



CITY OF BELFAST

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Memo: To all Belfast Property Owners

Re: Recent increases in the valuation of many Belfast properties

From: Joe Slocum, City Manager, Brent Martin, City Assessor

Date Oct 6, 2017

The following information is pulled from Maine statutes and case law to describe the process undertaken by the City Assessor this year.

The Constitution requires us to “fairly and equitably” apportion the property taxes. All taxes upon real and personal property are to be apportioned and assessed equally according to the just value thereof. Just value is essentially market value. Market values, (what actual properties are selling for in actual arms length transactions) are the measuring stick for all property valuations in Maine.

To keep values fair to all, we need to adjust our values of property when the sustained evidence in the market place tells us that actual property sales are selling for prices that are significantly different from the City’s published valuation. The State audits all communities for this and helps us see when adjustments need to be made.

Then we have to adjust local values to make sure that the percentage of difference between the valuations in one neighborhood and their respective market sales in one part of the City, is similar to that of other parts of the City. It is not equitable for one section of a municipality to be valued at 70% of market value while other parts of the same community are valued at 92% of their market value. That would cause the higher percentage

neighborhood to pay a disproportionately (and therefore an inequitable) higher part of the property tax bill.

When assessment values, in relation to market values, become too low either in the municipality overall or within certain areas of the municipality, then, in order to be fair and equitable, adjustments to those assessed values must be made.

This update revaluation of property values was unfortunately long overdue. Many Belfast land values had not been adjusted upward in almost 13 to 14 years. There is a variety of market conditions and staff shortages that led to this.

Because the market in certain areas of Belfast has moved so dramatically and so swiftly for a sustained period, the assessing office began to equalize the most readily identifiable areas, assuming the adjustments to the areas would result in an equal apportionment of taxes with those areas not adjusted. This was a complex task which, upon completion, resulted in our ability to certify at 100% of market value with the State of Maine.

For most of the City, the large property value adjustments have been made. They will see smaller more gradual changes in the future as market conditions warrant.

Even though we openly talked about this process for the last two years including long written publications in Manager Reports, newspaper coverage and discussions during meetings and budget hearings we regretfully took way to many taxpayers by surprise with this effort.

As City Manager I take personal responsibility if the news of your property valuation increase and the property tax increase came as a surprise to you. In hindsight I should have written every taxpayer a letter.

Since the tax bills went out last week, we have already had almost 100 calls or walk ins from taxpayers with concerns during the last few days. We are trying to get to everyone as soon as we can but it will take many weeks to meet with each of you to discuss your questions and concerns.

You have 185 days to contest any part of your Property valuation. If our assessed land valuation, or assessed building valuation is wrong then we will be glad to consider adjusting it and providing you with a refund if we over valued your property. If you already paid your taxes and our numbers were wrong we will reimburse you. There will be plenty of time to work with you.

We are very sorry that people were so surprised by the updating of our valuation records.

Some folks have asked:

Why such a big increase all at once and why not feather this increase gradually over the next several years?

The answer is that we legally can't. If we believe that your property is worth \$150,000 now then we can't assess you at \$120,000. That would be unfair to other Belfast property owners whose valuation is much closer to actual market values.

What if I can't afford to pay my taxes?

First you can pay in two installments without penalty- November and March if that helps.

If your income is too low we can try to work with you to get some tax relief either through some State programs or file a hardship application for consideration by the City Council.

As we work with you, we may ask to visit your property, to fully respond to your valuation concerns.

Thank you in advance for your patience as we continue communicating with each of you.

Thank you,



Joe Slocum

City Manager

338-3370 ext 10



Brent Martin

City Assessor

338 3370 ext 22

Bump in 'water-influenced' property values prompts talk of 'equalization'

Rising tide in downtown residential areas lifts some boats faster than others

By Ethan Andrews Jan 04, 2017



Photo by: Ethan Andrews

Properties on Bayview Street, pictured, and other areas close to the water and within walking distance of downtown have come up in value faster than others in Belfast, city officials are learning.

BELFAST — The city in the coming year will adjust property tax assessments, but to what extent and where remains to be seen.

The problem, according to City Assessor Brent Martin, is that some properties have increased in value faster than others relative to the city's own assessments.

