

STATE OF CONNECTICUT
REPORT REGARDING
REVALUATION
POLICIES AND PROCEDURES



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STATE OF CONNECTICUT

REVALUATION

POLICES AND PROCEDURES

Purpose of Report

The purpose of this report is to comply with the provisions of Section 27 of Public Act 04-2 of the May 11 Special Session:

“The Secretary of the Office of Policy and Management shall examine the policies and regulations relative to revaluation of property under section 12-62 of the general statutes, as amended by this act, and shall, on or before January 1, 2005, submit a report to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding regarding any findings or recommendations to clarify, or make more effective, such policies and regulations.”

Assessors are the local officials responsible for conducting real property revaluations. As the primary stakeholders in the revaluation process, the statutory requirements concerning revaluation, together with applicable policies and regulations, impact them more than they do other local officials. For this reason, the Office of Policy and Management requested the assistance of the state’s assessors in gathering information on which to base the recommendations in this report.

On June 17, 2004, my staff sent a *Municipal Revaluation Questionnaire* (which is referred to throughout this report as the “*Questionnaire*”) to each town’s assessor. One hundred thirty-six assessors responded – a response rate of 80% – clearly indicative of the high level of interest in the issue of revaluation.

The *Questionnaire* included a request for revaluation procedural information. It also contained a section designed to allow assessors to comment on the most recent legislative changes and to offer opinions regarding the process by which real property is valued. A summary of their suggested statutory or regulatory improvements appears on page 58.

While the opinions of the assessors who completed the *Questionnaire* were helpful, this report’s conclusions and recommendations are solely those of the Office of Policy and Management.

Marc S. Ryan, Secretary
Office of Policy and Management
December 27, 2004

Revaluation – An Overview

The State of Connecticut has long required towns to revalue all real estate on a periodic basis – a policy embraced not only by our state, but by nearly every taxing jurisdiction in the nation.

According to the *Dictionary of Real Estate Appraisal (Third Edition)* published by the Appraisal Institute, revaluation is the “mass appraisal of all property within an assessment jurisdiction to equalize assessed values.” The objective of a mass appraisal process is to estimate the fair market value of all real estate (a term that is synonymous with the term real property) as of a common date.

Under Connecticut law, the assessment of each parcel of real property represents 70% of its fair market value as of the date of a revaluation. Unless there is physical change to a property (e.g., the construction of an improvement or a structure’s demolition), its assessment remains unchanged until the next revaluation, when the property’s fair market value is determined again.

Black’s Law Dictionary (Fifth Edition) defines fair market value as:

“The amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts. By fair market value is meant the price in cash, or its equivalent, that the property would have brought at the time of taking, considering its highest and most profitable use, if then offered for sale in the open market, in competition with other similar properties at or near the location of the property taken, with reasonable time allowed to find a purchaser.”

Demand for property and the available supply are arguably the primary factors influencing the real estate market. Reaction to supply and demand considerations and to other economic, social and legal factors determines the prices that people pay for real estate.

Potential purchasers of different types of real property (e.g., residential, commercial or industrial) react to different market influences. For example, the reputation of a local school system could play a more important part in determining the choice of a community in which a family with young children chooses to reside than it would for a manufacturer, to whom the availability of skilled labor and access to transportation may be more important.

As a result, changes in the fair market values of real estate of different property classes do not occur at the same rate and inequities in assessment levels develop over time. Additionally, fair market values of real estate in the same property class may change at a different rate than other property in that class (e.g., residential waterfront property and residential property not located on the waterfront).

A revaluation eliminates these inequities in assessment levels and equalizes the tax burden among property owners.

History of Recent Changes to Connecticut's Revaluation Statute

Section 12-62 of the Connecticut General Statutes (CGS) embodies the state's revaluation law. For most of the last century, Connecticut assessors had to revalue real property once every ten years.

As early as 1930, Connecticut law required assessors to "view all of the real estate in their respective municipalities..." when they conducted a revaluation. This wording remained unchanged for almost six decades.

Public Act 89-251 amended CGS §12-62 by adding the words "by physical observation" after the word "view", and Public Act 97-254 changed the word "observation" to "inspection" in this statute. There is little in the legislative record concerning these changes in terminology. Additionally, there is little in recent case law that addresses "view" or "view by physical inspection."¹

Black's Law Dictionary (Fifth Edition) defines inspection as follows:

"To examine; scrutinize; investigate; look into; check over; or view for the purpose of ascertaining the quality, authenticity or conditions of an item, product, document, residence, business, etc."

The word "statistical" first appeared in CGS §12-62 by virtue of the amendment contained in Public Act 89-251, the provisions of which allowed assessors to conduct a revaluation by use of a statistical method of adjusting values within five years of a revaluation that included viewing real estate by physical observation. Additionally, this legislation created a program of property tax credits and surcharges that a town with a residential property effective tax rate of 1.5% or more following revaluation, could choose to implement. A town that does so has to revalue all real estate by use of a statistical adjustment of assessed values, not later than five years after the program's implementation. (See page 24 for information concerning this program.)

The amendment in Public Act 89-251 also required the Office of Policy and Management to adopt regulations concerning methods of performing such statistical value adjustments. *Acceptable Methods for Conducting a Statistical Revaluation* became effective June 21, 1990 (i.e., §12-62-1 to 12-62-4, inclusive, of the Regulations of Connecticut State Agencies) in compliance with this requirement.²

Members of the assessment community and others began to characterize revaluations as "statistical" or "physical", even though no statutory definition of these terms exists. Also, as the *Handbook for Connecticut Assessors* published by the Connecticut Association of Assessing Officers (the educational and professional organization for the state's assessors) states:

"It should be noted that while assessors and others continue to refer to revaluations as 'physical' or 'statistical' in nature, neither term is

completely accurate. If real property is viewed by physical observation in conjunction with a revaluation, the assessor still uses statistical data in finalizing value estimates. Likewise, certain properties may be viewed in conjunction with a revaluation that primarily entails the use of statistical analyses and modeling.”

Public Act 94-4 created a Property Tax Reform Commission in order to study a broad spectrum of property assessment and taxation issues. Its findings were included in the *1995 Report of the Property Tax Reform Commission*.

One such finding is discussed in a July 3, 1998 report entitled *Property Revaluation Mandate*, written by Kevin E. McCarthy, Principal Analyst with the Office of Legislative Research:

“The commission found that the ten-year cycle was slow to recognize shifts in the tax burden between and among classes of property (e.g., residential, commercial and industrial) based on market changes. For example, the value of nonresidential property fell more in the early 1990s than residential property, shifting the tax burden to commercial and industrial property. The commission noted that the law attempted to address this situation by allowing towns to phase-in the tax increases resulting from revaluation over a five-year period or providing tax credits over the five years following revaluation, but it concluded that the system still resulted in property taxes that did not reflect market values.

The subcommittee of the commission addressing administrative issues recommended that revaluations be conducted more frequently. It recommended that physical inspections be conducted every 9 to 12 years, with statistical revaluations permitted as an alternative methodology during the intervening years. (The law at that time allowed, but did not require, use of statistical methods such as multiple regression analysis to estimate property values in the years between physical inspections.) Several members favored requiring physical inspections every ten years, with statistical revaluations conducted in the fifth year following. Other members favored statistical revaluations on a three-year cycle. The subcommittee did not choose between these options, but the entire commission adopted the former proposal.”

The *1995 Report of the Property Tax Reform Commission* was the impetus for Public Act 95-283, which abolished Connecticut’s ten-year revaluation cycle.

Public Act 95-283 amended CGS §12-62 by requiring each town to implement a revaluation that included the physical observation of real property not later than 12 years following the implementation date of the town’s last revaluation. It also required assessors to update values statistically in the fourth and eighth years following the first “physical” revaluation implemented under the amended statute.

There were, however, a number of towns that had last revalued all real property more than 12 years before the October 1, 1996 commencement date specified in Public Act 95-283. Some had put off revaluation in accordance with the two-year deferral provisions of CGS §12-62h. Others had delayed revaluation because of

special acts or amendments to CGS §12-62 that had previously affected revaluation commencement dates.

In an attempt to address this issue, Public Act 96-218 amended CGS §12-62 by establishing time frames for revaluations based on physical observations of real property and statistical updates of property values.

Objections to Public Act 96-218 centered on the fact that it required assessors to implement “statistical” revaluations earlier than they would have had to under Public Act 95-283 and prior to implementing their next “physical” revaluations.

In 1997, the General Assembly enacted an amendment to CGS §12-62 that seemed to satisfy all the concerns that had been raised.

Public Act 97-254 amended CGS §12-62 by instituting a schedule that listed the Year of Next Revaluation and the Year of Subsequent Revaluation for each town. The schedule balanced the 1.42 million real estate parcels throughout the state, so that a fairly equal number were subject to revaluation in each year. (See table entitled *Four-Year Revaluation Schedule* on page 6.)

The real property parcel-balanced schedule and four-year revaluation cycle remained in effect until the passage of Public Act 04-2 of the May 11 Special Session (hereinafter referred to as the “Act”).

The Act made major changes to Connecticut’s revaluation law:

1. Section 32 of the Act allows towns scheduled to implement a 2003, 2004 or 2005 revaluation, to defer that revaluation until no later than 2006; and
2. Section 33 of the Act amended CGS §12-62 by eliminating the schedule of revaluation dates for towns and extending, by one year, the time period between revaluations. Additionally, it requires a town that last “effected revaluation by statistical means” to “effect its next revaluation by physical inspection.”

Since revaluations would occur less frequently (i.e., every five years, rather than every four years), legislators may have thought that the Act would serve to reduce revaluation costs. However, as this report shows, such costs will actually increase as a result of the revaluation deferral provision and the revised physical inspection requirement.

In the 39 years between 1950 and 1989, the General Assembly enacted three amendments to Connecticut’s revaluation statute. In the past 15 years, however, 16 public acts amending CGS §12-62 have been enacted. The sheer number of these recent amendments to CGS §12-62 is evidence of the Connecticut General Assembly’s struggle with the issue of real property revaluation.

To minimize both the impact and volume of any unintended consequences arising from future legislative changes to CGS §12-62, it is time to take a comprehensive and thoughtful approach with respect to the issue of real property revaluation.

Revaluation Deferral

On May 24, 2004, Office of Policy and Management Undersecretary W. David LeVasseur issued a Memorandum to town officials regarding the Act, from which the following is excerpted:

“Pursuant to Section 32 of this legislation, revaluations required for October 1, 2003, October 1, 2004 or October 1, 2005 do not have to be implemented prior to October 1, 2006...Our records indicate that 77% of Connecticut’s towns are eligible to defer revaluation implementation based on this legislation...

When §12-62 of the Connecticut General Statutes was amended in the late 1990s, consideration was given to balancing the real property parcel count when the four-year revaluation schedule was enacted. If a significant number of eligible towns choose this deferral option, this balance will no longer exist. The result could be a greater demand for the services of revaluation companies in some years in the future, which could serve to increase the price they charge towns for these services.”

Shown below is the real estate parcel-balanced revaluation schedule that existed prior to the Act’s passage. This table was updated to reflect date changes for towns that implemented a revaluation earlier than the four-year schedule required and for those that that did so later than mandated, in accordance with the provisions of CGS §12-62(d)(3).

Even with delays and early implementations, there were still a fairly equal number of towns and real estate parcels that were subject to revaluation each year:

Four-Year Revaluation Schedule

Revaluation Year	No. of Towns	Percent of State	No. of Real Estate Parcels	Percent of Total Parcels
2003	48	28.40%	346,829	24.37%
2004	41	24.26%	417,220	29.32%
2005	39	23.08%	316,325	22.23%
2006	41	24.26%	342,855	24.08%
Total	169	100.00%	1,423,229	100.00%

There is no deadline in the Act by which a town’s legislative body must decide on the revaluation deferral provision. As a result, information concerning the number of deferred revaluations is currently incomplete.

To date, however, the Office of Policy and Management is aware of 35 towns (or 27% of the 130 towns that are eligible) that have chosen to defer their revaluations.³ Six towns scheduled to revalue real property in 2005 are

considering whether or not to defer that revaluation until 2006. Additionally, three towns are delaying a 2004 revaluation for one year, in accordance with CGS §12-62(d)(3).

Of the towns known to have deferred revaluation pursuant to the Act to date:

- 18 chose to defer a 2004 revaluation until 2005;
- 4 chose to defer a 2003 revaluation until 2006;
- 3 chose to defer a 2004 revaluation until 2006; and
- 10 chose to defer a 2005 revaluation until 2006.

The following table reflects the effect of these revaluation deferrals and delays, as well as the Act's revision to the revaluation cycle from four years to five years. (Town-specific revaluation years and parcel counts appear beginning on page 60.⁴)

Five-Year Revaluation Schedule Reflecting Deferrals Known To Date

Revaluation Year	No. of Towns	Percent of State	No. of Real Estate Parcels	Percent of Total Parcels
2004	17	10.06%	146,365	10.28%
2005	46	27.22%	466,468	32.78%
2006	17	10.06%	179,193	12.59%
2007	42	24.85%	344,176	24.18%
2008	47	27.81%	287,027	20.17%
Total	169	100.00%	1,423,229	100.00%

It is already apparent that the balance of real estate parcels subject to revaluation in a given year no longer exists.

The total number of real estate parcels encompassed within the 17 towns that will implement a revaluation in 2006 is less than 13% of the total number of parcels statewide.⁵ In contrast, 46 towns will revalue approximately 27% of the total number of Connecticut's real estate parcels in 2005, and 42 towns will revalue almost 25% of that total in 2007.

In 2005 and 2008, the number of towns that will implement a revaluation is nearly identical. But, a substantially greater number of parcels will be revalued in 2005 than in 2008.

Since most towns outsource all or a portion of the revaluation process to a certified revaluation company, the greater demand in some years as opposed to others will undoubtedly impact costs. Towns with fewer real estate parcels than others may find it more difficult to compete for the services of such companies in years when a large number of revaluations will occur.

In a June 2004 *Hartford Courant* article entitled *Reconsidering Revaluation*, staff writer Gregory Seay reported that at least one revaluation company had laid off three appraisers and a support staff member in anticipation of a business slowdown due to the deferral legislation. The article quoted the company's president as saying:

“Curtailling staff is a tough call...because it would be difficult to rehire people once the postponed revaluations are reactivated.”

It appears, therefore, that revaluation company staffing levels could be problematic at the same time that there is greater demand, particularly in view of the limited number of active, certified companies doing business in the State of Connecticut. (See page 28 for information concerning such companies.)

Requirement to View Property

Ninety-four percent of *Questionnaire* respondents believe that periodically inspecting real property is an absolute necessity. Even before the Act's passage, however, there were differences of opinion as to the meaning of the term “view by physical inspection.”

Forty-eight percent of *Questionnaire* respondents believe that the term requires them to measure and list property (a procedure that entails an interior and exterior inspection of each building and structure, as described beginning on page 10).

Forty percent of respondents believe that the term requires them to view property at its site, but that it does not necessarily require them to inspect the interiors of buildings. Four percent of respondents indicated that the term is vague and could mean an interior or exterior inspection, or both – essentially, whatever an assessor deems necessary. Two percent of respondents stated that the term is self-evident and the remaining 6% did not offer an opinion as to its meaning.

Regardless of these differences of opinion, assessors could view all the real estate in their jurisdictions over a period of time prior to the Act's passage, based on the former provisions of subdivision (3) of subsection (s) of CGS §12-62:

“An assessor shall have fulfilled the requirement to view by physical inspection if a physical inspection of a property has been made at any time from June 27, 1997 to October 1, 2009, inclusive, and thereafter, the assessor or board of assessors shall view by physical inspection each parcel of real estate no later than twelve years following the preceding inspection.”

For example, an assessor could arrange to inspect 1/4 of the real property in a town in each of the four years preceding a 2009 revaluation. Or, the assessor could institute a plan to inspect property in one of three property classes over a period of time of the assessor's choosing. As long as property inspections occurred between June 27, 1997 and October 1, 2009, the statute's inspection requirement would be satisfied.

