

## Explanation of CLA by Year

The CLA for Richmond published by PVR for 2020 was 85.65. This includes sales from April 2017 to April 2020. Any time the CLA drops below 85 the State orders a reappraisal. Richmond will definitely be under orders next year.

One way to look at the impact of the current market is to examine the sales for each year. Table 1 below is a ratio study dropping off the 2017 sales and incorporating sales up to April of 2021. Overall, the ratio drops to an aggregate ratio (Wtd Mean) of 82 (.8197). That is a 3 percent drop (increase in market value) from last year. There were the same number of sales for 2019 and 2020 at 58. The increase in value from 2018 to 2019 was 5% and the increase from 2019 to 2020 was 6%. The increases we have seen around State actually started in 2019, before Covid, due to the very low interest rates. The increases have continued for the past year; the increases have been part of a two year cycle.

My point is to demonstrate that to consider delaying the reappraisal because of Covid sales is not really true. The impact may continue, but it is not the only reason for increases in market value.

**Table 1:**

### **Current Ratio Sales Statistics Up to 4/1/2021** (Estimate for Next Year)

Ratios by Sale Year Shows Market Increase of 8% since 2018

Biggest Increase between 2018 and 2019

#### Ratio Summary Statistics

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Syear	Count	Median	Mean	Wtd. Mean	IQR	SD	COD	COV	PRD	PRB
1 2018	47	0.8772	0.9077	0.8815	0.1594	0.1553	12.668	17.1128	1.0296	-0.0692
2 2019	58	0.8227	0.8427	0.8270	0.1443	0.1404	12.419	16.6647	1.0189	-0.0399
3 2020	58	0.7995	0.8161	0.7712	0.1984	0.1795	15.821	22.0003	1.0581	-0.1146
Combined	163	0.8326	0.8520	0.8197	0.1766	0.1585	13.949	18.6076	1.0393	-0.0800

Wtd. Mean: Weighted Mean  
IQR: Interquartile Range  
COD: Coefficient of Dispersion  
COV: Coefficient of Variation  
PRD: Price-Related Differential  
PRB: Coefficient of Price-Related Bias

When the 2018 sales are removed for the next equalization study the ratio can be expected to drop even further. The next table (Table 2) shows an aggregate ratio of 80 (.7976) using only the 2019 and 2020 sales. This becomes a proxy for next year.

**Table 2:**  
**Ratio Sales Statistics without 2018 Sales**

Next Year CLA around 80

**Ratio Summary Statistics**

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Year	Count	Median	Mean	Wtd.		SD	COD	COV	PRD	PRB
				Mean	IQR					
2 2019	58	0.8227	0.8427	0.8270	0.1443	0.1404	12.419	16.6647	1.0189	-0.0399
3 2020	58	0.7995	0.8161	0.7712	0.1984	0.1795	15.821	22.0003	1.0581	-0.1146
Combined	116	0.8154	0.8294	0.7976	0.1757	0.1605	14.067	19.3485	1.0398	-0.0818

Note that the aggregate ratio for 2020 (sales after April 1, 2020) is 77 percent of market value (.7712). The longer we wait the worst it may get.

**Inequity in the Grand List**

The next table (3) shows the sales after April 2018 to April 2021 by Category. One goal of a reappraisal is to improve equity. Look at the median ratios for the Residential less than 6 acres (R1), Residential greater than 6 acres (R2) and Unlanded Mobile Homes (MHU in the park). The R1's have a median ratio of 82 indicating they are being assessed at 18% below market. The R2's at 91 are 9% below market. However, the MHU's are assessed at 102, or 2 percent above market. This is a significant disparity in equity across the categories. This can only be corrected by a reappraisal.