Martin, who replaced longtime assessor Bob Whitely in 2015, said he has begun to notice pockets of the city where sale prices are out of line with what the city has judged those properties to be worth.

He likened it to noticing lots of a certain kind of tree out the window of a moving vehicle.

The most notable change in flora so far lies south of downtown between the former Route 1 corridor — High Street and Northport Avenue — and the bay. The residential area was once predominantly worker housing for Belfast's poultry processing plants and other industries. Over the past decade, the neighborhood has become desirable for a combination of water views and quick access to downtown. Many of the old houses have been renovated or replaced with larger ones.

Martin said he has done curbside inspections of roughly 400 of these "water-influenced" residential properties from the Northport town line to the south side of the commercial downtown and made adjustments to about 200 of them. Though the number that were adjusted upward was only slightly

more than those adjusted downward, Martin told the council he believes there's a trend toward higher values there.

"We've had phone calls from real estate agents actually asking: The assessed value is down here. I want to list it up here. If I have a buyer come in, how do I explain [the difference]?"

Martin said list prices of those properties have deviated more from city's assessments than those in rural parts of the city or east of the river.

City Manager Joe Slocum, in his Jan. 3 manager's report, said that area stood out when compared to the most recent state assessment. For the last two years, sale prices in the neighborhood have been "running in excess of 20 percent over the listed valuation," he said. Slocum also noted a "broad variance" between sale and assessed values for other downtown and waterfront properties.

The state audits municipalities every year to come up with its own assessment of their overall property value. Those figures are used to compute the local share of county government and school district costs. City and town officials typically try to keep their overall value no less than 75 percent of the state's assessment.

Slocum told the City Council Jan. 3 that the city could either do a full citywide revaluation of all properties or conduct an "equalization," in which the assessor or an outside firm tweaks the values of "similarly influenced properties" to smooth out the highs and lows around the city.

The last time Belfast did a full revaluation was in 2003. Slocum said it would be expensive — \$50,000 to \$500,000 — and take two years to complete. Equalization, which has been adopted by many municipalities, would be cheaper and take effect sooner, he said.

Martin said the plan is a work in progress, but adjustments are probably coming to residential zone between Northport Avenue/High Street and the water.

"I want to start to get this out there," he said, "because as resources allow, it will probably start in that area."

Councilor Mary Mortier noted for the benefit of newer residents that revaluations and adjustments happen from time to time. She and her husband bought their first property in Belfast in 1989, she said, and the city did a revaluation the following year.

The next major revaluation was not until 2003.

"But in the interim, our prior assessor Bob Whitely many times in the period between 1989 and two years ago would do exactly what you're describing to us," she said. " ... So this is not something new. It's not out of left field. It's not strange. It's not just because Brent is a newer assessor. It's an ongoing process."



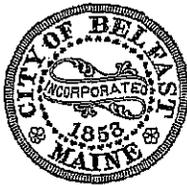
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MANAGER'S REPORT
Belfast City Council Meeting
Tuesday, January 3, 2017
7:00 p.m.

TO: Mayor Walter Ash Jr. and Honorable Members of Belfast City Council

FROM: Joseph J. Slocum, City Manager

DATE: Friday, December 30, 2016

10-D Update from the City Assessor on possible changes in assessed valuations for portions of the City in 2017.

The primary responsibility of tax assessor is to equalize property valuations so that real property taxes can be apportioned and assessed equally according to each property's just, or fair market, value. Assessed valuation for tax purposes is driven by actual market sales.

The State comes every year to compare past assessed values to actual past sale values. The State then reports back what they find to be the percentage difference between what we assess our property at and what it sells for. If they see that our valuations are higher than our sales prices then they lower their opinion of our total valuation. If they find that our valuations fall under our assessed values then they raise our total valuation. This provides the State with its own opinion of our "total valuation" which determines our proportionate share of the County taxes and School taxes.

The annual State's audit highlights the areas in our City where the difference between assessed valuation and sale valuation is more pronounced. For the last 2 years the greatest difference between assessed value and sales value is in the neighborhood between High Street / Northport Avenue and the water. Sales in this part of the City are running in excess of 20% over the listed valuation. The downtown land values are also indicating a broad variance between assessed value and actual sale price. To correct this the City can either:

- A. Try to revalue every property throughout the City by conducting a large-scale city-wide revaluation. Here all properties would be thoroughly inspected (usually by an outside firm given the volume of review) and valued as though valuations are derived from scratch. OR

- B. The alternative is to conduct an equalization process, where either an assessor or a revaluation firm makes localized adjustments among similarly influenced properties to improve the quality of the existing framework of data.

