



*City of Dover*  
New Hampshire

# **Report of Assessed Values And Tax Process for Tax Year 2016**

(April 1, 2016 - March 31, 2017)

Budget Period Fiscal Year 2017  
(July 1, 2016 - June 30, 2017)

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## City of Dover Assessment Update for 2016

From the early 2000's through 2006 the City of Dover experienced rapid growth in property values. This trend leveled off and started to show a modest decline in 2007 through 2008. Towards the end of 2008 through 2009, the real estate market stabilized for commercial properties but moderate declines in the residential market were still in evidence. Around 2011, after the decline resulting from the 'shake-out' caused by the national economic crisis (2007-2011), the Dover market stabilized. Since then (2012 - 2016), we are now seeing more sales volume and moderate increases in sales prices.

Currently (referencing sales from October 2012 through September 2016) the residential market has seen a modest incline. We are seeing more sales volume and moderate increases in sales prices.

Generally speaking, the average sales price of an existing non-waterfront single family home in Dover in 2007 was \$291,200; whereas, in 2011, it was \$242,400; in 2012 it was \$240,400; in 2013, it was \$260,400; in 2014 it was \$292,000; in EQ 2015 it was \$290,100; in EQ 2016 (October 2015 thru September 2016), the average sale price was \$279,100. The average sale price for a non-waterfront single family new construction during EQ 2015 was 462,700 and during EQ 2016 was 400,000.

Municipalities are required by law to keep assessments proportional each year (RSA 75:8). This year (2016), changes occurring in assessments were due to an update, where an overall needed value change was implemented to building values, and to neighborhoods or classes of properties to bring those properties in-line with the City's general level of assessment; inspections of properties that have sold (changed only if physical data changes were required); building or demolition permits; and/or as a result of our cycled inspection process with follow-up appraisal reviews.

Building Permits: As is typical for each year, properties with outstanding building permits during 2016 were inspected, with value changes consistent with the nature of improvements or demolitions that occurred.

Cycled Inspection and Appraisal Reviews: The Tax Assessment Division maintains a cycled inspection process where 20% of all properties are measured and inspected each year. Once the inspections are complete, properties are field reviewed by appraisal supervisors to ensure consistent appraisal calls and for quality control purposes. Generally most properties within the cyclical inspections experience some change in value, whether it's due to data corrections or because of updates and improvements, or lack thereof.

### **Notices:**

Properties experiencing a change in assessment received a notice of a change in value from the Assessor's Office. Notices were not mailed to properties where no change in assessed value occurred.

The following pages are a detailed report on the changes to the 2016 assessment roll.

**Result of Assessment for Tax Year 2016 - (Fiscal Year 2017)**

The Tax Assessment Division reports assessed values as of April 1, 2016. The goal of setting assessed values in any year is to bring equity to the tax base by setting assessed values as close to market price as possible while maintaining consistency across various classes of property.

***Assessed Value Summary***

The tables below, taken from reports submitted to the State, reflect the assessed values categorized by major type of property over the last five tax years, the percentage to total value and the percentage change by sector. The amounts within each category reflect changes to assessments as a result of adjustments due to analysis, and changes reflective of subdivisions and new construction activities.

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Residential	1,932,326,900	1,956,116,310	2,040,692,330	2,060,963,970	2,178,038,820
Commercial/Industrial	690,054,300	698,825,840	709,353,990	721,971,210	754,203,040
Public Utilities	38,603,100	42,375,900	48,496,900	56,106,100	59,357,800
<b>Total</b>	<b>2,660,984,300</b>	<b>2,697,318,050</b>	<b>2,798,543,220</b>	<b>2,839,041,280</b>	<b>2,991,599,660</b>

<b>Percent of Total</b>					
Residential	72.6%	72.5%	72.9%	72.6%	72.8%
Commercial/Industrial	25.9%	25.9%	25.3%	25.4%	25.2%
Public Utilities	1.5%	1.6%	1.7%	2.0%	2.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>Dollar Change</b>					
Residential	7,439,400	23,789,410	84,576,020	20,271,640	117,074,850
Commercial/Industrial	11,393,900	8,771,540	10,528,150	12,617,220	32,231,830
Utilities	-	3,772,800	6,121,000	7,609,200	3,251,700
<b>Total</b>	<b>18,833,300</b>	<b>36,333,750</b>	<b>101,225,170</b>	<b>40,498,060</b>	<b>152,558,380</b>

<b>Percent Change</b>					
Residential	0.4%	1.2%	4.3%	1.0%	5.7%
Commercial/Industrial	1.7%	1.3%	1.5%	1.8%	4.5%
Public Utilities	0.0%	9.8%	14.4%	15.7%	5.8%
<b>Total</b>	<b>0.7%</b>	<b>1.4%</b>	<b>3.8%</b>	<b>1.4%</b>	<b>5.4%</b>

