

REVALUATION - FREQUENTLY ASKED QUESTIONS

SEPTEMBER 2010

1. *Q: How are my local government services (municipal, school, county) paid for?*

A: Through local property taxes. While the Township serves as the tax collector for all three entities (municipal, school & county), the municipal government only has control over the approximately 25% of the tax bill that is apportioned to municipal government.

2. *Q: How is the amount I pay in taxes determined?*

A: It is based upon the assessed valuation of your home. The assessment is an independent estimate of the market value of your home.

3. *Q: How is the assessed valuation of my home determined?*

A: It's based upon recent sales of properties similar to yours.

4. *Q: What is a revaluation?*

A: It is a community-wide independent valuation of all properties within a municipality.

5. *Q: Why undertake a revaluation?*

A: Over time property values throughout a municipality fluctuate – some properties appreciate faster than others. A revaluation ensures that all property owners pay their fair share of the tax burden. The last time Princeton conducted a revaluation was in 1996. A revaluation is mandated based on a number of criteria's, including but not limited to years since last revaluation, ratio falling below true value and a coefficient of deviation near or above 15% .

6. *Q: Did my local elected officials decide to undertake the revaluation*

A: No. The revaluation was ordered by Mercer County Tax Board and approved by the Division of Taxation. We petitioned the Division of Taxation and a one year extension was granted. No further extensions were available.

7. *Q: Who wrote the RFP for the Revaluation Study?*

A: Princeton Borough was the lead agency for the preparation of the Request for Proposals. The RFP included State minimum requirements, and was written by the office of the Princeton Borough Attorney and approved by the municipal tax assessor.

8. *Q: How many proposals were received in response to the RFP?*

A: Two proposals were received. One proposal was from Appraisal Systems, Inc. for \$509,500 for the Township and \$208,010 for the Borough. The second was from Certified Valuations, Inc. for \$558,000 for the Township and \$295,000 for the Borough. Both bidders were considered qualified. ASI was the lower of the two and was accepted. Township Committee approved the bid award on October 6, 2008 and the Borough approved the award on October 7, 2008.

9. *Q. How and why was ASI chosen?*

A: ASI is a State approved revaluation company that bid on the contract for both the Borough and Township. They were the lowest qualified bid and by state statute the municipality must select the lowest bid from the qualified bids received.

10. *Q. What are assessments based on?*

A: New Jersey's real property tax is ad valorem or a tax "according to the value," meaning each person pays tax on the value of the property he or she owns. The State Constitution at Article VIII, Section 1, Par. 1 requires that all real property, except agricultural/horticultural land, be assessed at the "same standard of value." New Jersey Statutes at N.J.S.A. 54:4-23 establish the standard of property value to be the "full and fair value" or "true value" which is defined as "the price at which, in the assessor's judgment, each parcel of real property would sell for at a fair and bona fide sale by private contract on October 1 next preceding the date on which the assessor shall complete his assessments."

11. *Q. How much did the revaluation cost?*

A: Township: \$509,500
Borough : \$280,200

12. *Q. Can the revaluation be thrown out?*

A: No. The Mercer County Board of Taxation has approved the revaluation on March 30, 2010 and has struck the tax rates based on the revaluation results. Individual property assessments may be appealed to the County.

However, the assessor will continuously monitor sales data and take action if it is warranted. The assessor can implement what is called a "Section 101 Compliance Plan." This means if during the course of the year, from October 2009 to October 2010, the Assessor notices sales for any particular neighborhood coming in at a greater variance to the assessed values on the books, he can petition the County Board of Taxation to adjust up to 49% of the line items, and adjust values for whole neighborhoods, up or down.

13. *Q. Who approved the new values?*

A: They were set by the Assessor based upon the work of the appraisal firm, ASI. Subsequently, the revaluation was approved by the County Board of Taxation. The revaluation process is undertaken through State law. The local governing body is responsible for raising the funds to pay for the program and awarding the contract for the appraisal firm in a competitive bidding process. Local elected officials have no authority to approve or reject the revaluation.

14. *Q. Who reviewed the work of ASI?*

A: The Assessor reviews the work. The Tax Board reviews the monthly reports submitted to the assessor from the firm.

15. *Q. What was the approach used to assess residential properties?*

A: The state of New Jersey recognizes three methods for estimating property value for tax purposes. ASI was contracted to use all three methods, wherever applicable.

The comparative approach uses the sales prices paid in actual sales of real property throughout the municipality in an effort to estimate the value of a property if it were placed on the market for sale. This method is sometimes referred to as the market data approach or the sales approach. These data are collected and published on an annual basis by the Director of the Division of Taxation.

The sales used to determine a property's value under this method must be of comparative properties, and must be bona fide sales, meaning that they must represent an arms length transaction between a willing seller and a willing buyer. For example, a sale of property between family members likely would not be considered bona fide for the purpose of representing a comparable sale since the sales price would be assumed to be below market value.

The replacement cost approach uses current building costs and current standards of material and design to estimate the cost of creating a structure or building having the same utility as the property being assessed. A depreciation of that number is then applied, so that the assessment will be reflective of the age of the structure or building being assessed. A separate value is calculated for the land, and added to the value determined for the structure or building, to arrive at the total assessment.

The income approach analyzes the income produced by a property to estimate the amount that a willing buyer would invest in the purchase of the property. The primary use of this method is for income producing properties such as stores, apartment buildings, hotels, and other types of properties where the property produces income.

