

**A CITIZEN’S 2018 GUIDE TO REVALUATION**  
**Frequently Asked Questions**

**Outline a Picture of the Hanover Real Estate Market from April 1, 2014 to March 31, 2018**

An analysis of the real estate market over the past five years from April 1, 2014 to March 31, 2018 tells the story of an active market. Sales activity during this time period clearly demonstrates that between the spring of 2014 up until the fall of 2016, the market was growing, and homes were appreciating. Over the next year the market softened just a bit and depreciation became a temporary factor in the residential market. As is the case in any market, the assessed values of subsets within the local market may move at different rates. During this same five-year period, some areas or groups of properties within a neighborhood also increased in market value, which is not unusual. The town’s equalization ratio, which measures the level of assessment in a specific tax year by the relationship between sales that occur and their assessments, went from 95.3% in tax year 2013 to 85.4% in tax year 2017. Town staff fully expects the tax year 2018 ratio to come in at approximately 97%. The increase in the ratio from 2013 to 2018 is directly related to overall appreciation in the real estate market over the period.

Something to note for this 5-year cycle is a distinctive shift of value over to land values and in-town properties.

Land values have been steadily on the rise as Hanover continues to be a sought-after community to settle in. Add to this the phenomena of improved parcel sales that have then had the buildings razed to make way for a new home due to lack of available vacant inventory and the picture gets a little clearer. This all adds further credence to the desirability of in-town properties, or those within a short walk or bike to downtown. A final indicator of the disparity of the in-town parcels is the assessment level of this area compared to the Town in general. While the Town assessment level is at 85.4%, the average sales ratio in just this area is 75% and the Town low of 46%.

Every effort was made during the sales analysis process to accurately interpret and reasonably apply trends in the market to the models used to generate the new assessments. After reviewing spring sales through March and those properties currently for sale, the Town Assessor concluded that market appreciation is currently a factor. Due to the volatility and uncertainty of the market and local economy, it is very important that the department follow local trends closely and is prepared to act as warranted to address significant changes. We will be proactive in our approach to managing the town’s assessments.

<b><u>Tax Year</u></b>	<b><u>Median Ratio</u></b>
Tax Year 2013 Base Year	95.3
Median Ratio TY14	90.0
Median Ratio TY15	87.6
Median Ratio TY16	83.4
Median Ratio TY17	85.4
Median Estimate TY18	97.0

**What is the “Median Ratio”** - The Median is the mid-point (middle ratio) in a set of ratios arrayed in order of magnitude. Each ratio in the array is calculated by dividing a property’s assessment by the qualified sale price of that property within the timeframe indicated in the study. It sets the town’s level of assessment for that tax year. A ratio less than 100.0 means the assessments on average are less than current market value; conversely, a high ratio means assessments on average are greater than market value.

### **What is a revaluation?**

A revaluation is an update of all property assessments within a community. A revaluation generally begins with a full property inspection of all properties. The assessments are used to determine each property owners’ tax liability. The revaluation is designed to equalize the assessed value of all properties within the municipality for the purpose of fairly distributing the tax burden. Its purpose is **not** to increase taxes.

While in 2013 Hanover conducted a full site visit and inspection (measure and list) program, for the 2018 assessment the Town simply did a new analysis of the sales using the existing inventory data from 2013 and updated values based upon the analysis. For the next update in 2023, Hanover will once again do a physical inventory of the Town.

### **Why is a revaluation needed in the Town of Hanover?**

In 2018, it will have been five years since the last revaluation was conducted by the Town of Hanover. In New Hampshire, periodic revaluations are required every five years and are particularly important given the dependence on the property tax as the main source of revenue for municipalities, school districts and counties. Over the five-year time period, the real estate market has changed and with it so have market values. In addition, different types of properties and neighborhoods often change at different rates (i.e. commercial versus residential). A revaluation will account for these changes and, through the process, restore equity between individual assessments. The primary goal of a revaluation is the establishment of fair and equitable assessments for all taxpayers.

### **Will a revaluation increase taxes?**

On a town-wide basis a revaluation will not increase taxes. Remember, property assessments are only the base that is used to determine the tax burden. The tax burden is the amount that the municipality must raise to operate local government and support the many services each of us has come to expect such as schools, police, etc. If the same amount of money is to be raised after the revaluation as was raised during the previous year and each assessment doubles as the result of the revaluation, the tax rate would be cut in half.