Section 33 of the Act eliminated an assessor's ability to view property over time. Based on the Act's provisions, property inspections must occur for a specific revaluation – the one following the last revaluation "effected by statistical means." In other words, if the revaluation a town most recently implemented did not encompass inspections of all real property, the next one must.

This requirement may not be immediately operative given the Act's amendment to CGS §12-62(a)(3), which specifies "...in no case shall a physical inspection be required more than once every ten years." As illustrated in Undersecretary LeVasseur's May 24, 2004 Memorandum, more than one revaluation "effected by statistical means" will occur before the physical inspection requirement is operative:

"An example is the City of Waterbury, which implemented a revaluation that involved physical inspections of property on October 1, 2001 (fulfilling the requirement to view real property by physical inspection between June 27, 1997 and October 1, 2009). Pursuant to a Memorandum of Understanding with this agency, the city implemented a statistical revaluation on October 1, 2002.

Under §12-62, as amended, the city must next implement revaluation as of October 1, 2007 – six years following the effective date of the last revaluation that involved real property inspections. Since an assessor cannot be required to view property "more than once every ten years", it appears that the city's 2007 revaluation can be effected by statistical means, even though its last revaluation was also statistical in nature. Waterbury's October 1, 2012 would have to include physical inspections."

All towns that had budgeted for their next revaluations with the understanding that property inspections would not be required must revise their cost estimates if the requirement to inspect real property affects them immediately.

Southbury is one of the towns affected by this requirement. Southbury's assessor recently estimated that the cost of the town's 2007 revaluation will increase by \$200,000 due to the real property inspections that must occur for that revaluation. This is double the cost that the assessor had estimated for Southbury's next revaluation prior to the Act's passage.

In response to the *Questionnaire*, Shelton's assessor indicated that the city's assessment staff have been "...conducting physical inspections (exterior and interior) of a section of the city each year since the 2001 revaluation." The assessor believes that property inspections conducted by assessment staff over a period of time is not only cost effective, but leads to better quality control and a minimization of data errors.

Shelton's assessor and those of other towns that had begun the inspection process with the objective of completing it by 2009 are in a difficult position. Since inspections cannot occur over time (but rather are tied into a specific revaluation date), these assessors may have to arrange for properties already inspected to be visited again.

New Britain assessment personnel had planned on inspecting each improved real property parcel's exterior and interior between 2005 and 2009. However, pursuant to the Act, the city's October 1, 2007 revaluation must include inspections because they were not part of the 1998 or 2002 revaluations. There are not enough city assessment personnel available to complete these inspections prior to 2007. As a result, New Britain will have to out-source the inspection process.

Because of the labor-intensive nature of property inspections, the cost a revaluation company charges to conduct them is, by far, the most expensive component of any revaluation contract. Since New Britain has a considerable number of real estate parcels, the city's cost for the 2007 revaluation will be substantial based on this requirement.

Property Data Collection and Verification

Assessors are well aware that one cannot base decisions about the valuation of real property on anything other than accurate information.

As is true with respect to their various interpretations of the term "view by physical inspection" assessors have differences of opinion as to the best method of obtaining or verifying accurate information regarding the real property they are responsible for valuing for tax purposes.

Measuring and Listing

A full inspection of each real property parcel is one of the means of obtaining information regarding property characteristics that affect value. Measuring and listing is the term that describes a full property inspection.

Measuring and listing property occurs in each town in every year, even one in which a revaluation is not effective. For example, once a building inspector issues a certificate of occupancy, an assessor measures and lists the improvement a property owner made.

The process entails a visit to a property by a person who observes and either records or verifies the accuracy of the property's characteristics. The person measures the exterior dimensions of a building or structure and enters the interior, noting the type and style of construction, number of stories, total number and type of rooms, types of heating and cooling systems, number of fireplaces, number and type of plumbing fixtures, finished basement or attic space, etc. The person also makes notations about the property's general condition (e.g., below average, average, above average or superior).

Substantial remodeling or renovation can alter a building's interior, even if its external dimensions remain the same over time. If a property owner finishes the basement in a home without having taken out a building permit, the assessor is unlikely to be aware of the improvement. When there is a periodic inspection

program, the person responsible for measuring and listing the property would discover the additional finished living area.

It is not always possible to measure and list all improved real property in a town. While measuring all such property may be theoretically possible, interior inspections are more difficult since most people are at work during normal business hours when attempts to inspect property take place. Also, some owners simply refuse to allow entrance to their properties, especially given that the public has become more security conscious of late.

Furthermore, there is no statutory provision specifically allowing assessors to measure and list real property.

However, for almost every revaluation that occurred during the last century, there was an attempt to measure and list all real property in each town. This process did not always result in totally accurate information regarding each property's characteristics.

The person who conducted the inspection may have made a mistake in observation (e.g., noticing two full baths in a home that has two full and one-half baths). When notes taken during the property visit were transferred to a computerized format, errors could have occurred. Or, a property owner could have made improvements after an inspection date but before the effective date of a revaluation.

In Killingly, the assessor compared data collection via measuring and listing for the 1974 and 1984 revaluations, and then again with respect to the town's 1994 revaluation. According to information the assessor supplied in response to the *Questionnaire*, data changed for approximately 20% of the real property in the town from one revaluation date to the next. About half the changes involved property improvements not covered by building permits. (The assessor reported that 90% of those changes were minor in nature – the addition of a deck, shed or a finished basement that did not greatly add to a property's value.)

The remaining changes, affecting 10% of the real property in the town, consisted of data collection errors. Fifty percent of the errors occurred as of the previous revaluation, and 50% represented data collection or recording errors at the time of the then current revaluation.

The Killingly assessor also arranged to have 10% of the commercial properties in the town inspected for the most recent revaluation (the one implemented as of October 1, 2002), even though that revaluation was primarily "statistical" in nature.

This practice is not unusual – the majority of *Questionnaire* respondents indicated that some property inspections occurred for each recent revaluation. In most cases, these inspections encompassed properties that recently sold or those for which building permits were outstanding only.

Other Data Verification Methods

Assessors have means at their disposal to verify the accuracy of property inventory data other than measuring and listing. These can include interviews with a property's owner or information another person with knowledge of a particular property provides to a town official. For instance, an appellant who cites a particular property as comparable to the appellant's property may provide such information to a town's Board of Assessment Appeals.

Some towns have web sites on which an image of each improved real property parcel appears, together with information concerning the property's characteristics and its assessment. By accessing the web site, property owners and others are able to ascertain whether or not a property's characteristics are accurate. This may lead to a person contacting an assessor to indicate that information as listed is incorrect.

Assessors also obtain information regarding a property's characteristics from other sources, such as financial institutions or private appraisers. Realtors' listings are a source of such information, as are various internet sites devoted to properties that are for sale. Assessors can access these sites and review the information they contain for purposes of verifying the data that an assessor's property record contains with respect to a property listed for sale.

Property Questionnaires

Assessors recently began to use a property questionnaire (or data mailer) as a means of obtaining a property owner's verification of the accuracy of real property data. In fact, 82 assessors used data mailers when conducting revaluations over the past several years. Thirty-nine assessors did not use data mailers and 15 assessors did not indicate in their responses to the *Questionnaire* whether or not they used them.

Two types of data mailers are utilized, the most common of which is one that lists a particular property's relevant characteristics.⁶ Instructions accompanying this type of data mailer indicate that a property owner should correct any inaccuracies regarding the property's characteristics as listed.

Of the 80 assessors who used this type of data mailer, 31 indicated that they requested all recipients to return them to the assessor's office. Forty-eight assessors instructed property owners not to return a data mailer that accurately reflected property information, and one assessor did not indicate the type of response required.

Thirty-seven assessors sent this type of data mailer to all real property owners, while 36 sent them to certain property owners only (such as owners of residential property or of condominiums). Four assessors sent such data mailers to the owners of properties that recently sold or to owners who did not allow entry to their properties. Three assessors did not specify the property owners to whom they sent data mailers.

If the information that an owner returns on a data mailer differs from the data on an assessor's property record, the assessor has various alternatives. The assessor can change the data on the property record to reflect that on the data mailer, discuss the non-matching data with the property owner or arrange to measure and list the property.

Assessors have differing degrees of confidence with respect to the use of data mailers. Some of them do not believe that property owners can be relied upon either to report property information accurately, or to return a data mailer reporting a change that may result in a valuation increase. Others have a more favorable view of this method of verifying property data.

All residential property owners in Killingly were sent data mailers for the town's 2002 revaluation. They were requested to return them only if the information as listed on the data mailer required a correction.

Ten percent of the residential property owners in Killingly returned a data mailer with changes noted. According to the assessor, "Half required a value change...the other half were minor clerical changes that didn't affect value." Of those data corrections that affected valuation, half resulted in value increases and the other half necessitated decreases in value.

The Windsor assessor sent data mailers residential property owners in the town in conjunction with each of the last three revaluations, requesting their return even when there were no corrections to a property's recorded data.

Residential taxpayers in Windsor have returned data mailers for 9,124 real property parcels, in which they verified the accuracy of the data in the assessor's records. (These data were compiled at the time each property was last measured and listed and have been continuously updated to reflect changes for new construction or demolitions.) With respect to the remaining 869 residential property parcels in the town, a data mailer has not been returned or the information a property owner supplied does not match that in the assessor's records.

According to the assessor, more than 91% of the owners of 9,993 residential real property parcels located in Windsor have verified the data used to value their properties.

In addition to using data mailers, the Windsor assessor and a revaluation company employee conducted a drive-by inspection (or field review) of all improved residential, commercial and industrial properties for each revaluation following the one in which all real property in the town was last measured and listed. Also, Windsor is one of the towns in which information concerning real estate, including a digital image of each improved real property parcel, is available on a web site.

In a Memorandum dated May, 4, 1999, Town Attorney Vincent W. Oswecki, Jr., issued a legal opinion concerning the Windsor assessor's data verification and property inspection procedures as described above. The following excerpt is from that Memorandum:

“...Your methodology allows for a voluntary declaration similar to what is done with respect to personal property. It is less intrusive and more respectful of the homeowner’s privacy. It also avoids the complexity of seeking an administrative search warrant where a homeowner objects to you or a revaluation company employee entering their living quarters. Unless the Office of Policy and Management of the State of Connecticut under *Connecticut General Statutes* Section 12-2(b) issues a pronouncement or interpretation of what is meant by ‘view by physical inspection’, there can be no definitive answer as to what methodology would satisfy the statutory requirement. Section 12-62(e) gives us some comfort that the assessor may establish the ‘methodology’ to accomplish the inspection or ‘view by physical observation’.

One omission, however, I think should be addressed in your methodology is that there is no indication that you or the revaluation company will view unimproved residential, industrial and commercial property. I can understand why you might not do this, but the statute does not make any exception for the obligation to ‘view by physical inspection’. It requires the inspection of ‘all’ real estate. *Connecticut General Statutes* Section 12-62(3) gives the assessor any time from June 27, 1997 to October 1, 2009 to make the physical inspection and then no later than 12 years following the preceding inspection.

In summary, I find no requirement that the assessor enter the interior of each and every house or building personally or through the revaluation company. However, our procedures should ensure that each and every property, whether improved or unimproved, be inspected by the assessor or revaluation company. Being present on the property, taking a digital image of the property, recording that digital image and comparing it with existing data would be one method to satisfy the statutory requirement of an inspection. Please note that the statute is silent as to the assessor’s ability to delegate this responsibility to anyone but a revaluation company. Since you are given discretion as to the methodology to be employed, I think you have some latitude in this area. However, I do not believe you have any latitude to exclude any properties from the inspection.”

Field Reviews

A field review of all or a portion of the real property in a town generally occurs prior to the completion of a revaluation. The field review procedure is not unique to Connecticut – assessors in many other taxing jurisdictions also conduct field reviews as part of the revaluation process.

As the name implies, a field review requires the reviewer’s physical presence in the neighborhood in which real property is located.

During a field review, the reviewer compares each property’s new valuation with the recorded data for the property and its observable characteristics. The objective

is to ensure that each property's value is appropriate and that it is consistent with the values of other like properties in the area.

Assessors in Massachusetts conduct revaluations more frequently than those in Connecticut. Additionally, staff of the Massachusetts Department of Revenue provides oversight regarding revaluation programs administered by that state's assessors. The following excerpts are from *Guidelines for Development of a Minimum Reassessment Program*, issued by the Massachusetts Department of Revenue, Bureau of Local Assessment:

“Regardless of the method employed to value property, the assessors must also review the new values for sold and unsold properties in the field to ensure valuation consistency and uniformity...

1. Where a reassessment program provides for the development and implementation of a new valuation system or a data conversion program (manual or automated), a full field review of all data and the new valuations of all parcels must be conducted. This is required regardless of whether (1) a new data collection is being undertaken or (2) existing property inventory data is being used...
2. In all other types of reassessment programs, including an upgrade of a current appraisal system, a field review of a sufficient number of properties must be conducted to verify that the application of the valuation methodology employed has resulted in the uniform and consistent valuation of comparable sold and unsold properties. The extent of the valuation field review activities required will depend on many factors including, for example, the results of data quality studies, sales adjustments made, and the review appraiser's familiarity with the community's valuation system and property. The field review should include a review of the data and new valuations of all sales and a representative sample of unsold properties.
3. Assessors must keep comprehensive records documenting the review and its results. If systematic errors are identified, appropriate corrective measures should be taken. Therefore, the field review, whether full or partial, must be completed early enough in the valuation process to allow for corrections.”

The Regulations of Connecticut State Agencies concerning performance-based revaluation testing standards (which are described in greater detail beginning on page 25) contain a similar, though less specific, requirement in subsection (b) of §12-62i-4:

“A review of all real property values derived from the revaluation program shall be conducted. The process by which the review was conducted shall be put in writing and all changes in valuations effected during the review shall be documented.”

This review requirement applies to one of the two regulatory standards only. Furthermore, a field review is not specifically required.

Connecticut's Statutory Valuation Requirements

Various statutory provisions address the valuation of real property in Connecticut.

The provisions of subsection (b) of CGS §12-62a require towns to "...assess all property for purposes of the local property tax at a uniform rate of seventy per cent of present true and actual value, as determined under section 12-63."

Pursuant to the requirements of CGS §12-63, the present true and actual value of all real property (other than certain farm, forest or open space land) must be "the fair market value thereof and not its value at a forced or auction sale."

The method of valuing income-producing property (excluding residential property of six or fewer units, when the owner resides in one of the units) is set forth in CGS §12-63b. This statute provides that when "...there is insufficient data in such town based on current bona fide sales of comparable property which may be considered in determining such value" assessors must:

"...determine such value on the basis of an appraisal which shall include to the extent applicable with respect to such property, consideration of each of the following methods of appraisal: (1) Replacement cost less depreciation, plus the market value of the land, (2) the gross income multiplier method as used for similar property and (3) capitalization of net income based on market rent for similar property."

Subsection (b) of CGS §12-63b defines market rent as "the rental income that such property would most probably command on the open market as indicated by present rentals being paid for comparable space." This subsection also requires assessors to consider actual rental income under the terms of an existing lease.

Pursuant to CGS §12-63c, assessors have the authority to require owners of income-producing properties to provide information concerning the revenues such properties produce and the costs to operate them.

An assessor is prohibited by CGS §12-63d from changing the assessed value of real property from one assessment year to the next "...solely on the basis of the sale price of such parcel in any sale or transfer of such parcel." Under Connecticut law, property is treated the same for tax purposes regardless of whether or not a transfer of ownership occurs. This statute also recognizes the fact that a property's sale may not represent a fair market transaction.

Real estate that is subject to taxation is described in CGS §12-64, as amended by Section 2 of Public Act 03-269. This statute provides for a separate assessment in a lessee's name in certain cases. Additionally, it requires assessors to determine the percentage (not exceeding 100%) of each real estate parcel's present true and actual value.