16. Q: Is the "replacement cost approach" the same as the "land extraction method?"

A: The land extraction method is part of the cost approach.

17. Q: Did ASI rely most heavily on the "replacement cost approach?" If so, why?

A: They relied heavily on the market approach for total value and the cost approach, using the New Jersey Cost Manual to develop the building improvement. The market will tell you what factors to use, land value, depreciation, etc. By using the market approach you can establish a market value, and by using the cost manual, we can create the improvement portion, the remaining is the land value.

18. Q: Why was the land abstraction method used?

A: According to the County Board of Taxation Administrator, Marty Guhl, Analyzing land sales is the best way to develop land values. However, with the absence of land sales, the Lincoln Land Institute and The Appraisal Institute recognizes the abstraction method as the most acceptable method. Every mass appraisal company in New Jersey utilizes this method."

19. Q: Who selected the revaluation advisory committee?

A: The revaluation advisory committee was selected by members of Township Committee in consultation with Township staff. When the Township and the Borough briefed the community on the revaluation process they publicly asked for applications for the committee. Members ultimately were selected on the basis of their knowledge of the Township and its housing stock and some had even participated on the 1996 revaluation committee.

20. Q: Who was on the revaluation advisory committee?

A: Township:
Mary MacManus, Robin Wallach, Caroline Clancy and William Enslin

21. Q. What did the revaluation advisory committee do?

A. The role of the advisory committee was mainly to review and advise the Assessor on the boundaries of neighborhoods to be used by ASI for property revaluation. The advisory committee did not review either the methodology to be used by ASI nor the validity of specific valuations.

22. Q: How were the comparative sales chosen?

A: ASI used arms-length sales data from Princeton Township, and Borough for the years 2009 and 2008. Less weight was used if the sale was older. Sales near the assessing date of 10/1/2009 are the most weighted, and as the sales goes back, there is a potential of time adjustments.

Some sales are deemed non-usable, example; Princeton University sales to the faculty, any estate or trustee sale, family sale, short or in-lieu of foreclosure, or a new and/or renovated home when an added assessment will be placed on the home. Typically, when a third party is involved, the sale becomes non-usable.

23. Q: Many mistakes have been reported and have resulted in appeals. Doesn't this indicate the revaluation is flawed?

A: Almost 4,000 properties were revalued by ASI in Princeton Township. 233 individuals petitioned, and 59 Assessor corrections were filed with the Mercer County Tax Board. Most of these appeals were resolved and corrected by an inspection and clarifying the property condition. Not all appeals filed were granted a reduction.

24. Q: What percentage of home taxes increased, remained the same and decreased?

2	decreased	Over 50%
19	decreased	Between 30% and 50%
195	decreased	Between 20% and 30%
607	decreased	Between 10% and 20%
1,047	decreased	Between 1% and 10%
127	No change	
1,112	Increased	Between 1% and 10%
794	Increased	Between 10% and 20%
481	Increased	Between 20% and 30%
375	Increased	Between 30% and 50%
143	Increased	Over 50%

25. Q: I can't afford to pay my property taxes. Is there any relief possible from Princeton Township?

A: The Township has a limited amount of money in our Affordable Housing Fund. It may be possible to use that money to provide relief if the property meets the affordability criteria, you meet the affordability criteria and you are willing to accept the terms and conditions of an affordable property.

The Township has also taken action to lower the interest rate charged on outstanding taxes.

26. *Q: I cannot afford to pay my property taxes. Where can I turn if I cannot get relief from the Township, County or State?*

A: The Township is investigating some private sector (non-government) avenues to provide property tax relief to those in financial need. We hope to have some answers on the feasibility of these in the next 30 days and will report publically on what we learn.

The Township Committee has also called upon the state to re-institute the Senior Property Tax Freeze program. If you are a senior and income-eligible, we encourage you to apply for this program before the November 1st deadline.

27. *Q: What can my local elected officials do to help me?*

A: Township committee has been focused on this issue and recognizes the impact that it has had on the community. They have met with state legislators to push for changes in State law to cushion the impact of the effects of a revaluation. Moving forward, they are considering an annual reassessment program which theoretically should result in smaller changes in values if done on an annual basis.

28. *Q: So what can I do about my increased tax bill if I feel my assessment is too high?*

A: If you feel your assessment is too high you can appeal your assessment. (You can only appeal your assessment not your taxes.) The appeal deadline has passed for this year, but you can appeal your assessment for 2011. The 2011 appeal deadline is usually April 1, or 45 days from your notice.

29. *Q: What else can be done?*

A: Township Committee is considering undertaking annual reassessments, rather than waiting every ten years or so to undertake a complete property revaluation. There are pros and cons with undertaking annual reassessments that need to be carefully weighed. Some include:

(1)The need to increase the size of the staff in the Assessor's office to perform annual reassessments.

(2)Property owners face the possibility of their assessments going up or down more frequently, i.e. every year as opposed to every ten years or so (revaluation).

30. *Q: The law is unfair. How can I absorb such a large increase in taxes in one year?*

A: While the Township Committee, under state law, does not have the power to provide targeted property tax relief based upon income, the Township Committee has been advocating on your behalf to get our state legislators to amend state law to allow for a cushioning of the impact of large tax increases over time resulting from a revaluation.

31. *Q: Why is the land value and "improvement" value listed separately on my card, but I am not allowed to contest the land value when appealing?*

A: While the assessment is broken down on your tax card by state statute, the courts have ruled that in determining the fair assessed value only the total (replacement cost plus land value) can be considered.