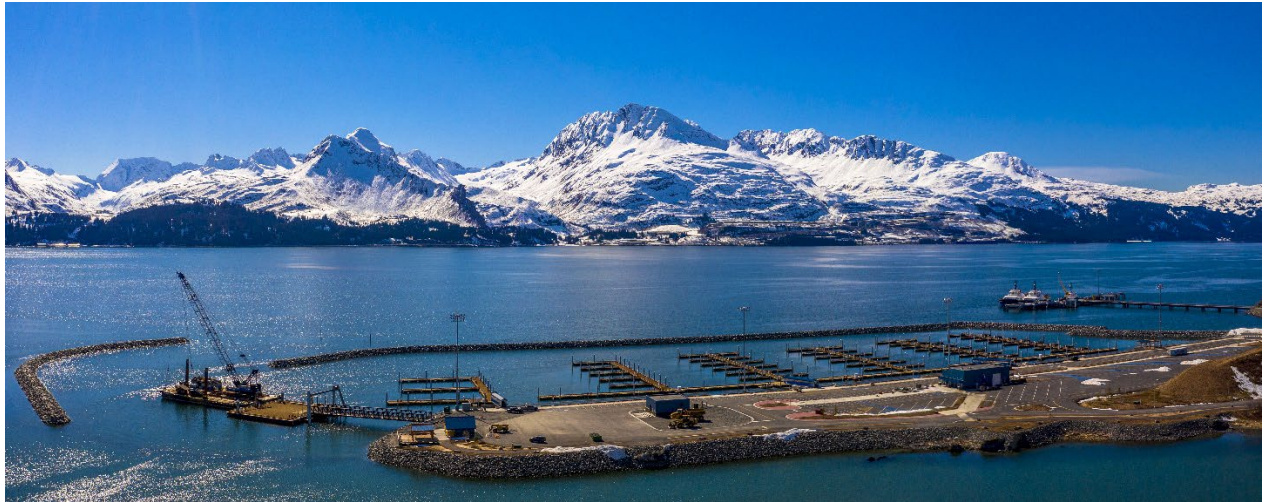


# A CITIZEN'S GUIDE TO PROPERTY ASSESSMENTS



The purpose of this pamphlet is to explain the City of Valdez tax assessment procedures and requirements. The contents include references to the laws that govern the assessment of real property in the State of Alaska, the methods used to arrive at the assessed values, what the assessed values actually represent and lastly the property owner's rights of appeal if they disagree with the assessment of their property.

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### WHAT IS THE ASSESSMENT AND ITS PURPOSE

The property assessment is an appraisal of the fair market value of your property completed by the assessing staff. Alaska Statute 29.45.110(a) states that this assessment is to be at full and true value, which is defined in the statute as the “estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.” The Alaska Legal System has added some embellishments to this definition for special use properties, machinery, and leasehold properties, but for 95% of the properties in the city this is the definition of value for assessments. The statute further requires that the assessment be as of January 1 of the assessment year and the assessments are to be reviewed annually for full and true value. Secondly, Alaska Statute 29.45.150 requires a “systematic reevaluation of taxable real and personal property...over the shortest period of time practicable.” Each property is to be re-inspected on a regular schedule. To this end, AS 29.45.130 states that the assessor or his agent (staff) may enter real property during reasonable hours to examine visible personal property and the exterior of a dwelling or other structures on the real property. This office’s protocol for physical inspection of structures on real property is to approach the front entrance of the home and knock on the door or ring the doorbell and wait for a response. If an adult is home to answer, we identify ourselves and our purpose, which is to take photographs and measure the exterior of structures. If the person is unhappy or unwilling to allow that type of entrance onto their property, we acknowledge their wishes and leave the premises. In this case we complete the assessment based on what can be seen from the street and what we can gather from public record or by using the GIS imagery. If no-one is home or answers the door, we continue with our duties as outlined in state statutes and authorized in AS 29.45.130.

