A LOOK AT REASSESSMENT FOR REHOBOTH BEACH

May 7, 2012

APPLICABLE LAW

State of Delaware Constitution

ARTICLE. VIII REVENUE AND TAXATION

§ 1. Uniformity of taxes; collection under general laws; exemption for public welfare purposes.

Section 1. All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, except as otherwise permitted herein, and shall be levied and collected under general laws passed by the General Assembly. County Councils of New Castle and Sussex Counties and the Levy Court of Kent County are hereby authorized to exempt from county taxation such property in their respective counties as in their opinion will best promote the public welfare. The county property tax exemption power created by this section shall be exclusive as to such property as is located within the respective counties. With respect to real property located within the boundaries of any incorporated municipality, the authority to exempt such property from municipal property tax shall be exercised by the respective incorporated municipality, when in the opinion of said municipality it will best promote the public welfare.

State of Delaware Constitution

ARTICLE. VIII REVENUE AND TAXATION

§ 7. Real estate assessments; inclusion of values.

Section 7. In all assessments of the value of real estate for taxation, the value of the land and the value of the buildings and improvements thereon shall be included. And in all assessments of the rental value of real estate for taxation, the rental value of the land and the rental value of the buildings and the improvements thereon shall be included. The foregoing provisions of this section shall apply to all assessments of the value of the value of real estate or of the rental value thereof for taxation for State, county, hundred, school, municipal or other public purposes.

Delaware Code

TITLE 22 – Municipalities

CHAPTER 11. ASSESSMENTS FOR MUNICIPAL TAXATION

§ 1105. Tax rate upon reassessment; notice.

(a) When any total reassessment of taxable properties within a municipal corporation of this State (hereinafter "municipality") shall have become effective, a tax rate shall be computed so as to provide the same tax revenue as was levied during the prior fiscal year. That rate shall be known as the "rolled-back rate." Any initial assessment made on new construction shall not be taken into account in determining such limitation.

(b) The ordinance establishing a property tax rate upon total reassessment shall state the percent, if any, by which the tax rate to be levied exceeds the rolled-back rate computed pursuant to subsection (a) of this section, which shall be characterized as the percentage increase in property taxes adopted by the governing body. Within 15 days of the meeting at which the ordinance shall be considered by the governing body, the municipality shall advertise, in a newspaper of general circulation in the municipality, said percentage increase in the tax rate.

Delaware Code

TITLE 24 – Professions and Occupations CHAPTER 40. REAL ESTATE APPRAISERS

§ 4019. Exception.

(e) The Council on Real Estate Appraisers shall develop standards in cooperation with the Delaware Association of Counties and the Executive Director of the League of Local Governments or his or her designee for licensing and training of assessors in order for municipal and county assessment departments to be in compliance within 3 years of the development and adoption of said standards.

The Council on Real Estate Appraisers has adopted the standards required by this section.

As of December 1, 2014 anyone employed as an assessor by the City must be licensed as a "State licensed assessor."

EXISTING SYSTEM

The City's current assessment system:

- Is based on a revaluation that was completed in 1968 by Associated Surveys Co. which was then located in Wayne, New Jersey.
- Uses printed assessment cards to record the information about each property.
- Prints the tax bills from a computer where the assessment figures for each property are entered from the assessment cards.
- Uses a manual, created by Associated Surveys in 1968, of values and factors to perform "maintenance" assessments.
- Has, since 1968, been updated by a combination of professionals and citizen property owners who have served on the Assessment Board.
- Sets the assessed value at 50% of the fair market value as determined in 1968.

