

Town of Windham

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TO: Windham Town Council
FROM: Elisa Trepanier, Assessor *elt*
SUBJECT: Assessment Update
DATE: July 7, 2017
CC: Tony Plante, Town Manager

As part of the rebounding economy, the Maine real estate market has set a record for the number of home sales in 2016. In Windham we have also experienced a record number of homes sales together with selling prices that are, in many cases, much higher than current assessed values.

As part of this year's budget \$50,000 was approved to hire a commercial appraiser to review commercial properties. Ongoing sales ratio studies show that it would be an appropriate time to perform a residential real estate review or update in conjunction with the commercial review.

The last time the Town of Windham updated real estate assessments was in 2011. The result of that update was a reduction to land and building values. Those reductions are now not reflective of today's market.

Maine law requires that the assessment ratio (assessed value divided by market value) be a minimum of 70% and a maximum of 110%. Ratio studies are conducted by the assessor and audited annually by the Maine Department of Revenue to determine assessment ratio. If the ratio falls below 70% or goes above 110% the Town must perform a revaluation, review or update to bring the assessment ratio into compliance. Windham had been holding at a 97% overall average ratio for several years but that began to slip in 2015 when the ratio went down to 94%. In 2016 the overall ratio remained at 94% and this year it has gone down to 93%.

Maine law also requires that the quality rating of assessments be less than 20%. The quality rating measures dispersion or uniformity of assessments. A lower quality rating indicates uniformity of the assessment system. A rating of 16%-20% is considered fair; a rating of 11%-15% is considered good; and a rating of less than 10% is considered excellent. Windham's current quality rating is 9 which is a change from last year's 8.

Incoming sales indicate that the market is still healthy and growing. Not addressing the declining sales ratio and quality ratings could soon put the Town in the position of declaring a 90% certified ratio. This would have several implications including reducing the amount

residents would receive from the Homestead, Veterans and Blind Exemption programs. These exemptions would be reduced by 10%.

The Town is well within legal assessment limits; however, performing an update now would allow for changes to property values to be minor and can lessen the impact of more substantial assessment changes than may be required in the future.

My recommendation is that the Town performs an update to assessment values that would be in effect for the 2018/2019 tax year. Adjustments would be made based on a review of sales from 2015 and 2016 with comparisons to sales through January 1, 2017. Depreciation schedules, land values and base rates for buildings would be updated. Staff appraisers will be reviewing properties to update building sketches, photographs and other property data. This work will be done with current staff, a commercial appraiser and a residential assessing contractor, both of which the Town has used in the past. The cost of the update to the Town will be minimal compared to a town-wide full revaluation.

We currently have very good existing property data and a record number of sales to use as a basis for value changes. Stability in the current market improves the likelihood that our corrected values will be accurate. An update would also make our assessments defensible and reduce potential challenges to our values.

Although a valuation update does not require Town Council approval, I would request the Council's support in this effort as I value the Council's input on this proposal. Pending Council approval the next step in the process would be to initiate a press release informing the public about the process.