<b>Select Residential Assessment Information by Tax Year</b>						
Does Not reflect decreases to taxes from Tax Exemption and Credits						
Description	2011	2012	2013	2014	2015	2016
<b>Total Assessed Value</b>						
Single Family	\$1,444,475,300	\$1,450,750,800	\$1,470,774,780	1,556,643,950	1,572,118,990	1,652,555,300
Two Family	126,547,000	125,567,100	124,425,040	118,005,670	117,630,960	127,333,080
Three Family	37,840,700	37,317,700	37,258,800	36,792,700	36,648,400	39,708,500
Manufactured Home	27,693,200	28,836,500	29,835,200	28,878,000	31,983,000	34,591,100
Condo	210,826,900	209,804,200	215,062,300	221,020,100	227,014,300	245,351,800
<b>Total Select Residential Assessments</b>	<b>1,847,383,100</b>	<b>1,852,276,300</b>	<b>1,877,356,120</b>	<b>1,961,340,420</b>	<b>1,985,395,650</b>	<b>2,099,539,780</b>
<b>Total Number of Parcels</b>						
Single Family	5,783	5,818	5,867	5,915	5,949	5,991
Two Family	549	545	542	537	536	535
Three Family	154	152	152	152	151	151
Manufactured Home	385	393	396	401	405	413
Condo	1,453	1,463	1,496	1,508	1,518	1,526
<b>Total</b>	<b>8,324</b>	<b>8,371</b>	<b>8,453</b>	<b>8,513</b>	<b>8,559</b>	<b>8,616</b>
<b>Average Assessed Value</b>						
Single Family	249,780	249,356	250,686	263,169	264,266	275,840
Two Family	230,505	230,398	229,566	219,750	219,461	238,006
Three Family	245,719	245,511	245,124	242,057	242,705	262,970
Manufactured Home	71,930	73,375	75,341	72,015	78,970	83,756
Condo	145,098	143,407	143,758	146,565	149,548	160,781
<b>Total</b>	<b>221,935</b>	<b>221,273</b>	<b>222,093</b>	<b>230,394</b>	<b>231,966</b>	<b>243,679</b>
<b>Average Assessed Value % Change</b>						
Single Family	-1.2%	-0.2%	0.5%	5%	0.4%	4.4%
Two Family	-1.2%	0.0%	-0.4%	-4%	-0.1%	8.5%
Three Family	-6.1%	-0.1%	-0.2%	-1%	0.3%	8.3%
Manufactured Home	4.8%	2.0%	2.7%	-4%	9.7%	6.1%
Condo	-4.7%	-1.2%	0.2%	2%	2.0%	7.5%
<b>Total</b>	<b>-1.6%</b>	<b>-0.3%</b>	<b>0.4%</b>	<b>4%</b>	<b>0.7%</b>	<b>5.0%</b>
<b>Property Tax Rate per \$1,000</b>						
	25.12	25.52	25.97	26.01	26.61	26.29
<b>% Change</b>	<b>5.8%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>0.2%</b>	<b>2.3%</b>	<b>-1.2%</b>
<b>Average Property Tax</b>						
Single Family	\$6,274	\$6,364	\$6,510	6,845	6,874	7,175
Two Family	5,790	5,880	5,962	5,716	5,708	6,191
Three Family	6,172	6,265	6,366	6,296	6,313	6,840
Manufactured Home	1,807	1,873	1,957	1,873	2,054	2,178
Condo	3,645	3,660	3,733	3,812	3,890	4,182
<b>Total</b>	<b>5,575</b>	<b>5,647</b>	<b>5,768</b>	<b>5,993</b>	<b>6,033</b>	<b>6,338</b>
<b>Average Property Tax Change</b>						
Single Family	\$267	\$89	\$147	\$335	\$29	\$301
Two Family	250	89	82	-246	-8	482
Three Family	-46	93	100	-70	17	527
Manufactured Home	177	66	84	-84	181	124
Condo	29	15	74	79	78	292
<b>Total</b>	<b>217</b>	<b>72</b>	<b>121</b>	<b>225</b>	<b>41</b>	<b>305</b>
<b>Average Property Tax % Change</b>						
Single Family	4.4%	1.4%	2.3%	5.1%	0.4%	4.4%
Two Family	4.5%	1.5%	1.4%	-4.1%	-0.1%	8.5%
Three Family	-0.7%	1.5%	1.6%	-1.1%	0.3%	8.3%
Manufactured Home	10.9%	3.6%	4.5%	-4.3%	9.7%	6.1%
Condo	0.8%	0.4%	2.0%	2.1%	2.0%	7.5%
<b>Total</b>	<b>4.0%</b>	<b>1.3%</b>	<b>2.1%</b>	<b>3.9%</b>	<b>0.7%</b>	<b>5.0%</b>

**Category Change of Total Assessment Percent**

Although changes in assessed value do not increase the amount of total tax revenue the City will receive, it can change from whom the City will collect taxes. In the broad categories addressed earlier, the following table shows the percentage change of each category's percent of total by tax year.

<b>Category</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Residential	-1.9%	-2.2%	-7.6%	7.0%	-1.2%	0.4%	1.2%	4.3%	1.0%	5.7%
Commercial/Industrial	6.8%	7.2%	-2.8%	1.1%	0.7%	1.7%	1.3%	1.5%	1.8%	4.5%
Public Utilities	-0.4%	1.7%	0.3%	0.0%	0.9%	0.0%	9.8%	14.4%	15.7%	5.8%

**Percent Change by Property Class**

The following table reflects the resulting aggregate changes in assessed value by property classes. The percentages also include new construction values and changes as a result of data corrections.

<b>Property Class</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Vacant Land	2%	-15%	16%	3%	9%	-2%	20%
Single Family	1%	0%	0%	1%	6%	2%	5%
Condominiums	1%	-5%	0%	3%	3%	3%	8%
Mobile Homes	5%	7%	4%	3%	-3%	11%	8%
Multi-Family Housing (2-3 units)	0%	-2%	-1%	-1%	-1%	-0.3%	8.3%
Apartments* (more that 3 units)	1%	2%	1%	1%	2%	0.5%	6.4%
Waterfront (residential improved)	1%	-1%	0%	1%	1%	1%	4%
Commercial/Industrial	0%	0%	2%	1%	0%	-1%	3%
Utilities	5%	13%	0%	7%	11%	13%	5%
* Included in Commercial/Industrial for other reporting purposes							

**Assessment to Market Ratio**

The results of the ratios over the last few tax years are represented in the table below. The percentage is the assessed value divided by the market price. The years reflected in the table are tax years.

<b>Property Class</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
All Properties	95%	97%	98%	99%	96%	95%	92%	93%
Vacant Land	96%	99%	94%	97%	99%	93%	98%	* 84%
Single Family	96%	97%	98%	98%	94%	95%	92%	93%
Condominiums	93%	97%	98%	99%	97%	96%	93%	93%
Mobile Homes	94%	96%	103%	101%	96%	97%	98%	94%
Multi-Family Housing (2-4 units)	89%	99%	101%	100%	97%	95%	90%	92%
Apartments (more than 4 units)	95%	91%	86%	101%	102%	97%	92%	89%
Waterfront Improved Only	92%	NA	95%	99%	96%	97%	89%	95%
Waterfront Land Only	NA							
Commercial/Industrial	94%	95%	95%	100%	98%	97%	* 97%	95%

\* Notes: Only 4 qualified sales were available for commercial/Industrial Category for 2015  
 Only 6 sales for vacant land were available for 2016.

