

Town of Waterford
Tax Assessment Methodology
For the
2007 Tax Year

adopted by the
Waterford Board of Assessors
June 15, 2007

REVISED: August 6, 2007
See Page 5

Waterford Board of Selectmen/Assessors

John Bell, Chairman

Norman Rust

David Marston

Introduction

The Town of Waterford has been experiencing several problems with its tax assessment methods (see Taxation Issues). These problems are not unique to Waterford and in fact are shared by many surrounding communities. These towns have sought out various solutions with almost all of them ultimately switching to using professional assessing services. Some towns hire a full or part time assessor, while others contract with municipal assessing firms.

Historically Waterford's selectmen have sought solutions that will treat people fairly and also satisfy the State mandates without burdening the taxpayers with the expense of hiring a professional assessor or contracting with a professional assessing firm. This year's assessment methodology is the latest attempt to achieve those goals.

Our Process

One of the first orders of business for the new board of selectmen/assessors after the March election, was to form a taxation committee to study the problems and offer solutions. This committee was an ad hoc advisory committee with a very limited amount of time to provide us with some solutions to some rather complex issues. We were very fortunate to have some very dedicated and highly qualified people step up. This group stayed focused on seeking a fair and equitable solution for all the taxpayers of Waterford. There was no evidence of any personal agendas influencing any of the group and ultimately the recommendation they forwarded to the board included assessment increases on all of their properties. Several have expressed an interest in continuing working toward the goal of further improving the assessment methods.

The committee started out by collecting and analyzing assessment methods, values, and mill rates from nine nearby towns (Harrison, Lovell, Bethel, Newry, Greenwood, Norway, Oxford, Casco, & Buckfield). As with all the data that was collected, this was put into a computer spreadsheet to make the data easy to read and compare. The committee spent much of its time testing the various methods used by other towns, as well as our current methods, using Waterford's data (extracted from the town office computer). This provided us with very realistic results of what the implementation of any particular method would be.

This is a very brief summation of what was a lengthy and complicated process. The tax committee produced a report at the conclusion of their work of which copies will be available to anyone who would like to know more details about the process.

Regardless of whether one agrees with the policies the board has decide to adopt, thanks are owed to this dedicated bunch of people who invested many hours in an effort to give us the most accurate and helpful information they could, so that we could make an informed decision.

Tax Committee Members:

John Martin, Chairman
Rickie Hall, Secretary
Paul Hersey
Les Gammon

Samantha Murch
Tim Sawyer
Randy Lessard

Assessing

The goal of assessing is to have everyone paying their fair share. If the system were perfect, each of us would be assessed at the Fair Market Value (FMV) of our properties. Since our methods are not perfect, we try to assess properties at a percentage of the FMV so that hopefully no assessment exceeds the actual FMV. It is important to remember that as Assessors we do not have the ability to raise taxes. Taxes can only be raised by a majority vote at the annual town meeting. The burden is created at the town meeting and then it is our job as assessors to distribute that burden as fairly we can. The methods described herein are a reapportionment of the burden to make it fairer and resolve some of the issues that have plagued the town recently.

Taxation Issues

I. State Guidelines/Mandates

A) Low Sales Value (SV) Ratio

$$SV = \frac{\text{Assessed Value of Properties Sold}}{\text{Sales Price of Properties Sold}}$$

Waterford's SV Ratio
for 2006 was 70%

1. Minimum 70%
2. For each 1% below 70% State withholds 10% tree growth reimbursement
3. Indicative of Inequitable Assessment

B) Low Quality Rating (QR)

Waterford's QR
for 2006 was 23%

1. Caused by large variation in SV values
2. State guidelines
 - 0 to 10% - Excellent
 - 11 to 15% - Good
 - 16 to 20% - Fair
 - Over 20% - Poor

II. Apparent Inequities

A) Abatement Requests

B) Oxford County Commissioner's Letter to Selectmen 1/16/07

1. Excerpt:

“During the course of our hearings...it became readily apparent to all of the commissioners on the board that property tax valuations in the town of Waterford bordered not only on arbitrary, but also illegal. Therefore...it is the opinion of this board that the town of Waterford consider rectifying the inequities in the valuation of property within your town.”

2007 Changes

Assessments are broken down into two categories – Buildings and Land. Land is further broken down as; improved land, partially improved land, raw land, and shoreline.

Buildings - Assessors have adopted a 15% increase in building assessed values for 2007

Tax Committee Recommendation – raise building values 10%- 15%

When forming the tax committee, it was decided by the assessors that there was not enough time to do a thorough re-examination of building values for the 2007 tax year. Furthermore there was a professional re-valuation of buildings done in 2002. Obviously given the real estate market over the last five years, building values have increased significantly. It was our opinion that 15% was a nominal increase of 3% per year (from the time the professional revaluation had been done).

In the course of reviewing the housing sales data, it became clear that there are some disparities and that we will need to look at revaluing buildings in the near future, either by a professional assessor or by devising our own methods. This one-time 15% increase is intended to get us more in line with the State's valuation.

Land - Assessors adopted the following land schedules as recommended by the tax committee:

A. Raw Land (undeveloped)

\$10,000 base acre
\$2,000/acre 2nd & 3rd acres
\$1,500/acre 4th-10th acres
\$500/acre 11th-20th acres
\$300/acre 21st & up acres

B. Improved (septic or well) or Subdivision Lot

\$15,000 base acre
\$2,000/acre 2nd & 3rd acres
\$1,500/acre 4th-10th acres
\$500/acre 11th-20th acres
\$300/acre 21st & up acres

C. House Lot (with house, septic and well)

\$30,000 base acre
\$2,000/acre 2nd & 3rd acres
\$1,500/acre 4th-10th acres
\$500/acre 11th-20th acres
\$300/acre 21st & up acres

Land values in 2005 & 2006 were assessed at a flat rate of \$600 per acre. Sales data reflects smaller house lots selling 10 to 20 times the rate at which they were being assessed.