Computer-Assisted Mass Appraisal

A Computer-Assisted Mass Appraisal (CAMA) system is needed in order to estimate the current fair market value of real property in all but the smallest of taxing jurisdictions. These are automated systems that contain property inventory data and (according to the International Association of Assessing Officers' *Standard on Mass Appraisal of Real Property*, most recently updated in February of 2002) allow assessors to "rely upon valuation equations, tables, and schedules developed through mathematical analysis of market data."

In the early 1990s, only a handful of Connecticut assessors had use of a CAMA system. Today, such a system is located in the vast majority of assessors' offices. (The assessor of Scotland is the only respondent to the *Questionnaire* who reported not having a CAMA system.)

The recent change in CAMA system availability is due in large part to the financial assistance program that CGS §12-63f provides. To date, the State of Connecticut has paid a total of nearly \$3.5 million in grants to towns for the development and modification of CAMA systems. (Currently, claims totaling \$600,000 await final approval and \$280,000 is available for the payment of grants in the current fiscal year. The Office of Policy and Management must obtain a bond authorization for the \$320,000 needed to pay the remaining claims.)

The design of a CAMA system provides for the computation of estimated fair market values for all real property based on unit values (such as the value per square foot). Unit values are determined on the basis of analyses of current market data in conjunction with three nationally recognized mass appraisal valuation methods: the comparable sales approach, the cost approach and the income approach. The valuation method that is used depends on the type of property being valued and the availability of data.

Generally, the comparable sale approach is most applicable to residential property because sufficient data are available regarding homes of different types that sell under fair market conditions. Under this approach, property characteristics, or variables, that impact the prices paid for properties are determined, as are their relationships to those prices. A determination is made of the necessary adjustments to a CAMA system's valuation tables for such variables, so that all property of a similar type can then be valued using a mathematical formula.⁷

Recent fair market sales data may indicate, for example, that colonial homes of 2,400 square feet of similar age and condition on a one-acre lot are commanding a price of \$410,000 in some neighborhoods. Based on an analysis of vacant land sales, an assessor may determine that a one-acre lot value of \$155,000 is justified. The value of the home is, therefore, approximately \$106.25 per square foot. All similar colonial homes in that neighborhood should be valued at roughly that amount per square foot, with appropriate value modifications made for different characteristics (e.g., the existence of central air conditioning or another such amenity in some homes, but not others).

The cost approach (as cited in CGS §12-63b) is the most commonly used method of valuation. It is applicable to all types of improved property due to the fact that one can always establish the replacement cost – the cost to replicate a building, structure or other improvement (e.g., fencing or a paved parking lot) today. This valuation method is particularly useful in estimating the value of real property for which a sufficient number of comparable sales do not exist.

An assessor determines current construction costs, including labor and materials, for various types of improvements and enters them into a CAMA system (again, on a unit value basis) in order to determine the replacement cost of each improvement. The replacement cost, less depreciation from all sources, equals the estimated value of the improvement. By adding the depreciated replacement cost of the improvement to the market-based value of the land, the total property value is determined.

For the income approach, a capitalization rate is developed and used to convert market-based net operating income into value, again by applying a mathematical formula. A capitalization rate reflects the current annual dollar amount of a return on a real estate investment, as well as the amount a typical investor expects to recapture when selling the property. Net operating income for various property types (i.e., market rent minus typical operating expenses) is determined based on information that owners of income-producing properties provide assessors.

Each of these valuation methods uses current market data analyses. The comparable sales approach uses recent prices paid for similar properties in fair market transactions and an analysis of the contributions of salient property characteristics to those prices. The cost approach uses current construction cost data and an analysis of fair market sales to determine applicable depreciation factors that will account for each property's total accrued depreciation at the time it is valued. The income approach uses both current income and expense information and a capitalization rate composed of current mortgage interest and equity rates.

The International Association of Assessing Officers' February 2002 *Standard on Mass Appraisal of Real Property* describes these mass appraisal valuation methods in much greater detail than can be provided here, as do various text books that organization publishes.

Property Valuation Appeals

The provisions of CGS §12-55, as amended by Section 1 of Public Act 03-269, require assessors to send property owners a written notice of an increase in value over the value that previously determined the owner's assessment. While this requirement is applicable with respect to real or personal property valuation increases in any assessment year, CGS §12-55 provides that increase notices in a revaluation year are sent pursuant to subsection (f) of CGS §12-62.⁸

Information concerning the manner in which a taxpayer may file an appeal hearing request with a town's Board of Assessment Appeals is included in a valuation

increase notice. Assessors mail these notices on or after the assessment date and on or before the tenth day following that on which the grand list is signed.

Although not required by law, assessors also generally provide an “informal appeal” process before signing the grand list in a revaluation year. The term “informal appeal” distinguishes an appeal that a taxpayer makes during a meeting with a person who is not a member of a Board of Assessment Appeals, from an appeal made to that board.

In a revaluation year, property owners receive notice that that they may schedule a meeting to discuss a valuation with which they disagree. During informal appeals, taxpayers are able to correct any factual errors concerning their properties and often obtain information about the revaluation process.

A taxpayer who is dissatisfied with the outcome of an informal appeal can request a hearing with the members of a Board of Assessment Appeals, pursuant to CGS §12-111, as amended by Section 3 of Public Act 03-269.

If dissatisfied by the decision a Board of Assessment Appeals renders, a taxpayer may file an appeal with the Superior Court for the district in which the taxpayer’s property is located, pursuant to CGS §12-117a.

Measuring Assessment Levels

For each property that sells under conditions that make the transaction a fair market sale, the relationship between the property’s assessment and its selling price is the measure of the property’s current level of assessment. This relationship – the assessment divided by the selling price – is the property’s sales/assessment ratio.

A home that sold for \$170,000 in September of 2001 could easily have a fair market value of \$255,000 today. If the town in which the home is located implemented a revaluation on October 1, 2001, the assessment of this residential property is approximately \$119,000. As a result, the current level of assessment for this home is 46.7%, rather than the 70% assessment level effective in the revaluation year.

Similarly, a commercial property that sold for \$185,000 in September of 2001 may have a current fair market value of \$222,000. Based on the same revaluation implementation date, its assessment is \$129,500 – 58.3% of the property’s current value.

By looking at the total of sales/assessment ratios for all property of a similar type, one can determine, in a general way, the current level of assessment for different property classes. The difference between the current level of assessment for each property class and the 70% assessment level effective in a revaluation year is an indication of market trends that have occurred since property values were last equalized.

Pursuant to CGS §10-261a and CGS §10-261b, the Office of Policy and Management determines annual sales/assessment ratios for various property classes and uses them to develop an Equalized Net Grand List (or full-value estimate of all taxable property) for each town.

Based on data for property sales occurring between October 1, 2002 and September 30, 2003 as reported to the Office of Policy and Management, the City of Hartford's residential sales/assessment ratio is 43.2%, and the sales/assessment ratio for the commercial, industrial and public utility property class is 61.3%.

These data mean that, overall, residential property values increased at a substantially greater rate than did nonresidential property values in Hartford, since the city's 1999 revaluation last equalized all real property valuations.

From all available evidence, Hartford is not alone. Residential property values in various towns throughout the state have risen more dramatically than have those of nonresidential properties – especially given the real estate market over the past several years.

The Recent Residential Real Estate Market

In June of 2004, MSNBC.com published *Home Prices, State By State*, a comparison of national home prices that placed Connecticut among the states with the greatest percentage increase in home values between 1999 and 2004. Connecticut's 50.5% increase in residential home prices over this five-year period was the twelfth highest rate of increase in the nation.

The following excerpt is from a July 23, 2004 *Hartford Courant* article by Kenneth R. Gosselin entitled *Home Sales May Be Cooling*. The article discusses mortgage interest rates and single-family home sales in the Greater Hartford region:

“The average sales price rose a meager 1.39 percent, to \$262,400 in June, compared with \$258,793 the same month a year ago. That was the smallest increase since June, 2001 and the second lowest since the Greater Hartford Association of Realtors began tracking averages in 2000.

The modest gains in sales prices in June are striking. In recent years, sales prices have galloped upward, typically at a double-digit pace when monthly results are compared with the same month a year earlier.

Thirty- and 15-year, fixed-rate mortgages had been rising, but in the last month have slipped back. However, economists forecast that they will rise in the long run as economic recovery gains momentum.

No one sees housing prices in Greater Hartford taking a dive the way they did in the early 1990s. Demand has consistently outpaced new construction, a prime reason that home values have risen so robustly.”

A November 5, 2004 *Hartford Courant* article entitled *Hartford Leads Area Growth of Home Prices* by Mike Swift states, in part:

“A new survey by the Capitol Region Council of Governments found that the median housing price in Hartford jumped by 76.5 percent between 1994 and 2004, the largest increase by percentage in the 29-town region...

At a median sale price of \$148,300 in 2004, Hartford’s median...is less than half that of the priciest town, Avon, at \$361,665. But Hartford’s housing values match a surge in values in other Connecticut cities, notably in New Haven and Bridgeport.”

And, according to a November 25, 2004 *Hartford Courant* article entitled *State’s Home Sales Plunge* by Kenneth R. Gosselin:

“Sales of single-family homes in Greater Hartford slowed dramatically in October, the strongest sign yet that the area’s hot housing market is cooling off.

But despite weaker sales, home prices in the 57-town region continued to rise in October, making double-digit gains in both average and median sales prices.”

Property Tax Burden Shifts

One need only look to Somers (one of the towns located in the Greater Hartford region) to understand the impact of the recent real estate market on residential property values and the property tax burden shift that can result from a revaluation.

Real property values established for the town’s 2002 revaluation indicated that there had been a higher rate of value increase for residential properties than for nonresidential properties.

Under the town’s proposed budget for the fiscal year commencing July 1, 2003, the average residential property tax bill would increase by slightly more than \$500. Town electors defeated the proposed budget by 93 votes. The votes to defeat the budget were an apparent expression of displeasure with the property tax shift from nonresidential property to residential property.

However, proposed budgets are defeated in Connecticut towns each year, even when revaluation implementation is not part of the equation. According to data obtained from The Connecticut Advisory Commission on Intergovernmental Relations, 37 towns (excluding Somers) required more than one vote of their legislative bodies in order to approve a proposed budget for the fiscal year commencing July 1, 2003. Only 11 of these towns had implemented a 2002 revaluation. The legislative bodies of the other 30 towns that implemented a 2002 revaluation required only one vote to approve their budgets.

The 2002 revaluation that Somers conducted did not entail measuring and listing all real property and, according to then First Selectman Dick Jackson, there were “many mistakes in square footage” in the records used to determine values.

And yet, only 295 real property owners (representing approximately 5% of the town’s total number of real property accounts) requested an appeal hearing before the Board of Assessment Appeals. The number of appeals was normal for a revaluation year, according to Board of Assessors member Robert Loubier, Jr.

The Somers Board of Assessment Appeals voted to reduce 100 property valuations, increase valuations for five properties and to make no changes with respect to the remaining 190 property valuation appeals.

Based on these data, it does not appear that there were major disagreements with the real property values derived from the 2002 revaluation.

However, subsequent to the proposed budget’s defeat, and over the objections of the town’s Board of Assessors, members of the town’s Board of Assessment Appeals and the town’s appointed assessor, the first selectman of Somers sought legislation to allow the town to abrogate the 2002 revaluation.

Responding to the Somers first selectman’s request, the state representative from the General Assembly’s 52nd District successfully initiated an amendment that became Section 2 of Special Act 03-18:

“Sec. 2. (*Effective from passage*) Notwithstanding the provisions of chapter 203 of the general statutes, the nonphysical property revaluation for the October 1, 2002, grand list conducted by the town of Somers and approved February 28, 2003, shall be null and void, provided the town meeting of the town of Somers votes that such property revaluation is null and void, that a new physical revaluation shall be conducted and completed for the October 1, 2004, grand list and that property values of real property in the town of Somers shall remain at the level assessed prior to such new revaluation. Nothing in this section shall delay any subsequent revaluations conducted by the town of Somers.”

As previously explained in this report, data from the real estate market are the basis of real property valuation estimates in a revaluation year. Real estate market data are not dependent on property inspections – property valuation increase rates for the different property classes in Somers would not have changed based on the measuring and listing of real property in the town for the 2002 revaluation.

Furthermore, the errors in square footage with respect to some of the real property located in Somers had existed at least since the previous revaluation was implemented, and could have existed since the last one that involved measuring and listing all real property.

Shortly after the enactment of Special Act 03-18, electors in Somers voted to nullify the 2002 revaluation. All real property valuations in the town reverted to the

assessment level established for the 1998 revaluation (with appropriate updates for property construction and demolition).

In accordance with Special Act 03-18, Somers is implementing a 2004 revaluation, for which all real property has been measured and listed. Since the town's previous revaluation was effective in 1998, the time period since the last equalization of real property values in Somers is six years.

The recent real estate market indicates a continuing increase in residential property values. As a result, the tax shift from nonresidential property to residential property in Somers could be the same or greater when the town's 2004 revaluation becomes effective, than it would have been based on implementation of the 2002 revaluation.

Mitigating the Impact of Revaluation

A town's legislative body can elect to phase-in real property assessments that increase as a result of a revaluation. A phase-in program defers the full impact of increased assessments in all classes of real property for a period of time. A town's legislative body chooses the time period, which cannot exceed four years.

Towns may adopt a phase-in program to mitigate the immediate effects of a revaluation under the provisions of subsection (e) of CGS §12-62a or CGS §12-62c. Each of these legislative provisions provides a different method of determining gradual increases in real property assessments.

Under subsection (e) of CGS §12-62a, each real property's assessment for the year prior to revaluation is subtracted from its new assessment. The difference is divided by the number of years over which phase-in will occur. The result is the amount of the annual incremental increase to each real property's pre-revaluation assessment. Subsequent to adopting this program, a town's legislative body may vote to discontinue it in accordance with the provisions of subsection (f) of CGS §12-62a.

To determine the annual rate of assessment increase under CGS §12-62c, one subtracts the overall sales/assessment ratio existing prior to the revaluation from the 70% assessment rate effective in the revaluation year. The difference, divided by the number of years chosen for the phase-in, is the annual rate of assessment increase. A town's legislative body cannot vote to discontinue a phase-in adopted under CGS §12-62c once it is implemented.

Under both phase-in methods, the assessment of each parcel of residential and nonresidential real property reflects 70% of its revaluation-based fair market value after the phase-in term ends.

There is another program that a town's legislative body can choose to adopt following revaluation. As explained on the next page, this program mitigates tax increases for residential taxpayers only.

Property Tax Cap and Surcharge Program

The legislative body of the City of Hartford voted to defer the 2003 revaluation the city's assessor conducted. According to city officials, implementing the revaluation would have resulted in an average increase of 70% in residential property taxes.

Although due in large part to the different rate at which values increased for residential property as compared to the rates of increase for other property types in the four years prior to 2003, the city's ongoing Property Tax Cap and Surcharge program under CGS §12-62d also impacted the residential property tax increase that led to the city's decision to defer revaluation.

Pursuant to CGS §12-62d, a program of property tax credits and surcharges applicable to different property types is available following the implementation of a revaluation that results in an effective tax rate of at least 1.5% on all residential property.

Section 12-62d of the Connecticut General Statutes allows an eligible town to grant property tax credits to residential real property owners and to apply a tax surcharge (capped at 15%) to real and personal property classified as commercial, industrial or public utility. The surcharge subsidizes the revenue loss resulting from residential tax credits.

Hartford instituted this program in Fiscal Year 1991 based on the results of its 1989 revaluation and the city has continuously provided property tax credits to residential taxpayers and charged a property tax surcharge to nonresidential taxpayers since then.⁹

Consequently, the commercial, industrial and public utility sector has been paying a greater percentage of Hartford's property tax burden than the residential sector has for more than a decade.

