

Guidelines for Pre-Decisional Collaboration

Overview of the Pre-Decisional Collaboration Process

Introduction

In recent years the Office of Real Property Tax Services (ORPTS) has been moving the Full Value Measurement program from independent estimates of value towards confirmation of the locally stated Level of Assessment. This makes New York's program more like the rest of the country where communities have an assessment standard they must maintain and the state's role is to monitor compliance. The difference between most of these other states and New York is that New York does not require that a specific Level of Assessment be attained.

Major structural changes in the law and in the way New York administers the equalization program have paved the way for fundamental change. Beginning in the late 1990s, the State introduced the concept of the verification of local reassessments as part of the equalization program. In addition, as part of the STAR program the law was changed so that local governments are required to certify their local Level of Assessment (LOA) on each assessment roll. This provides a target ratio that can now be verified similar to the conceptual process used in other states. It also gives taxpayers an important piece of information that they need to determine if their assessments are fair. Further, in order for local communities to verify a reliable LOA, annual analysis of assessments and market conditions must be performed. Determining the LOA to be used for the upcoming assessment roll and adjusting assessments as necessary to ensure that all parcels are assessed at that LOA are basic parts of the assessment process.

In an effort to help local officials understand their responsibilities and build their skills and, in an effort to reach agreement on LOA determinations prior to the filing of tentative assessment rolls, ORPTS initiated a process known as Pre-Decisional Collaboration (PDC). Initially this process focused on the sharing of ORPTS' data with local officials to help them determine a reasonable LOA and to receive local input for ORPTS' analysis. This PDC process is now moving toward local officials submitting to ORPTS any analysis they have done as part of the process of maintaining equitable assessments.

Purpose and Goals

The purpose of PDC is not to tell local officials the results of ORPTS' analysis, but rather to work collaboratively with local officials to analyze the market place and condition of assessments, and, in keeping with the respective roles of the State and local governments, to use the results in the equalization rate and the assessment equity functions. The PDC process continues to evolve and expand, but the immediate goal is to make it a more collaborative process. This intent can be achieved through four basic steps:

1. Share the results of State and local systematic analysis of the assessment roll.
2. Come to agreement on the municipality's Level of Assessment (LOA).
3. Local officials use the results of analysis to ensure that properties are equitably assessed at the stated LOA.

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4. Confirm the stated LOA as the equalization rate. (When agreement cannot be reached or, when local data is not shared with ORPTS, an equalization rate may be issued that does not confirm the locally stated LOA.)

State and Local Role in the Equalization Process

Both ORPTS and local governments have equalization responsibilities. State government has the obligation to independently verify the Level of Assessment as stated by a locality or, where that verification does not occur, to make an estimate based on sound, generally accepted standards. Local governments have the obligation to adjust individual assessments to ensure uniformity. As a matter of fact, the Real Property Tax Law (RPTL) requires that assessors annually:

- Keep assessments uniform as of the valuation date (Sections 301, 305);
- Sign a verification that the assessments are uniform (Section 505); and
- State the LOA on the tentative roll (Section 502).

The most efficient and accurate way for both levels of government to “equalize” is to use a systematic analysis of the assessment roll and the market place to perform their statutory functions. The steps in the process are:

- Obtain current property inventory and market data.
- Stratify or group the data.
- Analyze the data and, at the local level, make appropriate assessment changes to achieve uniformity and the desired Level of Assessment.
- Validate the results.

Background

As part of ORPS’ 2004 – 2009 *Strategic Management Plan*, ORPS’ staff worked with leaders of the assessment community to develop a plan for more involvement by local assessors and municipal officials for the 2004-2005 Full Value Measurement cycle. One of the results of that collaboration was the “2005 Analysis Schedule” that laid out a timetable for tasks beginning in September 2004 and ending in February 2005 with the distribution of final PDC ratios. The RPTAC Equalization Team reviewed the success of the 2005 PDC process and developed a timetable for the 2006 cycle. The 2006 schedule reinforced the collaborative, ongoing nature of this process by encouraging the following:

- There should be a continuous review of market areas and local market influences. Agreed upon changes as of July 1st will be used for the 2006 Roll Year market analysis.
- A review of local inventory and sales data should also occur continuously, with corrections to be made on the final roll so they can be used for market analysis.
- Assessors will be encouraged to share their appraisals for ORPTS’ survey samples and to share their analysis for trends and market ratios.
- Sharing of results will occur throughout the process with the ultimate goal to reach agreement on “final” ratios by the end of February.

It must be emphasized that PDC is a **process, not just a meeting** where ORPTS provides the results of its analysis. Ongoing communication is vital to the process and sharing of information must be a “two-way street” in order to meet the goals of the process.