The 2016 ratios are preliminary and will not be certified by the NH Department of Revenue Administration until May 2016. Classes reflecting 'NA' had insufficient sale information. The International Association of Assessing Officers (IAAO) considers the ratios of each class of property reasonable if they are within +/- 10% of the overall ratio. The City strives to be within +/- 5%.

### ***Equity in Tax Base***

The best measurement of equity throughout the tax base is the Coefficient of Dispersion (COD). The table below reflects the City's COD by year. According to the International Association of Assessing Officers (IAAO), the measure of equity falls into the following ranges:

<b>Percent</b>	<b>Equity Measure</b>
10% or less	Excellent assessment equity
11% - 14%	Good assessment equity
15% - 20%	Fair assessment equity
over 20%	Poor assessment equity

Another measure reviewed to assist in determining fair assessment is the Price-Related Differential (PRD). This statistic measures the relationship between higher valued properties and lower valued properties, and their respective assessments. This statistic answers the question: "Is there a bias for, or against, lower or higher valued properties?" For example, a PRD over 1.00 indicates a regressive assessment base, or, that higher value properties are assessed at a lower ratio, conversely, a PRD under 1.00 indicates a progressive tendency, or, shows that lower value properties are assessed at a lower ratio than higher value properties. Ideally, this statistic should be 1.00, but IAAO recommends that the PRD fall between .98 and 1.03.

<b>Tax Year</b>	<b>COD</b>	<b>PRD</b>
2003	8.40	1.00
2004	7.20	1.00
2005	7.30	1.00
2006	6.20	1.01
2007	7.20	1.01
2008	7.30	1.02
2009	7.50	1.00
2010	7.90	1.02
2011	7.10	1.02
2012	8.99	1.02
2013	8.80	1.02
2014	7.4	1.01
2015	8.6	1.02
*2016	8.2	1.02

The table reflects both the COD and PRD for the City of Dover. Since 2001, the City has continued to keep a COD in the excellent assessment equity level as reflected in the table. Also the PRD is within the acceptable range set by the IAAO.

\*As previously mentioned, the statistics for 2016 are preliminary, subject to revisions by the NH Department of Revenue Administration in early 2017.

## ***Taxable Parcel Information***

The table reflects the parcel counts by category and their percent of total.

### **Taxable Parcels by Tax Year**

<b>Category</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Residential	8,982	9,009	9,042	9,092	9,120	9,147	9,184
Commercial/Industrial	874	872	890	916	920	928	938
Utilities	17	18	18	18	18	17	17
Totals	9,873	9,899	9,950	10,026	10,058	10,092	10,139

### **Percent of Total**

Residential	91.0%	91.0%	90.9%	90.7%	90.7%	90.6%	90.6%
Commercial/Industrial	8.9%	8.8%	8.9%	9.1%	9.1%	9.2%	9.3%
Utilities	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

### **Count Change**

Residential	38	27	33	50	28	27	37
Commercial/Industrial	11	(2)	18	26	4	8	10
Utilities	(1)	1	-	-	-	(1)	-
Totals	48	26	51	76	32	34	47

### **Percent Change**

Residential	0.4%	0.3%	0.4%	0.6%	0.3%	0.3%	0.4%
Commercial/Industrial	1.3%	-0.2%	2.1%	2.9%	0.4%	0.9%	1.1%
Utilities	-5.6%	5.9%	0.0%	0.0%	0.0%	-5.6%	0.0%
Totals	0.5%	0.3%	0.5%	0.8%	0.3%	0.3%	0.5%

## **Budget and Tax Rate**

### ***Budget***

The City administration must submit an annual budget to the City Council, the legislative body of the City. Two public hearings on the budget must be held (one each for City and School) and the City Council must pass the budget for adoption. The budget or fiscal year for Dover runs from July 1st through June 30th of the subsequent year. The budget must be approved by June 15th preceding the fiscal year.

The City Council is made up of a Mayor, 6 Ward Councilors and 2 At-Large Councilors. The county delegation, comprised of the State Representatives from the county, approves the budget necessary to fund county government.

The City Council is responsible for setting all budget amounts for both the City and School. For the School Department, however, the City Council can only set the total of appropriations (legal spending limit) and cannot make specific changes to the budget. The School Board, an elected body consisting of 6 ward representatives and 1 at large, is responsible for allocation of the appropriations into the various spending areas.

The budget consists of many different funds. The fund that raises property taxes is the General Fund and the only fund considered in this review. The General Fund accounts for basic governmental services supported mainly by property taxes, such as General Government Administration, Police, Fire & Rescue, Public Works, Recreation, Library, and Human Services. The budget is made up of two main parts, estimated revenues and appropriations. Estimated revenues are the budgetary estimates of revenue to be received from various sources. These include Motor Vehicle Permits, Recreation Fees, State payments

for Rooms & Meals or Highway Block Grant and School Tuitions. Appropriations are legal authorizations granted by the City Council to incur expenditures and obligations for a specific period. Examples include salaries of employees, insurance costs, maintenance of buildings and vehicles or payment of debt.

A portion of the money to operate Schools is raised through the State Education Property Tax. The State Education Property Tax is billed, collected and spent locally for School purposes. The budget process for the State Education Property Tax takes place at the State Legislature. The legislature determines the total statewide cost of an adequate education. This cost is allocated among all School districts. The legislature must then fund the Education Trust Fund to pay those costs. At the present time, the State Education Property Tax is being used to fund a portion of that cost. The amount to be raised by the State Education Property Tax is the total of a municipality’s equalized assessed value, less utility property located in the municipality, multiplied by the statutory rate of \$2.345 per \$1,000 of equalized assessed value. Utility property also bears its share of \$2.345 per \$1,000 of value under a separate Utility Property Tax that is billed and collected by the State and deposited in the education trust fund.

It is these appropriations and estimated revenues, voted by the City Council or elected representatives at county delegation meetings, which establish the basis for property taxes in Dover.

