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Agency of Administration

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June 23, 2008

Chair, Board of Governors
Unified Towns and Gores of Essex County
P.O. Box 417
Island Pond, VT 05846

Re: Redetermination of the Unified Towns and Gores' 2008 EEPV and COD (Derived from 2007 Grand List)

Dear Chair:

On May 1, 2008 I heard the Unified Towns and Gores' (UTGs) petition for redetermination of their equalized education property values (EEPV) and coefficient of dispersions (COD).¹ The UTGs were represented by Howard Walker, Chair of the UTGs' Board of Governors, as well as Dave LaFoe, also a member of the UTGs' Board of Governors. Mark Paulsen, John Westinghouse and Suzanne Monte appeared on behalf of Property Valuation and Review (PVR). Bill Tobin, a PVR District Advisor, was also present.

The issues raised by this appeal are enumerated in a letter dated January 15, 2008 by Howard Walker to Bill Johnson, as Director of PVR. The overarching issue that unites the various complaints is that PVR's use of a single sales sample to compute the listed value to sales price ratios used to equalize all six of the UTGs' grand lists is "unjust and unacceptable."² Beyond this, the representatives of the UTGs assert that PVR's sales sample (as supplemented by appraisals) is defective because it does not include enough sales, that the sales and appraisals constituting the sample are not representative of the diversity of property-types within the UTGs and that the appraisals conducted to

¹ The six municipal entities comprising the UTGs are Averill, Averys Gore, Ferdinand, Lewis, Warners Grant and Warren Gore.

² Letter appealing the 2008 equalization results for all six of the UTGs from Howard Walker, Chair of the UTG Board of Governors to Bill Johnson, Director of PVR, dated January 15, 2008. The full text of the #1 enumerated issue reads, "(t)he UTG is comprised of six separate and distinct towns (jurisdictions). PVR's indirect equalization of each UTG jurisdiction with sales and/or appraisals from the other jurisdictions continues to be unjust and unacceptable."

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supplement the sample are otherwise defective. I will address these issues later in this decision.

Procedural History

This is the third year in a row that the UTGs have appealed the results of the Tax Department's equalization study. In many respects, the appeals of the two prior studies were based on pretty much the same issues as this year's appeal. That is, PVR's use of a single sales sample to calculate equalization results for all the UTGs is inappropriate because the sample is not sufficiently representative of the unique characteristics of the various UTGs. While the primary complaint is consistent across the three years of appeals, the decisions of the hearing officer at the director's level of appeal for the first two appeals were markedly different.

In the 2006 appeal of PVR's equalization results for the UTGs' 2005 grand lists, the hearing officer found that PVR's original determination of values was problematic, not because the study used a single sales sample, but because the evidence presented at hearing supported the UTGs' contention that the sales sample was not representative of the underlying grand lists to the UTGs. As a result, the hearing officer ordered PVR to make very large changes to the equalization ratios used to compute the study results for most of the UTGs. Further, the hearing officer ordered PVR to incorporate changes in subsequent equalization studies to correct for the apparent lack of sample representativeness.

In addressing the appeal of the study results for the UTGs' 2006 grand lists, the hearing officer's decision largely supported PVR's original determination of values.³ Not only did the hearing officer once again affirm that the use of a single sales sample for all six of the UTGs constituted a valid study design but he found that PVR's sales sample for this year was reasonably representative of the UTGs' grand lists. This was because PVR supplemented the 23 valid sales in the sample with an additional 40 appraisals of property. While the representatives of the UTGs continued to maintain that the sales sample was not sufficiently representative of their grand lists, they did not offer convincing empirical evidence to support that assertion.

Findings of Fact

For the purpose of the equalization study, the UTGs are all distinct municipalities under Vermont law. 32 V.S.A. §5401(9). But, for the purpose of grand list maintenance, the UTGs operate as a unified assessment district. All the UTGs' grand lists are maintained by a single Board of Appraisers using a common appraisal methodology. For the last two reappraisals, all six UTGs were reappraised in the same years - the 1999 and 2007 tax years. Both reappraisals were conducted by a single mass appraisal firm using a common appraisal methodology for all six of the UTGs.

