Confirming the LOA as the RAR & the Equalization Rate

ORPTS Processes and Programs
Residential assessment ratios (RAR)

- The RAR is a measure of the level of assessment for the residential class of property.
- The RAR can be used by owners of residential property to grieve their assessment.
- The law states that the RAR shall be equal to the level of assessment of residential property that is used in the calculation of the state equalization rate.
- The law requires the establishment of the RAR at least 60 days prior to tentative roll date (typically by March 1).
ORPTS will develop an initial residential market value ratio

The process will be similar to what we have used for the past decade

The residential market value ratios may be based on one or more of the following methods

- Sales and/or CAMA ratio studies
- Appraisal ratio study
- Possibly the prior year ratio adjusted to the current year (factored by the trend and change-in-level)
- Local reassessment project review
If more than one valid ratio is available, the ratios are averaged.

Ratios are calculated by:
- 2 ratios: \( \frac{2}{\frac{1}{\text{ratio #1}} + \frac{1}{\text{ratio #2}}} \)
- 3 ratios: \( \frac{3}{\frac{1}{\text{ratio #1}} + \frac{1}{\text{ratio #2}} + \frac{1}{\text{ratio #3}}} \)

The ratios are divided into 1 to yield the same relative proportions as the full values they represent, and will result in the same average ratio as if the actual full values were averaged.
Process for establishing the RAR

To establish the RAR, ORPTS will compare its initial residential market value ratio to the assessor’s stated level of assessment (LOA)

• If ORPTS’ residential market value ratio is within 5% of the LOA:
  - The LOA will be established as the RAR
  - The LOA will be the residential market value ratio used to establish the equalization rate
  - This will likely change the overall market value ratio

• If ORPTS’ residential market value ratio is NOT within 5% of the LOA, or the LOA is not available:
  - ORPTS’ residential market value ratio will be established as the RAR
Considerations for Establishing the LOA as the RAR

- Assessors must submit their LOA (uniform percentage) to ORPTS “early”
  - ORPTS should have residential market value ratios available early enough to allow this

- The LOA is also compared to ORPTS overall ratio for verification as the equalization rate
  - ORPTS should have overall market value ratios available early enough to allow the assessor to consider the residential AND overall ratios in stating their LOA
    - Survey appraisal towns may be later
RAR – Timeframe

- Market analysis for Major Type A must be completed and shared PRIOR to March 1
- June-August
  - Assessors encouraged to review sales and submit corrections by August 31
    - Subsequent corrections not used for FVM or RAR
- September
  - Corrections processed
- October
  - Market analysis begins
RAR – Timeframe

- If an assessor wants us to use the 5% tolerance in the determination of the RAR, they need to provide ORPTS with their LOA at least one week prior to the deadline for establishing the RAR.
  - For example – a municipality with a tentative roll date of May 1 needs an RAR by March 1 and will need to provide ORPTS with an LOA at least a week before March 1.
Considerations for Establishing the LOA as the RAR and the Eq. Rate

- Compare the residential (MT A) ratio to the overall ratio
- If the two ratios are within 5% of each other
  - If the assessor wants the LOA = RAR = ER, state an LOA that is within 5% of both ratios
  - Or the assessor can state an LOA according to one of the choices below
- If the two ratios are not within 5% of each other, the LOA cannot be verified as both the RAR and the equalization rate.
  - If the assessor wants the LOA = ER, state an LOA that is within 5% of the overall ratio
  - If the assessor wants the LOA = RAR, state an LOA that is within 5% of the residential ratio
Confirming the LOA as the Eq. rate

- In Early April:
  - If not provided prior to establishment of the RAR, regional staff attempt to obtain LOA intended to be stated by the assessors
  - Regional staff compare intended LOA with Final PDC ratio(s) using tolerances allowed in procedures
  - If stated LOA is not within the tolerance regional staff may contact the assessor and/or County Director to allow for a revised LOA prior to tentative roll production

- Late April/Early May:
  - Tentative Rolls submitted
  - ESS staff verifies the previously stated LOA
The Process of Confirming the LOA

For Non-Reassessment Munis:
- Staff compares assessment roll totals to the prior year final roll.
- If the difference is < 5%, all change is physical and ORPTS FVM estimate is adjusted.
- If the difference is > 5%, staff attempts to identify how much is equalization.

For reassessment munis, Tentative rolls are analyzed as part of the overall verification process.

Muni’s expecting a significant change-in-level should contact their CRM and file form RP-6110 with their Tentative roll or sooner.