Moreover, this imbalance does not take into account differences in the percentage of fair market value increase that the nonresidential sector experienced, compared to the value increase for the residential sector, based on the 2003 revaluation.

Hartford's most recent revaluation was effective in 1999. Because the city opted to defer its 2003 revaluation until 2006, there will be a seven-year time period between revaluations in the city.

Unless there is a dramatic change in the real estate market affecting residential and nonresidential property in Hartford, there will be an even greater property tax burden shift when the city implements its 2006 revaluation, than the one that would have resulted from the 2003 revaluation.

Furthermore, the property tax cap and surcharge program will serve to exacerbate any property tax burden shift that eventually occurs in the City of Hartford.

Revaluation Testing Standards

Pursuant to CGS §12-62i, the Office of Policy and Management must adopt regulations “establishing performance-based revaluation testing standards which shall be used by each municipality in performing revaluations.”

The Office of Policy and Management hired Almy, Gloudemans & Jacobs (a nationally recognized property tax consultant based in Chicago, Illinois) to assist in developing the regulatory standards that CGS §12-62i requires. The consultant’s recommendations were included in a June 1997 report entitled *Performance-Based Testing Standards for Municipal Property Tax Revaluations*. The following excerpt is from that report:

- “1. *Ratio Standards* – Ratio standards measure the level and uniformity of the assessments generated from the revaluation. They provide standards for judging the quality of the revaluation.
2. *Procedural Standards* – Procedural standards are generally categorized as qualitative... [They] pertain to how key elements of a revaluation are performed.”

Based on the consultant’s recommendations, the section of the Regulations of Connecticut State Agencies entitled *Performance-Based Revaluation Testing Standards and Certification of Revaluations Performed by Towns*, became effective January 30, 2001.

There are two standards set forth in the regulations. They are the *Ratio Testing Standards* and the *Procedural Testing Standards* (i.e., §12-62i-3 and §12-62i-4, respectively, of the Regulations of Connecticut State Agencies).

Pursuant to these standards, the results of a revaluation or the method of its conduct must conform to certain nationally accepted mass appraisal processes and benchmarks that have been established by the International Association of Assessing Officers.

Each assessor must certify compliance to the Office of Policy and Management with one of the two standards the regulations embody, with respect to a revaluation implemented on or after October 1, 2002. If a certified revaluation company conducted all or part of the revaluation, the certification must include the signature of the company’s Supervisor.

Both standards (that requiring statistical testing of revaluation derived assessments and that governing the management of the revaluation process) require assessors to compile and maintain a file for all real property sales transactions. The file must include the assessor’s reason for determining that a property transaction is not a market sale.¹⁰

Also, both standards allow assessors to adjust a property’s sales price, for cause. Examples of such adjustments are the inclusion of personal property in the price paid for real estate, the existence of a lease for other than market rent, as defined

in CGS §12-63b, or the effect of changes in the real estate market that occur between the date a property is sold and the assessment date that is the effective date of a revaluation (i.e., time adjustment). Assessors must document the reasons for all adjustments that they make to the sales prices of property.

The importance of compiling and maintaining data for all real property sales transactions cannot be overstated, since the best indicator of any property's fair market value is the price paid for a comparable property.

The fact that both the *Ratio Testing Standards* and the *Procedural Testing Standards* contain identical requirements with respect to property sales data underscores their significance.

Ratio Testing Standards

In addition to satisfying the requirements concerning the compilation and analysis of market sales, assessors must perform certain tests prior to finalizing a revaluation under the *Ratio Testing Standards*. These tests measure assessment uniformity, both within and among property classes. Real property assessments derived from a revaluation are deemed equitable based on the results of these tests:

- (1) The overall level of assessment for all property classes must be within plus or minus ten percent of the required seventy percent assessment ratio (i.e., between 63% and 77%) as measured by the overall median ratio.

As defined in §12-62i-1(12) of the Regulations of Connecticut State Agencies entitled *Performance-Based Revaluation Testing Standards and Certification of Revaluations Performed by Towns*, the median ratio is "the value of the middle ratio in an uneven number of ratios arranged or arrayed according to size, or the arithmetic average of the two central ratios in an even number of ratios similarly arranged."

- (2) The level of assessment for each property class in which there are 15 or more market sales must be within plus or minus 5% of the median overall level of assessment for all property classes combined.
- (3) The coefficient of dispersion for each property class with 15 or more market sales must be equal to or less than:
 - a) 15% for all real property (i.e., all property classes combined);
 - b) 15% for residential property; and
 - c) 20% for commercial property and for vacant land.
- (4) The price related differential for all properties and for each property class in which there are 15 or more market sales must be within 0.98 and 1.03.

- (5) The result of the unsold property test result must be between 0.95 and 1.05.¹¹

If any one of these tests fails the criteria, the regulations require the assessor to “further analyze and refine the data elements or methods used in the revaluation” prior to finalizing the revaluation.

Additionally, the assessor must “revalue the parcels of real property for which a deficiency in either the level of assessment or the uniformity of assessments has been identified.”

Procedural Testing Standards

Almy, Gloudemans & Jacobs’ June 1997 report states:

“When a revaluation is made in conformity with legal requirements and professional standards, the resulting values can be presumed to be accurate estimates of the underlying market values.”

Under the *Procedural Testing Standards*, assessors must develop a written revaluation project plan prior to commencing a revaluation and must update the plan throughout the course of the revaluation. The plan must include, at a minimum, a list of activities, the party responsible for completing each activity and the time frame for completion. There must be periodic progress reports describing the work accomplished and what remains for each activity available for public inspection in the assessor’s office.

The *Procedural Testing Standards* also require assessors to have or create tools or processes essential to the revaluation project. These include up-to-date cadastral (or assessment) maps, updated property record files, a property inspection system, building permit monitoring system and a quality assurance program.

A quality assurance program must include a data collection manual that explains how to measure structures and how to select the most appropriate property characteristics of those available, a data review program to ensure that all essential property characteristics are entered into the property record file, and an audit trail that allows changes to be tracked (i.e., a record of who made each change, when each change was made and the value previous to each change).

The *Procedural Testing Standards* require assessors to establish, document and use criteria to identify comparable properties. Assessors must stratify real property parcels by property class and neighborhood. In addition, they must analyze market value trends and real estate price level changes.

Lastly, pursuant to these standards, assessors must review all real property values derived from the revaluation program. Assessors must describe the review process in writing and document all valuation changes resulting from the review.

Certified Revaluation Companies

Subsection (e) of CGS §12-62 allows assessors to “...designate a revaluation company certified in accordance with section 12-2b to view and evaluate or to evaluate...” real estate.

The assessor is the person ultimately responsible for the property values derived from a revaluation and must, pursuant to CGS §12-62(e), approve the valuation methods the revaluation company uses.

Pursuant to CGS §12-2b and CGS §12-2c, the Secretary of the Office of Policy and Management certifies revaluation companies and their employees.¹² A certified employee of a revaluation company must supervise all valuations that the company produces for a town. Certification is required for each employee of a revaluation company who estimates, sets or adjusts real or personal property values.

The requirements for revaluation company certification are contained in §12-2b-1 through §12-2b-5 of the Regulations of Connecticut State Agencies. Employee certification requirements are contained in §12-2b-6 through §12-2b-12 of said regulations. The provisions of §12-2b-13 through §12-2b-19 of said regulations set forth procedures for revoking, suspending or denying certifications.

Three levels of certification exist with respect to real property: Residential Value Estimation, Commercial and Industrial Value Estimation, and Supervisor. A total of 279 persons currently hold one or more of these three certification levels.

The following table shows a breakdown of the number of persons currently certified at these levels.

Number of Persons	Certifications Held
133	Residential, Commercial/ Industrial and Supervisor
45	Residential and Commercial/ Industrial
97	Residential
4	Commercial/Industrial

Not all of the persons who are certified at one or more of these levels are revaluation company employees. Some, for example, are assessors who have taken and successfully passed the required examinations.

Certifications for revaluation companies and their employees are valid for a five-year period. Renewal of a certification for an employee of a revaluation company is dependant on the person satisfying certain continuing education and experience requirements. With respect to revaluation companies, there are no requirements for certification or recertification, other than employing at least one individual certified as a Supervisor.

There are a limited number of companies performing revaluations for Connecticut towns. Although 28 companies are currently certified to perform real property valuations (or real and personal property valuations), not all of them actively pursue revaluation contracts.

According to data obtained from the Connecticut Association of Assessing Officers' web site (www.caaoc.com) and supplemented by responses to the *Questionnaire*, while 36 towns conducted revaluations in 2003 utilizing the assistance of a certified revaluation company or consultant, only 6 entities provided such services. In 2002, 8 certified revaluation companies or consultants provided assistance to the 30 towns that conducted revaluations.

Responses to the *Questionnaire* indicate an average response rate of slightly less than 34% to a Request for Proposal (an RFP) that towns recently sent to revaluation companies.¹³ Seven towns (each of which contacted four or fewer companies) reported a response rate of 100%. Three towns reported a response rate of 10% or less. (One of these three towns contacted 10 companies and received a response from only one.)

There are also towns that waive the bidding process, opting to use a revaluation company that worked on a previous revaluation for the town rather than sending an RFP.

In most towns, the company awarded a revaluation contract handles all aspects of the revaluation process. This can include inspections of all or some properties (or another means of verifying property characteristics that affect value), verification of market sales, income and expense data analyses and all real property valuation functions, as well as informal appeals.

Additionally, towns sometimes employ the services of a private fee appraiser to value specific properties, such as a ski resort, a large, complex manufacturing facility or a state prison.

Revaluation Costs

Each service that a town includes in an RFP that it sends to a certified revaluation company has a cost. Although towns do not always request a detailed separation of such costs in an RFP they prepare, this is becoming a more common practice. By requesting a cost separation for different activities, a town can provide for an alteration of the activities required in a service contract if the bids it receives are higher than anticipated. This is unlikely to occur if there is no separation of costs.

The price a revaluation company charges a town for the different services it makes available is dependent on a number of variables. According to information one assessor received in November of 2004 from a certified revaluation company and forwarded to the Office of Policy and Management:

“Prices depend on town size, town makeup, type of properties, waterfront or other major influences, the distance from our office (for travel and daily expenses) and other minor issues.

Also the biggest influence on price is the overall status of the CAMA system and data in the community. If the system is in place and the data is current and accurate the project is easier. If the town has the space and computers to support the valuation process then some savings may be realized. However...we find it more economical to do most data entry in our Corporate Office where we have trained staff.

Overall there are enough variables in each municipality that will vary the prices by 10% to 15% for most tasks.”

The company indicated that the cost to verify existing property data via measuring and listing differs from the cost to develop and record such data. For example, the per parcel cost to measure and list residential property in order to verify existing data could be approximately 35% less than the per parcel cost to develop such data for each improved residential property. There would be an additional cost for residential property valuation. Also, a separate price would be charged for field reviews related to residential property, which would be approximately 1/3 of the per parcel cost to verify existing data for such property via measuring and listing.

The per parcel cost for measuring and listing nonresidential property can differ by property type (i.e., commercial, industrial or public utility). Moreover, the cost per parcel to measure and list nonresidential property may be twice the per parcel cost to verify existing property data for improved residential property.

Typically, the cost of field reviews for nonresidential property is included in the price revaluation companies charge for analyzing income and expense information and reconciling the cost and income approaches to value. Commercial and industrial property valuation also has a separate price.

Joint Contracts for Revaluation Services

Pursuant to CGS §12-62j, state grants were once available to towns that entered into joint contracts with other towns for the services of a revaluation company. The underlying concept was simple – reward those towns that attempted to save money by joining with another town(s) in contracting for services.

The state distributed a total of \$545,000 to those towns that were eligible for grants under CGS §12-62j by virtue of entering into joint contracts with certified revaluation companies. Even without the incentive provided by this grant program, which was repealed effective July 1, 2001 due to state budget constraints, towns continue to contract jointly for revaluation services.

Avon and Canton (two towns that share a single assessor) jointly contracted for the services of a certified revaluation company for the 2003 revaluations that these towns implemented. In response to the *Questionnaire*, the assessor estimated Avon’s savings at \$30,000, and Canton’s savings at \$60,000, due to the existence of the joint contract.

Suffield and Windsor also entered into a joint contract for revaluation company services for their 2003 revaluations. The assessors of these towns indicated in

response to the *Questionnaire* that Suffield saved approximately \$40,000, and Windsor saved approximately \$10,000, due to the joint contract.

In-House Revaluation

Almy, Gloudemans & Jacobs sent a brief survey to assessors in February of 1997 while preparing recommendations concerning performance-based revaluation testing standards. Eighty-eight assessors (representing 52% of Connecticut's towns) responded. One of the questions addressed expectations for the future. In summarizing the responses to this question, the consultant stated:

“[About] 35 percent indicated they expect to conduct the statistical revaluations in-house or with some technical assistance. For physical revaluations, the vast majority (93 percent) indicated they expect to continue to use contractors.”

The expectations expressed in response to this question remain unmet. The vast majority of towns continue to hire certified revaluation companies for every revaluation they conduct, rather than conducting an in-house revaluation (i.e., a revaluation that a town's assessment personnel accomplish without outside assistance, or with very limited assistance).

The reasons for the continued wide-spread use of revaluation companies appear to vary. Some assessors may feel that hiring an outside contractor provides a more unbiased approach to valuing property. Others may feel that the joint certification of compliance with the *Ratio Testing Standards* of the Regulations of Connecticut State Agencies by the assessor and an outside contractor carries more weight than certification by the assessor alone.

Additionally, some towns employ part-time assessors who simply cannot devote the time required to conduct a revaluation program in-house. In fact, 22% of the assessors who responded to the *Questionnaire* indicate that they are part-time employees who work an average of 14.7 hours per week. Another 12% of respondents indicate that they are full-time employees who work an average of 30 hours per week.

Most towns employ full-time assessors who work 35 hours per week. Even in these towns, however, assessors with inadequate support staff would have a difficult time conducting an in-house revaluation and simultaneously accomplishing all other on-going assessment functions.

To date, only six municipalities (Bristol, Hartford, Mansfield, Morris, Milford and Waterbury) report having conducted a revaluation in-house or with some limited technical assistance.¹⁴

Milford hired a full-time deputy assessor to oversee its 2000 in-house revaluation and hired assessors from other towns to conduct informal appeals. The City of Milford estimates that it saved nearly \$1 million by conducting the revaluation using its own personnel and other assessors, rather than a certified company.

Mansfield hired a consultant, at a cost of \$40,000, to assist the assessor in completing the town's 2000 revaluation. The assessor inspected all recently sold properties and those for which building permits were outstanding. Overtime costs for permanent staff were \$15,000, and the town hired interim staff (at a cost of \$8,500) to conduct informal appeals. The Town of Mansfield estimates that it saved \$270,000 by conducting an in-house revaluation with some outside support.

In Waterbury, the assessor conducted an in-house revaluation for 2002. The city's assessor estimates that the cost to outsource the revaluation would have been approximately \$750,000. Instead, the city spent less than 10% of that amount (i.e., \$50,000 to hire a project consultant and approximately \$20,000 on overtime costs for staff of the assessor's office). Because the city also effected a 2001 revaluation, market data collection and analyses encompassed a one-year period only. Waterbury also benefited from the fact that three members of the city's assessment staff have revaluation company experience.

Bristol's assessor conducted the city's 2002 revaluation in-house, at a total cost of \$225,520. The assessor's staff inspected 904 properties for which building permits were outstanding and conducted informal appeals. The city paid overtime costs of \$7,500 for permanent staff, and hired interim clerical staff at a cost of \$16,000. Additionally, the city hired consultants at a total cost of \$175,000 and incurred the costs of printing and mailing property questionnaires, as well as purchasing laptop computers and other supplies. Because the bid range received in response to an RFP the city issued for outsourcing the 2002 revaluation was \$366,700 to \$455,200, the Bristol assessor estimates the city saved a minimum of \$141,180 by conducting the revaluation in-house.