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Importance of Local Data

In addition to performing and providing an analysis of the Level of Assessment, it is incumbent upon local governments to maintain current and accurate inventory and sales/market data. Not only is this data vital to maintaining local equity, it is used by ORPTS in all of its methods for verifying the locally stated LOA including the following:

- Development of aggregate adjustment factors (sometimes called “trends”)
- Development of municipal sales ratios for residential properties
- Development of market area CAMA model estimates for residential properties
- Appraisal of sample parcels for all major property types

Increasing Local Capacity and Awareness

These guidelines are designed to increase the reader’s understanding of the process of Pre-decisional Collaboration; they are not intended to provide instructions for performing market analysis or to provide explanations of other processes.

In order to gain the most from the Pre-Decisional Collaboration process, assessors are encouraged to gain a good understanding of the following areas:

- ORPTS’ full value measurement process
- ORPTS’ market analysis process
- Systematic analysis methods

For a list of links to ORPTS’ website and other references, please see the last section of these guidelines.

Continuous Tasks

As noted in the overview, PDC should be considered a continuous process. While the analysis of assessments compared to the current market must wait until the final roll is filed, the non-assessment data used in the analysis should be reviewed throughout the year and maintained in a timely manner. This includes inventory data, the correction and transmittal of sales data, and changes in local market influences that may affect market areas as presently delineated.

The general schedule can be found at

<http://www.tax.ny.gov/research/property/assess/pdcschedule.htm>

Review of Current Local Data

The maintenance of current inventory and sales data is strictly a local responsibility. Since, however, the quality and currency of local data can have a profound effect on all of the methodologies used by ORPTS to determine and/or confirm full value, Customer Relationship Managers (CRMs) may take a proactive approach. Review of local data in the beginning of the PDC process is important, since it affects both the accuracy of assessments and ultimately the accuracy of equalization rates.

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Status of sales corrections/transmittals

CRMs are expected to review the status of sales reporting in their county on either a monthly or quarterly basis. Most CRMs already monitor sales reporting status to advise those municipalities applying for State Aid to maintain the required frequency of sales transmittals and percentage of updated sales. CRMs should review the results with the assessors as needed and encourage assessors to maintain their sales file and transmit the sales according to their Transmittal Agreement. It is especially important that all sales occurring through June be updated and transmitted to ORPTS as early as possible to enable ORPTS market analysis to proceed on schedule.

CRMs also review reports that analyze the use of sales *Condition Codes*. If it is determined that an assessor's frequency of use of Condition Codes exceeds specified "norms," the CRM will discuss this with the assessor. The CRM will also discuss the situation with the assessor if there appears to be inappropriate use of Condition Codes, even though the frequency of use does not cross a specific threshold.

Status of inventory data

CRMs should review the status of local inventory data with the assessor, periodically or as needed. The locality may run edits on their own file, with or without ORPTS assistance. Otherwise, the CRM may run a sub-set of standard edits on the RPS tentative roll file and provide complete or summary reports to the assessor. In any case, the CRM is expected to review the results with the assessor. Although edits cannot be considered the definitive indicator of the quality or currency of inventory data, CRMs will encourage the assessor to review and respond to the edits, making any necessary corrections prior to submittal of the final roll. For obvious reasons, this part of the process must occur early enough in the cycle to be incorporated onto the Final Roll. This should enhance the quality of the data to be used for market analysis.

Review of Market Areas

ORPTS' use of "market areas" plays a role in the development and application of "aggregate adjustment factors," sometimes called "trends". Market areas are generally developed by major property type (residential, commercial, vacant). The municipalities within market areas are also grouped this way for the development of Computer Aided Mass Appraisal (CAMA) models in ORPTS' ratio studies. It is important for assessors to understand the definition and purpose of market areas, and to be aware of the composition of their own specific market area.

Definition

Each geographic market area is composed of municipalities that have common economic influences and have demonstrated similar movement in aggregate value over time by major property type. ORPTS' regional staff combine municipalities into market areas using their experience, knowledge, judgment – plus assessor input. Influences such as proximity to major employment centers, the type of municipality (urban, suburban, rural, etc.,) major topographic features, transportation corridors, or other economic indicators as deemed appropriate are

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taken into consideration. (Adapted from *Guidelines for Determining Aggregate Market Adjustment Factors for 2005 Equalization Rates*).

Current Market Areas

CRMs should share the market areas with local assessment officials each year by providing a market area map or a list of market areas, including all municipalities. Where appropriate, a municipality may be its own market area. Assessors interested in discussing their market area should contact their CRM early in the cycle, since changes must precede the start of market analysis. It is likely that the CRM will involve the County RPT Director and regional market analysts in any discussions.

Unique Market Area Influences

Prior to the start of ORPTS' market analysis, the assessor or the CRM should initiate discussion of any local influences or market data that may affect the analysis of the municipality with respect to their market area. Examples may include waterfront property or sales concentrated in a particular area of the municipality.