For example:

A 3 acre house lot typically sells between \$25,000 and \$30,000. At \$600/acre its total assessment was \$1800 and had a tax bill (at last year's mill rate) of \$21.15.

Clearly the larger land owners were being burdened while the smaller lot owners were getting a large break. This schedule is intended to correct this disparity.

People who own several adjacent tracts of raw land can combine them for tax purposes.

Shore Frontage - Assessors adopted the following shorefront schedules as recommended by the tax committee:

2007

POND	0 – 200'	201'-600'	601' -
Bear, Keoka, McWain	\$900/ft	\$310/ft	\$155/ft
Papoose, Little Moose, Island, 5 Kezars	\$540/ft	\$186/ft	\$93/ft
Duck, Mud	\$90/ft	\$31/ft	\$15.50/ft

NOTE: **Highlighted** figures indicate August 6, 2007 revisions

This table originated in 1992 when the selectmen in office at that time (Tim Sawyer, Les Gammon, Chuck Truman) created it. The intention was for the assessed value to go down as the amount of frontage went up. For example, if you own 700' of frontage, you would pay \$900/ft. for the first 200', **\$310/ft.** for the next 400' and then **\$155/ft.** on the last 100'.

2005-2006

POND	0-200'	201'-600'	601' -
Bear, Keoka, McWain	\$900/ft	\$700/ft	\$350/ft
Papoose	\$500/ft	\$400/ft	\$200/ft
Little Moose, Island, 5 Kezars	\$240/ft	\$186/ft	\$93/ft
Duck, Mud	\$40/ft	\$31/ft	\$15.5/ft

In 2005 and 2006 this table was used in a manner that was contrary to the original intention and created large inequities. In 2005 and 2006 if you owned 700' you were put in the 601+ feet and paid \$350/ft for all 700'. The inequities resulted from this "misuse" of the table. For example if you owned 600' you would have been assessed at \$700/ft x 600', or \$420,000. If you owned 601' you would be assessed at \$350/ft x 601', or \$210,350 – So with 601' of frontage you would be assessed at essentially half of what 600' would be. This has been referred to as the "saw tooth" method because if you were to graph the frontage assessment they would repeatedly climb steadily and then drop, resembling saw teeth.

In addition to eliminating the "saw tooth" approach and reverting back to the linear approach as the table was intended to be used, we have also raised the shorefront values of Papoose Pond, Little Moose Pond, Island Pond, the 5 Kezar Ponds, Duck Pond, and Mud Pond. In 2005 the values of Bear, Keoka, and McWain were raised 125%, while the value of all the other ponds remained the same. By comparing (limited) sales data and comparing to similar ponds in the area it became evident that these ponds were under-assessed. By restoring the ratios between the ponds originally used in the table above (2007) of 100%, 60%, & 10% the values of these ponds were closer to being in line with comparable ponds. Values currently in place on these lesser valued ponds have been in place since 1992, while shorefront values have escalated.

Summary: The changes to the tax assessment methods from 2006 to 2007 are:

- 1) Building values are to increase 15%
- 2) Raw land will have a \$10,000 base acre.
- 3) All land will be subject to the declining scale of values

\$2,000/acre 2nd & 3rd acres

\$1,500/acre 4th-10th acres

\$500/acre 11th-20th acres

\$300/acre 21st & up acres

- 4) The “saw tooth” method of shorefront assessment will be replaced with the linear method.
- 5) Shorefront values of the lesser valued ponds will be raised according to the table on page 5.

Remember, while one or more of these changes may result in an increase in your assessment that does not necessarily mean you will have an increase in your taxes. These changes reappportion the tax burden created at town meeting. Those who were not paying their share will pay more, which may lessen your burden. Also an increase in the assessment of the town will result in a lower mill rate.

Addendum 6/20/2007:

Shorefront Usability/Desirability Reduction Factors

Condition	Description ¹	Reduction ²
1	Substantially less useable frontage (difficult or undesirable swimming, too shallow for boating, severely limited access, etc.)	60%
2	Unbuildable shorefront lot with no existing building (other than utility³ buildings). Lot may be used for a seasonal self-contained RV or camper.	50%
3	Combination of Conditions 1 & 2 and/or unable to be used for seasonal self-contained RV or camper.	30%
4	Extreme combination of conditions 1-3, very shallow lots, or river frontage⁴	10%

¹ There are infinite variations and combinations of these situations, consequently there is inherent subjectivity in determining their applicability. There may also be situations/conditions encountered other than those described herein for which the reduction factors may be applicable. The final determination of the applicability of a condition will be made by a majority vote of the board of assessors.

² Reduction is applicable only to the portion of the frontage to which the condition applies. The reduction percentage applies to the full value rate of the pond or lake on which the property is located.

³ For the purpose of this table, utility buildings are defined as structures intended for any use other than human habitation.

⁴ River frontage is assessed only on rivers that provide access to lakes or ponds.

NOTE: If a landowner thinks their shorefront falls into one of these categories, they should request an abatement using the reduction percentage they think is applicable. Upon receipt of the abatement request, the assessors will visit the property and make a determination. If an abatement is granted, the reduction percentage will be entered into the computer and used thereafter in determining the property's assessment. It is the landowner's responsibility to bring these conditions to the attention of the board of assessors.