Assessment Department Plan of Action

Ad Hoc Reappraisal Committee Recommendations

Background

- Recommendations presented to the BOC in July

  Ad Hoc Appraisal Committee Recommendations

  1. Increase education & outreach
  2. Increase capacity in assessment department
  3. Develop assessment policies to optimize tax revenue
  4. Enhance permitting compliance

  Staff Recommendations

  1. Increase education and outreach
  2. Improve assessment data quality

- Staff has been working to develop action plans for the Committee recommendations
- We'll touch on FY23 actions being implemented now and future actions for FY24

Committee Recommendations: Increase Education and Outreach

Leverage social media, faith-based organizations, and non-profits to engage and educate the community

- Partnering with County Communications Team to develop comprehensive communications and engagement campaign (2-year plan, FY23/FY24) to inform the community
  - Attend community meetings at various locations
  - Quarterly assessment 101 newsletters
  - Robust print and social media outreach
  - **Est. Cost** = $100K annually (begins FY23) for outside contractor to provide support

Reassess limits on exemptions to expand eligibility and participation

- Consider lobbying legislature to reevaluate methodology for qualification
  - Example: Based on AMI by county, consider household size / dependents, and increasing exemption amounts
  - **Est. Cost** = no new costs, at this time

Committee Recommendations: Increase Education and Outreach (cont.)

Partner with local board of realtors to provide assistance / education on the assessment and / or appeal process

- Conduct Community Appeals Clinics - partnering with local Realtors
  - **Est. Cost** = no cost for Land of The Sky Realtors Association; requires existing staff resources to support in FY23

Provide expert community ambassador to provide education on the appraisal process

- Evaluate the need for Community Ambassador based on the response of the Appeals Clinics
  - **Est. Cost** = requires existing staff resources to support in FY23

Committee Recommendations: Increase Capacity in Assessment Dept.

Develop process to correct the percentage of properties with incorrect attributes

- Currently reviewing all MLS listings - not just closed transactions
- Partnering with Realtors to communicate process for updating property characteristics prior to MLS listing
- Community mailer to be sent in Dec. requesting residents to update/validate property characteristics
  - **Est. Cost** = $50K annually (begins FY23); 1 FTE– $90K (salary & benefits, request for FY24)

Develop key metrics to trigger increase in staff

- Currently leveraging transaction-based model for headcount requests
  - **Est. Cost** = 1 FTE– $90K (salary & benefits, request for FY24)

Increase frequency of property reappraisals (2-3 year frequency)

- *Staff does not recommend increasing frequency at this time*
  - **Est. Cost** = $1.2M+ per reappraisal (includes current staffing, mailing, media, etc.) & 2 FTE's @ $90K each (salary & benefits) – total cost $1.4M

Committee Recommendations: Develop Assessment Policies to Optimize Tax Revenue

Differentiate short-term rentals (STR's), investments and/or secondary home's assessment approach from that of single-family homes used as a primary residence
Allocate short-term rental revenue to fund HHS Homeowner Grant Program

- No legal pathway to value STR's differently
  - https://canons.sog.unc.edu/2022/08/appraising-rental-property/
- Assessment staff will make best efforts to identify STR's and complete an analysis to determine what influence STR's may have on the overall valuation of County-wide residential property
- Pursue initiative related to improving data on personal property assets for all rentals
  - **Est. Cost** = $12K (begins FY23); requires existing staff resources to support in FY23

Committee Recommendations: Develop Assessment Policies to Optimize Tax Revenue

Focus lobbying efforts to increase revenue streams

- Consider lobbying Legislature on valuation exclusion or homestead exemption for full-time county residents
  - Fixed amount rather than percentage discount has greater impact to lower valued homes
  - All things held constant, would lead to a reduction in tax revenue
  - **Est. Cost** = no new costs, at this time

Committee Recommendations: Enhance Permitting Compliance

Partner with local board of real-estate professionals and builders' association to ensure accurate property attributes are reported by homeowners

- Some overlap with the action pertaining to MLS listings – will be partnering with realtors to communicate importance of accurate property attributes (will be an element of the communications plan)
- Conducting informational sessions with realtors to provide education on the process
  - **Est. Cost** = no new costs, at this time

Enhance internal process for communication between the County's Assessment & Permitting Dept's

- Process has been implemented for enhanced communication with Permitting Dept. on all property characteristic changes (as discovered / daily basis)
  - **Est. Cost** = no new costs, at this time

Staff Recommendations

Develop one-stop website hub that will provide access to property records, maps, appeals, taxes, dashboards, etc.