**Tax Rate**

In the General Fund, the amount of appropriations less non-property tax estimated revenue represents the amount of money to be raised by property taxation. Property taxes can be additionally decreased by the use of a portion of Fund Balance. The term “Use of Fund Balance” (also referred to as deficit spending) is used for budgetary purposes to reflect the amount that budgeted expenditures (appropriations) exceed estimated revenues. This budgeted net loss is financed by use of Fund Balance available from previous fiscal years. The City Council’s policy is to retain Fund Balance at 15% of the annual General Fund budget. For accounting purposes Use of Fund Balance is not considered revenue.

The amount to be raised by property taxes is then divided by the local assessed property values to arrive at the property tax rates. The New Hampshire Department of Revenue Administration (DRA) sets these rates. Net Local Assessed Value is total value less any tax exemptions. The table reflects the TY16 City Council adopted appropriations and estimated revenues, as adjusted by the DRA and the final tax rate.

The State Education Property Tax Rate reflected on the tax bill may vary from the \$2.345 used to calculate the State Education Property Tax amount.

The reason is that the previous year’s equalized assessed value is used to calculate the tax amount. This amount is then divided by the current year’s local assessed value (excluding assessed value for utilities) used to bill individual property owners. The amount of taxes raised is the same.

<b>Description</b>	<b>Final Budget</b>
City Appropriations	65,899,890
**School Appropriations	46,763,126
County Tax	8,513,779
Total Appropriations	121,176,795
City Revenue	35,431,312
School Revenue	8,933,782
County Portion of BPT	-
Use of Fund Balance	-
Total Estimated Revenue	44,365,094
City Tax Levy	30,468,578
State Education Property Tax	6,844,285
School Local Tax Levy	30,985,059
County Tax Levy	8,513,779
Taxes to be raised	76,811,701
Net Assessed Value	2,927,104,060
City Tax Rate	10.40
School State Tax Rate*	2.39
School Local Tax Rate	10.59
County Tax Rate	2.91
Total Tax Rate	26.29
*Does not apply to utilities	
** School appropriations are represented as net	

Adjustments made by DRA are mainly changes to State revenue estimates, such as rooms and meals allocation and state aid for education, which remain unknown until closer to rate setting.

The new tax rate of \$26.29 is a decrease of \$0.32 from last year's rate of \$26.61

Fiscl Yr.	Rate		Full Value	
	Rate	(Decr)	Rate	(Decr)
2004	19.88	(0.98)	17.85	(1.05)
2005	18.18	(1.70)	16.93	(0.92)
2006	19.42	1.24	16.88	(0.05)
2007	18.72	(0.70)	17.47	0.59
2008	19.63	0.91	18.33	0.86
2009	21.10	1.47	19.33	1.00
2010	23.33	2.23	21.71	2.38
2011	23.75	0.42	22.26	0.55
2012	25.12	1.37	23.94	1.68
2013	25.52	0.40	24.24	0.30
2014	25.97	0.45	24.10	(0.14)
2015	26.01	0.04	24.03	(0.07)
2016	26.61	0.60	23.77	(0.26)
2017	26.29	(0.32)		

An important fact to remember is that an increase or decrease in assessed value does not increase or decrease the total amount of property tax revenue the City receives. The amount of taxes to be raised is determined by the budget process, including final revisions by Department of Revenue Administration (DRA).

## Statutory Requirements

### *Background*

State statutes govern the assessment process.

- The NH Constitution requires a physical inspection of each property as part of the valuation process every 5 years.
- NH RSA 76:2 sets the property tax year as April 1<sup>st</sup> to March 31<sup>st</sup> and also stipulates that values be assessed on April 1<sup>st</sup> of that year.
- NH RSA 75:1 requires that assessments be at market value (with a few exceptions).
- NH RSA 75:8 requires that properties shall be annually assessed in accordance with assessing standards in order to attain proportionality (re: Background section and C.O.D. within the Assessing Terminology section).

The logic that the City should, “leave the assessments alone” as taxpayers will pay too much if the City keeps changing them is the exact opposite of what is needed to achieve **tax equity**. As previously stated, the City does not raise any additional tax revenue as a result of assessment changes. The reason for changing assessments is a **tax equity** issue; i.e., that the tax burden is proportionally spread across all types of property. If assessed values are only changed intermittently, and one class of property market values grows faster than another, over time the class with faster growing market values will not be paying their fair share of property taxes. Conversely, a class of property whose market value grows slower than others will, over time, be paying more than their fair share. Municipalities must decide on how they will address keeping the assessed values as close to market value as possible to maintain equity of their taxes.

With changes in state statutes resulting from court cases, municipalities' assessments and process must meet the review requirements every 5 years. Municipalities may still contract out their reassessments, but they need to do this every five years, which can become very costly. The process would be to hire a

commercial company to come into the City and, over a period of a few months, visit all properties and assign new values. These are very costly propositions (currently estimated between \$850,000 and \$950,000 and are subject to quality issues. The quality concerns relate to recreating each property card from scratch and the data errors that occur as a result. The firm's staff is under time constraints to produce. Separate listers on the job can make different judgments for the same class of property in different parts of the city. The whole process occurs within a short period of time. As a result, most cycled revaluations cause an increase to the number of abatement filings. Any property that receives an under assessment will, most likely, remain that way until the next full revaluation.

Another alternative is to keep the assessments values close to market value on an ongoing basis with City resources. These resources include proper staffing and the computer software to analyze the data to assign new values. The City has been using these resources since Fiscal Year 1994 to accomplish its assessments. Keeping the assessments close to market on an annual basis will soften the impact of any market shifts between class types of properties by realizing the changes from year to year versus a larger shift based on a longer period.

### **How Assessments Are Calculated**

The setting of assessed values is based on a mass appraisal process using a Computer Assisted Mass Appraisal (CAMA) system. This means applying market and cost information covering a large area to properties based on their factors of location, construction, type, age, etc. on a mass basis (over 10,000 properties) to arrive at market values as of a certain date (April 1<sup>st</sup> of each year). The purpose is to arrive at values that are proportional to like type properties. The mass appraisal approach will produce values that may vary from individual appraisals done by appraisers used by banks, etc. due to differences in market analysis, date and purpose of appraisal, valuation date and quality control. However, assessments produced by CAMA models are taken directly from local market activity and thus reflect market conditions as property existed on April 1<sup>st</sup>, 2016.

