

Re: Follow-up items from last committee meeting

Committee Members:

In light of the comments made during last week's committee meeting regarding ratio studies and the property characteristics for unsold homes, I felt it was necessary to research these issues in order to provide further clarity for myself, staff, and the committee members. I'll try to keep this e-mail as brief as I can considering the content.

Urban3 has stated that 60% of the housing stock has inaccurate property characteristics; however, the following analysis will show that it's closer to 40%. As I mentioned during the meeting, there are other factors at play that can also change a value, mainly permits. Permitted upgrades are examples of adjustments that we would perform and should not be included in the calculation of the percentage of homes with inaccurate characteristics. Please see the breakdown below:

- Number of qualified sales 2021? 4,800
- Out of the 4,800 sales, how many changed in value? 2,800 (58%) - this aligns with the Urban3 statement of 60% approximately.
- Out of the 2,800 qualified sales that changed in value, how many were not permitted? **2,000 (41%)**

As Keith mentioned during the last meeting, there are different types of ratio studies and different ways to analyze and process the underlying data. During discussions and correspondence with officials from the IAAO, NC SOG, and NCDOR we discussed and reviewed our internal processes for the DOR study, the study for testing the model, and the study performed for reappraisal purposes, and have determined that depending on the type study, the county's methods are sound.

Here are a few excerpts and some feedback that we have received.

The IAAO standards states that: *"The physical and legal characteristics of each property used in the ratio study must be the same as when sold.... If the physical characteristics of the property have changed since the last appraisal, adjustments may be necessary before including the property in a ratio study. Properties with significant differences in these factors should be excluded from the ratio study"* (pg. 9 section 3.5). Larry Clarke w/ IAAO also confirmed that methodology and stated that these corrected characteristics should be used for the upcoming reappraisal valuation and should be used to inform predicted values.

The NCDOR and North Carolina School of Government officials also provided the feedback that all property characteristics should be updated for the reappraisal year ratio study in order to produce an accurate dataset. They also confirmed that it is proper methodology for internal studies and testing the schedule of values to include the updated characteristics within ratio studies.

I hope this information helps.

Thank you,

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