- Working with IT and CAPE to comprehensively overhaul Assessment website
  - High-level objectives:
    - Enhance accessibility and the user experience
    - Provide an easy to navigate site for all things assessment
    - Enhance transparency of key metrics and assessment data
  - **Est. Cost** = $50K (launches FY23); requires existing staff resources to support in FY23

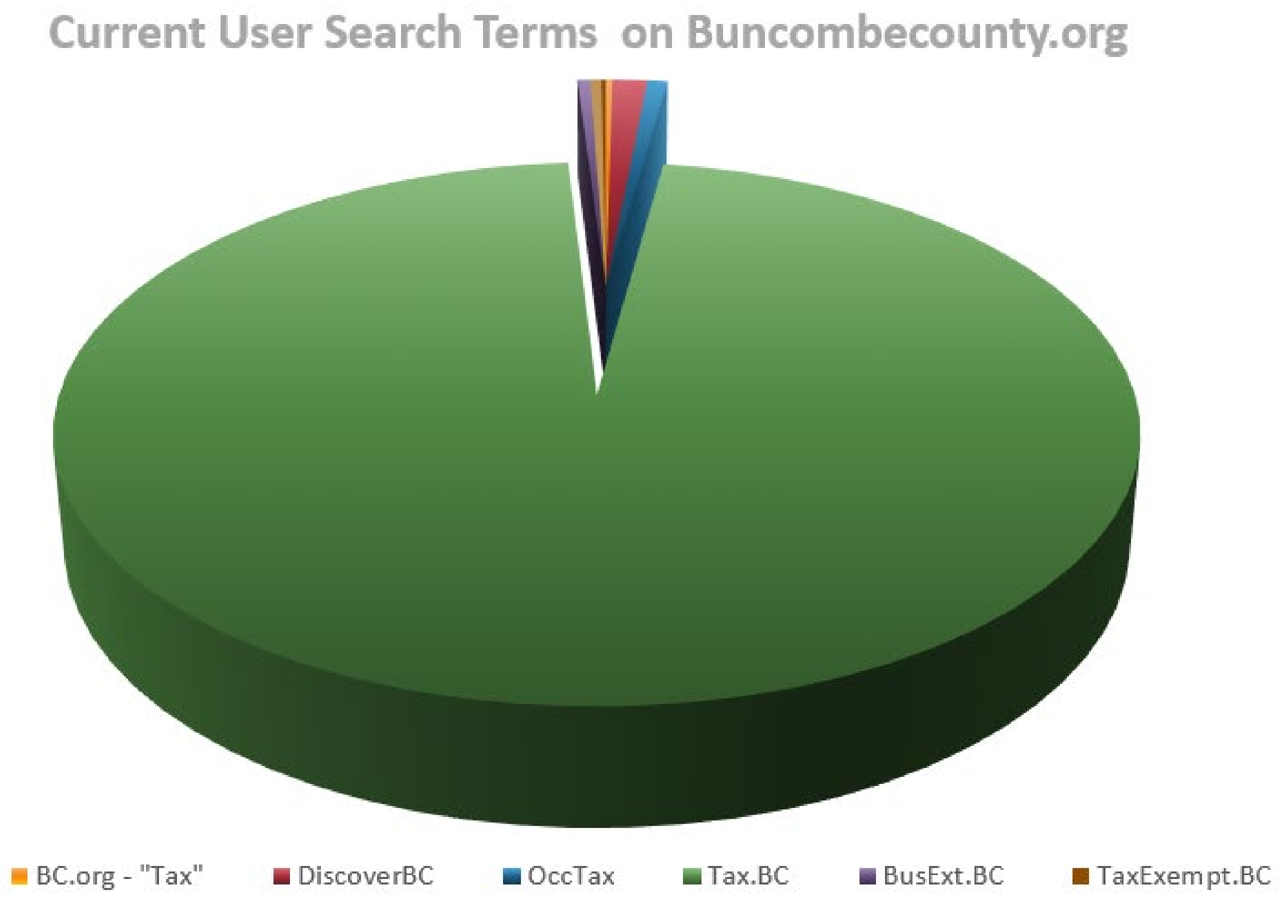
Implement A.I. software to enhance accuracy of assessed property values

