

NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE

Sales Assessment Ratio Studies & Nonsystem Properties

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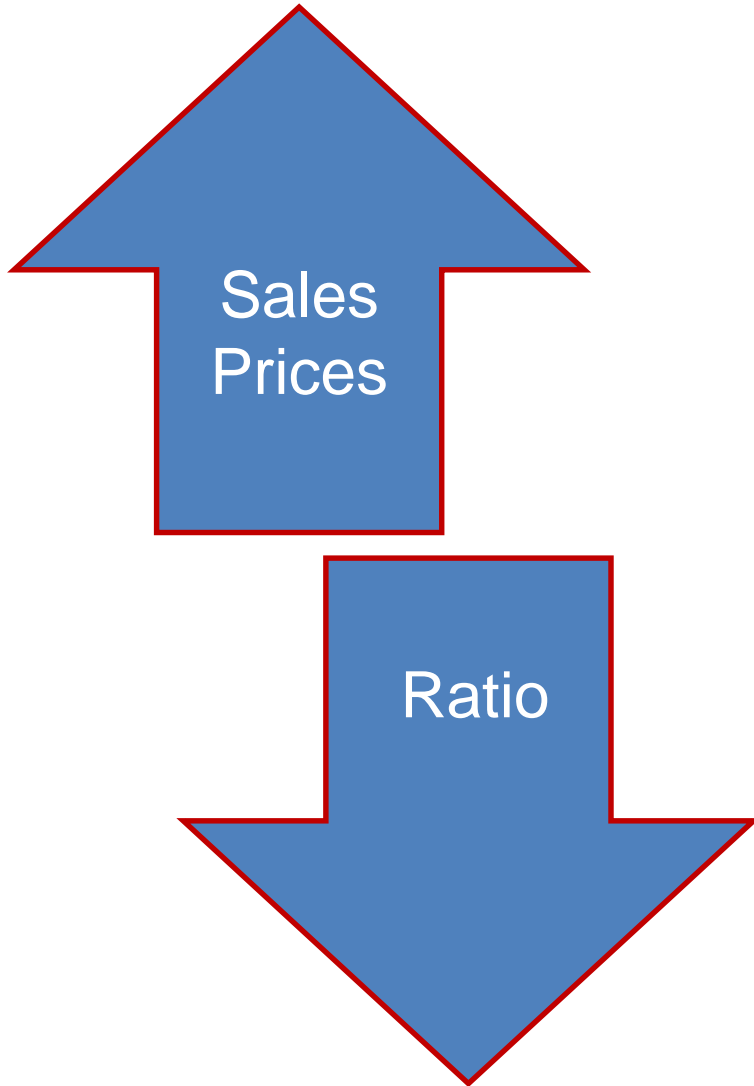
1. Learn what is a Sales Assessment Ratio Study, and its uses.
2. Gain a better understanding of Random Samples.
3. Understand the process of qualifying or disqualifying sales.
4. Learn the differences between DOR Study and Reappraisal Standards Study.
5. Learn what Nonsystem Properties are.
6. Learn what the county's role is in appraising nonsystem properties.