A partial or full revaluation may run from \$50,000 to \$500,000 and take up to two years to complete, depending on the complexity. During this time, the Assessor must still maintain equitable and just assessments.

Equalization is a more pro-active incremental method of bringing the City's valuations closer to fair market value, keeping potential revaluation costs down and potentially eliminating the need for a more costly full revaluation.

Since a delay of either an equalization or revaluation would start to impose an unfair apportionment of taxes on those areas of the City where such broad discrepancies do not exist, equalization is the most efficient, fair and just approach for all tax payers and should result in a more efficient assessment model of the municipal valuation process going forward.

Additionally, by conducting an in-house (City Assessor) equalization process, we will maintain and increase data quality at a much lower cost than hiring an outside revaluation team

We are fortunate in that the annual State reporting data helps to identify the areas in our City where the difference between assessed and sale valuation is more pronounced. In other words, trends are apparent, making equalization possible.

Since State law requires yearly real property taxes to indicate land values separate from buildings for each parcel, we can study the influence of land values as part of our sales ratio analysis. For the last few years of data researched, the sales data indicates the land value component is becoming frequently under-valued in certain residential and commercial areas more than other areas. The greatest disparity in overall annual assessed values versus sales prices in state reporting is in water-influenced properties, located off from Northport Avenue and High Street. Additional disparities exist in the Main Street area and in the remainder of the residential downtown and east side water influenced areas. Sales data indicates less of a deviation for the inland suburban and rural properties areas outside of the downtown. As we get closer to finalizing changes to valuations in April, we will be notifying tax payers and coordinating meetings to discuss adjustments and what impact, if any can be anticipated for tax payers.

It is our hope that the equalization process will not just maintain equitable and just assessments along the way but also that it will ultimately replace a need for a municipal-wide revaluation. A multi-year equalization process will allow us to make needed changes sooner and more equitably and we hope they are sufficient to offset the market changes that could otherwise create a need for a full city wide revaluation. Since the

equalization process is within the scope of the Assessing Department's abilities and the annual operating costs of the Assessing Department is only a fraction of the cost of even a partial revaluation, we feel that a municipal-wide revaluation would be an unnecessary consideration at this time.

As markets shift, so must the assessed valuations in order to accurately reflect the underlying assessed values that are fair to all. Accordingly, the following summarizes current projects:

1. Beginning in 2017, the City's Assessing Office will be starting a multi-year equalization process in an effort to increase our certified ratio from 90% to 100% to maintain more equitable and just property value assessments in select areas of the City to maintain fairness and while at least delaying or potentially avoiding the cost of a full revaluation.
2. For 2017, the Assessor will be primarily addressing land and building values in select areas bounded between High Street/Northport Ave and the water. In 2017 and 2018, as resources allow, this will likely expand to additional downtown parcels and to waterfront on the east side.
3. In the High Street/Northport Avenue area, since September, we adjusted approximately 400 building valuations and we will be determining the land value component to equalize assessed valuations per a sales data analysis to be completed in 2017.
4. Also, for 2017, we anticipate adjusting commercial land values upward to equalize values in the downtown area based on sales. These increases will go toward downtown projects.
5. It is important to note that, for 2017, homestead exemptions will increase, statewide, to a tax exemption on the first \$20,000 in assessed value. Currently, Belfast residents would have only an \$18000 benefit since we are at 90% of market value overall. There are approximately 1600 homestead exemptions. This equalization process should allow Belfast to claim a 100% certified ratio, increasing the homestead exemption in Belfast to \$20,000. Veteran and blind exemption benefits will also increase (up from 90%). *As an aside, please submit all property exemption or land classification applications before April 1st.*
6. Though it is preliminary, based upon sales data, we expect little or minor adjustment in the rural areas.

City Assessor Brent Martin will be at the meeting to answer any questions that you may have.

~~10-E Second Reading and possible vote on a proposed City moratorium to prohibit the operation of a marijuana retail sale establishment, marijuana cultivation establishment and operation of marijuana retail social club.~~