- Contracted with S.A.S. Analytics to provide A.I. software solution
  - **Est. Cost** = $120K (begins FY23); requires existing staff resources to support in FY23

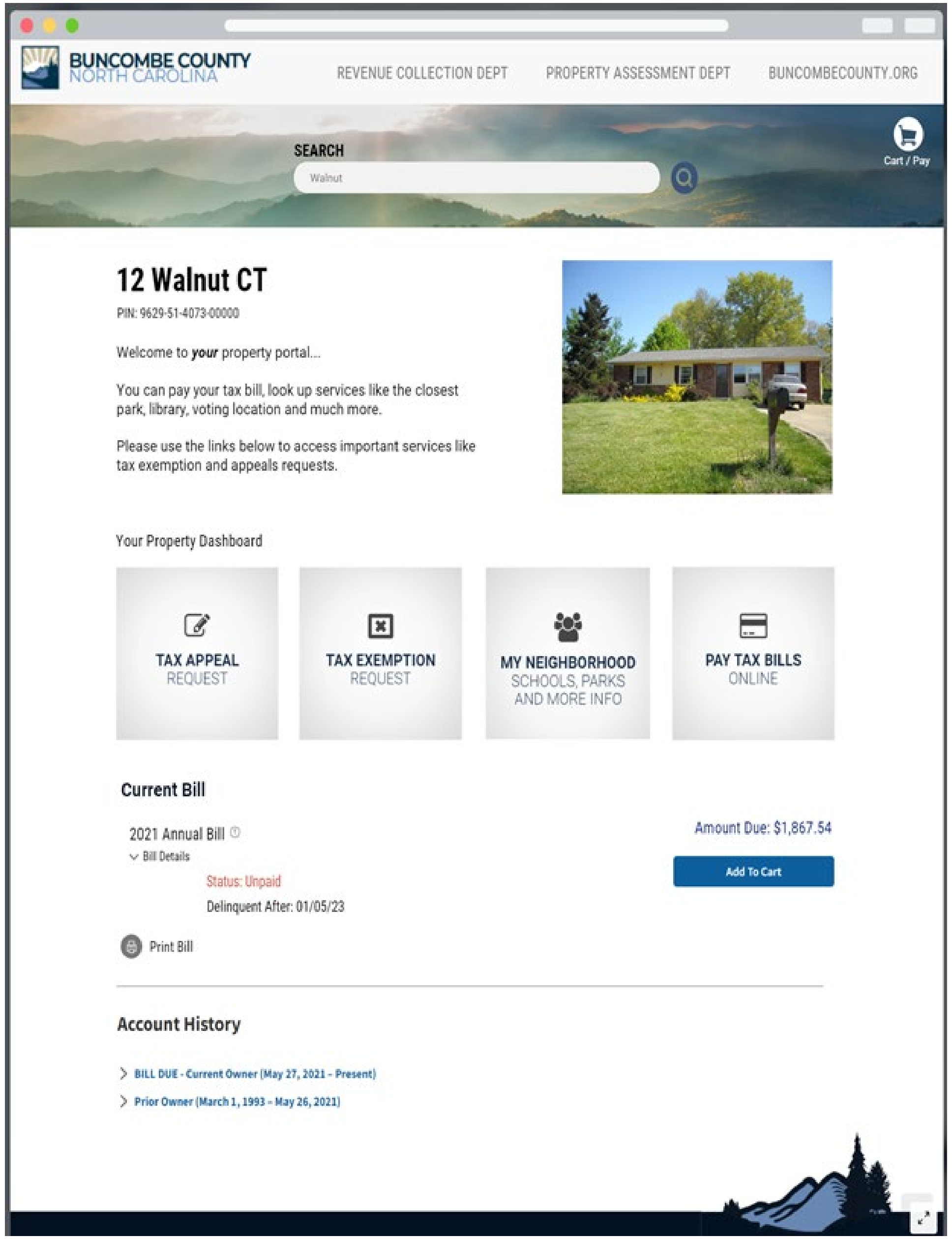
Re-evaluate market area (i.e. neighborhood) boundaries to improve accuracy