The purpose of the assessment is to determine the value of the property for calculating the city real estate (property) tax. The rate of taxation is set by the Council annually based on the estimated annual expenditures for that year. The task of the Assessing Office is to strive to bring equity to the assessments. The benchmark set by the state is 100% of market value. The assessing department attempts to get as close to that standard as possible and also assure that the deviations from the standard are in a narrow range so that all property owners are paying taxes on an equal basis. For this reason, the re-assessment process is typically completed by neighborhood or class of property (i.e. average quality single-family homes inside the city, commercial properties, multifamily, etc.) to ensure equity across each strata of the market.

The standard that the State Assessor as well as the local assessor uses to determine compliance with the state requirements is the sales price to assessment ratio. This information is used by the State Assessor’s Office to determine the level of State funding for schools and state revenue sharing. If the State Assessor finds that the local assessing office has not been performing its duties and assessments are below acceptable ratios or are not equitable across the market strata, he or she can give the city a notice of major

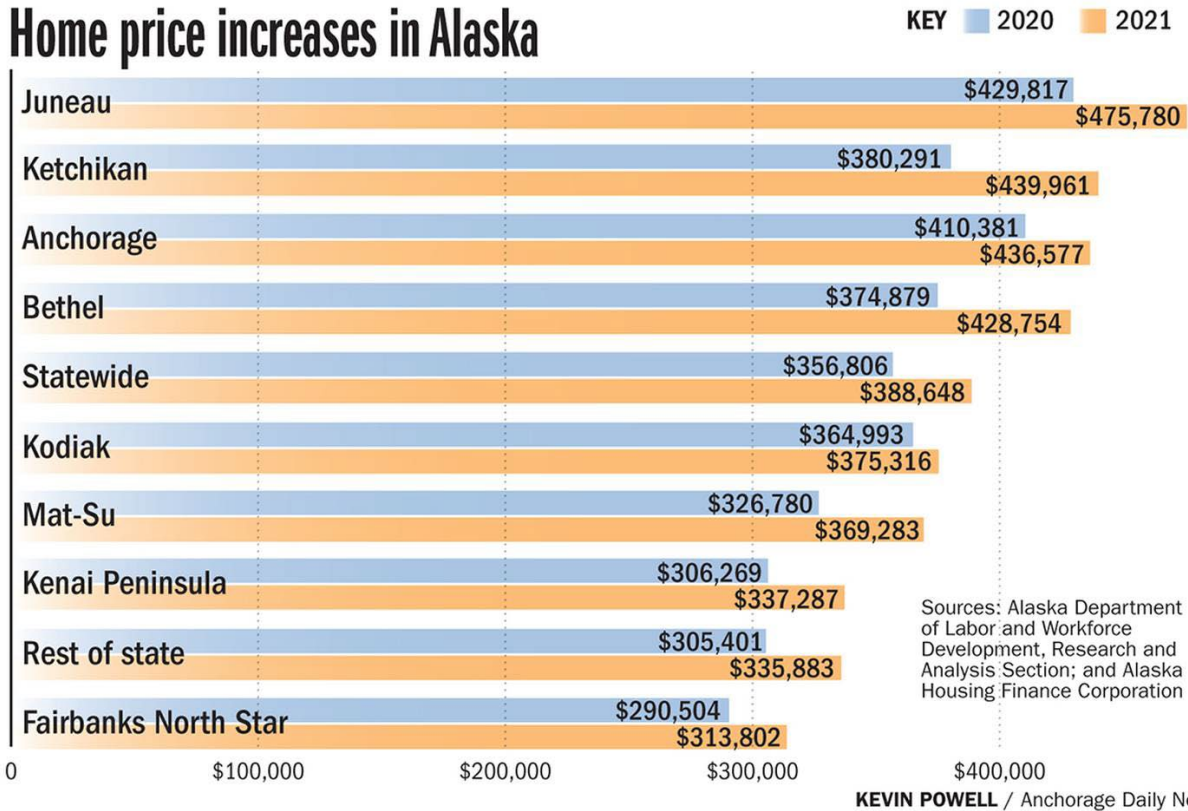
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errors. The city would have until the next assessment period to correct those errors (AS 29.45.105). If errors in the assessment valuation result in a loss of revenue to the state, the city could be mandated to reimburse the state for the amount of that loss. In other words, if the assessment ratio was so poor that the State has overfunded the city for schools and revenue sharing, the city would have to repay the State the overpayment.

