



August 17th, 2017

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Important Dates to Remember

Registration Open for "What's New in Municipal Law"

The Division of Local Services Legal Staff will offer its annual seminar "What's New in Municipal Law" for local officials on Thursday, September 28, 2017 at The Lantana in Randolph and Thursday, October 5, 2017 at the Log Cabin Banquet & Meeting House in Holyoke. Please click the following for the [agenda](#) and [registration form](#). Registrations must be received by Wednesday, September 20, 2017. Pre-registration is required. If you have any questions about these seminars, please contact DLS Training Coordinator Donna Quinn at 617-626-3838 or by email at dlsregistration@dor.state.ma.us.

MUNICIPAL Databank

Announcing Year Three of the Community Compact Cabinet Program

Lieutenant Governor Karyn Polito



I hope you all are enjoying your summer and that you've been able to visit some of our great vacation spots in Massachusetts. I'm writing to announce the third year of our Community Compact Cabinet (CCC) program. The Community Compact Cabinet elevates the Administration's partnership with cities and towns and allows the Governor's Office to work more closely with leaders from all municipalities.

Since its launch in FY16, the Community Compact Best Practice program has proven to be incredibly popular with our partners in local government, with more than 300 of the 351 cities and towns that make up our Commonwealth choosing to enter into a Compact. The IT Grant program has been extremely competitive and allowed us to provide a total of \$4 million impacting more than 130 municipalities for various projects that will drive innovation and transformation at the local level. Similarly, the Efficiency & Regionalization Grant program has resulted in \$2 million of grants being awarded for projects impacting more than 120 communities and school districts that support regionalization and other efficiency initiatives that allow for long-term sustainability. The success of this program is primarily attributable to the support and commitment we received across all levels of government and the efforts of local officials to pursue and implement initiatives that directly benefit their communities.

For FY18, we are pleased to be able to offer the three programs again. Thanks to the support of our partners in the Legislature, the Best Practice, Efficiency & Regionalization Grant, and IT Grant programs are funded. This year, the **Best Practice** program is dedicated to municipalities that did not apply in Fiscal Year 2017 (FY17). In keeping with previous practice, "compact communities" receive additional bonus points for various state grants including the Efficiency and Regionalization Grant program. The **Information Technology Grant** program is also returning in January, 2018. It will be open to municipalities that did not receive an IT grant in FY17 and that have applied for the Best Practice program by January 1, 2018. Finally, the **Efficiency & Regionalization Grant** will be available in mid-October. That program is open to all municipalities, regional school districts,



Other DLS Links:

[Local Officials Directory](#)

[Information Guideline
Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial
Calculators](#)

regional planning agencies, councils of governments, and school districts exploring regionalization or shared services. To read more about all these aspects of the Community Compact Cabinet program, [click here](#).

This week, each of the 351 municipal executives in cities and towns across the Commonwealth received an emailed letter from me with information about the program. We also sent a targeted email to school superintendents, regional planning agency executive directors and council of government executive directors who are eligible for the Efficiency & Regionalization Grant program. Both letters contained links to our website where you'll find additional information and an online application process that's quick and easy.

The CCC program is designed to provide the resources and subject matter expertise necessary to facilitate and foster partnerships, practices and policies that reach across the Commonwealth to positively impact each and every city and town in Massachusetts. We thank you for your support and look forward to continuing to work with you toward that goal.

It was one year this past week that our Administration signed into law the Municipal Modernization bill, which was aimed at enhancing the partnership between the state and municipal governments while granting more local control and encouraging fiscal efficiency wherever possible. I hope that over the past year you've been able to take advantage of the changes in state laws. Developing and passing that bill was a collaborative effort and its success is proof that a strong state-local partnership is critical for our municipalities to thrive. We remain firmly committed to this relationship.

Finally, I'd like to highlight the conference we'll be hosting in collaboration with the Massachusetts Association of Regional Planning Agencies (MARPA). Please join us on Monday, September 18th at the College of the Holy Cross in Worcester for "Implementing Best Practices: A Statewide Conference for Municipal Officials and Staff." State and local officials will join together to share ideas and attend workshops focusing on the implementation of best practices in the areas of financial management, housing production, cybersecurity, regionalization, transportation, energy, and environment. The workshops will be followed by an interactive discussion led by the newly-formed Executive Office of Technology Services & Security (EOTSS). This forum, titled "Interactive Discussion: Data, the Commonwealth, and Unlocking Value for Municipalities," is designed to generate discussion regarding data collection and retention and the effective use of that data in both state and local policies and practices. We hope you'll be able to attend. For more additional information including links to the agenda and registration, please [click here](#).

Assessing the Gap: Current Market vs. Assessed Value

Nate Cramer - Bureau of Local Assessment Certification Advisor

As a homeowner, how many times have you tried to compare your assessed value to what you think it might sell for? How many times have you wondered why your local assessor valued your property for an amount greater or less than what your neighbor's house recently sold for? The assessed value on your tax bill can be misinterpreted because it is based on market activity from the previous year.

