Village of Scarsdale

Village-Wide Revaluation
Frequently Asked Questions

Q1. How was the land value for each parcel calculated or otherwise determined?

Answer 1:

Variables affecting value include, for example, land size, neighborhood, and other, location-specific influences. "Other" land influences are typically negative adjustments for shape/parcel configuration that limits site usefulness, size, location, floodplain/wetness that vary in the amount that they are considered to influence a particular property's value. The amount of influence is typically based on review and analysis of market data within the specific area.

In addition, while most parcels in Scarsdale are considered primary sites that support development, there are some parcels that are not suitable for development and, therefore, are designated residual parcels. Residual parcels are sites that are either accessory to an adjacent parcel's use or where they cannot individually support the development of a residence. A parcel that is split between municipalities is also considered a residual parcel, even when it is improved with a single-family dwelling, or a portion thereof. Residual parcels are assigned a value based on a percentage of a primary-designated site that is equal to, or of similar land area. A primary site is one that is developable under the current zoning code

Similar to living area, the land component increases at a decreasing rate. Adjustments for neighborhood, traffic and other land influences were then applied to the land component.

Q2. Why were so many sales excluded from the universe of all sales captured for the assessment period?

Answer 2:

First, one must understand the term "market value" in the context of a revaluation process. Market Value is defined as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus." Implicit in this definition are the following conditions:

1. Buyer and seller are typically motivated;
2. Each party is well informed or well advised and is acting in his or her best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in cash in U.S. dollars or in terms of comparable financial arrangements; and
5. The price represents a normal consideration for the property sold unaffected by special, creative financing, or sales concessions granted by anyone associated with the sale.

Put another way, for a sale to be valid, the property is broadly exposed to the market place and adequately advertised. The transaction must have occurred between unrelated parties, both buyer and seller are well informed about the market place, and neither party is unduly affected by pressure to either buy or sell. There are many potential situations that will cause rejection of a sale for use in the final model. For instance, it is often difficult to determine if the property has been exposed to the market place in a sufficiently broad manner, assuring an adequate number of potential buyers. Additionally, in any group of sold properties that meet the technical definition of valid, arm's length transactions, there may exist properties for which the selling price is intuitively inconsistent or unexplainable when compared with the majority of sale price indicators from all other transactions. These types of property sales are additionally invalidated so as not to distort other valid selling prices.

To illustrate, roughly 85% - 90% of the sold properties in Scarsdale transact in the range of $350 to $600 per square foot (sf) of above-grade, gross living area. There are many legitimate reasons for the range of selling prices per square foot, e.g., houses with higher quality and condition typically sell for more per square foot than houses with lower quality and condition. While the majority of houses sold in the range of $400 to $500/sf, a few sold for over $1,000/sf. If research is unable to ascertain the rationale for and abnormally high or low selling price, then that sale is typically invalidated and excluded from the analysis and modeling process. Another example involves the purchase of a home for "tear-down" purposes – the practice of buying a home simply to demolish it and replace it with a new one on the site. When the home purchased is not considered to add value to the parcel, as it is simply being demolished to make room for another, the total selling price paid in this scenario represents the site value only and the sale is excluded from the improved property analysis and modeling process.

Q3. What specific steps were taken to calibrate and validate the model?

Answer 3:

The methodology was developed through an iterative process involving both the assessor's professional experience and insights and those brought to the table by J.F. Ryan and Associates. Tyler's prior approach was previously criticized for its complexity, including multiple neighborhood classifications and degrees of differentiation within various influence factors, and the Ryan approach endeavored to address some of those prior concerns. The Village relied on his subject expertise in arriving at a methodology that would result in an objective and fair revaluation, yielding assessments representative of market values.

As added background, Ryan worked with Scarsdale's software vendor to develop a complete CAMA (computer-assisted mass appraisal) system, which yielded an initial market model that was installed on Scarsdale's computer system in early 2016. Continuous calibration of the model was executed throughout the field review process, which commenced in late January 2016 and

continued through mid-April 2016. That review generated additional adjustments to the market model to reflect the additional considerations of the market for Scarsdale property, as of July 1, 2015. Values were reviewed upon final model calibration, which was completed in late May 2016.

In addition, it should be noted that staff in the Assessor's Office reviewed hundreds of properties to ensure, to the extent possible, that traffic codes were appropriate, property condition and quality ratings were appropriate, and influence codes were properly applied, where applicable; where they were not found to be appropriate, or accurate, they were corrected.

Please also refer to pages 12 through 23 of the J.F. Ryan Final Report for relevant discussion; the report is available from the Assessor's page on the Village website, www.scarsdale.com.

Q4. Why were school catchment zones used instead of zoning classifications, as some view schools to be relatively equal, while zoning is more closely related to lot and home size?

Answer 4:

Market analysis dictated the neighborhood boundaries employed, as Scarsdale property values trended along elementary school district boundary lines, while zoning failed to account for such variation school catchment zones.

Q5. What sort of analysis took place to validate results indicating very large changes in assessed valuation, e.g., for those featuring increases/decreases in excess of 40%?