- Sales Assessment Ratio Study

$$\text{Ratio} = \frac{\text{Assessed Value}}{\text{Sales Price}}$$

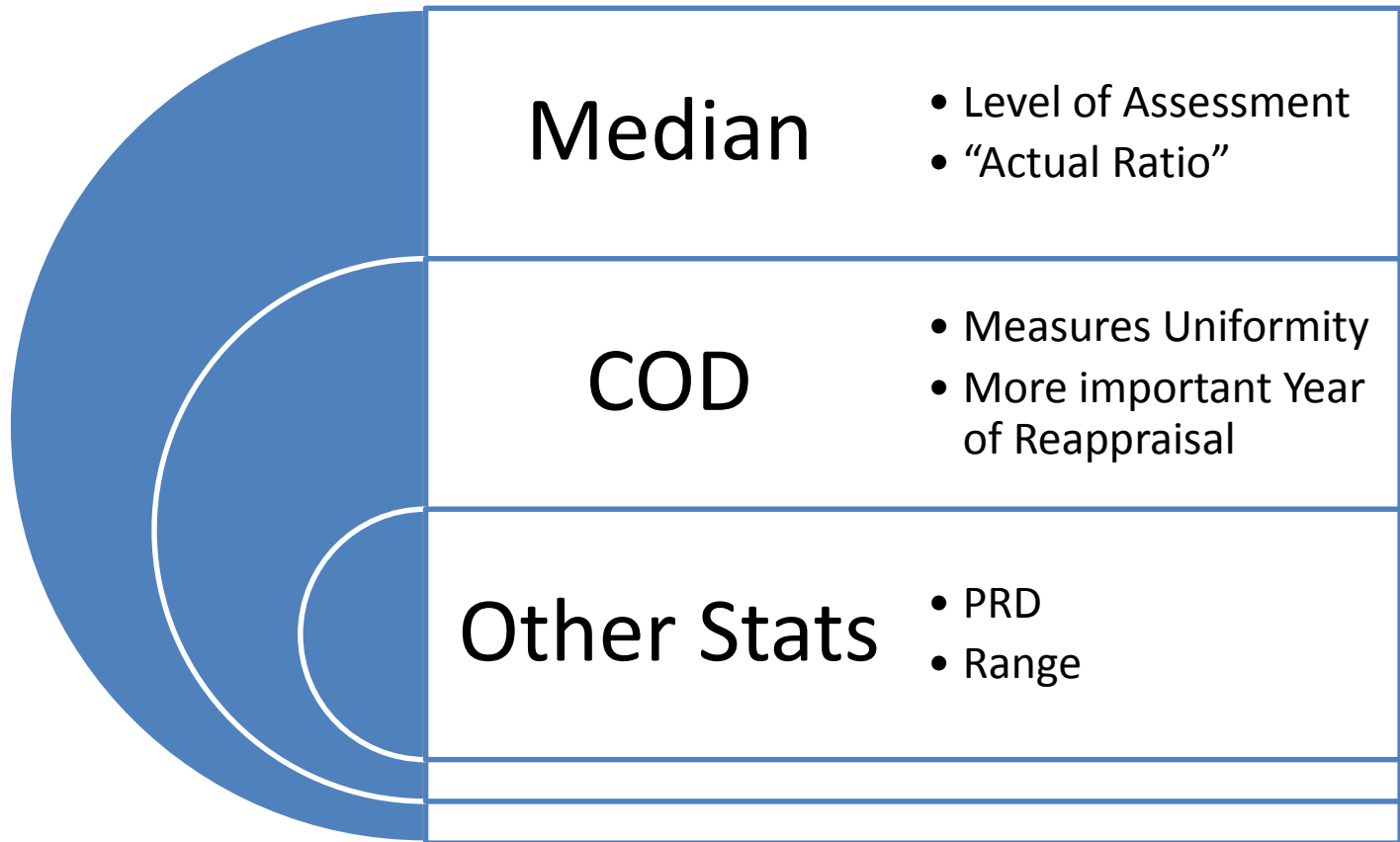




As sales prices increase – the ratio drops



Median and COD are two statistics to use in your Sales Assessment Ratio Study (there are others as well).