- Approximately 2,500 neighborhoods to evaluate
- Data intensive, time-consuming process
  - **Est. Cost** = 1 FTE– $100K (salary & benefits, request for FY24)

Current User Behavior

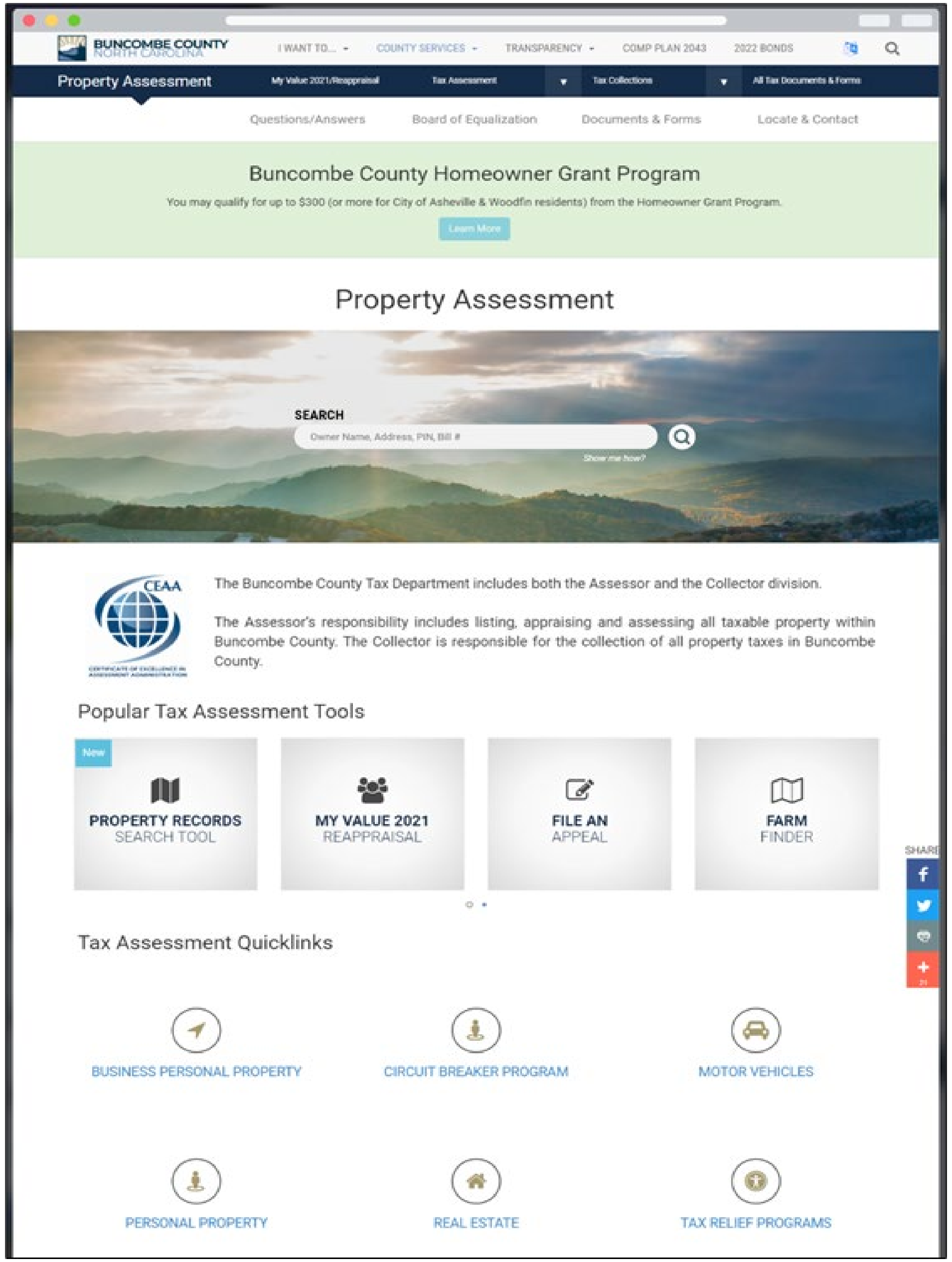


- Anything “tax” on BC.org
- Discover Buncombe
- Occupancy Tax
- Tax. BC
- Business Extension
- Tax Exemptions