Hartford spent \$60,000 for temporary clerical staff to allow full-time assessment staff to conduct the city's 2003 revaluation, which the city subsequently chose not to implement. Although the city's assessor did not provide an estimate of the amount Hartford saved by conducting an in-house revaluation, it is assumed that the city would have spent as much outsourcing the revaluation as the City of Stamford did (i.e., approximately \$750,000), based on the similarities between the two in terms of population, amount of residential and nonresidential property, etc., and the fact that in both jurisdictions all real property was revalued in 2003.

Recently, assessors of some of the state's smaller towns have begun to conduct revaluations in-house. One example is Morris. The town's 2004 revaluation is nearly complete and the town has spent a total of \$46,000 to date. The Morris assessor estimates the town's savings at between \$30,000 and \$50,000, due to the in-house nature of the revaluation.

Willington is another example of a smaller town whose assessor has taken on more revaluation-related functions. The assessor of Willington visited 1/3 of the town's residential real estate parcels in the four months preceding the effective date of the town's October 1, 2003 revaluation, and visited all other residential properties in the two years prior to that date. The assessor walked around the perimeter of each building to compare observations regarding size and condition with attributes listed on each property record card. The town hired a certified revaluation company to inspect commercial and industrial properties only. The revaluation company updated cost schedules in the town's CAMA system for

valuation purposes and printed and mailed property valuation increase notices. Revaluation company personnel also conducted informal appeals, but town staff scheduled appointments for such appeals.

The per parcel cost of Willington's 2003 revaluation reflects the assessor's in-house effort – the cost for the revaluation company's services was \$11.75 per parcel. This is far less than the per parcel cost when a revaluation company handles a greater portion of the revaluation process.

By comparison, Bloomfield's cost for a 2004 revaluation is \$42.28 per parcel. In addition to inspecting the interior and exterior of 91% of the improved real property parcels in the town, analyzing income and expense data, developing cost schedules and estimating values, updating data, handling software conversion and training the assessor's staff in the new software, the revaluation company that Bloomfield hired was also responsible for conducting field reviews, taking digital images of all real property in the town, creating a web site, preparing and mailing valuation increase notices and scheduling and conducting informal appeals.

With respect to every revaluation, whether performed by a certified revaluation company or an assessor who has sufficient qualified staff support, the assessor is ultimately responsible for all real property valuations.

Regardless of the savings that towns achieve by either jointly contracting for revaluation company services or by performing many of the required functions in-house, it remains true that the revaluation process is time-consuming and costly.

And, the cost of a revaluation encompassing full inspections of all real property is greater than the cost of one that does not.

Summary of Findings

- Revaluation is a necessary local governmental function that exists to equalize real property assessments and resultant property tax burdens.
- The longer the period of time between revaluations, the greater is the potential of exacerbating shifts in the property tax burden among property classes. For this reason, the trend in taxing jurisdictions across the nation has been to reduce the time period between revaluations.
- Given the recent real estate market in Connecticut, even a relatively brief period of time between revaluations can lead to dramatic transfers of property tax burdens among property classes. This occurred recently in many towns due to the disparate rate by which residential property values increased, as compared to rate of valuation increase for other property classes.
- Complaints about property tax increases (especially those voiced by residential property owners) rather than the policies and regulations governing revaluation, appear to be the impetus for legislation enacted in 2003 and 2004.
- An unintended effect of recently enacted legislation may be an increase in municipal costs in years to come, based on the fact that there will be greater demand for the services of certified revaluation companies in certain years, and a lesser demand in others.
- Such legislation may also result in an intensification of property tax burden shifts when towns that opted to defer revaluation ultimately equalize real property assessments.
- Property inspections are a means of collecting data. For every revaluation that occurs, some property inspections take place.
- Requiring inspections of all real property for a specific revaluation (rather than allowing them to occur over time) is a disincentive to more frequent revaluations.
- More frequent revaluations should be encouraged. Equalizing the real property tax base more often to eliminate assessment level inequities can mitigate the impact of property tax burdens shifts between real property classes, or among taxpayers within a property class.

Conclusions

The Office of Policy and Management believes that certain amendments to CGS §12-62 and to other revaluation-related statutes must be made immediately. Legislative action is also required to approve changes to the *Ratio Testing Standards* of the Regulations of Connecticut State Agencies that the Office of Policy and Management will soon propose. A discussion of each recommendation requiring legislative action begins on the following page and legislation to support the recommendations begins on page 49.

Additionally, there are certain actions that do not require legislative action but that would support a greater understanding of the revaluation process.

There must be a local effort to make taxpayers understand the inequities in assessment levels that a revaluation eliminates. For example, towns should be encouraged to publish measures of assessment levels for different property classes (sales/assessment ratios) in their annual reports. Assessors receive reports of all real estate transactions by the end of the month following that in which each such transaction occurs. As a result, a town's annual report could reflect sales/assessment ratio data established two months prior to the report's publication date. An explanation of the overall market trends these data indicate for various property classes would assist taxpayers in understanding the inequities in assessment levels that may have developed as a consequence of the real estate market.

Town officials must also reinforce the fact that taxpayers have a responsibility in terms of ensuring the accuracy of the assessor's data regarding their properties. Assessors cannot be responsible for valuation errors that result when taxpayers choose not to verify the data in their property records or do not allow entry to their properties for inspection purposes.

A concerted effort to provide local policy makers with the information they need to help them reduce revaluation costs is also essential. The chief executive and financial officers of Connecticut's towns should share information concerning the benefits of conducting an in-house revaluation or jointly contracting for revaluation services. Towards that end, a periodic symposium on the issue of revaluation held in various regions of the state would be ideal. The Connecticut Advisory Commission on Intergovernmental Relations should be encouraged to establish such a program, by working with regional planning agencies and regional councils of governments throughout the state, as well as with the Council of Small Towns and the Connecticut Conference of Municipalities.

For some time, the Connecticut Association of Assessing Officers has been working on developing a course specifically to address revaluation. The course would supplement other assessment and property valuation courses that the association offers on an annual basis. Although the earliest that a course devoted solely to revaluation could probably be offered is at the *Annual School for Assessors and Boards of Assessment Appeals* that will be held in June of 2006, such a course can only benefit Connecticut's assessment community.

Statutory Recommendations

CGS §12-62

Connecticut law should not distinguish between a “revaluation by statistical means” and a “revaluation by physical inspection.”

Every revaluation is statistical in nature – the analyses of market-based data and valuations derived via use of a CAMA system are at the core of each.

Inspecting property is a process of collecting or verifying property data – it is not a means by which property is valued. Every revaluation entails inspections of certain properties (such as those that recently sold or those for which building permits are outstanding).

And, the result of every revaluation (even one for which all real property is not fully inspected) is an assessment that reflects 70% of the estimated fair market value of each real property parcel.

Section 12-62 of the Connecticut General Statutes should define full property inspections (i.e., measuring and listing). The statute should allow assessors to conduct a full property inspection at any time, but should not require full inspections of all real property for a specific revaluation date. Additionally, the statute should not require a full inspection of any real property parcel more than once during a specified time period.

Prior to the 2004 amendment to CGS §12-62, assessors could view property by physical inspection over a twelve-year period, with revaluations occurring every four years. Assessors could fulfill the inspection requirement if a physical inspection occurred at any time between June 27, 1997 (the effective date of Public Act 97-284) and October 1, 2009.

Revaluations are now required every five years and the statute should allow assessors to fully inspect property over a ten-year period. The beginning date of the ten-year period should be the assessment year during which the last inspection occurred. It is more logical to cite an assessment year as the beginning date, rather than the effective date of a prior amendment to CGS §12-62, since property inspections occur throughout each assessment year.

As previously stated in this report, there is currently an imbalance in the number of towns (and the number of real estate parcels) subject to revaluation each year. This imbalance will have a negative impact on municipal costs. Extending the date by which property inspections can occur provides the potential for cost reductions.

Essentially, CGS §12-62 should provide that full inspections of property occurring between the 1996 and 2009 assessment years satisfy the ten-year requirement for revaluations effective on and after October 1, 2003 and on or before October 1, 2010. Assessors who have a sufficient number of staff members can arrange for their employees to complete such inspections as time permits. Assessors who do

not have sufficient staff will presumably continue to out-source the measuring and listing process, and many will provide that such inspections occur as close to a particular revaluation's effective date as possible. The option will exist, however, for towns that out-source such inspections to arrange for them to occur over time.

Since other methods by which assessors can verify property inventory data exist, measuring and listing all real property in a town may not always be necessary. One can certainly argue that there is no cost benefit in measuring and listing a house of religious worship that remains on the tax exempt grand list for the duration of its existence.

There may be a way to provide for fewer full inspections of taxable real property during the time period the statute specifies, especially since gaining entry to the interior of each property is more difficult today than in the past. And, as one assessor submitted in response to the *Questionnaire*: "Some inspections are necessary but how much can a 960 square foot ranch change without it being visible from an exterior view?"

Property data questionnaires are a valuable means of information gathering and verification and CGS §12-62 should provide assessors with the authority to send them to taxpayers. By instituting a process in which such questionnaires are routinely sent, assessors can help taxpayers understand that they have a responsibility with respect to providing information or verifying the accuracy of the assessor's data for their properties.

Presumably, assessors would attempt to inspect those properties for which they do not receive a property data questionnaire response and would (consistent with current practice) arrange for a property inspection when an owner requests one because of a significant change to a property.

An assessor could send a questionnaire listing a property's characteristics to every real property owner and ask the owner to verify the information listed or correct any inaccuracies, and to sign and return the questionnaire. Or, the assessor could choose to send such property data questionnaires to a subset of real property owners. This data verification process could occur over several years or during the assessment year prior to that in which a revaluation is conducted.

Testing the quality of questionnaire responses will allow assessors to determine whether there is a need to fully inspect all real property parcels. An assessor who receives a sufficient response level and institutes a quality assurance program regarding the responses may be able to arrange for a fewer number of real estate parcels to be inspected within the inspection period that the revaluation statute provides. This is another means by which to reduce revaluation costs.

For instance, the assessor could choose a representative sample of properties to inspect as a way of testing the quality of the responses. Properties that make up the testing sample could include those for which property owners verified the assessor's data and those for which owners made corrections to that data.

The Office of Policy and Management does not believe it would be prudent to set forth statutory parameters for such a quality assurance program. Each town's

assessor must determine the type of quality testing to use, based on the assessor's knowledge of real property in the town and the information received from property owners.

Ultimately, each assessor is responsible for the valuations that determine a property owner's tax liability. It should be within an assessor's purview, therefore, to determine the appropriate method of collecting and verifying the accuracy of data used to develop such valuations for each revaluation.

A field review ensures that new property valuations are uniform and consistent with respect to comparable sold and unsold properties. Such reviews are essential and should be required for every revaluation.

A change in a property's overall condition observed during a field review can result in a correction to the data used in its valuation. Additionally, such a review can be a source of information regarding changing neighborhood conditions that may impact property values.

A field review (which one can argue falls within the legal definition of "inspection") is typically part of every revaluation program – most towns already provide for such a review as a contractual condition with a certified revaluation company. As a result, requiring a field review for each revaluation does not place an undue burden on towns. Furthermore, such reviews are necessary both to ensure accurate and uniform valuations and to bolster taxpayer confidence in the revaluation process.

A number of assessors have expressed a desire to revalue real property more often than once every five years. Because more frequent revaluations have the potential to mitigate substantial property tax burden shifts, they should be encouraged. And yet, Connecticut's current statutory revaluation provisions make the real property assessment equalization process too costly for towns to implement more than once in every five-year period.

Subdivision (2) of subsection (h) of CGS §12-62 now provides that a town that implements a revaluation earlier than required must "...effect its next subsequent revaluation for the assessment date commencing four years following the effective date of the revaluation so implemented." Coupled with the requirement to inspect all real property for every other revaluation, this provision simply makes it too expensive for assessors to revalue real property on other than a five-year cycle.

In addition to providing for a more equitable real property tax base, the incentive to revalue real property earlier than required could be the potential for municipal cost savings. For instance, a town scheduled to revalue real property in 2012 may decide to do so in 2011 instead, since current information indicates the town would be competing with a lesser number of other towns for the services of a certified revaluation company in that year.

No statutory provision, however inadvertent, should provide a disincentive with respect to equalizing real property assessments earlier or more often than the statute requires.

Local officials must have up-to-date information, however, regarding the number of towns conducting revaluations each year (and the number of real estate parcels located in such towns) in order to assess the cost benefits of implementing a revaluation earlier than required, conducting a revaluation in-house or jointly contracting with another town(s) for revaluation company services.

The Office of Policy and Management cannot currently provide such information, since Section 32 of Public Act 04-32 (May 11 Special Session) does not impose a deadline by which an eligible town must decide to defer a revaluation. Eligible towns must be required to approve such deferrals by a date certain and to notify the Office of Policy and Management of their subsequent revaluation implementation dates.

Unless assessors are provided with the option of conducting real property inspections over a ten-year period of time (rather than in conjunction with a specified revaluation date) and fully inspecting a fewer number of real estate parcels with respect to any given revaluation (provided they receive a sufficient level of response to property questionnaires and test the accuracy of those responses, or justify a fewer number of inspections by some other means), it is unlikely that they will be able to convince the chief executive and financial officers of their towns to revalue real property earlier or more often than required.

Any delay beyond the five-year cycle for revaluation that currently exists has the potential to further exacerbate assessment inequities and result in even greater shifts in property tax burdens upon revaluation implementation. As a result, the provision in CGS §12-62(d)(3) allowing a town to enter into a Memorandum of Understanding with the Office of Policy and Management to delay a revaluation must be removed.

Also, the penalty provisions of CGS §12-62(d) should be revised so as to preclude a penalty waiver unless extraordinary circumstances exist. The statute should specify that the Secretary of the Office of Policy and Management cannot grant a penalty waiver with respect to successive years, unless the General Assembly approves such an action. Additionally, the statute should include a mechanism by which state agencies receive notice of a penalty imposition so that they can appropriately reduce statutory formula grants-in-aid when required.

Lastly, there is no need for two separate statutes that contain penalty provisions related to revaluation. For purposes of clarity, all such penalty provisions (including those in CGS §12-62i, which are discussed in greater detail on page 43) should be part of CGS §12-62.

In summary, CGS §12-62 should:

- Define full inspections of property (i.e., measuring and listing).
- Allow measuring and listing of real property to occur at any time over a ten-year period beginning with the assessment year in which the last full inspection of real property occurred, but extend the inspection period for

revaluations effective on and after October 1, 2003 and on or before October 1, 2010.

- Require a field review of real property parcels in each neighborhood for each revaluation.
- Specifically authorize assessors to send property questionnaires to real property owners and provide that assessors who do so institute a quality testing program.
- Require the adoption of at least two performance-based revaluation testing standards, pursuant to the requirements that are currently contained in CGS §12-62i, and specify that a town must meet one such standard only.
- Clarify the penalty provision with respect to a town that does not implement a required revaluation or that implements a revaluation that does not meet one of the regulatory standards.
- Clearly require the Secretary of the Office of Policy and Management to notify the commissioners of other state agencies of the need to reduce statutory formula grants-in-aid by the 10% penalty amount.
- Allow the Office of Policy and Management to waive the statutory penalty if a town does not implement a revaluation and there is good cause for the town not doing so, but prohibit such a penalty waiver for consecutive assessment years absent the General Assembly's approval.
- Require eligible towns to notify the Office of Policy and Management when they choose to defer a revaluation pursuant to Section 32 of Public Act 04-2 (May 11 Special Session) and institute a date certain by which their legislative bodies must approve such a deferral.
- Require towns to notify the Office of Policy and Management when a revaluation is not implemented for any reason other than the granting of authorization for a postponement under CGS §12-117, as amended by Section 4 of Public Act 03-269.

CGS §12-62 should not:

- Distinguish in any way between a “revaluation by statistical means” and a “revaluation by physical inspection.”
- Allow towns to enter into a Memorandum of Understanding to delay a revaluation.