- Measures data uniformity
 - Largest Ratio – Smallest Ratio = Range

.33

.45

.87

.98

1.10

1.63

2.35

▪ Range would be $2.35 - .33 = 2.02$

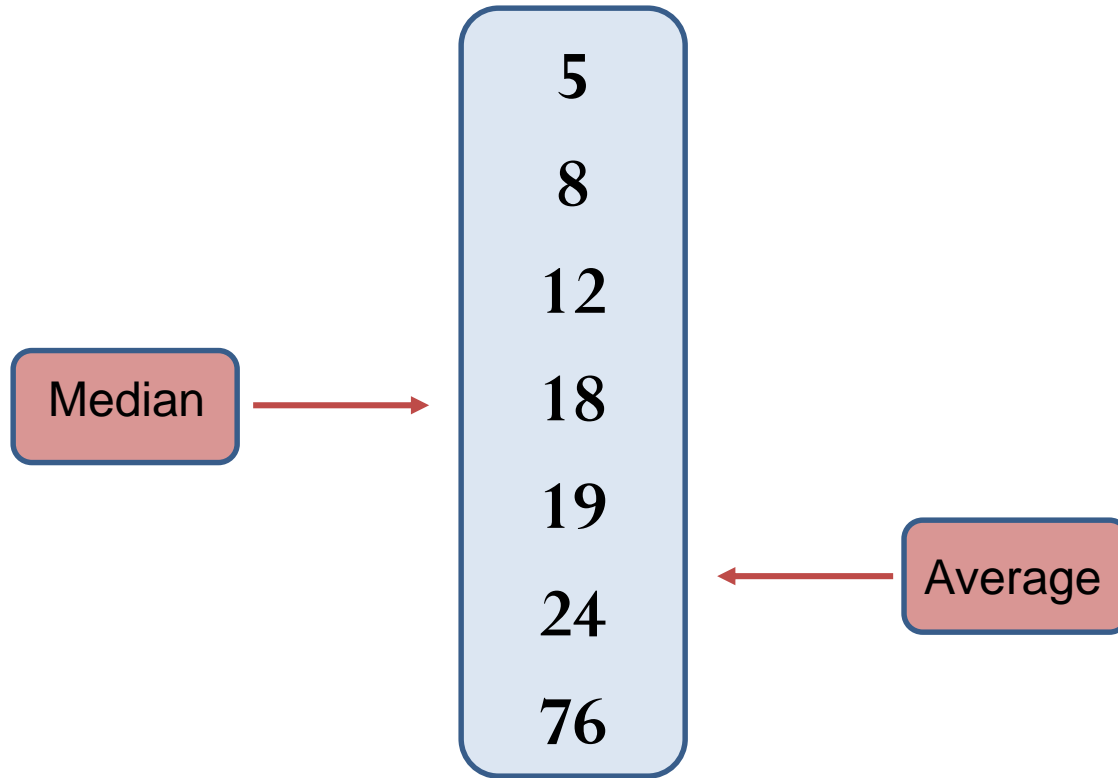
▪ For sales ratio purposes, be on the lookout for ranges that get too high.

▪ Remember a range of 4 essentially means your Assessed Value is 3 to 4 times higher than your Sales Price.

- Price Related Differential (PRD) –
 - Measures the level of inequity of assessment.

PRD	Interpretation	Favors	Type of Bias
0.98 – 1.03	Low and High value properties appraised equally	Neither	None
Less than .98	High-Value properties over appraised	Low-Value Properties	Progressive
More than 1.03	High-Value properties under appraised	High-Value Properties	Regressive