#### ***Approaches to Value***

There are three basic approaches used to assess properties. These are the cost, sales and income approaches. The goal of each is to achieve an estimate of market value. The first, and most commonly used for assessed value in residential property is the cost approach. This approach looks at the actual cost of construction materials for various types of buildings, less market depreciation, in order to assign values to properties.

The second approach is sales comparison approach. This approach analyzes sales that have occurred over the previous year. They are categorized by type of building, age, neighborhood type, etc. This information is then used to crosscheck like type of properties throughout the City. This approach is also the main method of pricing land values.

The third approach used is the income approach. Used mainly for commercial and industrial property, this approach analyzes the income of rental space to determine the value of specific types of properties.

The City uses a combination of cost and sales approaches to assess residential property and a combination of the cost, income and sales approach for commercial and industrial property.

#### ***Assessment Process***

Utilizing stratified ratio analyses of sales, sectors of the community are prioritized for cycled inspections. Based upon these inspections and market analysis, determinations are made as to why the assessments require closer review. Typically, with residential properties, the following items will be analyzed:

- Land Values: Are they too high, low, or inconsistent?
- Building Values:
  - Data: Is the City's data correct on each property?
  - Replacement Costs: Are the schedules to reconstruct homes current or inconsistent?

- Quality: Are the relative building qualities properly represented?
- Utility: Typically for older homes and buildings, are the schedules properly reflecting outdated items such as lack of modern plumbing, electrical service, existence of asbestos or lead pipes, etc.?
- Depreciation: Are the depreciation schedules properly reflecting the passage of time and deteriorating conditions for properties? Conversely, when modernizations occur, do the depreciation schedules properly reflect market activity for these events?
- Locational Depreciation: As the City grows, are there diverse land uses affecting residential building values? (This is called economic obsolescence).

An analysis of depreciation is calculated on each valid sale within the City occurring within a year timeframe. The composite findings are placed on a graph and compared to existing depreciation schedules. Substantive deviations result in a re-calibration of the depreciation schedules.

Arm's-length sales provide the basis of all these studies. As the market changes, the City must constantly analyze the land, building and depreciation schedules to ensure that they produce valid indications of market activity for each property and class of property (commercial, industrial, residential, etc.).

Upon the completion of data collection and subsequent validation, current reconstruction cost and market depreciation analyses resulting from sales, various tables within the CAMA system are adjusted accordingly, e.g. cost, depreciation, etc. The CAMA system applies complex valuation modeling from these tables to each property's variables in order to derive a value. The variables consist of numerous factors to quantify each property's unique characteristics. Examples of variables are:

- Age
- Style (ranch, colonial, contemporary, etc.)
- Number of stories (1, 1.5, 2, split level, etc.)
- Heating (force air, hot water, etc.)
- Wall materials (wood, brick, stone, etc.)
- Living area square footage
- Number of baths
- Construction quality
- Physical condition
- Overall quality grade (A+, A, A-, B+, etc.)
- Porch area
- Garage information
- Neighborhood
- Traffic (light, moderate, heavy)
- Amenities (pool, etc.)
- Lot size
- Depreciation

The property variables are cross-referenced to the various CAMA tables to arrive at each variables contributory value component. These components are used in further computations to arrive at final estimates of value for each property. Values computed by the CAMA system are reviewed by the Assessor to determine the accuracy of the modeling by comparing the results to recent sales occurring within each area of the City. The Assessor studies the results for indications of bias of any kind through the use of stratified ratio studies, CODs, PRD, and other studies, to assure proportionality.

### ***Assessment Process Timeline***

During the year, the Data Collection Technician visits approximately 20% of the City's properties to assure the CAMA system's data integrity. During the period of December through June, the City

Assessor and the Assistant City Assessor review abatement applications for approval or denial. They also work to approve or deny applications for exemptions or credit. As close to April 1<sup>st</sup>, City staff visit all new construction, or parcels that were only partially complete the previous year and take photographs to assist in determining percentage of completion later. During the period of about April through July, the City qualifies and makes a physical review of the properties that transferred hands during the previous year and analyzes them for input into the CAMA system. Preliminary assessed values are derived at the end of August or the beginning of September and assessment change notices are mailed when the valuation process is completed. After bills are mailed abatement applications are taken until March 1<sup>st</sup> of the following year.

### ***Assessment Process Resources***

Fundamental to successful, annual assessments are the following:

1. A computer program flexible enough to accommodate the in-house appraisal staff;
2. A continuous inspection program to ensure that the data is accurate and current;
3. An information campaign to keep taxpayers informed of the program;
4. A notification process which will inform taxpayers of impending changes in their assessment; and,
5. Informal hearing process to allow taxpayers a chance to discuss the proposed assessment.
6. Abatement filings.

Following is a discussion concerning each of these requirements:

1. Computer System: The City currently uses a CAMA (Computer-Assisted Mass Appraisal) system to assist in the assessment process. The system is “state of the art” mechanized valuation system that is flexible to the changes occurring in the market.
2. Inspection Program: The City currently contracts for a Data Collection Technician. The primary duty is to inspect properties on an ongoing basis to validate information on the CAMA database. By inspecting 20% of all properties each year on a rotating basis, the accuracy of the property characteristics within the CAMA database is maintained. The State Constitution and the new statutory requirements for assessment require that each community take an inventory of all properties every five years, which has been interpreted to mean an inspection of each.
3. Public Relations Program: DoverNet plays a role in conveying general and specific information to the taxpayers regarding annual assessments. Property transfer listings and the assessments of properties have been posted for public inspection. Beyond that medium, press releases and bulk mailings assist with minimal monetary requirements beyond existing resources.
4. Notification: The Tax Assessment Division currently informs taxpayers of impending assessment changes prior to tax billing via first class mail.
5. Informal Hearings: Informal hearings occur prior to the mailing of tax bills and allow the taxpayer to have their property reviewed if they feel the preliminary assessment is too high. This allows the taxpayer to address their concern in a more informal process than the abatement process.
6. Abatement Filing: The final step is the taxpayer filing an abatement application to have a formal review of their property by the Assessor. The purpose of this process is to assure that any given taxpayer is not being taxed unfairly when compared to like type properties.