Personal Property Page

- Tax appeal and exemption requests
- Displays taxes owed and direct link to pay
- Viewing account history
- Neighborhood information



Property Assessment Homepage

- Request tax appeal and exemption
- Displays taxes owed with direct link to pay
- View account history
- Access neighborhood information

Engagement and Feedback Opportunities

Public Engagement

Planned in-person meeting with the Legacy Neighborhoods Association on Oct. 19, 2022.

Members will be able to engage in discussions about their experience with the current Assessment website and offering feedback on proposed changes.

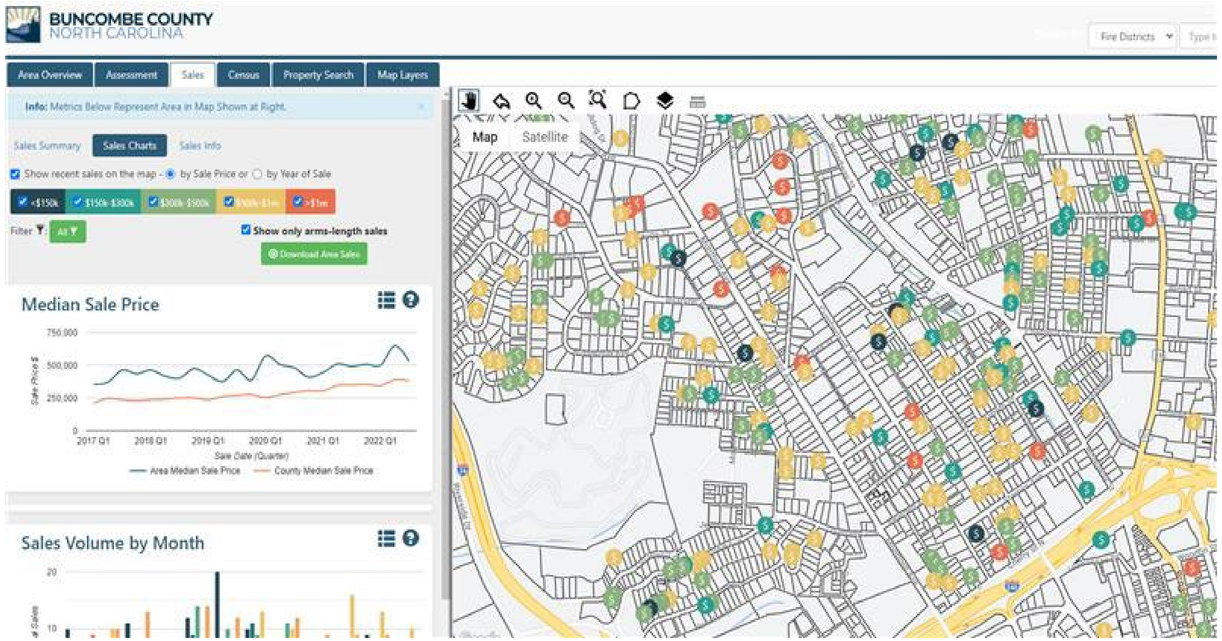
Public Input

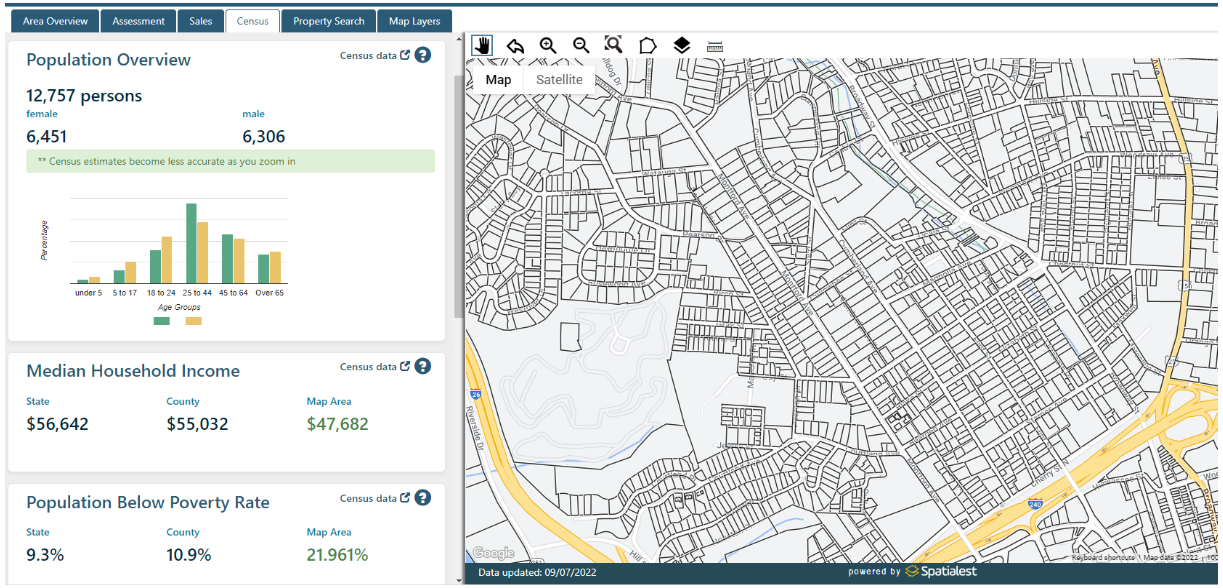
Residents will be able to watch a video showing the new assessment site navigation and features. Screenshots of the proposed site will also be available for detailed inspection.

Residents will be able to comment and offer feedback on specific parts of the site.

Spatialest Functionality

- Spatialest allows the user to conduct research on the County's property market and assessed values
- Easy to navigate tool that's highly scalable
- We have ability to display key metrics like:
    - Median sales prices
    - Sales Ratio
    - Census data
- Objective is to enhance transparency
- $50K included in FY23 budget





Summary: Actions, Costs, Timeline

Action	FY23 (all costs included in budget)	FY24
Outreach Campaign Support (contractor)	$100,000	$100,000
Lobbying efforts to expand exemptions	No new costs	No new costs
