

SIoux CITY ASSESSOR BULLETIN

Sioux City Assessor's Office | 620 Douglas St., Sioux City, IA 51101 712-279-6535 | We Value Sioux City

FALL 2009

Assessment Notices Mailed in April. Now What?

In the previous issue of the Sioux City Assessor Bulletin (find it online at www.woodbury-ia.com, go to the Departments menu) we explained we'd be mailing new assessment notices to all 36,000 city property owners in April. We also included information about how owners could protest the assessment if they didn't think it was a good indication of their property value. (Some might wonder why we'd encourage people to protest, but our overriding goal is to make sure the assessment is accurate. If someone presents information that convinces us otherwise, we'll change it.)

Because we believe in open communication, we mailed the notices to all property owners, even though we were only required to notify those whose assess-

ment had changed. Our philosophy is that the more informed the community is about property valuations, the better.



Assessments are an estimate of market value — that is, what the property could generally expect to sell for — and are not necessarily an exact valuation.

UPDATE

Here's an update of what has transpired since April.

A total of 1,244 property owners visited our office to question their assessment — that's what we asked people to do first if they had concerns. Our appraisers worked with these

individuals to review the situation, and in most cases came to a mutual agreement on what the assessed value should be (either leaving it as is, or changing it). In some cases, the issue was simply that the information we had on file for a property, e.g. the square footage or other material facts, was wrong. Some owners also made significant improvements or alterations to their property and didn't realize the impact that doing so would have on the valuation.

Only about 230 owners took the next step of appealing to the Sioux City Board of Review, which is an inde-

pendent committee of local real estate experts who hear and rule on property valuation cases. Some people mistakenly believe this board is just a rubber stamp for our decisions, but that's not true. When a case goes before the board,

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information is presented from both the assessor and from the property owner, and an unbiased decision is made.

More than 10 percent of the cases that went before the board favored the property owner. These instances are learning experiences for us, and it helps us do a more accurate job when the next assessment cycle rolls around.

PROPERTY ASSESSMENT APPEAL BOARD

Property owners who protested to the Board of Review and lost their case have the option of appealing to a state-wide Property Assessment Appeal Board (PAAB). Twenty-nine owners have since done this; separately, 19 board decisions have been appealed to District Court. It will take some time before we know the results of this process.

ASSESSMENTS ARE ESTIMATES

Assessments are an estimate of market value — that is, what the property could generally expect to sell for — and are not necessarily an exact valuation. Our goal (as mandated by state law) is to be within plus or minus 5 percent of the actual market value, in the aggregate, for each class of property (such as residential, commercial, industrial, etc.). If this isn't the case, an equalization order can be issued by the Iowa Department of Revenue, which essentially requires us to raise or lower assessments across the board in order to fall within the 5 percent range. We're pleased that no such order has been issued for Sioux City for residential or commercial/industrial properties.

TAXES RATES AND OTHER QUESTIONS

The assessor's job is to estimate the fair market value of residential and commercial property. We do not calculate property taxes or consider property tax implications when we make assessments. Doing so could taint our decisions, and distract from our role of objectively estimating property values.

But we do get tax-related questions from our constituents. Sometimes we're asked why property taxes go up when an assessment stays the same or goes down. In theory, taxes can go down even if an assessment goes up. This is because of tax rates. In Iowa, school boards, cities and counties determine their budgets, and the auditor then calculates the tax rate (also called a levy) that is needed to cover those budgets. This rate is then multiplied by the taxable value of a property to arrive at the property taxes due.

The taxable value is different for various classes of property and is largely a function of rollbacks, which are mandates by the legislature to limit the impact of property tax increases in any given year. The percentage of taxable value for commercial property is nearly 100 percent; it is significantly lower for residential property.

FIXTURES, FINISHES AND BASEMENTS

We also sometimes get questions about the effect of various fixtures and finishes on housing valuations. Things like new countertops, light fixtures, trim and such can certainly make a house more appealing and perhaps help it sell quicker. But we rarely factor these things into assessments for a couple of reasons. First, we usually don't visit the insides of homes because of the time and inconvenience involved, so it's not fair for us to evaluate one house, say, based on what kind of counters it has, when we don't know what's in all the other homes. And secondly, in most cases, these things have negligible impact on the housing value anyway.