### **Property Assessment Appeal Process**

There is a two-level appeal process available to any property owner who believes the assessment of their property is in error. The first level of appeal is to request an abatement of property taxes, which must be

made to the local assessing officials. The request for abatement must be made in writing by March 1<sup>st</sup> after the December tax bill due date. If the local assessing officials neglect or refuse to satisfactorily abate the tax, the second level of appeal is either to the Board of Tax and Land Appeals or to the Superior Court in the county where the property is located.

An opinion that property taxes are “too high” is not adequate grounds to justify abatement. The “amount of tax” cannot usually be appealed since the amount of money needed to fund local government operations is determined by the local legislative bodies through the budget process. Generally, there must be an error in the assessment of the value of the property in order to qualify for abatement.

**Department of Revenue Administration’s (DRA) Oversight**

As a result of the court cases regarding School funding and assessment practices, the State Legislature passed various laws that will affect the City in the future. The most recent of the new requirements is that the City’s assessments will have to be reviewed by the DRA. DRA will review all processes to derive value, as well as the final product, and report on same.

The review process will look at whether:

- a. The level and uniformity of assessments are within acceptable ranges by considering the assessment to sales ratio study conducted by DRA.
- b. Assessment practices comply with applicable statutes and rules.
- c. Exemption, credit and abatement procedures comply with applicable statutes and rules.
- d. Assessments are based on reasonably accurate data.
- e. Assessments of various types of properties are reasonably proportional to other types of properties.

If the DRA finds deficiencies, the DRA shall recommend corrective actions to be taken, including a completion deadline. Failure to meet such a deadline can result in the DRA petitioning the Board of Tax and Land Appeals to order correction actions. The DRA reviewed Dover’s assessment review for tax year 2009 and no major findings were issued. The next review by the DRA is scheduled for 2019.

***The Equalization Process***

Local assessments vary from municipality to municipality. Therefore, some municipalities may be assessing property close to full value (because they recently adjusted values), while other municipalities are assessing property at more or less than full value (because their adjustments to values are conducted less frequently). This inconsistency makes it difficult to compare municipalities to one another since the local assessed valuations are based upon different assessment years. To give perspective of the local assessed values between municipalities, the NH Department of Revenue Administration (DRA) calculates each municipality’s equalized assessed value or an estimate of full market value. The table reflects Dover’s equalized assessed value compared to the local assessed value since Tax Year 2008. Tax Year 2016’s (Fiscal Year 2017) equalized amount is not represented, as this will be calculated by DRA next May.

<b>Tax Year</b>	<b>Value</b>	<b>Value</b>	<b>Equalized</b>
2008	2,815,189,700	3,009,995,763	93.5%
2009	2,636,088,200	2,768,903,096	95.2%
2010	2,657,916,800	2,774,177,802	95.8%
2011	2,642,151,000	2,714,253,993	97.3%
2012	2,660,984,300	2,743,418,578	97.0%
2013	2,697,318,050	2,847,426,767	94.7%
2014	2,798,543,220	2,964,737,895	94.4%
2015	2,839,041,280	3,101,733,726	91.5%
2016	2,991,599,660		

The sole purpose for equalizing local assessed property values is to ensure that public taxes and state revenues shared by towns and cities will be fairly apportioned between them. This includes state education, county and cooperative school district taxes, revenue sharing funds and adequate education grants.

The equalization process involves a detailed study of property sales throughout the state and compares these sales with the local property assessments. A by-product of the equalization process is the determination of a ratio. Generally, the ratio shows the average level at which the municipalities assessed property in the previous year in comparison to full value.

For example, a ratio of 90% would indicate that the town generally assessed property at approximately 90% of full value. The ratio does not necessarily apply to any specific property assessment, but rather indicates the average level of assessment throughout the municipality.

Over a period of several years, as the value of property increases or decreases due to market fluctuations, the ratio (the comparison of the local assessed value to full value) also fluctuates. A ratio of 100% indicates that, on the average, the municipality is assessing at full value. A ratio below 100% indicates average assessments below full value, and a ratio above 100% indicates average assessments above full value.

Neither a high nor a low ratio, in itself, should be cause for alarm. Whether a town or city is assessing at 125% or 75% of full value is really not significant. What is more important is that the assessments are proportional, so that each property owner bears their share of the property tax burden based upon the value of their property.

### Exemptions and Tax Credits

A tax exemption is a reduction in the local assessed value of property, thus resulting in a lower tax burden for the taxpayer. A tax credit is a reduction from the actual tax after it is calculated. Both exemptions and credits require the filing of applications with the Tax Assessing Office and must meet certain criteria. The theory behind these programs is to provide tax relief to certain sectors of taxpayers, such as the low and moderate income elderly, disabled, blind and deaf taxpayers and to taxpayers and their spouses who have served in the armed forces during times of armed conflict.

<b>Current Exemption Levels and Rate Impact</b>			
Level	#	Current Levels	Total
Age 65-74	68.7	\$ 107,000	\$ 7,347,300
Age 75-79	48.5	149,000	7,226,500
Age 80+	135.33	191,000	25,848,000
Blind	14.0	107,000	1,498,000
Disabled	43.0	107,000	4,601,000
Deaf	3.0	107,000	321,000
100% Disabled Veteran	2.0	N/A	597,700
<b>Total</b>	<b>314.5</b>		<b>\$ 47,439,500</b>
Imputed Tax Levy Effect			\$ 1,247,184
Estimated Tax Rate Impact			\$ 0.43
<b>Current Tax Credit Levels and Rate Impact</b>			
Level	#	Current Levels	Total
Veterans	1,028	\$ 500	\$ 513,821
Veterans - Disabled	50.5	2,000	\$ 101,000
<b>Total</b>	<b>1,078</b>		<b>\$ 614,821</b>
Estimated Tax Rate Impact			\$ 0.21
<b>Total Tax Levy Impact</b>			<b>\$ 1,862,005</b>
<b>Total Tax Rate Impact</b>			<b>\$ 0.64</b>

**Tax Rate Impact**

Tax exemptions impact the tax rate by decreasing the total assessed value. As the value is decreased, the rate increases. Tax credits impact the tax rate in a manner similar to additional spending.