CGS §12-2b

The Secretary of the Office of Policy and Management should issue certifications to persons who estimate property values for a town during a revaluation process. It would be more appropriate to refer to such persons as “revaluation appraisers” in the applicable statutes and regulations.

During the 2003 legislative session, the Office of Policy and Management proposed legislation that would have eliminated the requirement that revaluation companies be certified (Section 3 of File Number 390). The basis for this proposal was that individuals, not companies, are tested and certified in the appraisal profession and that revaluation company certification is essentially the certification of a group of individuals.

However, based on events that occurred this year and the fact a certified revaluation company can consist of a single person certified at the level of Supervisor, the Office of Policy and Management no longer wishes to pursue such legislation.

The Secretary of the Office of Policy and Management had cause to institute an investigation of a revaluation company in June of 2004. Following the investigation, the Secretary of the Office of Policy and Management revoked the company’s certification and placed the three certifications held by the company’s sole employee under probation for the duration of their current certification periods.

This investigation revealed that the regulations concerning revaluation company certification need strengthening with respect to ethical requirements. While the Office of Policy and Management believes that current statutory provisions provide the agency with the authority to do so, an amendment to CGS §12-2b is being proposed to clarify this issue. Following the enactment of said amendment, the Office of Policy and Management plans to draft a regulatory amendment concerning ethical conduct requirements.

An additional change being proposed to CGS §12-2b will remove the provision requiring the Office of Policy and Management to advise towns in drafting contracts with revaluation companies. Given the reduction in agency staffing levels in recent years and the reallocation of various other statutory duties, it is not possible for the Office of Policy and Management to provide this detailed level of assistance.

Staff of the Office of Policy and Management lack the expertise required to provide such assistance (especially given the myriad forms of contracts that exist). Additionally, the Connecticut Association of Assessing Officers has a committee devoted to revaluation that provides assistance to towns in this area. A duplication of these efforts is unnecessary.

Similarly, there should be no requirement that the Office of Policy and Management make inquiries into property tax collection practices and related record keeping. Not only is this a function that a municipality’s independent auditor already undertakes, but the Office of Policy and Management’s current and anticipated staffing levels make it impossible to comply with this requirement.

In summary, CGS §12-2b should:

- Require the Secretary of the Office of Policy and Management to certify revaluation appraisers and revaluation companies in accordance with regulations adopted pursuant to Chapter 54.

CGS §12-2b should not:

- Require the Secretary of the Office of Policy and Management to provide assistance to towns in drafting revaluation company contracts.
- Require the Secretary of the Office of Policy and Management to make inquiries into the collection of property taxes and related municipal record keeping.

CGS §12-62a(e) and CGS §12-62c

As previously explained in this report, towns have the ability to mitigate the property tax consequences of a revaluation by implementing a phase-in program that provides for gradual increases in real property assessments.

Two methods of phase-in exist under Connecticut law. One method is provided under subsection (e) of CGS §12-62a, and the other under CGS §12-62c. The difference between the two has to do with the way real property assessment increments are determined.

Both methods allow a phase-in term of up to four years – the revaluation year and the three years following.

In the past, when legislation altered the period between revaluations, the phase-in term was concurrently changed. Since the period between revaluations is now five years, the allowable phase-in term under CGS §12-62a(e) and CGS §12-62c should be up to five years as well.

There should be a provision allowing a town's legislative body to vote to discontinue either phase-in method, prior to the commencement of the assessment year in which real property assessments will reflect 70% of their values determined for the revaluation. Currently, a discontinuance provision exists only with respect to the phase-in adopted under CGS §12-62a(e).

Also, for purposes of clarity, both phase-in provisions should appear in one statute.

In summary, CGS §12-62c should:

- Allow up to a five-year term during which a town may phase-in real property assessments resulting from a revaluation.
- Include the provisions from subsections (e) and (f) of CGS §12-62a, allowing said subsections to be repealed.

CGS §12-63b

As currently written, CGS §12-63b limits the property sales data that an assessor can use to value certain income-producing property, to that which is available in the town in which the property is located. The words “in such town” in this statute should be removed.

There is no logical reason to prohibit an assessor in one town from using a fair market sale that occurs in a neighboring town for valuation purposes, as long as the assessor appropriately adjusts the property’s sale price. Fee appraisers, for example, do not limit themselves to a single town when developing comparable sales data for properties such as a shopping mall or a health care center. There is no reason why an assessor should be limited in this way.

Also, the word “appraisal” in CGS §12-63b should be replaced by the term “mass appraisal.” This would make the terms in the statute and in related regulations consistent.

In summary, CGS §12-63b should:

- Refer to mass appraisal methods.

CGS §12-63b should not:

- Contain the words “in such town” with respect to market sales data.

CGS §12-62i

Subsection (a) of CGS §12-62i contains the term “revaluation standards.” The use of this term may be confusing to some, in that towns must certify compliance with only one of the two standards in the regulations. The law should clearly state that certification is required pursuant to one standard only.

Subsection (b) of CGS §12-62i calls for the imposition of a penalty if a town’s revaluation does not satisfy one of the regulatory standards. The penalty amount can be recovered, but only if the town’s revaluation meets the standards within one year. There are various problems with this subsection.

First of all, since all towns receive statutory formula grants-in-aid, the provision regarding the imposition of a penalty equal to 3% of a town’s property tax levy for the previous year is meaningless.

Secondly, the penalty imposition is to be effective “...for the fiscal year next following the October first assessment date on which the required revaluation was not implemented.”

The obvious implication of this provision is that a town would not implement a revaluation that does not meet one of the regulatory standards. However, the

statute does not clearly address a situation in which a town implements a revaluation that does not meet one of the standards.

As previously mentioned, all revaluation-related penalty provisions should, for purposes of clarity, appear in one section of the Connecticut General Statutes only.

In summary:

- The regulatory adoption requirement and related penalty provision should be clarified and added to CGS §12-62, and CGS §12-62i should be repealed.

CGS §12-62(k) and CGS §12-62k

Subsection (k) of CGS §12-62 currently allows a town that meets certain criteria to certify an exemption from the requirement to revalue all real property.

A committee created pursuant to CGS §12-62k, as amended by Section 9 of Public Act 03-269, must review the data on which a town bases its exemption certification and make a recommendation as to whether or not the Secretary of the Office of Policy and Management should validate or rescind such an exemption.

The provisions of subsection (k) of CGS §12-62 have an October 1, 2007 sunset date, meaning that a town may certify an exemption of the requirement to implement a revaluation for the October 1, 2006 assessment date.

In accordance with subsection (b) of CGS §12-62, as amended by Section 33 of Public Act 04-2 (May 11 Special Session), revaluations now occur on a five-year cycle. As a result of the exemption certification provisions of subsection (k) of CGS §12-62 and the fact that revaluations are required every five years, the potential currently exists for 10 years to lapse between revaluation implementation dates in a town.

For example, a town that implemented a revaluation in 2001 and successfully certifies a revaluation exemption for the 2006 assessment year would not implement revaluation until 2011.

It will probably be impossible for a town to successfully meet the criteria for such an exemption given the recent real estate market. Nevertheless, as 10 years between real property revaluations is simply too lengthy a period of time, the exemption option should no longer exist.

In summary:

- Subsection (k) of CGS §12-62 and CGS §12-62k, as amended by Section 9 of Public Act 03-269, should be repealed.

Regulatory Recommendations

Nationally recognized standards form the basis for the State of Connecticut's regulations setting forth statistical measures of assessment uniformity (i.e., *Ratio Testing Standards*). There is no need to change these regulations other than amending the unsold property test in accordance with the regulatory amendment the Office of Policy and Management has decided to pursue.

The Office of Policy and Management should submit an amendment to §12-62i-3(b) of the Regulations of Connecticut State Agencies to remove the requirement that assessors calculate the unsold property test for all real property. The requirement to calculate this statistical measure of assessment uniformity should remain effective with respect to each property class having 15 or more market sales.

Enactment of this regulatory amendment will make the statistical criteria in the State of Connecticut's regulations consistent with the provisions included in the International Association of Assessing Officers' *Standard on Ratio Studies*, as most recently updated in July of 1999.

The *Procedural Testing Standards* address the method of conducting a revaluation. These standards, which provide an alternate method to the *Ratio Testing Standards*, require no change.

In summary:

- The Office of Policy and Management should submit the above-described amendment to §12-62i-3(b) of the Regulations of Connecticut State Agencies as soon as possible, and the amendment should receive legislative approval.

A Final Note of Caution

The Office of Policy and Management has limited this report to the issue of revaluation, in keeping with the General Assembly's charge. However, even if all the report's recommendations are accepted and the necessary changes are enacted into law, there will continue to be problems associated with the property tax. Clarifying the statutes and regulations that reflect the state's policy concerning revaluation and making them more effective will not alleviate these problems.

An October 18, 2004 report entitled *Property Tax Revaluation*, written by Kevin E. McCarthy, Principal Analyst with the Office of Legislative Research, concludes with the following:

"In many towns, residential property values have appreciated more quickly than the values of other types of property. In some towns, the value of commercial and industrial property has been flat or declining, reflecting the obsolescence of older buildings and increasing vacancy rates. As a result, the residential share of the grand list and the share of the tax burden borne by residential property owners have also increased. Partly to address this phenomenon, PA 04-2, May 11 Special Session, allows municipalities that, under prior law, had to revalue real property in the 2003, 2004, or 2005 assessment year to delay revaluation to the 2006 assessment year, if the municipality's legislative body approves the delay. The expectation is that the delay may allow the values of nonresidential property to "catch up" to the values of residential property, reducing the shift in tax burden."

While this may accurately describe the expectations of certain legislators, there appears to be no evidence that the values of nonresidential property are "catching up" to those of residential properties. As indicated throughout this report, residential property values have recently increased at nearly unprecedented rates in towns across the state.

The property tax shift that occurred in many towns in the early 1990s was from residential to nonresidential property – the complete opposite of the recent trend. In order for a comparable shift to occur in the near future, there would have to be a considerable decline in the residential real estate market. Such a decline is not on the horizon, especially in the Greater Hartford region.

According to a December 5, 2004 *Hartford Courant* article entitled *Housing Prices Not So High* by Robin Stansbury:

"Despite the housing boom of recent years, prices in most Hartford-area towns still have not reached the level they hit before the real estate crash of more than a decade ago.

'The hot market of the late '80s pushed prices so far up that, in inflation-adjusted dollars, we still have not recovered today,' said Ron Van Winkle, a West Hartford economist.

Experts say the statistics indicate that the local real estate market is not in danger of crashing – or bursting like a bubble – despite recent large increases in housing prices.

The housing market was speeding out of control in the late 1980s. Prices were growing in the Hartford region by as much as 25 percent each year. Permits for new housing construction were soaring; many of the homes were built on speculation without a buyer lined up.

Today, median sales prices in the region are growing by about 10 percent each year, and experts are predicting that trend will slow in the next few years. At the same time, building permits for new home construction are about half what they were in 1988.”

Even if, as predicted, the residential real estate market slows over the next few years and sales prices grow at less than 10% per year, there could continue to be shifts in property tax burdens to nonresidential property owners following revaluations. In order for a situation similar to that of the early 1990s to recur, not only would residential values have to decline, but there would have to be a concurrent and more significant growth in nonresidential property values.

There will be disparities between the values of residential and nonresidential property as long as those who purchase such property react to different market influences in deciding on the prices they are willing to pay. Policy makers cannot control property values – such values are a consequence of free market forces.

As a result, discussions regarding disproportionate residential and nonresidential property tax levels will continue, as will calls for increases in state aid to municipalities in order to mitigate property tax increases.

In 2004, the General Assembly considered the homestead exemption provision of Substitute Senate Bill No. 598 as a means of addressing such disproportionate property tax levels. During the May 3, 2004 Senate debate regarding the bill, mention was also made of assessing property of different classifications at different assessment rates, in order to reduce residential property tax burdens.

Policy makers need to be especially mindful of the potential impact of a homestead exemption or different rates of assessment for residential and nonresidential property on the state’s business community. Currently, Connecticut is one of the few states in the Northeast that imposes a property tax on business personal property. Allowing a homestead exemption for residential property owners or assessing nonresidential property at a higher rate than residential property, could make the state’s business community even less competitive with our neighbors.

The recession from which Connecticut is emerging is one of the mildest but longest lasting in recent memory and job recovery still lags behind economists’ predictions. Any initiative that results in increased business costs could have a deleterious impact on the state’s ongoing attempts to attract new businesses to Connecticut, and to promote the creation of new jobs.

The Office of Policy and Management continues to believe that there is a need for a comprehensive economic tax incidence analysis before any legislative changes to Connecticut's property tax system are made.

In order for policy makers to begin considering modifications to property assessment and taxation statutes, there must be a complete understanding of their impact on not only the state's residents, but on Connecticut's economy as well.

An Act Concerning Real Property Revaluation

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 12-2b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2005*):

The Secretary of the Office of Policy and Management shall: (1) In consultation with the Commissioner of Agriculture, develop schedules of unit prices for property classified under sections 12-107a to 12-107e, inclusive, update such schedules by October 1, 1990, and every five years thereafter, and make such data, studies and schedules available to municipalities and the public; (2) [develop regulations setting forth standards and tests for: Certifying revaluation companies and their employees, which regulations shall ensure that a revaluation company is competent in appraising and valuing property, certifying revaluation companies and their employees, requiring that a certified employee supervise all valuations performed by a revaluation company for municipalities, maintaining lists of certified revaluation companies and upon request, advising municipalities in drafting contracts with revaluation companies, and conducting investigations and withdrawing the certification of any revaluation company or employee found not to be conforming to such regulations. The regulations shall provide for the imposition of a fee payable to a testing service designated by the secretary to administer certification examinations] certify revaluation appraisers and the revaluation companies that employ such appraisers in accordance with regulations adopted pursuant to chapter 54 of the general statutes that set forth education, experience and ethical conduct requirements to ensure a person's competency and suitability in estimating the value of property. Said regulations shall: (A) contain separate requirements for (i) certification in the valuation of real property of distinct types by use of appropriate mass appraisal methods, (ii) certification in the valuation of personal property, (iii) certification at a revaluation appraisal supervisor level for real property; and iii) certification at a revaluation appraisal supervisor level for personal property; (B) require that a person certified at the revaluation appraisal supervisor level oversee the valuation of real property pursuant to section 12-62, as amended by section 3 of this act, or the valuation of personal property; (C) require that a person certified at the revaluation appraisal supervisor level oversee the valuation of personal property; (D) provide that each certification is valid for a five-year period from the date it is issued; (E) provide that each certification is contingent upon passage of a written examination and allow for the imposition of a fee payable to the Treasurer of the State of Connecticut, or to a testing service the secretary designates to administer certification examinations; (F) provide a continuing education requirement for the renewal of each certification; and (G) provide for the secretary's revocation, suspension or denial of a certification or a renewal or a certification for cause, including, but not limited to, ethical misconduct; and (3) [by himself, or by an agent whom he may appoint, inquire if all property taxes which are due and collectible by each town or city not consolidated with a town, are in fact collected and paid to the treasurer thereof in the manner prescribed by law, and if accounts and records of the tax collectors and treasurers of such entities are adequate and properly kept] maintain lists of certified revaluation appraisers and certified revaluation companies and make such lists

available. The secretary may hold meetings, conferences or schools for assessors, tax collectors or municipal finance officers.