General Information and Education

PDC Informational Meeting

If needed, CRMs should work with their County RPT Director and/or Assessors' Association to set up countywide or market area meetings that should be held by the end of September. The CRMs will communicate the date(s) and location(s) to the assessors and supervisors/mayors. The meeting(s) should address the following:

- Overview (presentation/handout) of the PDC process including:
 - Purpose and goals
 - Municipality's role
 - General process/timetable
- Overview (presentation/handout) of the ORPTS' full value measurement process, including:
 - ORPTS' methods of full value determination
 - Verification of locally determined LOA
- Overview (presentation/handout) of ORPTS' market analysis procedures
- Distribution of the current PDC schedule (handout)
- Distribution of the "Guidelines for Pre-Decisional Collaboration"
- Summary:
 - Encouragement of local assessment officials to be part of the process by submitting their own analysis or by participating with ORPTS on the analysis of their municipality
 - Encouragement of local assessment officials to consider the results of the analysis to help them determine value changes necessary to ensure equitable assessments

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Sharing of Analysis and Results

This is the heart of the process. The “sharing” of ORPTS’ and local analyses cannot be emphasized enough. As noted earlier, assessors are expected to analyze their assessment rolls on an annual basis to make the changes necessary to produce uniform assessments and to state an accurate uniform percentage of value on the assessment roll. Ideally, ORPTS’ role would be to review the local analyses and evaluate the results relative to good assessment practices.

On-going Communication

Communication methods and timing throughout the remainder of the cycle will probably vary among CRMs and local officials, depending upon circumstances. However, further “countywide” meetings and/or individual meetings with every assessor may not be possible or necessary. Generally, CRMs should provide the results of ORPTS’ analysis (including very preliminary results) as they become available. Some factors affecting the delivery of ORPTS’ results include:

- ORPTS’ market analysis cannot begin until final rolls and sales through June are available, either on the Data Warehouse or on a local RPS file.
- The development of aggregate adjustment factors is the first step in ORPTS’ market analysis process. Although they tend to be completed on a county-by-county basis, the factors for Major Type A are done by market area, and market areas that cross county lines may experience a delay in the “completion” of a county.
- CAMA and sales ratio analysis is the next step. Although sales ratio analysis is performed on a town-by-town basis, CAMA analysis is performed at the market area level, and the results are reviewed and analyzed prior to distribution.
- Completion of sample appraisals will vary by County, municipality and property type.

Trends and Major Type A Ratios

Although ORPTS’ “trends” are generally available before CAMA and/or Sales ratios are completed and can certainly be shared, CRMs and the local assessors may agree to wait until all of the information is available. ORPTS’ results may be shared as follows:

- Major Type trends by municipality and/or market area
- SPSS reports summarizing the results of CAMA and/or Sales ratio analysis
- SPDAV results (sales chasing tests)
- Countywide spreadsheets summarizing the preliminary results (trends and ratios)
- List of sales used for the determination of Sales ratios (on request)

As noted earlier, it is expected and hoped that local assessment officials will share any analysis and results they have. ORPTS’ publication “Level of Assessment Determination: An Owner’s Manual for Maintaining Uniformity” suggests operational steps for measuring the LOA.

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Values of Sample Appraisals

It is expected that the CRM or ORPTS' appraisal staff will communicate with the assessor throughout the data collection/verification and valuation phases. Before the appraisal work gets underway, there will be communication with the assessor to ensure that the appraisal samples to be used are mutually acceptable and that there are no property specific situations that would make a selection inappropriate for survey use. This is referred to as an "ASR" meeting in which the Appraisal Selection Report is reviewed. There will be continued interaction to gain local input regarding the inventory and value influences. The intent is to reach agreement on the market values of the samples. Once ORPTS has completed the appraisals, the following reports may be provided:

- Property Inventory Valuation Reports (PIVRs)
- Table 4 Summary

Local assessment officials may provide comparable sales reports or other appraisal reports in support of their value estimates.

ORPTS' Response to Local Input

It is hoped that ORPTS' staff and local assessment officials will work together during analysis and/or valuation, and that results will be agreed upon in advance. However, if localities submit information after the fact, ORPTS will take the new information into consideration. CRMs should accept any local analysis provided, and review it in collaboration with ORPTS regional management and/or market analysts.

Utility and Forest Values

ORPTS will develop and provide forestland trends and taxable State Owned Land values, and most of the utility values/trends before the end of this phase, although some utility values may not be available until later in the process.

Reassessment Municipalities

As part of their responsibility for monitoring reassessments for the purpose of value verification for State Aid and Full Value Measurement, ORPTS' staff will review the following:

- Local market analysis results
- Valuation decisions (land schedules, cost tables, models, VFFs, etc.)
- Documentation to be provided by the municipality per Memorandums of Understanding

Reaching Agreement

It is hoped that ORPTS and local assessment officials reach agreement on as much of the analysis and results as possible, prior to the distribution of final PDC ratios.