It is estimated that the value exempted from assessed value is equivalent to \$1,247,184 in tax dollars with an impact of \$.43 on the tax rate. It is estimated that the tax credits of \$614,821 has an impact of \$.21 on the tax rate. The combined impact is \$1,862,005 resulting in \$.64 on the tax rate. In other words, if neither of the tax relief programs existed the tax rate would be \$.64 lower.

**Taxpayer Impact**

The effect of granting exemptions and credits is that the taxpayer receiving the exemption or credit has a reduction in taxes; however, the taxes are spread to other taxpayers. The following table reflects the tax impact to taxpayers at varying levels of assessment for the FY17 exemption and credit levels.

<b>Taxpayer Impact from Exemptions and Credits</b>				
Assessed Value	Impact from Exemptions	Impact from Credits	Total Impact	
\$100,000	\$43	\$21	\$64	
200,000	\$86	\$42	128	
300,000	\$129	\$63	192	
400,000	\$172	\$84	256	
500,000	\$215	\$105	320	
1,000,000	\$430	\$210	640	

**Exemptions to Assessed Value**

The City offers exemptions for elderly, blind, deaf and disabled persons as follows:

Description	Prior Year	Current Year	\$ Change	% Change
Age 65 - 74	107,000	107,000	-	0.0%
Age 75 - 79	149,000	149,000	-	0.0%
Age 80 & over	191,000	191,000	-	0.0%
Blind	107,000	107,000	-	0.0%
Disabled	107,000	107,000	-	0.0%
Deaf	107,000	107,000	-	0.0%
100% Disabled Veteran	Total Value	Total Value	-	0.0%

**Exemption for the Elderly**

**RSA 72:39-b** To qualify for an exemption for the elderly, a person must be 65 years of age or older and meet income and asset limitations. The amount of a qualified elderly exemption is based on the applicant’s age. Applicants for elderly exemptions must also have been a resident of New Hampshire for at least three consecutive years preceding April 1st of the year in which the exemption is claimed. Only one elderly exemption is allowed on the primary residence.

**Exemption for the Blind**

**RSA 72:37** To qualify for an exemption for the blind, the person must be legally blind as determined by the administrator of Blind Services Program, Bureau of Vocational Rehabilitation of the Department of Education. There are no income or asset restrictions for a blind exemption. Applicants for blind exemptions must be a resident of New Hampshire as of April 1st of the year in which the exemption is claimed. Blind exemptions can be received in conjunction with an elderly exemption.

***Exemption for the Disabled***

**RSA 72:37-b** To qualify for an exemption for the disabled, a person must be eligible under Title II or Title XVI of the Federal Social Security Act for benefits to the disabled and meet income and asset limitations. Any person who at any time previously was eligible under Title II or Title XVI of the federal Social Security Act for benefits to the disabled, but who is no longer eligible for such federal benefits due to reasons other than the status of that person's disability, shall be eligible for the exemption provided that the person submits an affidavit from a physician licensed in New Hampshire that attests to the fact that the person continues to meet the criteria for disability that are used under Title II or Title XVI of the federal Social Security Act. Applicants for disabled exemptions must have been a resident of New Hampshire for at least five years preceding April 1st of the year in which the exemption is claimed. Disabled exemptions are received until age 65, at which time the property owner may apply for an elderly exemption.

***Exemption for the Deaf***

**RSA 72:38-b** To qualify for an exemption for the deaf, a person must have a 71 Db hearing loss or greater in the better ear as determined by a licensed audiologist or qualified otolaryngologist and meet income and asset limitations. Applicants for deaf exemptions must also have been a resident of New Hampshire for at least five consecutive years preceding April 1st of the year in which the exemption is claimed. Applicants must meet income and asset limitations. Deaf exemptions can be received in conjunction with an elderly exemption.

***Exemption for Certain Disabled Veterans – 100% Exemption***

**RSA 72:36-a** To qualify for a total tax exemption for certain disabled veterans, a person who is discharged from military service of the United States under conditions other than dishonorable, or an officer who is honorably separated from military service, and have been totally and permanently disabled and is a double amputee, paraplegic, or has blindness in both eyes with visual acuity of 5/200 or less and who owns a specially adapted homestead acquired with VA assistance. The surviving spouse of such a person is also eligible to receive this credit. The credit applies to the person’s primary residence.

***Income and Asset Qualifying Criteria***

In order for elderly, disabled and deaf applicants to be eligible for an exemption level, they must meet certain income and asset criteria. Income and assets from the previous calendar year is used determine eligibility. Exemptions for the blind have no income or asset qualifying criteria. Income is defined as the total annual income from all sources including Social Security, but does exclude the following: life insurance proceeds, expenses and cost incurred conducting a business and proceeds from the sale of assets. Insurance and asset sale proceeds are considered assets the following year. The asset criteria include all forms of tangible and intangible assets; however, the actual residence (including land up to 2 acres) is not included toward the maximum amount. The income levels are annually referencing CPI-U Boston Area annual average and other indices.

**Income and Asset Qualifying Criteria**

Maximum Income	Prior Year	Current Year	Change
Single	38,000	38,000	-
Married	52,000	52,000	-
Maximum Assets	Current Year	Current Year	Next Year
All applicants	155,000	155,000	-

### ***Tax Credits***

The City provides the following levels of tax credits:

Description	Prior Year	Current Year	Change
Veteran	500	500	-
Veteran with 100% Disability or Surviving Spouse of such Veteran	2,000	2,000	-

### ***Tax Credit for Veterans***

**RSA 72:28** To qualify for a tax credit for a veteran a person must have provided the necessary documents to prove they served not less than 90 days in the armed forces of the US or its allies in any qualifying war or armed conflict and was honorably discharged or an officer honorably separated or the spouse or surviving spouse of such a resident, provided that Title 10 training for active duty by a member of a national guard or reserve shall be included as service. Also eligible are residents who were terminated because of service-connected disability, or the spouse of such a resident, or the surviving spouse of any resident who suffered a service connected death.