Sec. 2. Section 12-55 of the general statutes, as amended by section 1 of public act 03-269, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2005*):

(a) On or before the thirty-first day of January of each year, except as otherwise specifically provided by law, the assessors or board of assessors shall publish the grand list for their respective towns. Each such grand list shall contain the assessed values of all property in the town, reflecting the statutory exemption or exemptions to which each property or property owner is entitled, and including, where applicable, any assessment penalty added in accordance with [section] sections 12-41, [or] 12-57a or 12-63c for the assessment year commencing on the October first immediately preceding. The assessor or board of assessors shall lodge the grand list for public inspection, in the office of the assessor on or before said thirty-first day of January, or on or before the day otherwise specifically provided by law for the completion of such grand list. The town's assessor or board of assessors shall take and subscribe to the oath, pursuant to section 1-25, which shall be certified by the officer administering the same and endorsed upon or attached to such grand list. For the grand list of October 1, 2000, and each grand list thereafter, each assessor or member of a board of assessors who signs the grand list shall be certified in accordance with the provisions of section 12-40a.

(b) Prior to taking and subscribing to the oath upon the grand list, the assessor or board of assessors shall equalize the assessments of property in the town, if necessary, and make any assessment omitted by mistake or required by law. The assessor or board of assessors may increase or decrease the valuation of any property as reflected in the last-preceding grand list, or the valuation as stated in any personal property declaration or report received pursuant to this chapter. In each case of any increase in valuation of a property above the valuation of such property in the last-preceding grand list, or the valuation, if any, stated by the person filing such declaration or report, the assessor or board of assessors shall mail a written notice of assessment increase to the last-known address of the owner of the property the valuation of which has increased. All such notices shall be subject to the provisions of subsection (c) of this section. Notwithstanding the provisions of this section, a notice of increase shall not be required in any year with respect to a registered motor vehicle the valuation of which has increased. In the year of a revaluation, the notice of increase sent in accordance with subsection [(f)] (d) of section 12-62, as amended by section 3 of this act, shall be in lieu of the notice required by this section.

(c) Each notice of assessment increase sent pursuant to this section shall include: (1) The valuation prior to and after such increase; and (2) information describing the manner in which an appeal may be filed with the board of assessment appeals. If a notice of assessment increase affects the value of personal property and the assessor or board of assessors used a methodology to determine such value that differs from the methodology previously used, such notice shall include a statement concerning such change in methodology, which shall indicate the current methodology and the one that the assessor or assessors used for the valuation prior to such increase. Each such notice shall be mailed not earlier than the

assessment date and not later than the tenth calendar day immediately following the date on which the assessor or board of assessors signs and attests to the grand list. If any such assessment increase notice is sent later than the time period prescribed in this subsection, such increase shall become effective on the next succeeding grand list.

Sec. 3. Section 12-62 of the general statutes, as amended by section 33 of public act 04-2 of the May 11 special session is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to assessment years commencing on and after October 1, 2003*):

(NEW) (a) (1) The assessor of each town shall revalue all real property located in said town for assessment purposes in accordance with the provisions of this section. Except as otherwise provided by law, assessments derived from each revaluation shall be used for the purpose of levying property taxes for the assessment year in which such revaluation is effective and for each assessment year that follows until the ensuing revaluation becomes effective. An assessor shall use generally accepted mass appraisal methods for the valuation of real property in conducting each revaluation, and may designate a revaluation company certified in accordance with section 12-2b, as amended by section 1 of this act, to perform data collection and analyses or mass appraisal valuation functions pursuant to a method the assessor approves. Nothing in this section shall relieve an assessor of any other requirement related to revaluation as imposed by any provision of the general statutes or any public or special act, or by any provisions of a municipal charter that are not contrary to this section. "Assessor", as used herein, includes a board of assessors, the members of which shall approve all real property valuations derived from a revaluation by a majority vote; "town" means any town, consolidated town and city or consolidated town and borough; "real property" has the same meaning as real estate in section 12-64, as amended by section 2 of public act 03-269; and "secretary" means the Secretary of the Office of Policy and Management, or the secretary's designee.

(2) Unless the provisions of section 32 of public act 04-2 of the May 11 special session and subdivision (3) of this subsection are applicable, a revaluation of all real property shall be effective for the assessment year that is five years after the assessment year in which a revaluation was previously effective in such town. Any town may effect a revaluation of real property earlier than this section requires, provided the town's next revaluation shall be effective not later than five assessment years after the assessment year in which the previous revaluation became effective.

(3) The legislative body or board of selectmen, as the case may be, of any town eligible to defer a revaluation pursuant to section 32 of public act 04-2 of the May 11 special session shall be required to approve such deferral not later than August 1, 2005. Not later than September 1, 2005, the chief executive officer of any town in which such a revaluation deferral is approved shall notify the secretary in writing, of the effective date of the town's next revaluation and said town shall thereafter implement revaluation when required pursuant to subdivision (2) of this subsection.

(b) (1) The assessor may, at any time, fully inspect any parcel of improved real property in order to ascertain or verify the accuracy of data as contained in the

assessor's record for such property. "Fully inspect" or "full inspection" as used herein, means to measure the exterior dimensions of a building or structure, or to verify such dimensions, and to enter and examine the interior of each such building or structure, upon obtaining permission to do so from an adult occupant, in order to observe and record or verify the characteristics and conditions thereof. The assessor shall maintain a record of the assessment year in which each such parcel of improved real property is fully inspected.

(2) The assessor may, at any time, send a questionnaire to any real property owner in order to obtain verification of the accuracy of the characteristics of real property as contained in the assessor's record for such owner's property, or to obtain information regarding the circumstances attendant to such property's acquisition or purchase. An assessor who utilizes questionnaires to verify the accuracy of such real property data shall develop and institute a quality assurance program with respect to responses received to such questionnaires, and shall determine if there is a need to fully inspect all real property during the period set forth in this subsection, based on the results of such quality assurance program.

(3) An assessor who does not utilize questionnaires to verify the accuracy of real property data, or who utilizes such questionnaires but is not satisfied with the results of the quality assurance program instituted with respect to responses received to such questionnaires, shall fully inspect all real property not later than the tenth assessment year following the assessment year in which such real property was last fully inspected, provided, with respect to a revaluation implemented on and after an October 1, 2003 and on or before October 1, 2010, an assessor shall have fulfilled said requirement if a full inspection of such property is made at any time during the assessment year commencing October 1, 1996 to the assessment year commencing October 1, 2009, inclusive.

(c) Prior to completing each revaluation, the assessor shall conduct a field review to ensure that real property valuations derived from such revaluation are appropriate. "Field review", as used herein, means to look at each parcel of real property in the context of its neighborhood setting in order to compare the observable attributes of each such parcel, as listed on the corresponding property record, to the valuation of such real property derived from such revaluation.

(d) (1) Not earlier than the assessment date which is the effective date of a revaluation and not later than the tenth calendar day immediately following the date on which the grand list for said assessment date is signed, the assessor shall mail a written notice of real property valuation to the last-known address of each owner of real property. Such notice shall provide information concerning property valuation appeal provisions, including, but not limited to the method of requesting a hearing from the board of assessment appeals.

(2) Not later than the date written notices of real property valuations are mailed in accordance with subdivision (1) of this subsection and during a period of not less than twelve months immediately following the date on which each revaluation becomes effective, any criteria, guidelines, price schedules or statement of procedures used in such revaluation be available for public inspection in the assessor's office in the manner provided for access to public records in subsection (a) of section 1-210. A compilation of all real property sales in each neighborhood,

the selling prices of which are determined to be representative of the fair market values of the properties sold, shall be available for public inspection not later than the date such written notices of real property valuations are mailed, and shall continue to be available during a period of not less than twelve months immediately following the date on which each revaluation becomes effective.

(e) The chief executive officer of each town shall notify the secretary of the assessment date on which each revaluation is effective, not later than thirty business days following the date on which the assessor signs and files the grand list reflecting assessments of real property based on values established for such revaluation. In the event a town fails to implement a revaluation effective for the assessment date required by this section for any reason other than an authorization for postponement the secretary provides pursuant to subsection (b) of section 12-117, as amended by section 4 of public act 03-269, the chief executive officer of the town shall notify said secretary of that fact, in writing, not later than thirty business days following the date on which the assessor signs and files the grand list that does not reflect real property assessments based on values established for such required revaluation. Not later than thirty business days following the date the town's legislative body votes to utilize the provisions of section 12-62c, as amended by section 4 of this act, or the provisions of section 12-62d, the chief executive officer shall notify the secretary, in writing, of the action taken. Any chief executive officer failing to submit any notification to the secretary as required by this subsection, shall forfeit one hundred dollars to the state for each such failure.

(f) (1) Except as provided in subsection (e) of this section, any town that fails to implement a revaluation for the assessment date required by this section, or that implements a revaluation that does not comply with the requirements set forth in regulations adopted pursuant to subsection (g) of this section, shall be subject to an annual penalty equal to a ten percent loss of certain state grants. Such penalty shall apply to those grants determined by statutory formula that are included in the estimate the secretary prepares pursuant to section 4-71a. Not later than the first day of July of each fiscal year in which the secretary imposes said penalty, the secretary shall notify the commissioner of each agency that certifies payment of any such grant of the requirement to reduce the affected town's grant by ten percent for such year, and such reduction shall be reflected in the certification made to the State Comptroller for the payment of each such grant for said year. In the event that such commissioner certifies any such grant prior to receiving the secretary's notice, the commissioner shall reduce any remaining installment of such grant to reflect such penalty. If there are no remaining installments of any such grant that the commissioner certifies, any grant the secretary certifies for payment may be reduced by the necessary amount, even if said grant is not included in the estimate prepared pursuant to section 4-71a. Such penalty shall not be applicable with respect to a revaluation that is postponed as a result of the secretary's authorization pursuant to subsection (b) of section 12-117, as amended by section 4 of public act 03-269. The secretary shall not authorize a postponement under the provisions of said subsection (b) of section 12-117, with respect to more than one consecutive year.

(2) If, in the secretary's opinion, there appears to be reasonable cause for a town's failure to implement a revaluation pursuant to the requirements of this section, the

secretary may waive the penalty imposed by subdivision (1) of this subsection. Reasonable cause shall include a postponement of a revaluation in any town due to (A) an extraordinary circumstance or an act of God, (B) the failure on the part of any revaluation company to complete contractual duties to the satisfaction of the assessor and the chief executive officer of the town, (C) the assessor's death or incapacitation during the conduct of a revaluation, which results in a delay of its implementation, or (D) an order by the superior court for the judicial district in which the town is located regarding such revaluation, or the potential for such an order following said court's decision with respect to the proceeding brought before it. The chief executive officer of the town shall submit a written request for such penalty waiver not later than thirty days following the date of the commencement of the fiscal year in which such penalty is applicable. Such request shall include the reason for the town's failure to comply with the provisions of this section. Not later than thirty business days after receiving such request, the secretary shall notify the chief executive officer of the secretary's decision to grant or deny the penalty waiver, provided the secretary may delay a decision regarding a waiver related to a potential order of a court of jurisdiction until said court renders its decision. Any town aggrieved by the secretary's decision concerning such penalty waiver may, not later than ten business days after receiving the secretary's notice of decision concerning such waiver, appeal the secretary's determination to the superior court for the judicial district in which such town is located and such court shall expedite such appeal. The secretary shall not grant a town a waiver under the provisions of this section with respect to more than one consecutive year, unless the general assembly approves such action.

(g) The secretary shall adopt regulations, in accordance with the provisions of chapter 54, which shall (1) establish at least two performance-based revaluation testing standards; (2) require assessors to comply with one of said standards in conducting each revaluation, and (3) require any certificate of regulatory compliance to be jointly signed by the assessor and a person certified as a revaluation appraisal supervisor, pursuant to section 12-2b as amended by section 1 of this act, who is employed by any revaluation company the assessor designates to establish real property valuations or to review such valuations pursuant to the provisions of a contract.

Sec. 4. Section 12-62c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2005 and applicable to assessment years commencing on and after October 1, 2005*):

(a) [Any municipality may, with respect to the assessment list in such municipality in a year in which a revaluation becomes effective, as required under section 12-62, for the assessment years commencing on or after October 1, 1987, by vote of its legislative body provide for a gradual increase in assessed values of real property for purposes of property tax, commencing with the year in which such revaluation becomes effective and continuing for a certain number of years as elected by such municipality, not exceeding three years immediately following the year of such revaluation. Such gradual increase in assessed values shall be the result of incremental increases in the rate of assessment of real property, to be added as provided in subsection (b) of this section to the assessment ratio determined under section 10-261a for the year immediately preceding revaluation in such municipality.] (1) A town implementing a revaluation of all real property may

provide for a phase-in of real property assessment increases resulting from such revaluation. The legislative body of the town shall approve the decision to provide for a phase-in and shall determine the number of assessment years for which such phase-in is effective. If the legislative body is a town meeting, the board of selectmen shall approve such decision and term. In any town that provides for a phase-in, the assessor shall gradually increase the assessed values of real property effective in the assessment year preceding that in which the revaluation is implemented, in accordance with one of the methods set forth in subsection (b) of this section, as amended. In no event shall the term of a phase-in extend beyond the implementation date of the town's next revaluation. Following the conclusion of such term, the assessment of real property shall reflect the rate of assessment that would have been applicable in the year said revaluation was implemented, except for such phase-in.

(2) The legislative body or board of selectmen, as the case may be, may approve the discontinuance of a phase-in of real property assessment increases resulting from the implementation of a revaluation, at any time prior to the completion of the phase-in term originally approved, provided such approval shall be made on or before the assessment date that is the commencement of the assessment year in which the discontinuance of such phase-in is effective.

(b) [Upon electing to increase assessed values in the manner allowed in this section, there shall be determined, with respect to said assessment ratio for the year immediately preceding such revaluation, the difference between the assessment rate at seventy per cent of present true and actual value, as required under subsection (b) of section 12-62a, and said ratio of assessed value of real property to fair market value in the year immediately preceding revaluation for such municipality. Such difference shall represent the portion of the assessment rate at seventy per cent to be added to said ratio for such municipality in attaining the required assessment rate of seventy per cent of present true and actual value. Such amount shall be added to said ratio in equal increments, as determined in accordance with this subsection, over the number of years elected by such municipality, provided the total number of years for such purpose may not exceed four years including the year of such revaluation. For the purposes of this subsection, increments shall be considered equal if such increments are equal (1) in terms of the absolute amount of the increase in the assessment ratio for each of the years of such gradual increase in assessed value or (2) in terms of the percentage of increase in the assessment ratio from year to year which is applicable to such gradual increase in assessed value, for each year of the term of such gradual increase in assessed value.] One of the following methods shall be used to determine the phase-in of real property assessment increases resulting from the implementation of a revaluation: (1) The assessment of each parcel of real property for the assessment year preceding that in which such revaluation is effective shall be subtracted from the assessment of each such real estate parcel derived from said revaluation, and the annual amount of incremental assessment increase for each such real property parcel shall be the result of such subtraction divided by the number of years of the phase-in term; or (2) The assessment ratio for all real property for the assessment year preceding that in which a revaluation is effective, shall be subtracted from the seventy percent assessment ratio applicable in the year of such revaluation, and the annual incremental rate of assessment

increase applicable to all parcels of real property shall be the result of such subtraction divided by the number of years of the phase-in term.

(c) [In a municipality which has adopted the assessment procedure allowed in this section, new construction which is first assessed for purposes of property tax, after the assessment date on which such revaluation becomes effective but before the assessment rate has been increased to seventy per cent of present true and actual value, shall be assessed initially at the rate applicable in the procedure as adopted by such municipality at the time of such initial assessment, and thereafter at the rate of assessment applicable with respect to all real property on the assessment list in such municipality.] During the term of a phase-in adopted pursuant to this section, the assessment of any new construction completed after the assessment date on which a revaluation is implemented but before the end of the phase-in term shall be determined as follows: The assessment of such new construction shall be calculated as if it were completed on the effective date of the revaluation and shall be increased in accordance with the phase-in method the town has elected to use under this section, such that the assessment of the new construction in the year it is first assessed reflects the total of incremental assessment increases as determined for all other real property in the same year.