Of course, larger improvements such as basement finishes, new rooms, decks, and so forth, often add to the assessed value.

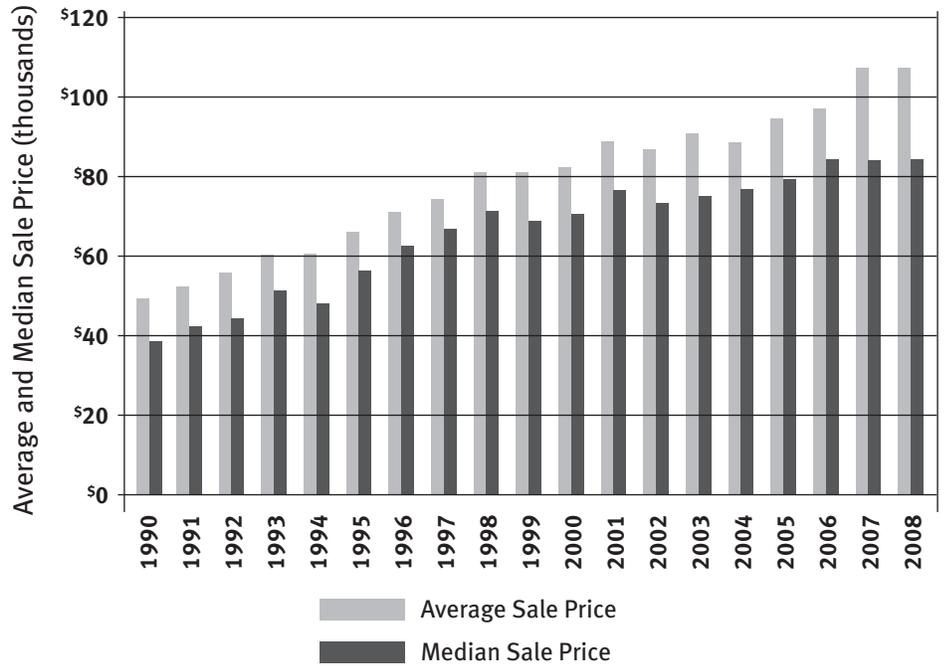
Market Update

Residential sales are down in Sioux City; they're at the lowest level in several years. Clearly the effects of the economic downturn are being felt here. Interestingly, however, the number of foreclosures is also dropping, which seems to buck national trends.

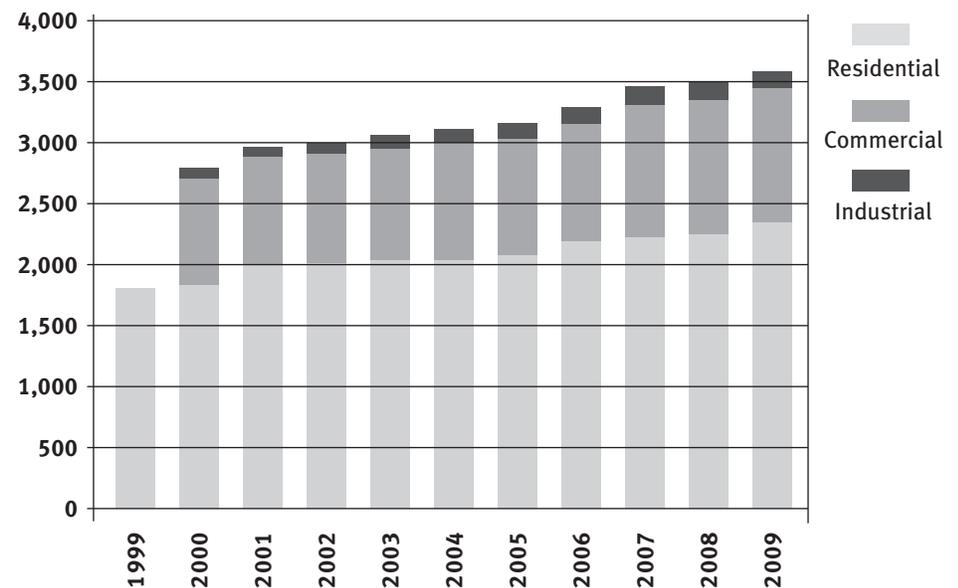
Another interesting statistic is the spread between the average and the median sale prices of residential properties (see Residential Properties chart). More sales are occurring at the lower end of the market, which makes sense given current economic conditions and since there are incentives for first-time home buyers as part of the economic stimulus package. However, this trend has been ongoing for more than a dozen years, which is not explained by the current economy. Is this a sign there are more low paying jobs in Sioux City? Or that there are fewer high-paying jobs compared to a decade ago? Our expertise is in property valuation and data; we'll leave the interpretation to economists and other experts.