Final Values and Ratios

Values of Sample Appraisals/Utilities

Sample appraisal values will be shared with those municipalities that were not completed earlier or for localities where ORPTS' preliminary value was changed as a result of the informal value review (IVR) process and/or the review of local appraisals. Outstanding utility values will also be provided at this time.

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Final PDC Ratios

ORPTS should distribute “final” PDC ratios when all values and trends are complete. These ratios represent ORPTS’ best preliminary estimate of the relationship between the assessed value on the last assessment roll, and the estimated market value for the upcoming equalization rate. This ratio may be an appropriate estimate of the LOA for the upcoming assessment roll, dependent upon changes to the assessments and new market place data. For municipalities that are provided with more than one PDC report (i.e., overall ratios based on both a CAMA and a Sales Ratio), ORPTS reserves the right to later reject one of the estimates based on subsequent analysis.

Role of the LOA in the Equalization Rate Process

ORPTS’ analysis for PDC purposes is based on the comparison of **prior year final roll assessments** to ORPTS’ estimate of full value as of the current valuation date – the same valuation date normally used by the assessor for the current assessment roll for which the equalization rate is being determined. Although it is allowed for in procedures, it is fair to ask why and how the prior year roll is used:

- At the time the analysis is performed, the prior year roll is the only assessment roll available.
- Procedures allow for significant changes in assessed value on the current roll to be taken into account.

Please refer to the current *Market Value Survey Procedure for State Equalization Rates for Cities, Towns, Village Homestead Assessing Units and Counties* for details on how ORPTS determines full market values and equalization rates.

The Process of Confirming the LOA

In early April, CRMs begin the process of trying to obtain the LOA that each assessor *intends* to state on the tentative assessment roll (The County usually gathers this information). Although it must be stressed that the LOA is a local responsibility and that ORPTS staff do not make suggestions as to what Level of Assessment the assessor should state, the following **informal** procedure may occur:

- Regional staff may compare the LOAs to the final PDC ratio(s) to determine whether the stated LOA is likely to be confirmed as the equalization rate, using the tolerances allowed in the procedures.
- If there is an issue, CRMs may contact the assessor or County RPT Director for confirmation, which may allow the assessor a chance to determine a revised LOA prior to tentative roll production.

Timely communication is important. It is suggested that assessors provide their LOA to regional staff as early as possible to avoid any unintentional situations whereby the LOA will not be confirmed as the equalization rate.

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Municipalities submit their tentative roll files to ORPTS in late April/early May, usually through the County. Staff from Equalization Support Services (ESS) verifies the stated LOA previously collected. Staff also compares the assessment roll totals to the prior year final roll for non-reassessment* municipalities:

- If the difference is less than 5%, all of the change is assumed to be physical, and ORPTS' Full Value estimate is adjusted accordingly.
- If the difference is greater than 5%, staff attempt to identify how much of the change-in-level is due to equalization changes; this may require contacting the assessor.
- *Tentative rolls for reassessment municipalities are analyzed as part of the overall verification process.

Once again, the importance of communication between the assessor and ORPTS staff cannot be over-emphasized. If the assessor expects a significant change in level, as for example from the settlement of a court case, he/she should contact their CRM or submit form RP-6110 (Notice of Anticipated Material Change in Level of Assessment...) with their tentative roll, or sooner.

Beginning in early May, tentative rates are established and municipalities are notified as to how the rate was calculated, as well as the deadlines for challenging the rate. Once final rolls are received and checked, rates are finalized. Procedures also describe how differences between the tentative and final rolls affect the determination of the final rate.

Importance of Stating an Accurate LOA

Most assessors are aware of the *performance standards (tolerances)* that are applied when ORPTS confirms the locally stated LOA. Although there are valid, understandable and sensible reasons for allowing a tolerance around the assessor's LOA, there are several reasons why it is important for the stated LOA to be as accurate as possible, including:

- Taxpayer disclosure – an accurate LOA allows a property owner to know the true intended relationship between the assessed value and estimated market value of their property. For users of RPS, the LOA is also used to compute the market value of the property shown to taxpayers on their tax bills. If the LOA (or assessments) are not accurate, then the market values shown to the taxpayers will not be appropriate.
- Accurate equalization rates and full value for tax apportionment – surrounding municipalities could be disadvantaged by the actions of one municipality that effectively understates its full value compared to the other municipalities.
- To mitigate unexplainable and unfavorable full value shifts in subsequent rate years.

Each of these reasons may be particularly important if a reassessment occurs after the use of an inflated LOA and corresponding underestimated full value.