Assessment values can change from year to year for several reasons. The first and most obvious is that the physical characteristics of the property change. For example, an addition is built onto an existing home, a garage is added, a major remodel completed, or, in the negative direction, part of the home is destroyed, or the lot is subdivided. However, the most common reason that values change from year to year is because of changes in the real estate market. Valdez general real estate market has been increasing gradually since the late 1980's until the general crash of the lower forty-eight real estate market in 2007 - 2008. When the real estate economy and the general economy of this country fell drastically in 2007, the Valdez real estate market slowed down through 2011 but did not decline. The market has been growing gradually until 2019 for the most part. In 2020 and through the end of 2022 we saw a major increase in property prices throughout the country and Valdez was impacted by that as well. The main driving factors were low supply / high demand with the lowest interest rates since 1971 – this is as far as historical information is available. (Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis;) Property owners felt urgency to buy now to lock down a mortgage rates before rates and monthly payments increased. Currently the purchasing power has slowed down due to interest rates and inflation being on the rise. Typically, every 1% increase in interest rates often means an extra \$200 in monthly payments for the average priced home. But due to low inventory the property prices have not declined and the market still remains strong.

## Home price increases in Alaska



Valdez Average home price in 2020 was \$272,576 and in 2021 was \$310,769 that is over 14% increase in one year. Ketchikan had the biggest housing price jump with a 16% increase according to the states report. The average increase was around 10%. Valdez average increase reflects all sales compared from 2020 – 2021. It is important to note that some groups of housing did see a much larger increase than that – average reflects an average increase and cannot be applied to one specific property.

### HOW IS THE ASSESSMENT CALCULATED

Rhetoric has it that the Assessor has a dart board and this is what he uses to set property values. The truth, unfortunately, is not that simple. To do the job properly the assessor’s staff must have a working knowledge of local real estate trends, economic conditions that affect the market, finance options available to buyers and most important, what sellers are asking for their properties and what the buyers are willing to pay for those properties. Assessing staff track property listings in the local newspaper, on the statewide multiple listing service, and on such internet sites as Craigslist and Zillow. Staff also communicate with the property owners – buyers / sellers about the property prices and use other tools to collect data. The staff also keeps abreast of economic trends, financing trends and supply and demand as it relates to real property.

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The assessing staff collects data about the characteristics of each individual property in the city by physically inspecting them. The pertinent characteristics include the property use, the location, number and size of improvements, quality of construction, condition, year built, etc. This information is used to estimate the market value of each property by one or more ways.

The three main appraisal techniques are: 1)

Direct comparison of the subject property to recent sale properties and adjusting for differences that affect value. 2) Estimating the cost to build the improvements, subtracting the effects of depreciation and adding the site value. 3) For income producing properties, estimating the potential income stream, subtracting the costs of producing that income stream and converting the estimated net operating income into a current value. Accurate appraisals/assessments require constant searching for and accumulation of significant data to analyze in order to arrive at a fair market value for all properties within the city.



The City of Valdez has roughly 2,612 real property parcels. The city exempts the first \$75,000 of real property from taxation as Primary Home Exemption. To adequately reappraise the real properties on an annual basis and specifically re-inspect and reappraise properties on an annual basis, the assessing department utilizes a Computer Assisted Mass Appraisal (CAMA) system - MARS. The MARS system utilizes all three of the approaches to valuing property discussed above. This system allows staff to both catalogue each property's characteristics and also value the property based on those characteristics. The process of valuing the property requires staff to determine what property details most affect their market value and to use this information to set up models for the most prevalent types of properties. The market data that is gathered from the sales information is used to make value models for each segment of the market. These models are an accumulation of both cost and market sales data. This is one of the reasons that

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It is very important for the assessing department to complete regular inspections to determine what specific characteristics one home might have that would affect its value in the market. The models are updated on a regular basis and this update is usually reflected as a slight increase or decrease to the assessed values, depending on the vagaries of the market. For this reason, your assessment can fluctuate up or down on an annual basis. Starting in 2022, market adjustments is possible to make each year as the Assessing Department now has the CAMA - MARS system fully populated.