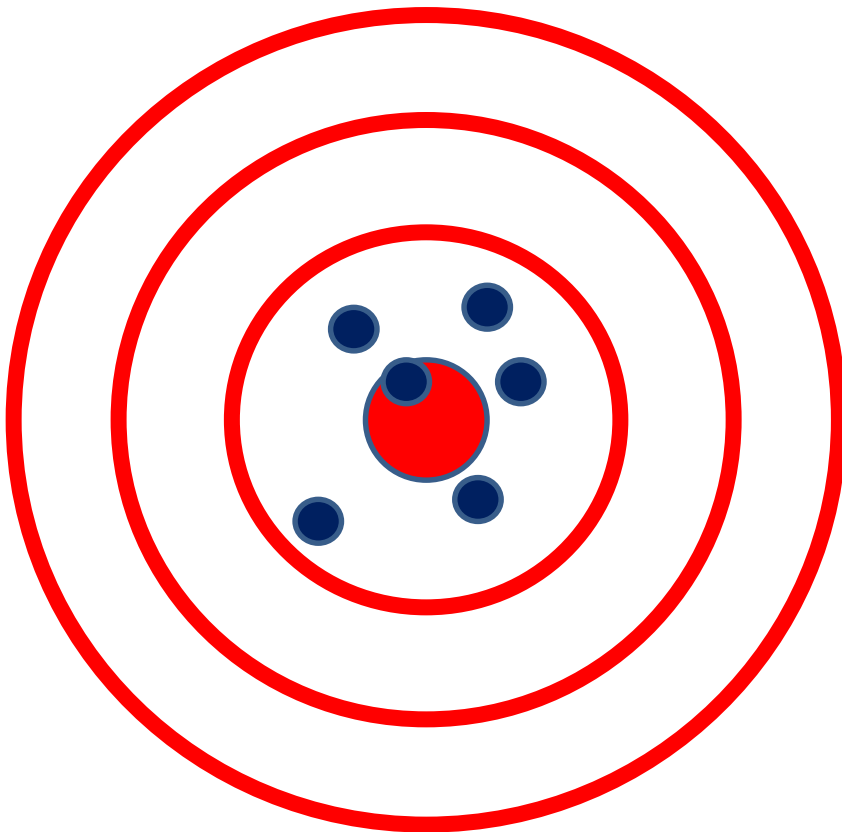




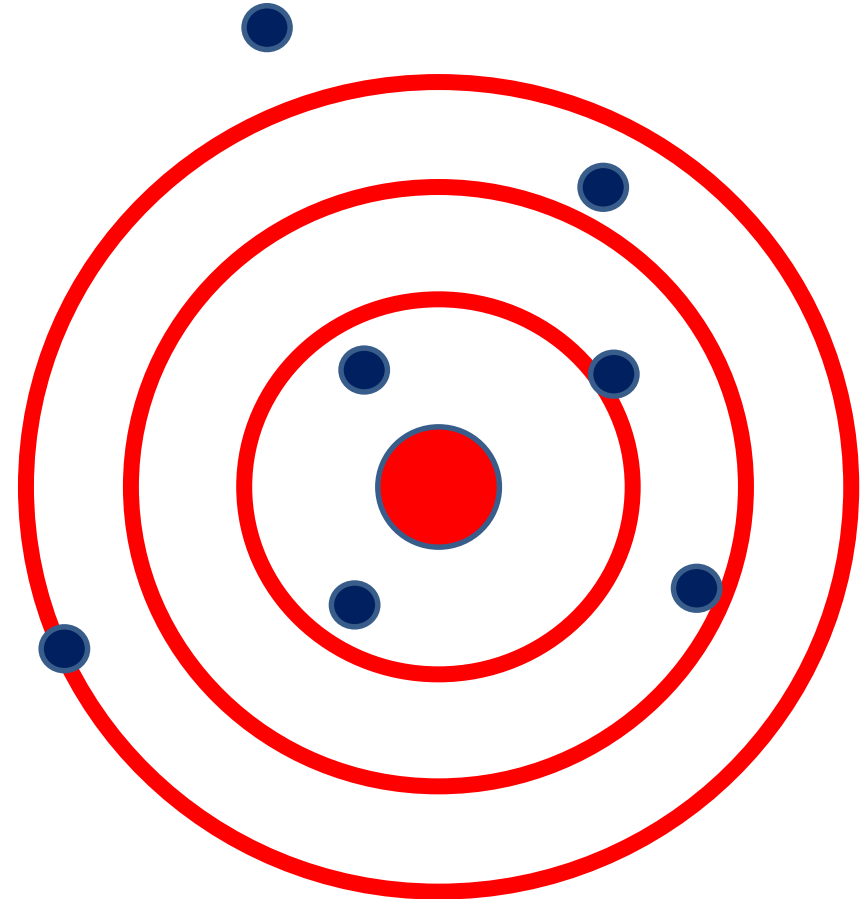
- Median – 18 (midpoint)
- Mean (Average) – 23.14