Answer 5:

Mass appraisal is not an exact science, which is why there exists an opportunity for contesting the assessed value of one's property. While assessment to sale price ratios were calculated throughout the valuation phase of the project, there may be some individual properties that the model did not handle as well as we would have wanted. In a scenario where the valuation of a particular property is thought to have been improperly estimated, the owner should avail him or herself of the opportunity to contest the valuation using the processes available for that purpose.

It should also be noted that no analysis was made using the prior assessment data because any attempt to incorporate prior year assessment influences into the current year market model is in direct violation of professional appraisal practice and New York State law, which mandates use of the market value standard as of the valuation date.

Q6. Why was SQRT method chosen, which disadvantages small homes, when the sales price has the best data fit?

Answer 6:

In real property appraisal, quantitative variables, such as living area, often best reflect market value using a diminishing curve transformation. In layman's terms, these variables reflect

economies of scale, with price per unit increasing at a decreasing rate – the incremental value of the first square foot is not the same as the 4,000th square foot, for instance. Market analysis dictates the best transformation taking into account all other model components. A sales price is almost never the best fit data; selecting only sales prices to determine the assessments of those properties that sold is a form of selective reassessment. Further, a model that constantly hits a recent purchase price is considered 'sales chasing' and is, therefore, automatically suspect, as well as unreliable.

Q7. How does the JF Ryan approach compare/contrast against the Tyler approach, and why was a different approach chosen?

Answer 7:

Tyler relied primarily on an automated comparable sales approach to value the properties, while Ryan used a direct market model approach. The direct market model has proven much more stable throughout the Northeast and Midwest for maintaining property assessments at fair market value.

Q8. What logic undergirds the neighborhood multipliers, and how were the exact multipliers determined?

Answer 8:

An analysis of comparable sales is always the basis for determining neighborhood multipliers; calibration was executed via sales ratio analyses.

Q9. Why was the Tyler Coefficient of Dispersion (COD) tighter than the JF Ryan one?

Answer 9:

The COD for both Tyler and Ryan fell within acceptable appraisal industry boundaries.

Contrasting methods, Tyler used the combination of a Direct Market Model and Automated Comparable Sales Technique, the latter of which some experts suggest leads to computer-selection of comparable properties that owners may not actually view as comparable to their homes, and also results in more volatile assessment from one cycle to the next; Ryan did not use the Automated Comparable Sales Technique.

Q10. Please provide JF Ryan's background and qualifications summary.

Answer 10:

For this particular project, the staff assigned to the Scarsdale project has over 100 years of combined experience in the appraisal industry. Both Mr. Ryan and Mr. Edgar Hayes are recognized nationally as leading practitioners and pioneers in the application of PC technology in the assessment industry. Mr. Gerd Semmelroggen has over 30 years of experience as a licensed appraiser specializing in the valuation of high value residential properties. In addition, Mr. Ryan holds the Certified Assessment Evaluator (CAE) designation as granted by

the International Association of Assessing Officers and is also licensed as a certified General Appraiser in several states. Ryan's work with local governments include assessment and equalization ratio studies, reappraisal plans and training and statistical analysis. He has created property appraisal and valuations utilizing numerous industry techniques including regression, feedback, comparable sales, income cost, market and non-linear models. Ryan also provides expert witness testimony on matters of property assessment and mass appraisal modeling.

Q11. **Prior to publication of the Tentative Assessment Role, how many, if any, properties required adjustment by the Assessor following completion of the final model run in order to account for expert knowledge?**

Answer 11:

In a direct market model, the Assessor is not permitted to adjust property values. The professional appraisal staff in the Assessor's Office reviewed hundreds of properties to ensure, to the extent possible, that traffic codes were appropriate, property condition and quality ratings were appropriate and influence codes were appropriately applied, where applicable; where they were not found to be appropriate, or accurate, they were corrected.

Q12. **What is the logic behind each influence factor, and how were the gradations of influence within each determined?**

Answer 12:

As previously noted, mass appraisal is not an exact science and it involves a combination of qualitative analysis and local market expertise, i.e., all influence factors are based on market analysis, supplemented by appraisal experience where there were limited sales.

Q13. **Why did the Village choose to do a revaluation after two years - were we trying to correct a Tyler Tech deficiency and, if so, what?**

Answer 13:

NY state law requires maintaining fairness in assessments and there are professional standards that recommend Annual Reassessment. Once a taxing jurisdiction undertakes a community-wide revaluation, the State Office of Real Property Tax Service's Cyclical Reassessment Program requires that another such revaluation occur within four years. This schedule best insures that property assessments are maintained at as close to 100% of market value as possible. In addition, a goal of utilizing the aforementioned direct-market model approach was to obtain more stable annual valuations within a relatively easy model to maintain going forward. In other area states, such as Massachusetts, annual assessments have been routine since the late 1980's where beforehand revaluations were infrequent. CT, NH, VT, NH, RI, and ME all recommend frequent revaluations. This is also the national trend over the past 40 years. Thus, a two year cycle is not unheard of. At its discretion, and within the constraints provided for by NY law, the Village may choose a different frequency moving forward.