

Town of Windham

Office of the Tax Assessor
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MEMORANDUM

TO: Windham Town Council; Barry Tibbetts, Town Manager
FROM: Elisa Trepanier, Assessor
DATE: December 3, 2020
SUBJECT: Assessment Update

State law mandates that it is the responsibility of the Town Assessor to maintain assessed values according to just value or market value. These are extraordinary times and despite a global pandemic, continued increases in an unprecedented real estate market are dictating that this office again needs to make value adjustments to certify a 100% ratio with the State of Maine. Based on sales studies, it is anticipated that the resulting value increase will be significant enough that it should be performed within the guidelines and parameters of a formal revaluation.

The Council should consider a statistical revaluation prior to commitment 2021 for the following reasons:

1. The Windham real estate market has continued to set sales price records. The record number of building permits and development in town together with a dramatic increase in construction material costs are all contributing to high market prices. Recent sale prices are again outpacing the 2019 town-wide valuation update. Sales studies over the past six months indicate residential assessments averaging 87% of sales prices. The average sale price has increased 15.22% since last year. It is impossible to predict how the real estate market will react during a pandemic over the next several months. If we can maintain an 87% sales ratio, we could claim an additional 10% and certify at 95%.
2. I do not expect an update to create significant changes in most tax bills as the majority of the update will be proportionate to one another. This means that most property valuations will be raised by a similar amount and experience a tax bill increase similar to what it would have been even without the update. Exceptions include properties where a homeowner has made significant improvements or are undervalued relative to everyone else.
3. Benefits to performing a statistical update include:

- The town will avoid reducing the amounts for Homestead, Veteran and Blind exemptions and will receive the full 100% of State aid to education and revenue sharing.
- The projected mil rate will likely be reduced;
- Properties that were undervalued relative to others will be brought up to pay their fair share;
- Windham has recently had two smaller updates which has insulated property owners from sudden jumps in valuation. Frequent updates avoid costly one-time revaluations;
- Our fieldwork is current so an update to property pricing can be prepared prior to the August tax commitment without significant expense;

History of Revaluations: I would like to provide a brief history of revaluations in Windham for those who may be asking “What? Another revaluation!” In 2006 an in-house reval was conducted during a booming real estate market. That market did not compare to the one we are currently experiencing but it was significant. In 2008 the nation entered a time of recession and market values began to fall. By 2011 Windham needed another revaluation because assessed values were too high at 104% of market value. This revaluation was basically a 20% decrease in values across the board. These new values worked for a few years until 2015 when it became apparent that the market was recovering. In 2016 the town began preparing for a revaluation that would go into effect in 2018. The cost of that revaluation was \$60,000 and included commercial properties. In 2019 the market continued an upswing and many homes that sold in 2018 were now selling a year later for \$100,000 more with no improvements having been made to the property. This market upswing had the town’s sales ratio back down to 87% and another revaluation was done for 2019 at a cost of \$10,000. The total value increase resulting from these two revaluations was in excess of \$575,000,000 or approximately \$8.5 million in revenue.

The public perception of the Town performing another revaluation during a global pandemic may be quite negative. It will be my job to explain to property owners that the town isn’t doing a revaluation to go on a spending spree and that it is not being done to raise more revenue for the Town but to equalize assessed values. If everyone’s assessed values go up but the Town budget doesn’t increase significantly then the mil rate will go down and the amount of tax will stay relatively the same for at least 1/3 of property owners. Another 1/3 of property owners could see their taxes go down and the remaining 1/3 of property owners could see an increase.

Cost: A typical revaluation company would charge \$60 - \$80 per parcel. Windham has nearly 9,000 parcels which would generate of revaluation cost of between \$540,000 and \$720,000. Much of the cost associated with a revaluation is in the fieldwork. Windham has been able to keep the cost down by having staff available to do fieldwork. Although office staff has been reduced from two full-time appraisers to a single 32 hour per week appraiser, our inventory is still quite good as we have been making every effort to stay on top of fieldwork to maintain the accuracy of our dataset. Because of these efforts, the statistical revaluation I am recommending would only require minimal fieldwork and significantly reduce the cost of a reval. I have obtained a ballpark estimate from a revaluation company of \$77,000 for a statistical update.

Approval: Although a valuation update legally does not require Town Council approval, the Council would need to approve funding for the process. The Town is well within legal assessment limits and this office would not initiate a revaluation without Council approval and support. The legal certified ratio assessment limits allowed by the State are a minimum of 70% and a maximum of 110%.

Please note that this will NOT affect the school funding formula, as the SFF uses an equalized 100% valuation calculated by the State.

Work would need to begin on this project by February 1 in order to meet the August 2021 commitment deadline. Pending Council approval, the next step in the process would be to initiate a press release informing the public about the revaluation process.

Windham is not the only community considering a revaluation due to the current market. I have spoken with a representative of Maine Revenue Services and several other Southern Maine assessors who all confirm that they are in a similar situation. If the Council would like to increase values to reflect the current market and certify at 100% next year, we will need to do another valuation update. In order to receive 100% of state aid to education, revenue sharing, Homestead, Veterans and other exemptions, the Town needs to be able to certify at 100%. (There was an article in the *Windham Eagle* recently announcing that the Town of Raymond would be certifying at 97%. A survey of 22 Southern Maine municipalities found that 11 of those towns certified below 100% this year. Like Windham, many of the towns that did certify at 100% are considering a revaluation to maintain that percentage rate. Of the five towns assessed by Cumberland County Assessing, four certified below 100% with Falmouth the lowest at 86%.)

Feel free to contact me with any questions.