- Measures the uniformity of assessment

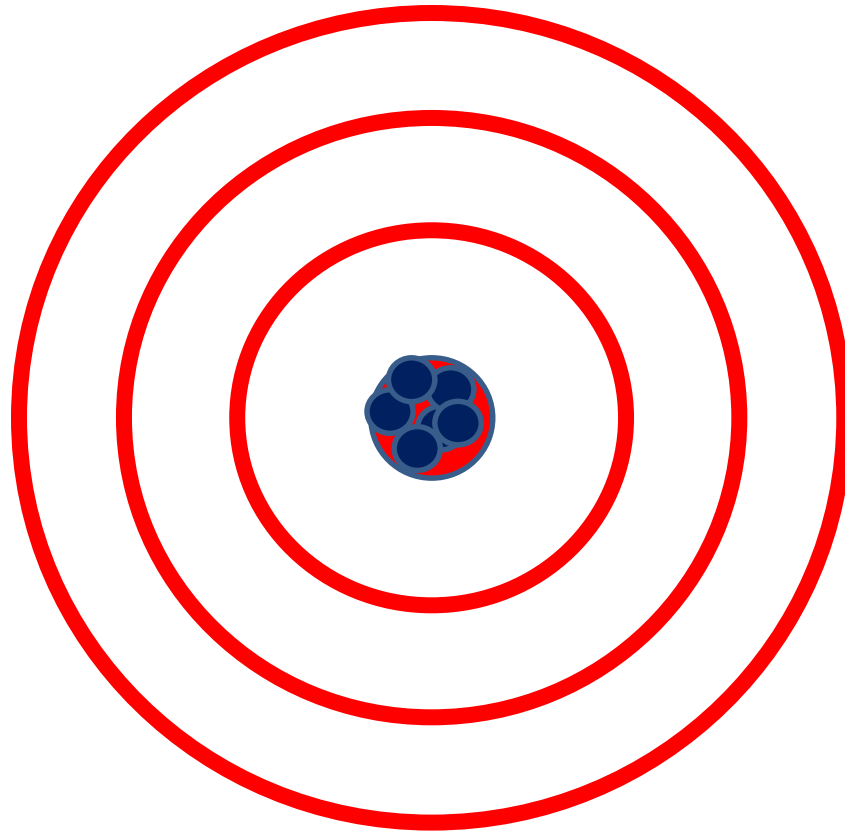


Low COD




High COD

- Can we be too good????



- Changing the values of properties to match the sales price – but not changing the values of the surrounding properties that didn't sale.





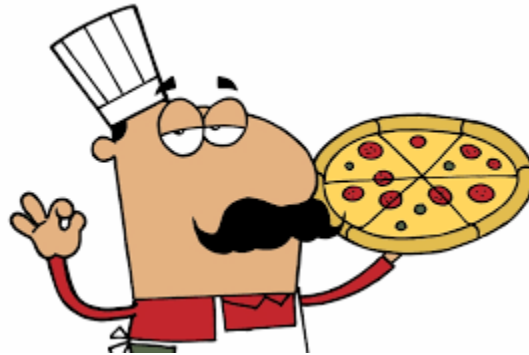
Reappraisal	<ul style="list-style-type: none">• Land Values• Neighborhoods
Market Review	<ul style="list-style-type: none">• Quality Control• Outlier Review
DOR Studies	<ul style="list-style-type: none">• 105-284• Reappraisal Standards



- Population – Includes all members of a data set.
 - For Sales Assessment Ratio Studies – this would mean “all sales”.
- Sample – Would be a portion or a subset of the population.
 - Only a portion of all sales.



- Definition – Unbiased group that represents the total population
 - In other words, we would expect the slice of the pie to represent the actual pie.