Sec. 5. Section 12-63b of the general statutes is repealed and the following is substituted in lieu thereof: *(Effective July 1, 2005):*

(a) The assessor or board of assessors in any town, when determining the present true and actual value of real property as provided in section 12-63, which property is used primarily for the purpose of producing rental income, exclusive of such property used solely for residential purposes, containing not more than six dwelling units and in which the owner resides, and with respect to which property there is insufficient data [in such town] based on current bona fide sales of comparable property which may be considered in determining such value, shall determine such value on the basis of [an] a mass appraisal method, which shall include to the extent applicable with respect to such property, consideration of each of the following methods [of appraisal]: (1) Replacement cost less depreciation, plus the market value of the land, (2) the gross income multiplier method as used for similar property and (3) capitalization of net income based on market rent for similar property. The provisions of this section shall not be applicable with respect to any housing assisted by the federal or state government except any such housing for which the federal assistance directly related to rent for each unit in such housing is no less than the difference between the fair market rent for each such unit in the applicable area and the amount of rent payable by the tenant in each such unit, as determined under the federal program providing for such assistance.

(b) For purposes of subdivision (3) of subsection (a) of this section and, generally, in its use as a factor in any mass appraisal methods applicable with respect to real property used primarily for the purpose of producing rental income, the term "market rent" means the rental income that such property would most probably command on the open market as indicated by present rentals being paid for comparable space. In determining market rent the assessor shall consider the actual rental income applicable with respect to such real property under the terms of an existing contract of lease at the time of such determination.

Sec. 6. (*Effective from passage*) Subsections (e) and (f) of section 12-62a of the general statutes, section 12-61i of the general statutes and section 12-62k of the general statutes, as amended by section 9 of public act 03-269, are repealed.

Statement of Purpose: To implement the recommendations in the Office of Policy and Management's December 27, 2004 *Report on Revaluation Policies and Procedures* and to provide that a notice of valuation increase sent to a taxpayer pursuant to §12-55 must include any assessment penalty added under §12-63c, in addition to the assessment penalties added under §12-41 and §12-57a.

Assessors' Suggestions Regarding Statutory or Regulatory Improvements

The *Questionnaire* allowed respondents to suggest changes the General Assembly should consider enacting to CGS §12-62 or to any other real property valuation statute. Seventy-four respondents submitted proposals. Some provided more than one suggested statutory or regulatory change.

The Office of Policy and Management has taken no position regarding any of these suggestions, with the exception of those embodied in this report's recommendations.

A summary of the number of responses appears below, separated into one of three categories: Revaluation, Property Valuation Appeals and Other Real Property Assessment or Valuation Issues. This summary does not include responses that exceeded the scope of the question asked. For example, proposals to increase state aid or to provide additional taxing authority to towns in order to allow them to obtain revenue to mitigate residential property tax increases are not reflected, as such suggestions did not address statutory improvements to CGS §12-62 or to a real property valuation statute.

Revaluation	Number of Responses
Allow property inspections to occur over time.	32
Reinstate workable, parcel-balanced revaluation schedule for towns.	18
Allow for more frequent revaluations.	15
Amend regulatory 'unsold property test' (i.e., data for each property type should not be commingled with all others).	7
Require the state to reimburse towns for a portion of basic revaluation costs.	4
Fine towns that do not conduct revaluations as required or that do not implement revaluations that meet statistical tests.	2
Provide for state oversight of revaluation.	2
Provide a statistical trigger for revaluation (i.e., revalue real property only when inequitable assessment levels are indicated).	2
Exempt small towns from interim revaluation requirement.	1

Property Valuation Appeals	Number of Responses
Reinstate and fund statewide appeals board (i.e., the Connecticut Appeals Board For Property Valuation, the requirement for which was repealed by Section 67 of Public Act 95-283).	6
Institute filing fee for hearings before local board of assessment appeals to deter frivolous appeals.	1
Improve the process for hearing and expediting court appeals.	1
Other Real Property Assessment or Valuation Issues	Number of Responses
Eliminate 70% assessment ratio (i.e., assess all property at 100% of value).	5
Improve definition of market value for commercial property (fee simple vs. leased fee); strengthen market rent over contract rent language in §12-63b(b).	2
Clarify the statutes related to the property tax treatment of farm, forest and open space land.	1
Allow the assessment of a building removed from a site for any reason to be prorated; allow the assessment of a building lot approved after an assessment date to be added to the grand list on a prorated basis.	1
Reinstate the Board of Assessment Advisors. ¹⁵	1

Revaluation Schedule Reflecting Deferrals and Delays as of December 2004

Town	Real Estate Parcels	Last Revaluation	Next Revaluation	Explanation
Andover	4,289	2001	2006	Deferred
Ansonia	5,696	2002	2007	
Ashford	2,714	2002	2007	
Avon	5,249	2003	2008	
Barkhamsted	2,122	2003	2008	
Beacon Falls	2,336	2001	2005	
Berlin	8,015	2002	2007	
Bethany	2,515	2003	2008	
Bethel	6,647	2002	2007	
Bethlehem	1,999	2003	2008	
Bloomfield	12,868	2000	2004	
Bolton	2,182	2003	2008	
Bozrah	1,463	2002	2007	
Branford	28,049	2002	2007	
Bridgeport	32,674	2003	2008	
Bridgewater	1,155	2003	2008	
Bristol	20,818	2002	2007	
Brookfield	7,057	2001	2005	Considering deferral
Brooklyn	3,245	2000	2004	
Burlington	3,597	2003	2008	
Canaan	772	2002	2007	
Canterbury	2,801	2000	2004	
Canton	10,150	2003	2008	
Chaplin	1,194	2003	2008	
Cheshire	10,256	2003	2008	
Chester	1,731	2003	2008	
Clinton	6,678	2000	2005	Deferred
Colchester	5,879	2001	2005	
Colebrook	1,075	2000	2005	Deferred
Columbia	2,504	2001	2006	Deferred
Cornwall	1,227	2001	2005	
Coventry	15,942	2000	2004	
Cromwell	5,469	2002	2007	
Danbury	24,605	2002	2007	
Darien	6,991	2003	2008	
Deep River	2,114	2001	2005	
Derby	4,885	2000	2005	Deferred
Durham	3,226	2000	2005	Deferred
Eastford	1,251	2002	2007	
East Granby	2,249	2003	2008	
East Haddam	6,113	2002	2007	
East Hampton	13,128	2000	2004	
East Hartford	16,030	2001	2006	Deferred

Town	Real Estate Parcels	Last Revaluation	Next Revaluation	Explanation
East Haven	11,007	2000	2004	
East Lyme	8,359	2001	2005	Considering deferral
Easton	3,197	2002	2007	
East Windsor	4,485	2002	2007	
Ellington	5,558	2000	2005	Delay – §12-62(d)(3)
Enfield	23,959	2001	2005	
Essex	3,347	2003	2008	
Fairfield	49,056	2001	2005	
Farmington	10,203	2002	2007	
Franklin	1,084	2003	2008	
Glastonbury	17,808	2002	2007	
Goshen	2,361	2002	2007	
Granby	4,488	2002	2007	
Greenwich	21,624	2001	2005	
Griswold	4,882	2001	2006	Deferred
Groton	11,930	2001	2005	
Guilford	10,150	2002	2007	
Haddam	4,023	2001	2005	
Hamden	19,272	2000	2005	Deferred
Hampton	1,235	2003	2008	
Hartford	20,460	1999	2006	Deferred
Hartland	1,013	2002	2007	
Harwinton	3,506	2003	2008	
Hebron	3,844	2001	2005	
Kent	2,155	2003	2008	
Killingly	6,624	2002	2007	
Killingworth	3,162	2001	2005	Considering deferral
Lebanon	4,097	2003	2008	
Ledyard	6,211	2001	2005	
Lisbon	1,972	2001	2006	Deferred
Litchfield	4,905	2003	2008	
Lyme	1,911	2003	2008	
Madison	7,967	2002	2007	
Manchester	17,638	2000	2006	Deferred
Mansfield	4,884	2000	2004	
Marlborough	2,755	2001	2005	
Meriden	18,800	2001	2006	Deferred
Middlebury	7,784	2001	2005	
Middlefield	2,178	2001	2006	Deferred
Middletown	13,814	2002	2007	
Milford	21,870	2000	2005	Deferred
Monroe	7,277	2003	2008	
Montville	7,611	2001	2006	Deferred
Morris	1,444	2000	2004	
Naugatuck	11,358	2002	2007	
New Britain	16,881	2002	2007	
New Canaan	6,990	2003	2008	
New Fairfield	6,219	2002	2007	

Town	Real Estate Parcels	Last Revaluation	Next Revaluation	Explanation
New Hartford	3,077	2003	2008	
New Haven	53,838	2001	2005	Deferred
Newington	11,884	2000	2005	Deferred
New London	6,844	2003	2008	
New Milford	12,940	2001	2005	Considering deferral
Newtown	11,097	2002	2007	
Norfolk	1,133	2003	2008	
North Branford	5,397	2001	2005	
North Canaan	1,588	2002	2007	
North Haven	9,047	2000	2005	Deferred
North Stonington	3,104	2000	2005	Deferred
Norwalk	28,460	2003	2008	
Norwich	19,867	2003	2008	
Old Lyme	5,580	2000	2004	
Old Saybrook	6,616	2003	2008	
Orange	5,510	2000	2005	Deferred
Oxford	4,581	2000	2005	Deferred
Plainfield	6,254	2002	2007	
Plainville	6,870	2000	2006	Deferred
Plymouth	5,001	2001	2005	
Pomfret	2,412	2000	2004	
Portland	3,943	2001	2006	Deferred
Preston	2,313	2002	2007	
Prospect	3,762	2000	2004	
Putnam	3,377	2003	2008	
Redding	3,918	2002	2007	
Ridgefield	9,794	2002	2007	
Rocky Hill	7,051	2003	2008	
Roxbury	1,625	2002	2007	
Salem	1,987	2001	2006	Deferred
Salisbury	2,569	2000	2005	Deferred
Scotland	845	2003	2008	
Seymour	6,112	2001	2005	
Sharon	3,640	2003	2008	
Shelton	14,707	2001	2005	
Sherman	2,294	2003	2008	
Simsbury	9,154	2002	2007	
Somers	3,889	1998	2004	
Southbury	9,494	2002	2007	
Southington	16,135	2001	2005	
South Windsor	22,637	2002	2007	
Sprague	1,170	2000	2005	Deferred
Stafford	5,084	2000	2005	Deferred
Stamford	35,688	1999	2006	Deferred
Sterling	1,603	2002	2007	
Stonington	9,326	2002	2007	
Stratford	19,539	2000	2004	
Suffield	5,000	2003	2008	

Town	Real Estate Parcels	Last Revaluation	Next Revaluation	Explanation
Thomaston	3,202	1999	2006	Deferred
Thompson	5,250	2000	2004	
Tolland	6,366	2000	2004	
Torrington	14,550	2003	2008	
Trumbull	12,312	2000	2005	Delay – §12-62(d)(3)
Union	1,508	2003	2008	
Vernon	9,602	2000	2006	Deferred
Voluntown	1,289	2001	2005	
Wallingford	38,141	2001	2005	Deferred
Warren	1,008	2002	2007	
Washington	3,141	2003	2008	
Waterbury	33,052	2002	2007	
Waterford	9,278	2002	2007	
Watertown	8,608	2003	2008	
Westbrook	4,262	2001	2005	Considering deferral
West Hartford	21,537	1999	2006	Deferred
West Haven	16,839	2000	2005	Deferred
Weston	3,780	2003	2008	
Westport	10,284	1999	2005	Deferred
Wethersfield	10,370	2003	2008	
Willington	2,354	2003	2008	
Wilton	6,507	2002	2007	
Winchester	5,397	2002	2007	
Windham	6,416	2001	2005	Considering deferral
Windsor	10,703	2003	2008	
Windsor Locks	5,215	2003	2008	
Wolcott	6,405	2001	2005	
Woodbridge	3,556	2000	2004	
Woodbury	5,083	2003	2008	
Woodstock	5,140	2000	2005	Delay – §12-62(d)(3)

End Notes

- ¹ In *Chipperini v. Groton*, CV 93 0527760S (1999) a Connecticut Superior Court judge denied a plaintiff's appeal challenging a valuation when the owner had refused to allow entry to a property. In valuing the owner's property, the revaluation company that Groton hired had to base the valuation on an external view of the property, data contained in building permits issued with respect to the property and comparable sales data, since entry to the property's interior was denied.

A Connecticut Superior Court judge invalidated the grand list of Old Saybrook for the 1987 revaluation year, because a revaluation company, rather than the assessor, viewed each real estate parcel. The Connecticut Supreme Court overturned this decision on procedural grounds in *Wilson v. Kelley* 224 Conn. 110 (1992). As a result of this case, the General Assembly enacted Public Act 92-221, which amended CGS §12-62 by allowing assessors to designate certified revaluation companies to "view and evaluate or to evaluate, pursuant to a methodology approved by such assessor, all or any portion of such real estate..."

- ² Public Act 97-254 deleted all references in CGS §12-62 to "use of a statistical method of adjusting the value" of property. Based on the removal of such terminology, these regulations were repealed effective March 1, 1999.
- ³ Although the legislative body of New Haven may not yet have approved a deferral of the city's scheduled 2004 revaluation, a member of the city's finance department indicated in a conversation with an Office of Policy and Management staff member that the city will not implement a revaluation until October 1, 2005.
- ⁴ For purposes of this table, the total number of real estate parcels statewide is the same as that used in 1997 to devise the four-year revaluation schedule.
- ⁵ The only towns that will revalue real estate in 2006 are those that opted to defer a 2003, 2004 or 2005 revaluation, since a town that last revalued real estate in 2002 must do so again in 2007 due to the change to a five-year cycle.
- ⁶ Only two assessors reported using data mailers that did not contain property characteristics. A letter accompanying these blank data mailers requested property owners to fill them out by following the accompanying instructions (describing, for example, how to distinguish between a half and a full bath). One assessor sent blank data mailers to condominium owners only, and the other sent blank data mailers to all real property owners. Both assessors requested that all data mailer recipients return them.
- ⁷ The mass appraisal term that describes this process is Multiple Regression Analysis, which the International Association of Assessing Officers' February 2002 *Standard on Mass Appraisal of Real Property* defines as a "particular

statistical technique, similar to correlation, used to analyze data in order to predict the value of one variable (the dependant variable), such as market value, from the known values of other variables (called independent variables), such as lot size, number of rooms, and so on.”

- ⁸ The valuation increase notice requirement is applicable with respect to all personal property except motor vehicles.
- ⁹ Hartford has not provided notice to the Office of Policy and Management that the residential effective tax rate resulting from any revaluation implemented subsequent to that effective October 1, 1989 meets the statutory criteria of CGS §12-62d.
- ¹⁰ The terms “market sale” and “fair market sale” are synonymous, based on the definition of the former in §12-62i-1(9) of the Regulations of Connecticut State Agencies.
- ¹¹ As explained on page 45, the Office of Policy and Management has decided to seek a regulatory amendment to remove the requirement that assessors calculate the unsold property test for all real property classes combined.
- ¹² Although the Secretary of the Office of Policy and Management also certifies companies and their employees who perform personal property valuations, data in this report are limited to those who perform real property valuations.
- ¹³ In compiling these data, the Office of Policy and Management excluded towns that requested personal property valuation services in addition to those related to real property valuation, and excluded towns that sent an RFP to one company only. Additionally, not all assessors provided the requested data in their responses to the *Questionnaire*.
- ¹⁴ Salisbury’s assessor was also the principal of a certified revaluation company the town hired to complete its 2000 revaluation. The town paid the company \$78,000 for revaluation services, in addition to paying the assessor’s salary. The Office of Policy and Management is not characterizing this as an in-house revaluation.
- ¹⁵ Prior to the amendment to CGS §12-2a made by Section 9 of Public Act 91-343, at least six employees of the Office of Policy and Management were required to “provide advice and technical assistance to assessors in valuation, appraisal and assessment practices, procedures and administration.” These employees were members of what was then known as the Board of Assessment Advisors.