**Table 3:**  
**Ratio Statistics by Category**

**Ratio Summary Statistics**

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Cat	Count	Median	Mean	Wtd.		SD	COD	COV	PRD	PRB
				Mean	IQR					
1 R1	104	0.8190	0.8156	0.8078	0.1496	0.1122	10.759	13.7517	1.0097	-0.0072
2 R2	18	0.9138	0.9033	0.8828	0.1493	0.1292	10.376	14.3064	1.0232	-0.0598
3 MHU	16	1.0253	1.0518	0.9475	0.5064	0.2706	21.843	25.7274	1.1101	-0.2417
4 MHL	3	0.9476	0.9022	0.8533	0.5107	0.2584	17.965	28.6345	1.0574	-1.1118
5 S1	1	0.7246	0.7246	0.7246	0.0000		0.000		1.0000	0.0000
7 Comm	8	0.8396	0.8317	0.7701	0.3062	0.2572	20.504	30.9270	1.0800	-0.2341
8 CMA	1	0.6335	0.6335	0.6335	0.0000		0.000		1.0000	0.0000
13 Condo	5	0.8822	0.8818	0.8788	0.0493	0.0266	2.235	3.0141	1.0034	-0.1021
14 Wood	1	1.0800	1.0800	1.0800	0.0000		0.000		1.0000	0.0000
15 Misc	6	0.8000	0.7918	0.7855	0.1424	0.0917	8.730	11.5872	1.0080	-0.0319
Combined	163	0.8326	0.8520	0.8197	0.1766	0.1431	13.949	16.8023	1.0393	-0.0800

## Effect of CLA on Education Tax Rates

A major function of the CLA is to adjust the education tax rates; it is an attempt to equalize the rates across all Vermont towns. Each town is assessing at a different level due to changes in the market, location and the age of their grand list (last reappraisal).

The following Table (4) shows the average and median sales prices by year. The median sale price increased by 15% over the past 3 years, with the biggest increase coming in 2019.

**Table 4:**

### Appraisal and Sale Price Summary Statistics

Year	Count	Appraisal Mean	Sale Price Mean	Appraisal Median	Sale Price Median
1 2018	47	259419.1	294277.5	270600.0	299000.0
2 2019	58	261610.3	316321.7	259000.0	339500.0
3 2020	58	271687.9	352269.9	274700.0	345000.0
Combined	163	264564.4	322756.8	264300.0	330000.0

Listers and Assessors do not consider taxes; assessing is only concerned with determining value. However, a look at the impact of the CLA on the education tax rate can be illuminating. Consider the median appraised value of this data set of \$264,300. The statewide averages for the Homestead and NonHomestead tax rates are shown in Table 5. The CLA is used to adjust or equalize the education tax rate. The Homestead rate of 1.49 is divided by the 2020 CLA of .8565 to adjust the education tax rate to 1.73; the NonHomestead rate is adjusted to 1.83. Assuming no change in budgets, the rates increase again the next year due to the decreasing CLA.

This is an oversimplified example; there are many factors used to develop the tax rate. However, if you talk to any school board member they will always decry the impact of the CLA on the education tax rate.

**Table 5:**

2020	Homestead	NonHomestead
State Education Tax Rate	1.49	1.57
2020 CLA 85.65	1.73	1.83
2121 CLA 81.97	1.82	1.92
<b>Assessed Value 264,300</b>		
CLA 100 Taxes	3,938.07	4,149.51
CLA 85.65	4,572.39	4,836.69
CLA 81.97	4,810.26	5,075.46

An increase in values, and increase in the grand list from a reappraisal, does not necessarily increase taxes. However, completing a reappraisal can serve to fix the CLA problem and restore equity.

The purpose of this report is to provide information to help understand the impact of delaying a reappraisal. A reappraisal will take two years to complete. Delaying a year puts completion to 2024. No one can predict what the market will be in three years. But if it holds steady, the CLA will continue to decline over that period.