As shown in the accompanying Assessed Value chart, in the past year there has been an increase in residential values and a slight decrease in commercial and industrial values in Sioux City.

SIoux CITY RESIDENTIAL PROPERTIES



SIoux CITY ASSESSED VALUE (MILLIONS)



QUESTIONS?

**SIoux
CITY**

ASSESSOR'S OFFICE

We Value Sioux City

We hope you've found this issue of *Sioux City Assessor Bulletin* to be informative. We'd like to know what you think. For more information on any of these topics, please contact us. We want to be your resource for property assessment issues.

Neighborhood Evaluations Underway

Now that the 2009 assessment cycle is largely behind us, we're turning our attention to neighborhood evaluations. Logistically, this is getting easier due to better technology. In the past, our appraisers would look up information about sales and such, then visit neighborhoods, take notes and return to the office and update property data. No more. We're now mounting laptop computers in vehicles, which not only enables us to access sales and property information in real time, but to make updates and changes on the spot. It's become a much more efficient process.

Our neighborhood visits are just that — we're more focused on looking at things on a macro level, such as the overall conditions of the area — rather than looking at each individual house. For example, suppose there's a 1970s era house in the middle of a 1940s neighborhood. Theoretically, that house would probably sell for a very different price than the homes around it. We would want to flag that property in our database so when we're looking at nearby comparable sales to guide our assessment decisions, we exclude it from the calculations so it doesn't skew the results. We're also looking at other general factors that affect neighborhood valuations.

The Iowa Department of Revenue periodically issues a property appraisal manual that assessors follow when making valuation decisions.

DATA CREEP

The Iowa Department of Revenue periodically issues a property appraisal manual that assessors follow when making valuation decisions. The intent is to provide guidance and help ensure some consistency in how property is valued from one area to another, although there is much leeway for factoring in local market nuances and conditions. A new manual was issued last year that replaces one that had been in use for about a decade.

What happens when using the manuals, however, is a

phenomenon called “data creep.” Say we have visited a specific home in the past, consulted the manual and decided there's a reason to deviate from the guidelines a little bit because of a unique circumstance. For example, we might bump the assessed value up slightly, relative to other homes in the neighborhood. Then several years later, we visit another home in that area and make a similar decision. Over time, the neighborhood can become dotted with some homes being valued very differently from others.

A neighborhood evaluation like we're doing now, using the new state manual, allows us to look at these situations and smooth out any bumps resulting from the data creep. In short, we pick a street, determine what the “average” house is, and from there make adjustments (if needed) to other homes on the block.

LAND ADJUSTMENTS

In conjunction with the neighborhood evaluations, we're also changing the way we calculate the area of residential property. We're switching from a “front-foot” to a “square-foot” approach. The front-foot approach that's been used for years is a mathematical ratio based on the amount of property that fronts the street versus the depth of the property to the rear lot line.

This concept stems from the way commercial property has historically been measured and valued. For a business, generally the more property that faces the street, the more valuable it is. That's because there's more visibility, more room for a storefront, more room for signage and the like. But it's never really made sense to measure residential property this same way.

Additionally, it used to be that most residential lots were perfect rectangles which made it easy to know what's facing the street. But with more curved streets, cul-de-sacs and irregular lot lines, it's become more of a challenge to use this concept for residential lots. The square-foot approach is much cleaner and easier to understand not only for our appraisers, but for homeowners, too.

The neighborhood evaluations are starting now; we anticipate it will take about two years to complete. The changes will be reflected on the 2011 assessments.