On an individual basis, over and above the budget increase resulting from all sources for tax year 2018, roughly one-third of all properties will experience an increase in tax burden; one-third will remain approximately the same; and one-third will experience a decrease in tax burden. This phenomenon is typical of property revaluations all over the state of NH. If, for example, a previous assessment was low in relation to the general level of assessment in the community and the revaluation corrected the problem, with equity restored, you would expect that property to fall within the one-third that will experience an increase in tax burden.

### **Who conducted the revaluation?**

The data collection phase (property inspections) of the project was completed using Assessing Department staff members. The remaining phases of the project including sales analysis, cost modeling and a final review of the new assessments were handled in-house by the Assessing staff.

### **What is market value and how does it relate to assessed value?**

Market value is determined by the activity in the real estate market and the general economy. The value of your property is based on an analysis of the local market for the time-period between January 1, 2016 and March 31, 2018. The market can generally be defined as: A willing buyer and willing selling, under no duress to act. Your new assessment should be a reasonable representation of market value as of April 1, 2018.

### **Will all property values change in a revaluation?**

Most likely, yes. However, not all property values will change at the same rate, reflecting the fact that property values do tend to change at differing rates as buildings age, new styles and locations gain in popularity while others become less popular and environmental factors contribute to modified values. Market value will have decreased more for some neighborhoods and property types than for others. Some neighborhoods and property types may have increased in value and others may have remained the same. One purpose of a revaluation is to make sure that the assessed values reflect the changes that have occurred in property values relative to each other.

### **How does the Assessor determine value if there has not been a recent arm's length sale of my property?**

The next best evidence is the arm's length sales of reasonably comparable properties. These are properties similar to your property in location, age, style, condition and other features that affect market value, such as the number of bathrooms or size of garage.

### **What if there are no reasonable comparable sales?**

In this case, the Assessor will then consider all other factors that may affect the market value of your property. The cost to replace your building, less any depreciation, plus the value of land could also be used to estimate market value. For rental properties, the income and expenses of the real estate could be considered.

### **I recently built my home. Will the actual construction costs be considered?**

Your construction cost is a historical figure that may or may not reflect the current market value of your property. It is only one element that will be considered.

### **What happens to my assessment if I improve my property?**

In general, improvements that increase the market value of a property will increase the assessment. The following examples are typical items that *may* increase the assessed value of your property: added room or garage; vinyl siding; substantial modernization of kitchen or baths; central air conditioning; fireplaces; extensive remodeling.

### **Will my assessment go up if I repair my property?**

Normal maintenance will help retain the market value of your property but generally will not affect your assessment in a significant way.

### **How can my assessment change if I have done nothing to improve my property?**

General economic conditions such as inflation, changes in interest rates, employment levels, supply and demand, appreciation or depreciation in the local market all will influence the value of real estate over time. The changes in the local real estate market since the last revaluation are reflected in the new assessments.

### **What might cause an actual decrease in assessed value of my property?**

Though it may seem strange, there are property values that also decrease in value. The reductions are due to a host of reasons and can include, but are not limited to, excess or added depreciation due to property neglect, removal of a building or building component, changes to Current Use values, lot line adjustments, a market shift away from a neighborhood or type of property or a data error on the previous record card, among other potential reasons or causes.

### **When did this revaluation begin?**

The State of NH mandates the five-year revaluation cycle for each city and town in the state. Hanover's third five-year revaluation began in April of 2018 and revised values are as of April 1<sup>st</sup>, as required by State law (which means that if you made substantial improvements to your property after April 1<sup>st</sup> of this year, your new value does not reflect those changes and they will be picked up in a revised value which will be set as of April 1<sup>st</sup> of 2019). A revaluation typically requires five-to-six months to complete and must be completed in time for a new tax rate to be set by the NH Department of Revenue Administration so that tax bills can be sent out no later than December 1<sup>st</sup> of the revaluation year.