³ The hearing officer did order PVR to make one change. The change was the inclusion of one sale of forest land in the sales sample that PVR had removed from the study.

It is PVR's practice to treat multiple jurisdictions that combine to form a unified grand list maintenance district as a single entity in terms of compiling a single sales sample for the equalization study purposes. Moreover, it is a commonly held practice in the field of mass appraisal to treat multiple jurisdictions as a single entity assuming they maintain their tax rolls using a uniform methodology and a common schedule for updating valuations.

For the 2007 grand list equalization study, PVR used a single sales sample for each of the six UTGs. That sample included 15 sales of properties within the combined UTGs and, in addition, 39 appraisals of other UTG properties. This results in a sales sample that includes more than 11 percent of all the taxable parcels within the UTGs.

While all of the UTGs do have properties with unique characteristics, properties across the UTGs tend, both in terms of numbers as well as grand list value, to fall into a small number of property-types. These property-types are forested land, vacation properties and high value utility properties.

PVR's supplemental appraisals are reasonably representative of the UTGs grand lists in that they are concentrated in those categories of property that constitute the overwhelming majority of value within the UTGs' grand lists.

On June 5th, 2008 the Valuation Appeal Board (VAB) disseminated its decision concerning the appeal of the UTGs for the 2007 (based on 2006 grand lists) equalization results. In its decision, the Board upheld PVR's determination of values for the UTGs.

Decision

Based on the evidence before me, I find that PVR's use of a single sales sample to be a reasoned and appropriate methodology for conducting the equalization study for the UTGs. This is consistent with my decision with respect to the UTGs' appeal of their 2007 (based on 2006 grand lists) equalization study results. In that decision I noted the following.

Not only from a legal but also from the perspective of appraisal theory and practice, a unique sales sample is not required under the circumstances now existing in the UTGs. This is the case largely because all six municipalities comprising the UTGs are currently being managed for valuation purposes as a single assessment entity. All six of the UTGs were last reappraised for the 1999 tax year. That reappraisal was conducted by a single mass appraisal firm and the evidence before me suggests that a uniform methodology was employed in the appraisal of all the properties across all six UTGs. Further, the grand lists of all six UTGs are maintained by a single three person Board of Appraisers. Under mass appraisal practice it is generally held that when multiple municipalities combine to serve as a single assessment "district", it is possible to treat the district as a single entity when conducting ratio studies such as PVR's equalization study. This means that all of the sales within the district from the defined sales period

would be combined to form a single sales sample. The one clear requirement for the use of a single sales sample is that there is no bias in assessment practices across the UTGs. While there was some evidence in hearing presented that there is some diversity in property types across the UTGs, no evidence was presented that suggested any bias in assessment practices. (From the PVR Director's redetermination decision for the Unified Towns and Gores' 2007 EEPV and COD, dated June 14, 2007)

With regard to the issue of appraisal bias affecting the UTGs' 2007 reappraised grand lists, there was no evidence presented at hearing that any form of systematic bias is evident in their grand lists.

The UTGs also argue that PVR's sales sample is not representative of the diversity of properties within the various municipalities. In terms of this issue, the UTGs offered limited evidence to support their argument.⁴ While it is true that PVR sales sample did not contain sales or appraisals of every property type in each of the UTGs, this is not necessary. As stated at the hearing by representatives of PVR, the sales sample was purposively structured to include a significant number of sales or appraisals in those property categories that constitute the great majority of value within the UTGs' grand lists. Moreover, the State Valuation Appeal Board's decision with respect to the UTGs' 2007 appeal is on point in this matter.

