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November 4, 2008

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To the Mt. Olive Township Council and Mayor:

I would like to commend the Township Council for investigating the merits of a reassessment and the Mayor for concluding that it is not fiscally responsible at this time. As an assessor with over 22 years of experience, I can attest to the benefits and cost savings that may be attributed to keeping property assessments at a current level with a shortened interval reassessment program compared to the longer interval revaluation process. However, because of the restrictions that the Division of Taxation places on assessment practices; the \$100,000 cost to administer a hybrid-reassessment does not justify the benefit. It actually exacerbates the property tax burden by spending tax dollars on a program that will not generate enough savings to cover the cost.

A number of points were discussed as to the merits of engaging in a reassessment program at the October 14th workshop.

1. **A lower total assessed value will not reduce the county tax obligation producing savings to cover the reassessment program.**

County taxes are calculated on the equalized valuation of total assessments. This means that each municipality's assessments are adjusted to market value based on their equalization ratio established during the previous year and normalized over a two year period. When a municipality engages in a revaluation/ reassessment, their county apportionment is calculated on the prior year's equalized value and adjusted for added assessments and tax appeal judgments. No savings will be realized by a lower county apportionment because all municipalities will be adjusted due to market conditions that affect everyone equally. Proof of this is the current revaluation implemented by Mt. Olive Township in 2008. The equalized valuation for the township was \$300M less in 2008 than in 2007 but the county taxes increased from \$6.8M to \$7.2M.

2. **Additional revenue will not be realized in an increasing real estate market where new assessments capture a percentage of market value that may not have been assessed previously.**

Any increase generated in the equalized total assessed value from year to year will help dilute the proceeding year's tax rate. Taxes are generated based on budgetary need not on anticipated revenue stream. The Municipality should be spending only what is required for necessary services and not increasing spending because there is a perceived additional revenue source.

3. **Additional revenue generated by added assessments discovered during inspections for the reassessment will not cover the cost of the program.**

A small percentage of improvements performed on properties are done so illegally. Most property owners and contractors are honest and obey local building and zoning laws. The types of improvements that can be performed without detection generally add little market value. This has been my personal experience being in charge of three revaluations and involved with 5 other reassessments over the past 22 years.

4. **Fewer appeals will not be filed with an annual reassessment program.**

Generally, more appeals are filed after a revaluation/reassessment because owners incorrectly assume an increase in assessment will lead to an increase in taxes. It is also easier for property owners to equate their assessment to market value and understand exactly what their assessment represents. The appeal process is available to every owner annually. There is no mechanism to control how many that may be filed. A reassessment /revaluation will bring the subject of taxes more in focus and tends to generate more appeals. However, a reassessment program will make it easier to defend assessments and lessen the financial burden to the municipality. It is better fiscal policy to have a planned reduction in ratables before the budget is set than to refund tax monies already spent after a successful appeal. Mt. Olive has witnessed this phenomenon with the recent tax refunds associated with the BASF appeal.

5. Public Relations or “fell good measure” of adjusting assessments to current market conditions is an important part of any reassessment/revaluation program.

Communication is a critical element in any successful project management plan. The primary goal of the assessor is to maintain equity between assessments. Perception of fair and equal treatment is a crucial component if the taxpayers are going to “buy-in” to a reassessment/revaluation program. Reacting to events such as the recent decline in the real estate market creates trust in government that we are paying attention to the needs of our citizens. It may not make a difference in the total taxes they are paying, but it does instill some confidence that we are proactively engaged.

I have personally and professionally been a strong proponent of regular reassessments over revaluations. Unfortunately, the costs associated with the requirements and standards set by the state make it cost prohibitive. We currently conduct the proper analysis and have advanced enough equipment to analyze and adjust all assessments annually with little cost associated. The most expensive requirement of any reassessment/revaluation is the inspection of property. Maintenance of accurate records is currently performed through the building permit process. Until the requirement to review property data for a large segment of the population is eliminated, the reassessment program cannot be performed in a cost beneficial manner. Again I commend the council for proactively being engaged in the concerns of the citizens and the Mayor for being fiscally responsible with taxpayer money.

Sincerely,

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