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Memo

To: Colchester Selectboard

Cc: Aaron Frank, Town Manager;
Renae Marshall, Deputy Town Manager

From: Robert Vickery, Town of Colchester Assessor

Date: May 23, 2024

Re: 2026 Town-wide Reappraisal and Request For Proposals

ISSUE

The State of Vermont Tax Department has issued a Reappraisal Order to reassess all taxable parcels within the boundaries of the Town of Colchester.

BACKGROUND

Vermont municipalities are required to appraise properties on their Grand List so that properties are fairly and equitably assessed/taxed under Vermont State Statute for the purposes of State Education taxation. The State Statutes require municipalities to assess taxable properties to 100% fair market value or 100% Common Level of Appraisal (CLA). (The CLA has no impact on the municipal services property tax.) Each year, the VT Department of Taxes performs a study that compares the listed/assessed value of property in each town to the price for all the sales in each town over the past three years. The result of the study is the common level of appraisal – the calculated ratio of assessed value to fair market value for each town. The CLA adjusts the locally assessed property values to the estimated fair market value. The fair market value is an estimate of the potential sale price of the property based on the current real estate market. A CLA over 100% indicates that property in town is generally listed for more than its fair market value. A number less than 100% indicates that property is generally listed for less than its fair market value. A CLA below 85% or over 115% necessitates a reappraisal according to 32 V.S.A. § 5402. The CLA does not increase or decrease property taxes, it merely allows the State to tax properties across the state, for the purpose of the State Education Tax, based on current fair market value, regardless of when the last re-appraisal was completed.

The Town of Colchester last completed a town-wide reappraisal in 2011. Since the last reassessment, the real estate market in Colchester has increased across all categories of properties. The increase in the real estate market has lowered the CLA to 66%. In 2022, Colchester's CLA dropped below the 85%, mandating the need for a reappraisal according to Vermont Statutes. In order to comply with the Reappraisal Order, the town will be contracting with a qualified reappraisal firm to conduct a town-wide reappraisal for completion of spring/summer 2026.

REQUEST FOR PROPOSAL

The Town of Colchester will be sending out a Request for Proposals (RFP) to state-approved qualified firms on May 28, 2024.

Qualified bidders shall submit bids by June 25, 2024. Bids must include: 1) scope of work; 2) state certifications for the firm's project supervisor and staff appraisers; 3) list of municipalities the firm has conducted reappraisals for in the past five years, including any that are still ongoing; 4) planned work schedule and timeline; 5) proposed cost and break down of cost; 6) public information plan; 7) other legal requirements.

The Town Manager's Office will create a committee to review bids, interview qualified bidders and make a recommendation to the Selectboard regarding the best firm or contractor that meets the needs of the town. The committee will consist of the Town Manager, Deputy Town Manager, Town Clerk, Town Assessor, and one member of the Board of Listers (BOL).

The winning bidder will be notified and the contract ratified on or around July 27, 2024.

COMMUNICATION PLAN

Town-wide reappraisals can create apprehension for the taxpayers and the municipalities involved. The most successful reappraisals have a robust communication plan that informs the public regarding what to expect throughout the process and what to expect after the Grand List is lodged. The Contractor and Assessor will actively work to provide updates to residential and commercial property owners, and the Selectboard, on the progress of the project. This may include updates in the town newsletter, posts on the town's website, updates at Selectboard meetings, as well as direct mailings to property owners.

REAPPRAISAL PROCESS

Successful reappraisals follow a basic formula; sales analysis, set up, data collecting and data entry, setting values, testing, notifications, and grievances.

Sales Analysis: The Sales Analysis is the first task that is completed in a reappraisal. This analysis is typically done by the Contractor and helps set up the base values and the parameters of the valuation model. Assessment/Sales analysis done by the town and Contractor are used throughout a reappraisal after the initial sales analysis to test and fine tune the valuation model.

Set Up: Set up is the process of creating and implementing a working plan that will be efficient and meet all the needs of the town. This includes the creation of a cloud-based Computer Assisted Mass Appraisal software (CAMA), setting up office space that is in-house and remote, making data available in both hard copies and digitally, planning data collecting and data entry schedules, setting goals by creating and implementing a task schedule, and scheduling regular progress meetings. A modern reappraisal requires a working data base that is accessed remotely by the Contractor and the Town, as well as a communication plan with the Contractor and Town. The cloud-based CAMA software allows the Town to see in real time the progress of the reappraisal and the values being generated. The scheduled progress meetings will allow the town to air out any issues that may come up and share analysis and suggestion to better adjust the valuation model.