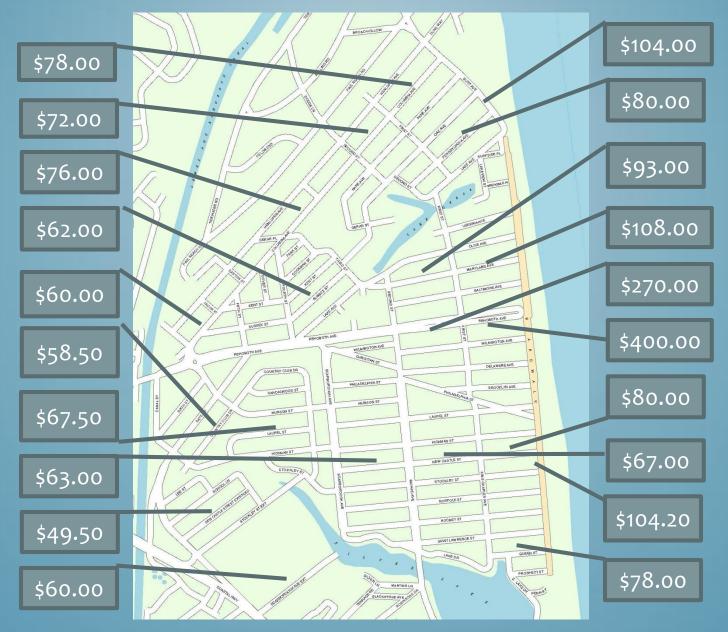
ASSESSMENT CARD - FRONT

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					Geor	ge W.	Shock	ley, J	Jr.					1-30	-78	T&R		
				Helen S. Simpler, Grace S. Cooper & The Sussex Trust								Co., Trustees						
				LAND VALUE COMPUTATIONS								SUMMARY						
					FRONTAGE	AVERAGE	DEPTH	EQUIY.	UNIT	TOTAL	COND.%	APPRAISED		YEAR	APPRAISED	VALUE	ED A	CHANGE
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ASSESSMENT CARD - BACK

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APPOINTMENT CARD DAT		SIGNATURE			ROOMING HS. OTHER TOTAL UNITS -1 (X3)
PURCH. PRICE: 12. 19	LAND \$	L. & BLDG. \$		2. STORY HEIGHT	ONE 11/2 TWO x +A + B +50
BLDG. COST: YR. 19	\$	RENT SCHEDULE		3. DESIGN	CONVENTIONAL APT. HS. DUPLEX ROW FLAT
MPR. COST: YR. 19	1			34. STYLE	CONVERSION +8 +5 +5 +3 T RANCH CAPE COLONIAL RAISED SPLIT
THER COST: YR. 19	1				
				4. FOUNDATION	TILE BRICK STONE C. BLOCK CONCRETE
			a a a	5. EXTERIOR	SIDING WD. LAP SHING. DROP SEL -4X .
		2 4 35 2	u u u	WALLS	VERT. PLASTIC ALUM. ASPH. ASB. COMP. +
					PAINTED C. BLK4× . HARDY PLANK MASONITE
		W	D		BRICK +10×+ STONE +12×+ SIMULATED
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	1				B. REC. RM. +20× % B. REC. RM. +10× % +
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·	33		1. 8	9A. AIR	NO HTG8× + PARTIAL OR LIMITED HEATING4× + CENTRAL SEPARATE +8× COMBINED EXCL. HTG. +6× +//
				COND.	B.I. WALL OR ROOM UNITS +4× × % BASE BLOG. AREA
				10. PLUMBING AND	3 FIXT. STD. BATHS / 2 FIXT. TOILET RMS. / 3 FIXT. ST. SH. BATHS 2 EXTRA BATH TUBS
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OTHER	LOCATION LOT	INTER. CO		12C OTHER	
REC.	NEIGHBORHOOD	PROTECTIO			ITEMS 12-12C INCLUSIVE 33212
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SAMPLING OF FRONT FOOTAGE ASSESSMENT

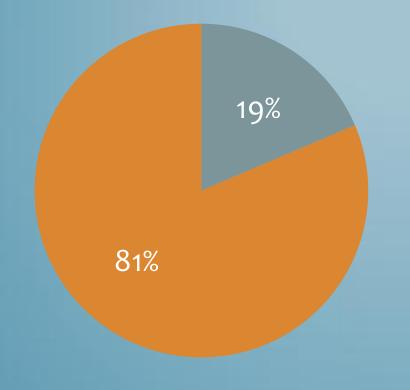


RECENT SALES DATA & ANALYSIS

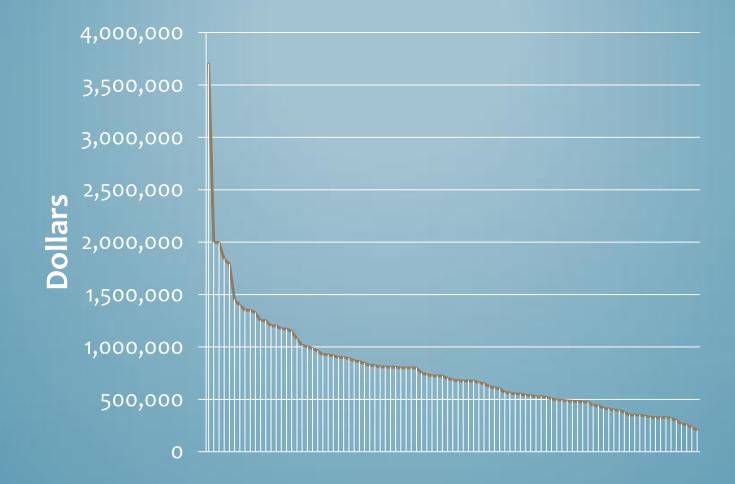
Sales data from 1/1/2011 to 4/30/2012:

- During this period 96 properties were sold where a realty transfer tax was paid (one property was removed for this analysis).
- The total sales price of these parcels was \$74,515,820 or an average of \$784,377 per property.
- The total assessment of these properties is \$1,757,349 split \$326,738 for the land and \$1,430,611 for the improvements.
- These 95 properties generate \$31,280.81 in property tax revenue at the current rate of \$1.78 per \$100 of assessment.
- All data and assumptions presented in this section are based on the sales and assessment information for these 95 parcels.
- There was no effort made to determine if the sales information for each parcel represented an arms-length transaction for the real estate.