Submitted by:  
Edgar Clodfelter, VMPA  
Sr. Appraiser NEMRC

## Richmond Reappraisal Information

The Reappraisal would be for 2023, the Fair Market Value would be calculated for the 2023 Grand List using the market data available at the end of the reappraisal period (up to April 1, 2023). No property values would be changed until the reappraisal is complete (aside from changes due to regular permit work, subdivisions and splits of contiguous properties). The market trend has shown an increase of 3-5% annually thru 2018-2020. The fluctuation in the market due to COVID will be monitored, if an upwards trend is shown for 2020 and then flattens for 2022 and 2023 we will use that information to calibrate the cost tables and land schedule to calculate assessments for 2023.

The purpose of the reappraisal is to bring all property to 100% of Fair Market Value (FMV). The Common Level of Appraisal (CLA) is indicating the assessed values are 85.6 % lower than Fair Market Value for GL2021. The anticipated CLA for GL2022 will be 81.97. Using the sales from 2019 and 2020 the anticipated CLA for GL2023 would be 79.76% assuming there is no further increase in the Richmond Real Estate Market.

The Reappraisal will collect new data for all properties in Richmond. Over time the data becomes stale. Improvements over time are not necessarily accounted for as a Building Permit is not always required. (interior improvements/renovation, replaced building components, physical land attributes). When new assessed values are calculated at the conclusion of the process, the Town may have increased 20% overall. The reality is some properties will increase in value more than 20 % and some types of property will increase less than 20%, and some may even decrease in value. The process is intended to bring all property to 100% of FMV. The rate of increase/decrease will be determined by the Market information at the date of the Reappraisal.

One of the goals of a Town-Wide Reappraisal is to create equity between all property types and categories. The equity issue can be looked at by “is everyone paying their fair share?” Properties that have been overvalued or have no market appreciation have been paying more than their fair share. Properties that have been improved with no adjustment in the assessed value or the market demands have increased more than average have been paying less than their fair share.

Following a Reappraisal the amount of tax liability that each property has can change. The following examples assume a 10% increase in the Grand List, and assume that the amount of taxes to be raised stay the same. In general for municipal taxes:

Properties with a 10% increase in value should have the same tax liability

Properties that increase more than 10% should have a higher tax liability

Properties that have increased less than 10% should have a reduced tax liability

The State Equalized CLA is used to create equitable Grand Lists from Town to Town for the State-Wide Equalized Grand List. The State Education Tax Rate is modified by the CLA for each Town. Richmond’s CLA of 85.6 means the calculated Education tax rate is then divided by the CLA of 85.6 for Homestead and Non-Residential properties alike to determine the actual Education Tax Rate. The CLA is used to calculate the Tax Rate across the board and no consideration is given to the increase/decrease of different property types and the market change for each category. Put another way not all properties in Richmond are at 85.6% of their market value, those under 85.6% do not have their tax rate adjusted up enough, and those at greater than 85.6% have their tax rate adjusted up too much. Following the Reappraisal, the assessed value will be at 100% Fair Market Value, improving the equity in Municipal and Education Taxes.

### **Information from Report (included)**

The following report shows the anticipated **CLA for 2022 to be 81.97** (Weighted Mean). The report shows a weighted mean CLA of 88.15 for all sales in 2018, 82.70 for 2019 and 77.12 for 2020. The CLA of 81.97 is calculated using the three-year combined average. The trend is showing 5% average increase for the last 2 years. What the trend will be and where the market lands for 2023 needs to be monitored and if there appears to be a COVID spike, that will be statistically apparent. However, the market in Richmond really started increasing in 2017-2018 well before any COVID influence could have influenced the sales. There are many theories about the interaction between the Real Estate Market and COVID. Time will inform the market trend, and 2023 will allow ample time for the influence to be quantified.

The report also shows the CLA using only 2019 and 2020 sales would be 79.76 (Weighted Mean) but the anticipated CLA is really going to be dependent on how the market performs for 2021 and 2022.