Random Sample

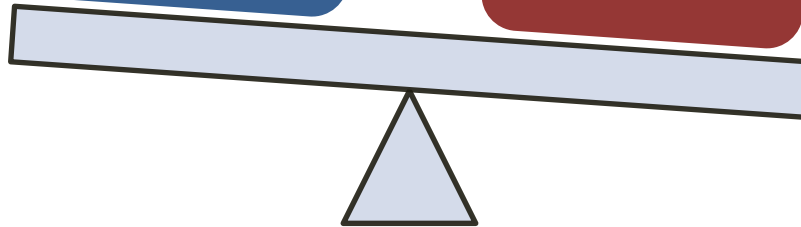
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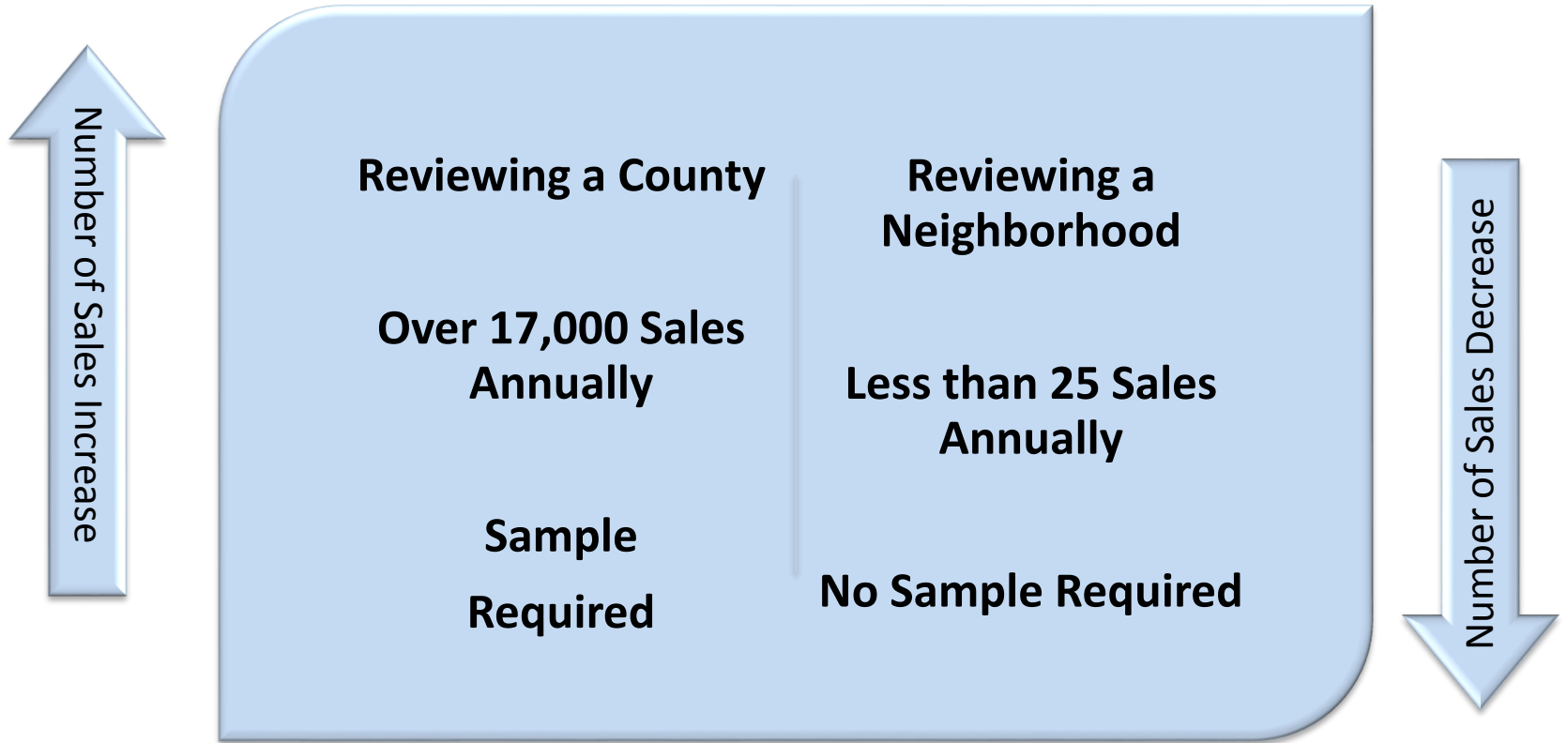
Pros

Biased

Less Expensive

Quicker





- Study should be based on Market Value sales.
 - That are arm's length transactions
- Study needs a defined timeframe.
 - DOR Study January 1st – December 31st
 - Reappraisal may be multiple years (Jan – Dec)
- Study should not be biased.





- What if 90% of our sales came from one part of the county?



- What if all your sales came from one neighborhood?
 - If your study is predominantly from one territory in the county, does this truly represent your county?