### ***Tax Credit for Surviving Spouse***

**RSA 72:29-a** To qualify for a tax credit for a surviving spouse a person's spouse must have died while on active duty in the armed forces of the US or its allies in conflicts delineated for veteran's credits. The credit can apply to residential or non-residential property in the municipality where the surviving spouse lives.

### ***Tax Credit for Service-Connected Total Disability***

**RSA 72:35** To qualify for a tax credit for service connected disability a person must be honorably separated from the military service of the US and who has been totally and permanently disabled or a double amputee or a paraplegic because of a service connected injury. The surviving spouse of such a person is also eligible to receive this credit. The credit applies to the person's residential property.

### ***Exemption and Credit Application Filing Periods***

All applications for exemptions or credits must be made to the local assessing officials by April 15th, prior to the setting of the tax rates in October.

### ***Tax Deferral for Elderly and Disabled.***

**RSA 72:38-a** To qualify for the tax deferral program a person must be at least 65 years old or eligible under Title II or Title XVI of the Federal Social Security Act for benefits for the disabled. The person must be living in their home and owned their home for a least 5 consecutive years if qualifying as an elderly applicant, or at least one year, if disabled. The person must file annually by March 1<sup>st</sup> following the December due date to receive a full or partial deferral after determination by the Assessor that, in their opinion, the tax liability causes the taxpayer undue hardship. Deferred taxes create a lien on the property and accrue 5% annual interest. Any party with a mortgage interest in the property must approve of the tax deferral. The liens remain in place until redeemed or the owner dies. The heirs have nine months to redeem the liens prior to the normal deeding procedure occurring.

## **Tax Collection Process**

In Dover, property taxes are due in 2 installments. The first is due in December and the second is due the following June. The invoice received for the December due date is considered to be the tax bill. This reflects the tax rates for the year, the assessed values, and the total amount of property taxes due for the year and the due dates for the 2 amounts. This bill is for the current tax amount only and does not include any amounts still outstanding from other tax years. For the June due date, the City sends out a reminder. This reminder reflects any abatements or payments that have been made against the second half due amount. By law, the property tax bill must show the assessed value of the property, along with the tax rate for each component of the tax: the city, county, local education and State Education Property Tax rates. The City sends quarterly statements to all taxpayers with outstanding balances reflecting all amounts due from any tax levy or lien.

The collection, lien and deeding processes and interest rates are all set by state statute. After each due date, any unpaid balance will begin accruing interest at the rate of 12% per annum. Should any balance for the tax year remain outstanding, approximately 30 days after the second due date, a notice of impending lien is forwarded to the property owner. This notice states the date a property lien will be placed against the property (at least 30 days notice). A notice cost is assessed to the property owner. Should the balance remain outstanding on the date stipulated on the notice of lien, a lien will be placed against the property and registered at Strafford County Registry of Deeds. Notices are subsequently sent to all parties with a mortgage interest in the properties receiving liens. The lien includes additional costs that are added and all accrued interest to that point. This new lien principal amount will accrue interest at the rate of 18% per annum.

Taxpayers may redeem the tax lien at any time within a 2-year time frame. They must pay the lien principal, plus all accrued interest and redemption fees. For any unpaid liens, the City sends an impending deeding notice to property owners 30 days prior to the 2-year mark. If the lien remains unpaid after this period, the City takes title to the property. The City may retain the property for its own use or sell the property at auction per NH statute.

## **Assessing Terminology:**

There are several terms used regularly by assessors that are critical to the assessment process, but not generally known by the public at-large. Following are important terms to understand:

**Ratio:** Otherwise referred to as assessment-to-sales ratio, this statistic measures the relationship between sales prices and current assessments. For example, if a property sold for \$100,000, and the assessment was \$90,000, the Ratio would be 90% for that property. The Department of Revenue Administration calculates the ratio for every arm's-length sale in every community over a year timeframe, arraying them from high ratio to low. The median point in the array of City sales is established as the ratio for the City for any given year.

**Stratified Ratios:** This is similar to the Ratio above, except that it looks to the ratio of each class of properties. This study looks for bias that may exist within the assessment base. These stratified ratios studies can be expanded even further. For example, studies will occur to see if older homes are assessed at the same level (ratio) as newer homes, ranches as compared to colonials, and location differences along with many other comparative studies.

**C.O.D:** (Coefficient of Dispersion) While the Ratio measures the level of assessments, the COD measures equity in taxes (proportionality) amongst properties of equal value. The COD measures the variation of sales price to assessed value amongst a set of properties with like sales prices. The average difference (from the median sales ratio) is divided by the median sales ratio to arrive at a percentage (the COD). This is the most important statistic an assessor works with. According to the International Association of Assessing Officers (IAAO) the measure of equity falls into the following ranges:

<u>Percent</u>	<u>Equity Measure</u>
10% or less	Excellent assessment equity
11% - 14%	Good assessment equity
15% - 20%	Fair assessment equity
over 20%	Poor assessment equity

**PRD:** (Price-Related Differential) This statistic measures the relationship between higher valued properties and lower valued properties, and their respective assessments. This statistic answers the question: “Is there a bias for or against lower or higher valued properties?” For example, a PRD over 1.00 indicates a regressive assessment base, or, that higher value properties are assessed at a lower ratio, conversely, a PRD under 1.00 indicates a progressive tendency, or, shows that lower value properties are assessed at a lower ratio than higher value properties. Ideally, this statistic should be 1.00, but IAAO recommends that the PRD fall between .98 and 1.03.

**Arm’s-length transaction:** This is a term used to describe a transfer of property between a buyer and a seller that qualifies for use in a sales ratio study. In order to be considered arm’s length the property must be exposed on the open market for a typical length of time. Neither the buyer nor seller is under duress to buy or sell. Both the buyer and seller are aware of the potential uses of the property and the transaction is made in cash or cash equivalency (financing). The interests transferred are free and clear of encumbrances; i.e., fee simple, absolute ownership.