## Current Ratio Sales Statistics Up to 4/1/2021 (Estimate for Next Year)

Ratios by Sale Year Shows Market Increase of 8% since 2018

Biggest Increase between 2018 and 2019

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Wtd. Mean: Weighted Mean

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## Ratio Sales Statistics by CAMA Database

### Ratio Summary Statistics

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Type	Count	Median	Mean	Wtd. Mean	IQR	SD	COD	COV	PRD	PRB
Commercial	4	0.6390	0.6634	0.6412	0.2664	0.1404	16.739	21.1697	1.0346	-0.4093
Condo	5	0.8822	0.8818	0.8788	0.0493	0.0266	2.235	3.0141	1.0034	-0.1021
Residential	154	0.8323	0.8559	0.8253	0.1814	0.1634	14.027	19.0930	1.0370	-0.0768
Combined	163	0.8326	0.8520	0.8197	0.1766	0.1600	13.949	18.7815	1.0393	-0.0800

## Ratio Sales Statistics without 2018 Sales

Next Year CLA around 80

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Ratio Statistics by Category

**Ratio Summary Statistics**

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<b>Cat</b>	<b>Count</b>	<b>Median</b>	<b>Mean</b>	<b>Wtd. Mean</b>	<b>IQR</b>	<b>SD</b>	<b>COD</b>	<b>COV</b>	<b>PRD</b>	<b>PRB</b>
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Combined	163	0.8326	0.8520	0.8197	0.1766	0.1431	13.949	16.8023	1.0393	-0.0800

High COD for MHU.  
Land Underassessed

## Reappraisal Agreement

This agreement is made between the Town of Richmond, located in Chittenden County in the State of Vermont, hereafter designated as the "Town", and NEMRC, for the completion of a reappraisal of all real property in the Town of Richmond.

### Witnesseth

That for and in consideration of the payments and agreements hereafter mentioned.

#### I. Description of Work

NEMRC will reappraise all real property in Richmond using the NEMRC/MicroSolve computer assisted mass appraisal (CAMA) system. NEMRC will utilize a market-modified cost approach to value property in Richmond. The cost tables will be Marshall & Swift cost tables provided by MicroSolve under the State of Vermont contract with Property Valuation and Review (PVR). NEMRC may utilize other valuation techniques, such as comparable sales, regression and the income approach to substantiate the final values.

##### a. Land Valuation:

NEMRC will establish a land schedule based on recent sales in the Richmond area. The schedule will use an added value approach that allows for the calculation of the Housesite/Homestead value. Grade adjustments for land will be developed based on sales.

##### b. Building Valuation:

Building data will be collected using the established data set for the Marshall & Swift database. The Marshall & Swift data provides the basis for valuation using the cost approach. A time/location adjustment will be determined based on recent sales to adjust the cost tables to market value. A standard depreciation table developed for Vermont by NEMRC will be used for physical depreciation of residential dwellings.

The NEMRC/MicroSolve system contains a market approach using comparable sales and the same Marshall & Swift data set. This may be utilized to add strength to the modified cost values.

##### c. Data Conversion and Entry:

The grand list data currently used by the Richmond assessor will be used. Data entry will be completed by the NEMRC staff. NEMRC staff may use standard workstations, notebook computers and the MicroSolve tablet system for updating data and pictures.

**d. Sketches:**

Each improved property will have a computer-generated sketch produced on a property record sheet using the APEX sketching program. Upper and main floor areas of dwellings will be sketched. The Town will provide a hard copy sketch if available.

**e. Digital Pictures:**

Digital pictures will be taken of all buildings used for valuation purposes and linked to the CAMA database by the NEMRC staff.

**f. Property Inspections:**

NEMRC will inspect the real property in Richmond. This includes both exterior and interior inspections when provided access to the interior of the dwelling. NEMRC will assist the Assessor's office in determining the areas for mailing an inspection notification prior to completing inspections in a given area. The Assessor's office will complete the mailing notification. If the property owner is not home at the time of the original inspection, a card stating that a visit was made, and how to make an appointment for an inspection, will be left at the time of each visit. The Richmond Assessor's office will contact property owners and make appointments for the property inspectors. Near the end of the reappraisal a notice may be sent to property owners that need an inspection with information on how to make an appointment.