CURRENT ASSESSMENT PROPORTION FOR THE TEST PARCELS



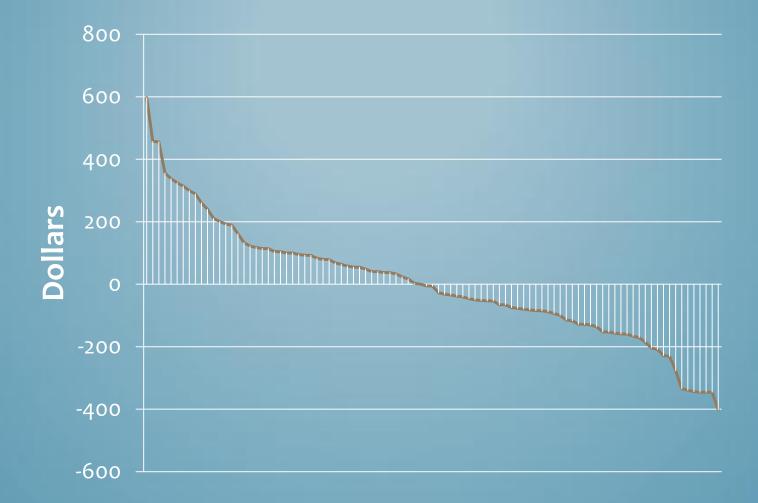
LandImprovements



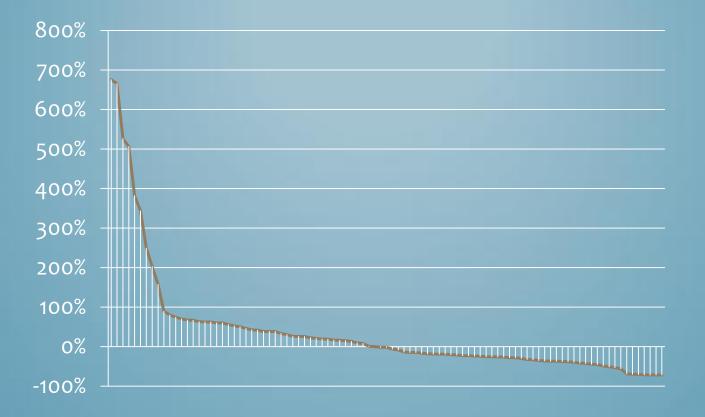
DISTRIBUTION OF SALES PRICE OF TEST PARCELS \$3,700,000 TO \$203,000

- If the assessment of the test parcels were adjusted by the average increase reflected by the sales prices the average assessment would be increased by a factor 21.2 or 2120%
- The new tax rate, if assessments were adjusted by a factor of 21.2, would be \$0.084 to yield the same \$31,280.81 that is realized from these 95 parcels today.
- 49 parcels would see a reduction in taxes and 46 parcels would see an increase in taxes.

DISTRIBUTION OF TAX CHANGE IN DOLLARS \$597.53 TO (\$402.30)



DISTRIBUTION OF TAX INCREASE AS PERCENTAGE 675.78% TO (-71.69%)



- The parcel seeing the largest increase in taxes was the parcel that sold for the highest price.
- The nine parcels with the highest percentage increase in taxes are all vacant lots.
- The parcel seeing the largest decrease in taxes is a business property. There is no way to know if the amount that transfer tax was paid on was the full compensation.
- The six properties with the largest percentage decrease in taxes are all townhouses built in the last several years.

- Several parcels shown on the assessment list of the City as vacant, had houses that were recently demolished. They all are currently having new houses built on them.
- One of these had a land assessment of \$3,350, the improvements had been assessed at \$15,050 and was sold for \$890,000.
 Another had a land assessment of \$3,600, improvements assessed at \$16,940 and sold for \$925,000.
- The improvements on both of these parcels represented 82% of the assessed value.
- Ergo, the purchasers voluntarily relinquished 82% of their purchase based on the assessed values. If the assessments represented the true values this would represent a loss of over \$750,000 for each property.

REASONS TO REASSESS:

- Large inequities have crept into the system since the last reassessment forty-four years ago. The largest of these is simply the fact that land has increased in value at a much faster rate than buildings and demand patterns have caused some land to appreciate much faster. Also, the inconsistent application of the assessment formulas is a significant factor.
- The current assessment records are stored on paper cards with no backup. A reassessment will result in all records residing in computer files that are easily backed up and will be much easier for staff to work with.
- State law mandates that we change the way we perform assessments within the next two and one-half years. Unlicensed people will not be allowed to perform assessments.