Appeals Clinic (Land Of The Sky Realtors)	Existing staff resources required to support	Existing staff resources required to support
Community ambassador to provide education on the appraisal process	Existing staff resources required to support	Existing staff resources required to support
Real estate listing mailer and MLS process	$50,000 & existing staff resources required to support	$50,000 & 1 FTE ($90K salary & benefits)
Develop key metrics to trigger increase in staff	n/a	1 FTE ($90K salary & benefits)
Increase frequency of property reappraisals	n/a	$1,200,000 + 2FTE (each $90K salary & benefits)-NOT RECOMMENDED
Short Term Rentals – Business Listing	$12,000 & existing staff resources required to support	$12,000 & existing staff resources required to support

Summary: Actions, Costs, Timeline, cont.

Action	FY23 (all costs included in budget)	FY24
Lobbying for homestead exemption	No new costs	No new costs
Educate realtors about data accuracy	No new costs (overlaps with ed. campaign)	No new costs (overlaps with ed. campaign)
Enhance communication between the County's Assessment & Permitting Dept's	No new costs	No new costs
One-stop Assessment website (Spatialest)	$50,000; existing staff resources required to support	$40,000; existing staff resources required to support
Implement A.I. software to enhance accuracy of assessed property values	$120,000; existing staff resources required to support	$120,000; existing staff resources required to support
Re-evaluate market area (i.e. neighborhood) boundaries to improve accuracy	n/a	1 FTE -$100K (salary & benefits)

Questions?

