitute. The cost approach depends on industry standard cost tables that determine the replacement cost of an improvement based on the type of construction less depreciation based on the age and condition of the improvement. Once a depreciated improvement cost is determined the value of the underlying land is added to arrive at the overall market value.

**The Sales Comparison Approach:** Based on the concept of value in exchange, the sales comparison approach to value compares the property being appraised with similar properties sold in the recent past. The sales prices of the comparables are adjusted for physical and locational differences from the subject property. Value indications determined from this approach are very significant because they express the reactions of buyers and sellers in the real estate market.

**The Income Approach to Value:** The income approach requires a determination of the income and expense generated from an income producing property and accordingly capitalizes such income into an estimate of current market value. Multifamily Housing and Leased Office Complexes are basic examples of Income Producing properties.

The process of determining the market value of real property in the City of Portsmouth utilizes one or more of the three approaches to value dependent upon the type of property and which approach provides the most accurate market value. Mass appraisal often utilizes valuation models that depend on multiple variables to predict a value, such as the market value of land or the market value of land and improvements. Valuation models are an integral part of the valuation process in the city and rely significantly on accurate appraisal data and sales information. Essentially, a valuation model is a statistical technique that analyzes the characteristics of sold properties and applies the information derived from such analysis to determine the value for similar subject properties.

*Section IV*

**Appraisal Neighborhood**

A key element in mass appraisal, particularly when the use of a valuation model is employed, is the development of functional geographic boundaries or Appraisal Neighborhoods. Appraisal Neighborhoods are designed on a more microeconomic level and represent boundaries wherein the type of properties within such boundary are very similar in nature with respect to the following criteria:

Age

Size

Type and Quality of Construction

Condition

Population

Land Use and Characteristics

Industry Type – Commercial Neighborhoods

## *Section V*

### **Methods to Measure the Quality of Assessments**

Also as a provision of law, municipalities are required to measure the quality or accuracy of the assessments (appraisals) as they compare to the “market”. In general discussion, statistical methods also known as Ratio Studies, are utilized to define the ratio that compares the value determined on a given property or group of properties by the Assessor and such property or group of properties estimated market value as represented by an open market, arms length sale.

A measurement of quality is the assessed value/sale price ratio. A ratio is the relationship of two numbers, in this case assessed value and sale price. It measures how closely our values compare to the actual sales prices. The average assessed value/sale price ratio indicates a typical level of value. Because the marketplace is not perfect, there will always be properties that sell for more or less than can be anticipated due to factors such as sales between people unfamiliar with the market, buyers willing to pay extra for a unique property, or escalating values in a competitive seller’s market.

In mass appraisal and assessment ratio studies, we are not only concerned with average assessed value/sale price levels (ratios) but also with the degree of spread (variation) from the typical ratio. The measurement of variation is called the coefficient of dispersion (COD). The lower the COD, the more uniform the assessment level.

The primary purpose of ratio studies is to test compliance with statutory mandates. RSA 75:8 requires that “the assessors and selectmen shall adjust assessments to reflect changes so that all assessments are reasonably proportional within that municipality.” For example, assume the overall ratio for the City is 95% of market value. A study of an Appraisal Neighborhood indicates the Assessor’s values are on average at 80% of market value. In other words the homes in the study area are on average selling for \$215,000 and the Assessor’s values are on average at \$172,000 [ $\$172,000 / 215,000 = 80\%$ ]. Based on this analysis, the Assessor should increase values in the subject area(s) to a level consistent with the overall ratio of 95% to be proportional.

Blanket adjustments in market values based on ratio studies can and do create inequities in property assessments as all properties in a given area or property class are not exactly similar. The process of site or property class reappraisal and evaluation on an individual basis in order to determine proportionality is key to reducing assessment inequities.

*Section VI*

**Public Relations and Notification Methods**

The importance of an informed community cannot be understated, particularly when changes in property values may occur and accordingly, changes in property tax. Recognizing this need while establishing a cost efficient and effective means of informing the population, notification of reappraisal is expected to be achieved through the following methods:

1. Notification of reappraisal will be mailed directly to each taxpayer. This method can provide information directly to those property owners who will experience reappraisal of their property within twelve months from the time of notification.
2. The City's web site will be utilized in an effort to inform the property owners of the reappraisal effort.
3. When appropriate, notifications or "Ads" of Reappraisal will run in local news papers.
4. Assessment information brochures are available at the Assessor's office, which discuss the functions of the Assessor as well as Reappraisal.
5. Copies of this report are available to the public at any time from the Assessor office. As well, the Plan will be made available on the Assessor's website [www.cityofportsmouth.com](http://www.cityofportsmouth.com)

*Section VII*

**Reappraisal and Inspection Production ~ Commentary**

The City of Portsmouth Assessors Office efforts are directed toward the re-inspection of all property within the City, DRA recommends at least once every ten years. Our residential and commercial inspection and reappraisal effort is conducted by our in-house appraisal staff which includes two field appraisers, one assessing clerk and is managed by the City Assessor. Out side resources will be utilized when necessary to assure production is met.