The effective date of your assessed value is the January 1st prior to the fiscal year. For example, the assessment date for FY2018 (which began July 1, 2017) is January 1, 2017, and the market analysis, or comparable sales to be analyzed, examines those that occurred in calendar year 2016 (January 1, 2016 through December 31, 2016). So it is possible the sales used to determine your assessed value are up to 18 months old by the time you receive a bill. This can be confusing even for the professionals who do this work every day. The chart below may help readers understand the timelines more clearly:

Fiscal Year	Effective Date of Valuation	Sales Data Used*
2019 (7/1/18-6/30/19)	1/1/2018	1/1/2017-12/31/2017
2018 (7/1/17-6/30/18)	1/1/2017	1/1/2016-12/31/2016
2017 (7/1/16-6/30/17)	1/1/2016	1/1/2015-12/31/2015
2016 (7/1/15-6/30/16)	1/1/2015	1/1/2014-12/31/2014
2015 (7/1/14-6/30/15)	1/1/2014	1/1/2013-12/31/2013
2014 (7/1/13-6/30/14)	1/1/2013	1/1/2012-12/31/2012

*Some communities require more than one year of sales data to meet minimum statistical requirements.

As you can see, the transactions occurring right now (calendar year 2017) will not be reflected in your property tax bill until Fiscal Year 2019.

Per [M.G.L. Chapter 40, sec. 56](#), real estate is to be assessed at full and fair cash value, often referred to as *market value*. If a community's assessments are not equitable and consistent, its values will not be certified by the Bureau of Local Assessment, which could hold up the tax rate setting process.

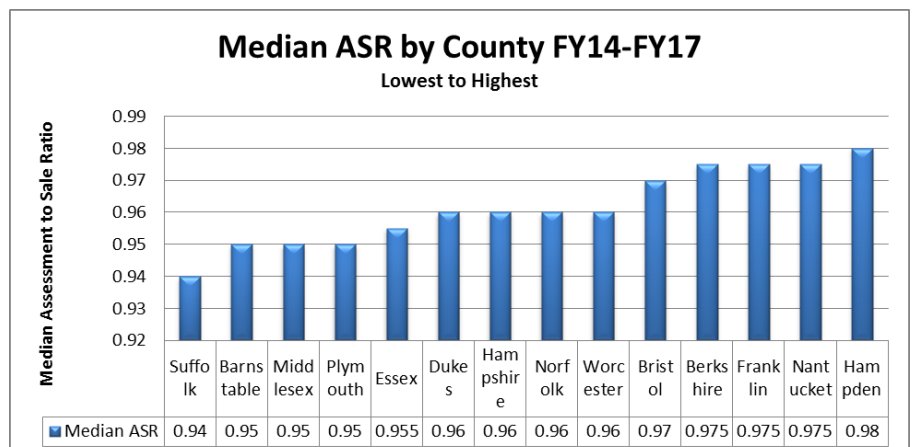
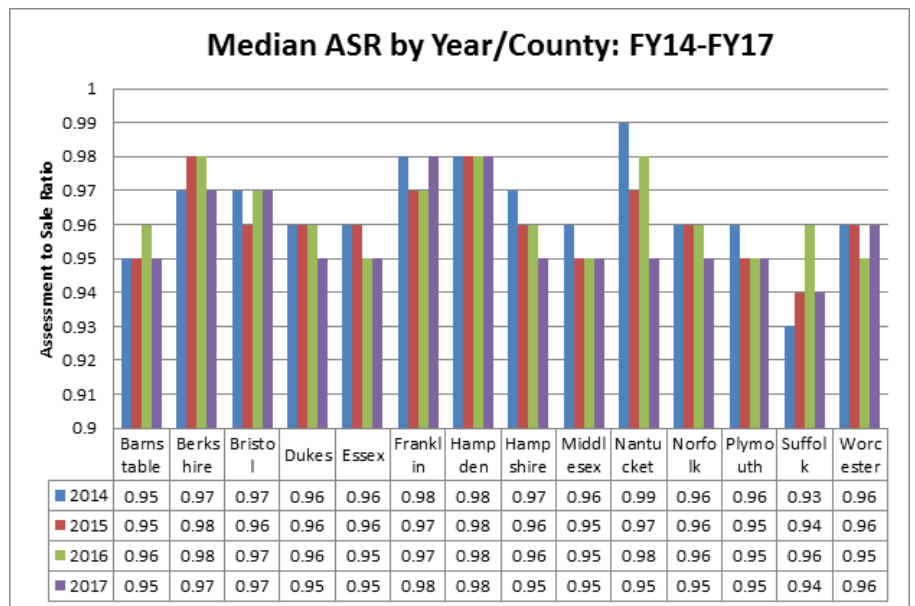
There are two primary statistical measures used to determine the accuracy and uniformity of assessed values in any given community. One is the *assessment to sale ratio* (ASR), which measures how closely the assessed value reflects the market (assessed value/sale price = ASR). This is performed on every transaction. Each year, assessors calculate a *median* ASR for each class of property in town. The *median* is the middle point of a number set, in which half the numbers are above the *median* and half are below. In Massachusetts, the median ASR of the predominant class in a community is required to fall between 90%-110% of fair cash value. For a majority of communities, single-family homes are the predominant class. For every other class of real property, such as condominiums, multifamily units, vacant land, etc., the median ASRs must then fall within 5% of the community's predominant class.