Appendix

Assessed Value Reduction - $ Amount

- Consider a $25K or $50K reduction in assessed home values for County Residents
- Approximately 90K single family homes in the county
  - 72K full-time residents
  - 18K non-residents (out of state mailing address) and multiple property owners
- These homes currently generate approximately $148M in tax revenue which has been held constant for the analysis
- $25K reduction for County Residents requires 6.4% increase in tax rate to $.00519 to keep revenue constant
  - Approach has higher benefits for homes valued at or less than $500K (represents 85% of County Residents)
- $50K reduction for County Residents requires 13.5% increase in tax rate to $.00554 to keep revenue constant
  - Leads to a 10%-20% reduction in tax bill for homes at $500K or less

$25K Value Reduction to County Residents

**Tax increase of 6.4% required to keep revenue constant*

	Property 1	Property 2	Property 3	Property 4
Taxable Value	$ 250,000	$ 500,000	$ 1,000,000	$ 2,000,000
% of County Residents in value category	***39%***	***46%***	***13%***	***2%***
Tax Amount (Non-Residents)	*$ 1,298*	*$ 2,595*	*$ 5,190*	*$ 10,380*
Exemption Amount	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Adjusted Taxable Value	$ 225,000	$ 475,000	$ 975,000	$ 1,975,000
Property Tax Amount (Residents)	$ 1,168	$ 2,465	$ 5,060	$ 10,250
% Reduction	***-10.0%***	***-5.0%***	***-2.5%***	***-1.3%***

$50K Value Reduction to County Residents

**Tax increase of 13.5% required to keep revenue constant*

	Property 1	Property 2	Property 3	Property 4
Taxable Value	$ 250,000	$ 500,000	$ 1,000,000	$ 2,000,000
Tax Amount (Non-Residents)	$ 1,385	$ 2,770	$ 5,540	$ 11,080
Exemption Amount	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Adjusted Taxable Value	$ 200,000	$ 450,000	$ 950,000	$ 1,950,000
Property Tax Amount (Residents)	$ 1,108	$ 2,493	$ 5,263	$ 10,803
% Reduction	***-20.0%***	***-10.0%***	***-5.0%***	***-2.5%***

Assessed Value Reduction - % of Total

- Consider a 10% or 20% reduction in assessed home values for County Residents
- 10% reduction for County Residents requires 8.8% increase in tax rate to $.00531 to keep revenue constant
- Approach has equal benefits across property values
- 20% reduction for County Residents requires 19.5% increase in tax rate to $.00583 to keep revenue constant

10% Value Reduction to County Residents

*Tax increase of 8.8% required to keep revenue constant

	Property 1	Property 2	Property 3	Property 4
Taxable Value	$ 250,000	$ 500,000	$ 1,000,000	$ 2,000,000
% of County Residents in value category	**39%**	**46%**	**13%**	**2%**
Tax Amount (Non-Residents)	$ 1,328	$ 2,655	$ 5,310	$ 10,620
Exemption Amount	$ 25,000	$ 50,000	$ 100,000	$ 200,000
Adjusted Taxable Value	$ 225,000	$ 450,000	$ 900,000	$ 1,800,000
Property Tax Amount (Residents)	$ 1,195	$ 2,390	$ 4,779	$ 9,558
% Reduction	***-10.0%***	***-10.0%***	***-10.0%***	***-10.0%***

20% Value Reduction to County Residents

*Tax increase of 19.5% required to keep revenue constant

	Property 1	Property 2	Property 3	Property 4
Taxable Value	$ 250,000	$ 500,000	$ 1,000,000	$ 2,000,000
Tax Amount (Non-Residents)	$ 1,458	$ 2,915	$ 5,830	$ 11,660
Exemption Amount	$ 50,000	$ 100,000	$ 200,000	$ 400,000
Adjusted Taxable Value	$ 200,000	$ 400,000	$ 800,000	$ 1,600,000
Property Tax Amount (Residents)	$ 1,166	$ 2,332	$ 4,664	$ 9,328
% Reduction	***-20.0%***	***-20.0%***	***-20.0%***	***-20.0%***

SOG - Appraising Residential Rental Properties

Author Name: Chris Mclaughlin Published: 08/15/22

Rental units, be they long-term rentals owned by institutional investors or short-term rentals on platforms like Airbnb, represent a growing share of North Carolina's housing stock. This is true in big cities like Charlotte, where corporate landlords have purchased tens of thousands of houses and now own 5% of all residential properties. It's also true in rural areas like Transylvania County, where the number of short-term rental units has increased by over 50% in the past three years.