NEMRC will utilize the Online Property Data Verification (OPDV) process to validate data characteristics. Each improved property owner will receive an access code to log into the NEMRC OPDV server to verify several characteristics of their property (square footage, room counts, basement finish, year built, etc.).

**g. Field Review Process:**

After completion of data collection and data entry, NEMRC will complete a thorough field review of all parcels in Richmond. This will consist of a drive-by of parcels to review data entered into the CAMA system, and establish final values. After completion of the field review, a final review report will be generated to allow the listers office to examine and question the final value determinations.

**h. Office:**

The Town of Richmond will provide office space. This office will include reasonable workspace, phone and wireless internet access, filing cabinets, and copies of records, as well as access to a copy machine and printer.

**i. Certification:**

NEMRC will meet State criteria for passing the three pronged certification test.

## **II. Timeframe/Costs**

The reappraisal will begin during July 2021, for completion in 2023. Change notices will be sent to meet State mandated timelines.

### **a. Timeline:**

The following is the tentative timeline for completion of the reappraisal:

- July 2021 - April 2023 - Data Collection and Data Entry
- April - May 2023– Field Review
- May 2023 - Final Review
- June 2023 – Pre-Hearings
- June 2023 - Lodge Grand List and Grievance Hearings

### **b. Cost of Reappraisal:**

The total cost of the reappraisal, and Assessor services, will be \$174,960. This includes inspections of all property, data entry, sales analysis and the development of schedules incorporated into the computer assisted mass appraisal system, digital pictures, and formal grievance and Board of Civil Authority hearings. These rates are based on a parcel count of 1,717 parcels, plus 35 exempt properties. Beyond this number parcels will be charged at \$95 per parcel. Hearings requested beyond BCA hearings will be billed at \$145 per hour.

### **c. Payment Schedule:**

Payment will be a monthly rate of \$7,290 for a period of 24 months beginning July 2021.

## **III. Assistance from the Town of Richmond**

The role of the Assessor's office will be extremely important in order to complete the project in a timely fashion. The listers will be involved with making appointments for inspections as needed, mailing postcards, making appointments for hearings and mailing notices.

The assessor/assistant office will generate all reports (Cost, PRC) deemed necessary for properties to be included in the town files.

The Town will provide copies of existing records in road or 911 orders. The Town will provide copies of tax maps.

#### **IV. Expenses Allocated to the Town of Richmond**

The Town of Richmond will be responsible for the expenses and salaries of the Town officials during the course of the reappraisal.

The Town will be responsible for expenses relative to the purchase of computer hardware and software, and all necessary licenses and manuals for use by the Town.

The Town will be responsible for the cost of supplies such as paper, post cards, postage, and the production and mailing of change of appraisal notices. The Town will provide adequate space for pre-hearings and formal hearings.

It is agreed that nothing herein shall be construed to make any NEMRC staff person an employee of the Town of Richmond, but employees of NEMRC.

#### **V. Notices**

Any and all notices or other communications required or permitted by this Agreement or by laws to be served or given to either the Town or NEMRC by the other party shall be in writing and shall be deemed served and given when personally delivered to the party to whom it is directed, or in lieu of such personal service when deposited with the US Postal Service by certified mail, return receipt requested, postage prepaid, addressed to the parties at the following addresses:

Town	Town of Richmond Richmond Town Clerk's Office 203 Bridge Street Richmond VT 05477
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NEMRC	NEMRC P.O. Box 2020 Georgia VT 05468
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Either party may change addresses for purposes of this agreement by giving written notice of such change to either party.

**VI. Agreement**

The Town of Richmond, Vermont has executed this Agreement between the Town of Richmond and NEMRC, for completion of a reappraisal of Richmond.

In witness whereof this agreement is entered into as of the dates listed below:

NEMRC

Town of Richmond, Vermont

\_\_\_\_\_ Date \_\_\_\_\_

 Date 1/4/21  
Town Manager, Josh Arneson

\_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_ Date \_\_\_\_\_