**Reappraisal**

Annually the City of Portsmouth Assessors Office will review and if necessary update values in accordance with RSA 75:8 to maintain proportionality. Assessments shall be adjusted to market value once every 5 years in accordance to RSA 75:8-a and 75:8-b.

Beginning April 1, 2002, the commissioner of revenue administration adopted a schedule so that each city, town, and unincorporated place has its assessments reviewed every five years. The City of Portsmouth's review was accomplished as of April 1, 2006, and reported in accordance with the following:

**21-J:11-a Assessment Report. –**

- I. The commissioner shall report the degree to which assessments of a municipality achieve substantial compliance with applicable statutes and rules. The commissioner may consider whether:
  - (a) Level of assessments and uniformity of assessments are within acceptable ranges as recommended by the assessing standards board by considering, where appropriate, an assessment-to-sales-ratio study conducted by the department for the municipality;
  - (b) Assessment practices substantially comply with applicable statutes and rules;
  - (c) Exemption and credit procedures substantially comply with applicable statutes and rules;
  - (d) Assessments are based on reasonably accurate data; and
  - (e) Assessments of various types of properties are reasonably proportional to other types of properties within the municipality.
  
- II. The commissioner shall issue a copy of the report upon its completion to the municipality and to the assessing standards board. The report shall be completed after the completion of the equalization of property valuations conducted pursuant to RSA 21-J:3, XIII. When issued, the report shall be a public document.

*Section VII – cont.*

III. The assessing standards board shall study and recommend to the legislature whether municipalities should be reimbursed for expenses incurred as a result of changes in assessment practices resulting from legislation enacted in response to the judicial interpretation of part 2, article 6 of the New Hampshire constitution in *Evelyn Sirrell et al. v State of New Hampshire et al.* and, if reimbursement is appropriate, shall recommend a formula for implementation of a reimbursement program.

**Cyclical re-inspection**

Beginning 2010, the City of Portsmouth over a five- year period completed a cyclical re-inspection of all properties throughout the City. Starting 2016, all properties that have sold or which have had a building inspection due to permits, abatements or other property inspections will be measured and listed as part of an ongoing cyclical inspection process. All properties that have not been re-inspected prior to the end of the 5<sup>th</sup> year will receive an exterior review with a notice from the assessor's office requesting an interior inspection.

*Section VIII*

**Uniform Standards of Professional Appraisal Practice**

On May 30, 2006, the Governor signed HB1206, which established guidelines for revaluations by July 1, 2006 based on the 2005 edition of USPAP Standard 6. One of the key elements of this legislation is the requirement that, on or after the April 1, 2007 assessment year, the assessing profession in New Hampshire must adhere to the assessing guidelines codified in "Standard 6" of the 2005 "Uniform Standards of Professional Appraisal Practice" (USPAP).

The NH Assessing Standards Board (ASB) tasked the Department of Revenue (DRA) with incorporating this requirement into its ongoing assessment monitoring and review practices.

"USPAP" is published by the "Appraisal Foundation", a not-for-profit and nationally recognized educational organization dedicated to the advancement of professional valuation. Founded in 1987, the Appraisal Foundation has worked to foster professionalism in the appraising profession by: 1) establishing, improving, and promoting USPAP; and 2) disseminating information on USPAP to the appraisal profession, state and federal government agencies, users of appraisal services, related industries and industry groups, and the general public.

Specifically, USPAP identifies and publishes the generally accepted standards for professional appraisal and assessment practices in North America. For example, USPAP requires that the appraiser/assessor must correctly employ recognized methods that are necessary to produce a credible appraisal, and that the appraiser/assessor prepare a report that effectively communicates the critical issues, assumptions, and techniques adopted in the analysis. Therefore, a USPAP "compliant" report is one that effectively documents the entire assessment process - from the negotiated contractual assumptions identified in the scope of work (or documented in the in-house assessor's work file); through the derivation of base values, factors and adjustments; the development of values; to the final development and writing of the report.