The UTGs' emphasize the unique considerations involved in valuing unlanded camps to support their argument that the State's equalization process is unfair. The UTGs then rely on the number of unlanded camps within the various entities to arrive at a percentage of total parcel counts affected by the uniqueness of particular properties. Yet, the equalization process is, in fact, based on property value, not parcel count and the total value of the unlanded camps comprise a small percentage of the overall equalization study. (Valuation Appeal Board, in re Appeal of the Unified Towns and Gores, Appeal of 2007 EEPV and COD, disseminated June 5, 2008)

Finally with respect to sample representativeness, the UTGs state that, "(b)etter representation should be sought when future PVR appraisals are required."⁵ While I find that PVR's sales sample is reasonably representative of the UTGs' grand list, it is always possible to improve. To this end, when PVR decides to conduct new appraisals to supplement the UTGs' sales sample, a review of the methodology for selecting properties for appraisal should be undertaken.

The UTGs assert several additional flaws with respect to PVR's 2008 equalization including that there were too few sales in the sales sample and that some of PVR's appraisals used in the sales sample were done using inaccurate information. At the same

⁴ A map was submitted into evidence. The map showed the six UTGs and included a partial list of the number of properties in each of the UTGs.

⁵ Letter appealing the 2008 equalization results for all six of the UTGs from Howard Walker, Chair of the UTG Board of Governors to Bill Johnson, Director of PVR, dated January 15, 2008.

time, the UTGs did not present evidence in support of these assertions so I will not address these issues as part of this decision.

One thing was evident to the hearing officer while listening to the UTGs' testimony at hearing. Most of the verbal testimony had little to do with how PVR conducts its equalization study. Instead, the UTG representatives expressed considerable concern with the outcome of their 2007 reappraisal. The basis for their concern is that PVR's equalization results include a coefficient of dispersion (COD) of 30.69 percent for all the UTGs' grand lists. A COD of this magnitude not only indicates serious disparities in the level of appraisal of individual properties but, based on Vermont statute, it prompts a PVR director's order to reappraise for affected municipalities.⁶ It is easy to understand why the UTGs' Board of Governors would be greatly concerned about this outcome given that they have just experienced significant cost and work associated with the 2007 reappraisal.

In stating their concerns, UTG representatives expressed a desire to work with PVR to address this situation. Given this difficult situation, I direct PVR to assist officials from the UTGs in developing a solution that will result in more equitable grand list assessments for property owners within the UTGs.

I find that PVR's equalization procedures as applied to the UTGs were both reasoned and rational and therefore I direct PVR to make no changes to the UTGs' 2008 equalization results. Based upon the foregoing, I find that the various UTGs' 2008 EEPVs and CODs to be as follows.

For Averill:

Equalized Education Property Value:	\$33,205,000	
Common Level of Appraisal:	126.83	%
Coefficient of Dispersion:	30.69	%

For Avery's Gore:

Equalized Education Property Value:	\$2,230,000	
Common Level of Appraisal:	101.23	%
Coefficient of Dispersion:	30.69	%

For Ferdinand:

Equalized Education Property Value:	\$12,188,000	
Common Level of Appraisal:	108.89	%
Coefficient of Dispersion:	30.69	%

⁶ 32 V.S.A. §4041a(b) requires the Director of PVR to order municipalities to reappraise when their COD exceeds 20 percent and / or the common level of appraisal drops below 80 percent.

For Lewis:

Equalized Education Property Value:	\$7,339,000	
Common Level of Appraisal:	102.31	%
Coefficient of Dispersion:	30.69	%

For Warner's Grant:

Equalized Education Property Value:	\$188,000	
Common Level of Appraisal:	101.17	%
Coefficient of Dispersion:	30.69	%

For Warren Gore:

Equalized Education Property Value:	\$6,740,000	
Common Level of Appraisal:	129.34	%
Coefficient of Dispersion:	30.69	%

If the Town wishes to preserve its appeal rights with the Valuation Appeal Board it must do so in writing. The appeal to the Board must be received by the Division of Property Valuation and Review by the close of business on the 30th day following this determination.

Please contact the Division if you have any questions.

Sincerely,



William E. Johnson, Director
Property Valuation and Review

cc: UTG Appraisers
UTG Administrator
Superintendent of Schools
Department of Education
County Treasurer
District Advisor