### **How was my 2018 assessment determined?**

#### **Data collection:**

The first step in the revaluation process is data collection. The Assessor's Office collects information about each property in the Town through a visual inspection and measurement of the interior and exterior. That information is recorded on the property record card. You can review the contents and print a copy of your property record card and any other property record card online through the [Assessing webpage](#) or at the Assessor's Office located on the first floor of the Municipal Building.

#### **Sales analysis:**

All real estate sales that occurred between January 1, 2016 and March 31, 2018 have been reviewed and those considered representative of market value have been included in the analysis. Several sales books stratified by neighborhood are available for your review at the Assessor's Office. The activity of buyers and sellers determines market value. The market driven cost model used by the Town to estimate all new assessments is calibrated by testing the results of the model against the properties that have sold between January 1, 2016 and March 31, 2018. The ability of the model to predict market value can be statistically

evaluated by calculating the assessment to sales ratio for each sale and then determining the mean, median, and standard deviation or coefficient of dispersion of all the ratios calculated. The mean and median measure the town's level of assessment in relation to market value. The standard deviation and coefficient of dispersion measure how accurately the model predicts value. This is important because not all properties sell within the analysis period, but they need to be valued in the same manner as those that did sell. If the statistics calculated are within the guidelines expected, then you can be reasonably confident that the model will predict market value for those properties that have not sold.

### **Cost model:**

A market driven cost model was developed to generate assessments for the 2018 revaluation. As stated above, the model was calibrated by comparing its results to properties that have sold between January 1, 2016 and March 31, 2018. Most computer-assisted mass appraisal revaluations or updates use a cost model to generate assessments. The cost model has proven to be a stable, reliable, and, if properly calibrated, an accurate predictor of market value. The major components of the model used to calculate an assessment for an individual property are:

#### **Land valuation:**

- Location –neighborhood designations stratify land by location (i.e. rural & downtown).
- Use – residential, commercial, industrial and current use.
- Adjustments – for location, topography, wetlands, ledge, access, view etc.

#### **Building valuation:**

- Effective building area - includes living area, finished lower levels, porches, garages and decks, etc. The effective area is a composite of the different components that make up the building.
- Style – Ranch, cape, colonial, etc.
- Grade – Quality of construction
- Story height – 1-story, 1 ½ -story, 2 story, etc.
- Exterior finish – siding, roof type & cover.
- Interior finish – walls, floors, heating system.
- Baths – number.
- Condition – of the building relative to its age.
- Extra features – fireplace, extra opening, hearth, etc.
- Outbuildings – detached garage, shed, barn, carport, etc.

#### **Formula Used:**

Replacement cost (new) of the building, less depreciation from all sources, plus the depreciated value of the outbuilding(s), plus the value of the land equals the assessment.

### **How will I know if my assessment is equitable?**

There are two very good methods of determining this. First, compare your property to similar properties that sold in the previous year. Your value should be in-line with these sale prices. Second, if no recent sales are available, compare your assessment to other similar properties in your area using the "Street Listing of Values" available in the Assessor's Office. Your value should be in-line with these similar properties. Remember, very few properties are exactly alike. Your value should be comparable, but it will seldom be exactly the same as the value of what appears to be a similar property.

### **Why was I notified so late this year regarding my updated property assessment?**

During Hanover's two previous revaluations, the Assessor was able to update values as of April 1<sup>st</sup> and notify property owners of their revised values in late August, two months prior to setting the property tax rate. This allowed property owners who questioned their revised values to schedule an informal meeting with the Assessor to review the property tax card and, if necessary, based on a meeting with the taxpayer, allowed the Assessor to revise values at that time. Unfortunately, this period of informal meetings with the Assessor was not possible this year due to delays in completion of the revaluation. Implementation of new assessing software this summer, necessitated by the Town's decision to move to a new assessing software system (Patriot) when the previous software provider (Vision) notified NH cities and towns that they would no longer support the Vision package we were utilizing, resulted in a delay in completion of the revaluation. Some data conversion concerns detected in the new software system during the transition in August led the Assessor to decide to complete a windshield survey of every property in town to be certain the data was accurate. The windshield survey added two months onto the completion schedule, resulting in the notification of values very shortly before issuance of the tax bills in early November.