- What if the majority of your sales were from new construction?
 - Your study could look better than you think, if the majority of your sales came strictly from new construction.



- Need to select **qualified** sales in our random sample... But how?
- How can I be 100% sure that a sale is qualified?
- Can we identify sales that don't represent Market Value?
 - Foreclosures, Exempt Property, Partial Values, etc.
 - DOR has a list of rejection codes.
- Could we then assume that

ALL SALES – DISQUALIFIED SALES = QUALIFIED SALES



- Per NCGS 105-283
 - “Price, estimated in terms of money at which the property would change hands between a willing financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used”
- Arm’s Length Transactions – sales where the buyer and seller have no relationship with each other.

- Family Member Sales
- Commercial property with BPP included
- Foreclosures
- Government / School / Church / Public Service Company
- Parcel in multiple counties
- What sold doesn't match what was assessed
 - These are just a few examples – see NCDOR Rejection Codes for the full list.



Determining if a sale should be rejected isn't always Black and White

It will require appraiser's judgement





DOR Study

- Required by law - NCGS 105-284
- Equalize PSC
- Mandatory reappraisal - NCGS 105-286(a)(2)



Reappraisal Standards

- Not required by law – promoted by DOR
- Leads to more accurate reappraisals
- Guide/tool to assist counties



DOR Study

- Ratio will be based on DOR Study
- COD will be based on DOR Study



Reappraisal Standards

- Ratio will be based on DOR Study
- COD will be based on DOR Study and then trimmed to remove outliers

- DOR recommends a county conduct a reappraisal within (3) years if any of the following occurs:
 - Ratio goes above 110%
 - Ratio goes below 90%
 - COD is greater than 25



- Random Sample should reflect the county.
 - If commercial to real estate reflects a 1:50 ratio that is what our sample should reflect.
- Sample Size is predetermined by DOR.
- Samples should be selected randomly.
 - Hopefully from various parts of the county.
- Samples should be a mixture of new and old construction.



Counties Involvement of ...

NONSYSTEM PROPERTY

- Public Service Company Values
 - NCDOR is responsible for appraising all PSC values (both Nonsystem & System).
- This includes the following:
 - Airline, Bus, Motor Freight
 - Communication, Gas & Pipeline, Power and Railroad
 - (These appraisals could include Nonsystem)



System Property

- Required for the PSC to operate as a business.
 - Power lines for a Power Company.
- Includes owned or leased property.

Nonsystem Property

- Not required for the PSC to operate as a business.
 - Excess land owned by a Power Company.
- Does not include leased property – must be owned.



- Nonsystem Property - NCGS 105-333(12)
 - Real and tangible personal property owned by a public service company but not used in its public service activities.

- What assets are considered nonsystem?



Examples of Nonsystem

Internet



Power Company offering Internet

Excess Land



Land not needed by PSC

Building with other uses



Old train depot now used by community



- Personal Property
 - We use the DOR trending schedules to appraise all personal property nonsystem.

- Real Property
 - We appraise all real property using the county's schedule of values.





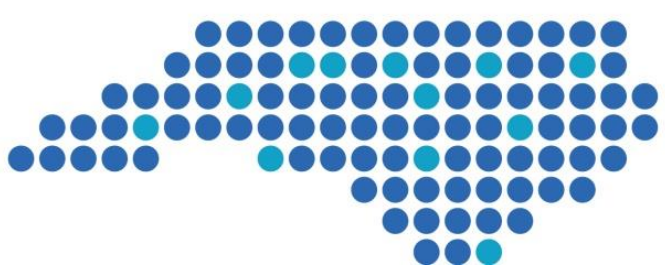
Nonsystem vs System



- If DOR appraises Nonsystem – should you worry with appraising locally as well?
- Should you send reappraisal notices of the new values?
- Can they appeal your local values?



- We do have one upcoming workshop in Pittsboro (Chatham County) on February 27th.
- The workshop will cover sales ratio in the morning, followed by PSC in the afternoon.
- Go to the NCDOR website for additional information, or call our office.



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Questions?

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