The second statistical measure is the *coefficient of dispersion* (COD), which

measures the uniformity of the assessments among properties in the community. The COD is the ratio of the average deviation of a group of numbers from the median. A COD statistic of 10% or less would indicate a high level of uniformity. In Massachusetts, assessors are required to have a COD of 10% or less for single-family homes in order for their values to be certified by BLA. A higher COD is allowed for other types of properties, such as commercial and industrial, which typically do not have as much sales data available as single-family homes.

It is important to note that in performing this analysis, only arm's length transactions are considered. An arm's length transaction is a sale between a willing buyer and a willing seller with no unusual circumstances involved in the sale. Examples of non-arm's-length transactions include sales between family members, estate sales and foreclosure sales. These are automatically culled from the assessor's analysis.

As mentioned earlier, single-family homes represent the predominant class in the vast majority of Massachusetts communities. The following two tables compare median ASRs by county for the last four fiscal years based on arm's length sales data contained in the DLS Gateway application.



As you can see, the median ASR over the past few years never reached 100% in

any county. Most communities prefer to keep their ASRs around 95%, which is well within the 90%-110% requirement. In fact, the median ASR of all arm's length transaction statewide over these four years was 96.1%. Why do assessors tend to keep their medians below 100%? Put simply, it is because a median of 100% indicates that half of the properties in the community are valued over 100% of market value. Assessors are well aware that the market fluctuates, and therefore, keeping values slightly below 100% creates a cushion should there be sudden market changes. Additionally, if half the properties in a community were assessed at over 100%, (e.g. sale price of \$400,000 with an assessed value of \$420,000), there would be an increase in abatement applications, which puts stress on your local assessor's productivity and risks the loss of anticipated revenue.

Below is a real life example of a home that sold three times since 2006, to illustrate how a fluctuating market can affect a property's assessed value. This is an excellent example because it shows the value before the 2008 market crash, the value at the low point as a result of the crash, and the present value. Take a look at the ASR for each of those sales. While the FY2011 value was still within guidelines, I would guess that this taxpayer had a few questions for the local assessor:

Fiscal Year	Assessed Value	Calendar Year Sold	Sale Price	ASR
2018	\$431,000	2016	\$450,000	0.958
2011	\$284,900	2009	\$262,000	1.087
2007	\$342,100	2005	\$350,000	0.977

Have you recently purchased or refinanced a property? Unless you are in a stagnant market your assessment and your current appraised value will almost never be the same. It is important to understand the lag time between your assessed value and current market value. If you feel your home is overvalued by the assessor and you decide to hire an appraiser to contest the value, you would need a *retrospective* appraisal, which uses comparable sales that occurred during the same time period the assessor used to determine your assessed value (refer back to chart in beginning of article). It's important to remember that this is *mass appraisal*. Assessors do not appraise every house individually, but rather hundreds or thousands at a time, using tables based on market data. The assessors' valuations will only be as good as their data, which is why it is so important for communities to continually review building permit data and perform inspections. Even then, there will certainly be outliers.

I am sure at this point, armed with all of this new knowledge, you must be wondering what the median ASR and COD is in your town. Unfortunately, we do not store CODs in our databases, but rest assured, communities' values will not be certified if they do not conform to the Commissioner's guidelines. Keep in mind that there are communities where the predominant class is not single-family dwellings, and being less reliant on that class, they may keep their median ASRs slightly lower. On the other hand, a community with a higher median ASR might indicate more reliance on the single-family class.

1	Taxpayer	Deadline for Submitting Annual Boat Excise Return
10	Assessors	Deadline for Appealing EQVs to the ATB (even-numbered years only)
15	Assessors	Deadline to Vote for Optional Preliminary Tax Bills In a regular semiannual community, Assessors have until this date to vote on the option under M.G.L. c. 59, § 23D to request BOA's authorization to issue preliminary bills. After receiving approval, Assessors must submit a Pro Forma Tax Rate Recap to BOA and mail the bills by October 1.
31	Assessors and Accountant	Begin Working on the Tax Rate Recapitulation Sheet (the recap) Semiannual communities that do not send annual or optional preliminary bills should begin the recap process by this date. [Refer to the information provided for October 15 in this calendar.]
Final Day of Each Month	State Treasurer	Notification of monthly local aid distribution Click www.mass.gov/treasury/cash-management to view distribution breakdown

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