### **What do I do if I do not understand or agree with my revised property value?**

The loss of the informal meeting component of the 2018 revaluation process now requires that any taxpayer concerned about the validity of their property value file an [Abatement application](#) prior to meeting with the Assessor to review their data. Taxpayers **need not complete the Abatement application in detail**. Simply complete the form as completely as you can, sign the form and return it to the Assessor's Office on the first floor of Town Hall. Based on the order in which the Abatement applications are submitted, the Assessor will set up a meeting to come out and view your property, discuss the basis for the assessed value and take your concerns under advisement. Based on the in-person meeting, if the Assessor decides the value does need to be revised, he will recommend that the Advisory Board of Assessors approve an administrative abatement. If, upon site visit, the Assessor does not feel a change in value is warranted but the taxpayer continues to disagree with the assessed value, the taxpayer can inform the Assessor's Office that they wish their appeal to be heard by the Advisory Board of Assessors.

### **Do I still need to pay my full tax bill if I do not understand or disagree with my revised assessment?**

Yes, taxes are due on December 1, 2018 – as this date falls on a Saturday, payments will be considered timely received if postmarked and/or received by December 3, 2018. If you choose to appeal your assessment and the Advisory Board of Assessors, upon conducting a hearing, determines that the property was over-assessed, the Town will repay the taxpayer any excess taxes paid along with 6% accrued interest on the amount of over-payment, as required under State law.

In the event a taxpayer is unable to pay their full tax bill by December 1, 2018, due to financial hardship or other extenuating circumstances, the taxpayer may submit a request for abatement of interest to the Selectboard (via email to [Townmgr@Hanovernh.org](mailto:Townmgr@Hanovernh.org) or via USPS addressed to Town of Hanover Selectboard – PO Box 483 – Hanover, NH 03755-0483).

**If I am a senior citizen living on a fixed income, disabled or a veteran, can I receive any financial assistance?**

Depending on your income as a senior citizen, the extent of your disability or your specific veteran’s status, you may be eligible for a senior, disabled or blind exemption or a veteran’s tax credit as adopted by Hanover Town Meeting. For more information regarding the specific State program, see the Town website, Assessor’s Department [Exemption Page](#) or call the Assessor’s Office for more details at 640-3207

**How do I file a formal appeal at the local level?**

The first level of formal appeal in Hanover is to the Advisory Board of Assessors’. You may file an appeal following receipt of your fall tax bill, but no later than March 1<sup>st</sup> of the following year. Appeals on the value established by April 1<sup>st</sup> of the following year cannot be accepted after March 1<sup>st</sup>. Appeal forms are available from the Assessor’s Office and also available [here](#).

Your appeal is more likely to be successful if you present evidence that comparable properties in the same neighborhood are assessed differently than yours. Obtain copies of the property record cards of the comparables you plan on using and note any differences between your property and the comparables. A recent appraisal of your own property may be good evidence of its value. Point out any errors on the property record card that need correcting. The Advisory Board of Assessors’ only concern is with the fairness and accuracy of the value placed on your property.

Meetings of the Advisory Board of Assessors’ are generally held beginning in January of each year. You will be given every opportunity to attend the Advisory Board’s hearing on your appeal and present your case. The Advisory Board will make their decision following the hearing and will forward their abatement recommendation to the Board of Selectmen. In accordance with long-term policy and practice, the Selectboard votes to accept the Advisory Board’s abatement recommendation(s) but does not hold a separate hearing to further consider a property owner’s request. The Selectmen have fully delegated the role of hearing appeals and granting abatements to the Advisory Board of Assessors.

If you disagree with the decision of the Advisory Board of Assessors, you may file an appeal with the State of New Hampshire’s Board of Tax and Land Appeals or Grafton County Superior Court. Information about filing with either of these appeal agencies is available on the Town of Hanover website, Assessing Department – [How to Appeal your Assessment](#). – Appeal beyond the local level.

**What types of Town assessing information is available and where do I find it?**

Type Reports:	Assessor’s Office	Howe Library	Etna Library	Town’s Web Site
New assessments				
By Street	yes	yes	yes	---
By Owner	yes	yes	yes	---
Sales book	yes	---	---	---
Property record cards	yes	---	---	yes
Tax Maps	yes	---	---	yes