### WHAT IF YOU DISAGREE WITH THE ASSESSED VALUE

If you believe that the assessed value of your property is incorrect, you have a number of things that you can do. **The first, and most important**, is to call the assessing staff and ask to review your assessment file with the assessor. Review the file and make sure the information that the assessing office has is correct. For instance, make sure the square footage of the home or garage, age of the improvements, condition of the improvements, etc. that are contained on the record are accurate. If not, request that the assessor conduct a field inspection, correct the mistakes and recalculate your assessed value. If the information on file for your property appears to be correct, ask how the assessed value was calculated. Sometimes in checking the calculations an error might be found and corrected. The assessor can offer to make a property sales grid that will compare your property to similar properties that have sold. This is similar to what a fee appraiser would do if you were to contract him/her to do a market appraisal of your property. This sales grid should support the assessed value.

If you and the assessing staff cannot come to an agreement of value that is satisfactory to you, the next step is to appeal to the Board of Equalization. There are several things you need to know about appealing to the Board of Equalization:

1. There is a time limit as to when an appeal can be made. For all municipalities and boroughs in Alaska the appeal must be made within thirty days after the mailing of the Assessment Notice (AS 29.45.190(b)).
2. The appeal must be made in writing on the form approved by the Board. This form is available at the City Clerk's office. If you cannot get to the office to pick up a form, you can reach out to the City Clerk's office to make different arrangements.
3. The property owner has the burden of proof to show that the assessment is incorrect. It is the responsibility of the property owner to appear in person before the Board of Equalization at the scheduled time – if an appellant fails to appear, the Board will make a ruling based only on evidence provided in the appeal form.
4. The only grounds for an adjustment to the assessment are proof that it is excessive, unequal, improper or undervalued, (AS 29.45.210(b)). The property owner must state the reasons on the form, but can supply supportive information, such as a fee appraisal, engineer's report, closing documents, expert witness testimony, etc.
  - a. An excessive assessment is one that is higher than what similar properties are selling for in the local market. An unequal assessment is one that is higher (or lower) than the assessments of other homes in the neighborhood that have similar characteristics. An improper assessment is one that was computed using improper appraisal

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- methodology such as valuing a single-family home by comparing it to multi-family homes. An undervalued assessment is one that is well below market value or the median value of the neighborhood for similar properties. An appeal of undervalued is rare as you can probably assume.
- b. An unequal assessment is one that is higher (or lower) than the assessments of other homes in the neighborhood that have similar characteristics.
  - c. An improper assessment is one that was computed using improper appraisal methodology such as valuing a single-family home by comparing it to multi-family homes.
  - d. An undervalued assessment is one that is well below market value or the median value of the neighborhood for similar properties. An appeal of undervalued is rare, as you can probably assume.
5. Remember, you have to convince the board with facts and your appeal must be based on excessive, unequal or improper assessment. The fact that your taxes are too high or that your assessment increased since last year are not grounds for appeal and the board can do nothing to alter these types of situations unless it is supported by factual evidence that is related to excessive, unequal or improper assessment.
  6. If the board does not find it in your favor, you still have another avenue of appeal. You can appeal the Board's decision to the Superior Court. In an appeal to the court there is typically no introduction of new evidence. The court is reviewing what was presented to the board and deciding whether the board acted correctly in arriving at their decision. If the Superior Court upholds the board's decision you may then take the case to the Alaskan Supreme Court, but again the action of the court is a review of the board's decision and now the lower court's decision, it is not to make an independent decision on the correctness of the assessment.

### FINAL COMMENTS

The assessment is an appraisal of the estimated fair market value of a property. It is used by the city to compute a taxpayer's share of property tax. The Assessor and his staff are charged by the State and the city to appraise property at its market value and to assure equity in the assessments so that each property owner is taxed fairly in comparison with his neighbors. A property owner has avenues of appeal if he or she thinks their assessment is too high or not equitable. The first and most important is a direct appeal to the assessing office. The best way for property owners to find comparable sales of their property is to frequently follow local real estate listings to see how similar properties are selling.