Data Collecting and Data Entry: Once the CAMA system is up and running, the data colleting and data entry will start. Data collection is done by neighborhoods and property class. Property owners within selected neighborhoods will be informed when the data collectors will be in the area and will be asked to set up an appointment for interior inspections. Data collectors will go door to door to collect exterior data and will leave a door hanger letting the homeowner know they were there and to request an appointment for an interior inspection. After three (3) notifications and two (2) site visits with no response, the data collectors will rely on other sources of data, such as: old assessment data, permit information, online real estate listings, street photos, and oblique imagery. As soon as the newly collected data is entered, the CAMA software will start to produce values. These are not the final values.

Setting the Values: The process of setting the values will be an ongoing process throughout the project. There will be several variations of the valuation model before values are ready to be set. When the majority of the data collection and entry is complete, the values will have been tested many times. The assessments and data will be reviewed and tested repeatedly until the Contractor and Town are satisfied with the results.

Testing: The Contractor and Town will test the draft Grand List values to ensure they meet industry standards and will pass all the State's reappraisal testing.

Assessment Notification: "Preliminary Assessment Notification" will be sent out by the Contractor to inform the property owners of the proposed assessments and will give a time and date to discuss the assessment data with a representative of the appraisal firm in a "Preliminary Hearing". These Preliminary Hearings will be conducted by the Contractor. The hearing is meant to discuss the objective facts, such as a building's square foot. The Preliminary Hearing will correct any data errors and help reduce the number of appeals to the Board of Listers.

The official "Change of Assessment Notice" will be mailed after all corrections are made as a result of the Preliminary Hearings. The Change of Assessment Notices are mailed on the same day the GL is lodged with the Town Clerk. Notices will meet the State's statutory requirement and will be mailed by certified bulk mailing to all property owners in Colchester. The notice will list all properties in town. The list will include the property owners, property locations, parcel ID#, assessments, homestead and housesite values. The notice will also include information for Grievance Hearing such as; "How to Appeal", dates and times, contact information to schedule a hearing, and the website address to appeal on-line. All corresponding Statutes will be referenced.

Grievance Hearings: Property owners have 14 days to notify the Town they wish to grieve their assessments. State Statute require Grievance Hearings to be held 14 days after the Change of Assessment Notices are mailed. Grievance Hearings are to the Board of Listers (BOL) and are conducted by the Assessor's Office. A representative of the appraisal firm will be present to assist for all Grievance Hearings. The State estimates that 15% of property owners grieve their assessment during a reappraisal year. We anticipate that the Preliminary Hearings will reduce this number, but with the expected increase in assessment due to the dramatic rise in property values, we want to be prepared for at least 15%. We will be scheduling hearings seven (7) days after the Change of Assessment Notices are mailed, and will continue for an estimated 3-4 week period or until all grievances are heard. Results of Grievance notices will be mailed 14 day after the end of the Grievance Hearings by June 12, 2026.

If a property owner wishes to appeal the BOL decision, they may appeal to the Board of Civil Authority (BCA). Property owners have 14 days after the Result of Grievance Notices are mailed to appeal to the BCA. The BCA is conducted by the Town Clerk and consists of all 15 Justices of the Peace and five (5) Selectboard members. This is a more formal hearing than the BOL. The property owner must prove the assessment is inaccurate. The Assessor attends as a representative of the Town to give evidence on the validity of the assessment. A representative of the appraisal firm will be present to assist the Assessor with the hearing. Results of the BCA are to be mailed 30 days after the appeal hearing. Property owners have 30 days to appeal the BCA's decision to either the State of Vermont Division of Property Valuation and

Review or the Chittenden County Superior Court.

NEXT STEPS

A Request for Proposals will be mailed out to qualified appraisal firms on May 27, 2024. A committee that will include the Town Manager, Deputy Town Manager, Town Clerk, the Town Assessor, and one member of the BOL will review bids, conduct interviews, and check references, prior to executing a contract with the most qualified appraisal firm to conduct the town-wide reappraisal.

The reappraisal contract is planned to be executed on or about July 27, 2024. Reappraisal work would begin August 1, 2024 for an appraisal date of April 1, 2026. The 2026 Grand List will be finalized at the conclusion of the BOL hearings and the Results of Grievance Notices will be mailed by June 12, 2026. When the appeals to the BCA are concluded, by December 2026, the final GL will be sent to the State for the final education payment in January 2027.