As rental units arise in more neighborhoods, more questions arise about how they should be treated for property tax purposes. In some communities, both landlords and residents argue that rental housing should be appraised differently than owner-occupied housing.

Some large landlords claim that their rental units should be appraised using the income approach instead of the sales comparison approach normally used by tax assessors for residential property. These corporate taxpayers believe that an income approach would result in lower tax appraisals for their properties.

In communities where short-term rentals ("STRs") have become more common, some homeowners want county tax offices to slap higher appraisals on neighboring houses rented out on Airbnb, VRBO and similar websites due to their use as income-producing properties. They believe that houses producing substantial rental income should receive higher tax appraisals than owner-occupied houses.

The problem with these arguments is that the Machinery Act creates one standard for all tax appraisals. Regardless of the type of property involved, a tax appraisal must reflect the property's "true value in money." In other words, property must be appraised at its market value, "that is, the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used." GS 105-283.

This statutory requirement does not provide much comfort to critics arguing that a house used as a rental should be appraised differently from a similar house in the same neighborhood that is owner occupied. Under GS 105-283, if both properties would attract similar sales prices, then they should receive similar tax appraisals regardless of whether they are occupied by tenants or owners.

The statutory appraisal standard created by GS 105-283 is the reason why Airbnb properties should not be appraised at higher levels than similar neighboring properties based solely on their use as STRs. Assuming all properties in a neighborhood could be used for STR purposes, then the tax appraisals for all of those properties should be similar if they are otherwise similar in size, construction quality, and finishes. If a STR property has features that other properties lack (pool, hot tub, updated kitchen, finished basement, etc.), that property would likely receive a higher tax appraisal. But that increased appraisal would be based on those additional features and not on the fact that the property is being used as a STR.

The same reasoning would apply to corporate landlords who argue for lower appraisals on their rental houses based solely on the fact that they are investment properties and not owner-occupied residences. Two recent Property Tax Commission ("PTC") appeals illustrate this point.

One appeal, In re: Mingo Creek Investments II, LLC, involved 40 rental townhomes owned by a corporate landlord that Wake County had appraised individually using the sales comparison approach. The landlord, Mingo Creek, argued that the townhomes should be collectively appraised as a single investment property using the income approach which (arguably) would have produced a lower tax value.

The second appeal, In re: American Homes 4 Rent Properties One, LLC, involved the appraisal of two rental homes in Charlotte owned by American Homes 4 Rent, which leases out several hundred houses across North Carolina. Similar to Mingo Creek, American Homes 4 Rent argued that Mecklenburg County erred when it used the sales comparison approach to appraise its rental property and should instead have used the income approach. Not surprisingly, the landlord claimed that the income approach would have produced lower appraisals for the rental properties.

The Property Tax Commission rejected both appeals, concluding that these residential properties should not receive different appraisal treatment simply because they are used as rental housing.

In the Mingo Creek case, the PTC found that the townhomes were "properly appraised as a collection of individual units that happen to held by the same owner, and not as a single property with multiple units. . . . The owner's choices regarding the property, such as whether or not to sell individual units, how to operate the subject property, or what rental rates to charge are not significantly relevant to the market value of the subject property especially when . . . these properties are typically bought and sold on an individual basis."

In the American Homes 4 Rent case, the PTC accepted the county's arguments that ownership should not be a factor in the tax appraisal process. The end use of the rental properties was the same as that of owner-occupied properties; all were used for residential purposes by the occupants. Because the properties were used similarly, they should also be appraised similarly.

These two Property Tax Commission decision affirm the generally accepted wisdom that all residential real property should generally be using the sales comparison approach. The appraisal method for a house should not change just because the owners view it as an investment rather than as a home.

If a neighborhood becomes dominated by rental units, be they Airbnb properties or long-term rentals, that change might affect the overall market value of homes in that neighborhood and therefore affect neighborhood tax appraisals. But an individual house should not receive different tax appraisal treatment than similar neighboring houses solely due to its use as a rental.

Measuring Success

- Appeals data will be a key means of measuring success
- Success will be parity in the % of appeals by home value
  - The yellow line will be flatter
- Will also pursue stratifying data by neighborhood