

Residential Real Estate Values

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For developers and property owners alike, making sure your property's valuation is correctly calculated could save you thousands of dollars in property taxes. Recently, a home in my neighborhood sold for 8% above asking, which was 10% over the property's valuation. This is not an unusual occurrence. The recent lowering of the federal interest rate could result in more buyers entering a real estate market that already has a short supply of homes for sale, increasing the bidding frenzy and driving up sale prices. We could be looking at two years of valuations increasing by 10% or more.

A 10% valuation increase on a \$500,000 home in a community with a \$15-per-thousand tax rate, and a standard 2.5% municipal appropriation increase, will result in a property tax increase of at least \$1,000 per year. A two-year double-digit valuation increase will mean an increase of more than \$2,000 in property taxes--an increase that will remain with the property for years to come.

To avoid such an increase, it is crucial that you analyze your property records on file with the Board of Assessors to ensure the accuracy of the data.

Most communities have property information available online, so just access your town's assessor's page and your property record card. If your town does not have information online, the assessor will provide you with a copy of your property record card.

There is a great amount of information on your property record card; however, these four elements have the greatest impact upon your valuation:

1. **Square Footage and Finished Space:** The most important information includes the square footage of your house, and the amount of finished space including basement finished space. Finished and unfinished space areas are used to determine your building value, so both numbers should be correct. Finished space has the greatest impact on your valuation. Remember that the assessor's information is based upon exterior measurements, so measuring room by room is not the correct approach.
2. **Story Height:** Another major factor that determines the value of your home is the story height of your residence (single, two-story, or even one-and-a-half story). Make sure that any foyers or unusable upper level space (areas impacted by ceiling height) are not counted as finished floor area or story height.
3. **Grade:** A third key element in the determination of your home's value is the grade of your home. This is the classification of how the home was constructed. Over the years, grades of construction have changed due to the sophisticated nature of new construction that has upgraded electrical, heating, and cooling systems and modern amenities. Generally, homes that are in the same neighborhood (neighborhood is defined as streets with similar characteristics and with homes of the same age and size) should have the same grade of construction.
4. **Condition:** Another element in the determination of the value of your home is the condition. As with grades, condition runs from poor to excellent. The condition of the house is basically how well the property has been maintained. Homes with new kitchens and upgraded bathrooms will have higher conditions (good or very good) as compared to homes that have simply just been maintained (average condition). The determination of the grade and condition of your home is crucial in determining the "effective year" of your home (depreciation). The assessors may point to a sale in your neighborhood as the rationale for an increase in value. It is important, however, to make sure that the assessors modified the condition of that home if the property was up-graded for the sale. The grade, condition and effective year of construction have a significant impact upon your home's value, as lower grades and conditions (average as compared to good) will result in a lower building value.

Comparing the grade and condition of your home with the grade and condition of other homes on your street can be a simple matter, depending on the information available from your assessor. Generally, an assessor will be able to provide a street listing of properties to make it easier for you to compare the grades and conditions of homes on your street. Otherwise, a little research on the town's website viewing the grades and conditions of the individual properties will be required. If the grade or condition of your home or your street varies, this should be reviewed.

In addition to validating the accuracy of information relating to your home, the information relating to your lot should also be reviewed. It is crucial that the town has recorded the correct area of your lot to determine your lot value. Generally, towns assign a developable lot area, which is the zoning area size for lots within your neighborhood. Land in excess of that (residual or excess land), is valued at a significantly lower rate than the

per-square-foot value of a developable lot. Factors that affect the value of both the residual land and the developable lot include areas of your lot impacted by easements, wetlands, steep slopes or other factors that make the land not usable for single-family dwelling purposes. Towns have different approaches in deciding how much area needs to be impacted before the town will provide a reduction in the land value. It is your burden to prove to the assessor that the land value is impacted. Before you incur the expense of hiring an engineer, you should confirm with the assessor how much the valuation will be reduced, if any, depending upon the area of the impacted land.

Finally, your property record card will identify other improvements which include structures such as a pool, shed, barn, etc. It is important to confirm the exterior dimensions of these detached structures and compare them to the information on your property record card. If a shed or pool has been removed and the town was not notified, the property record card could still be carrying the improvement and assessing you for its value, so look at the other improvement information in addition to the building and land information (size, grade, and condition).

If, as a result of your reviews, you discover that the town has inaccurate information, e.g. your specific property, or your property compared to other similar property on your street, then you can ask the assessor to inspect your property and

make the appropriate corrections. If the deadline for filing an abatement application has passed, the corrections might not be implemented until the next fiscal year. You have 30 days from the date of your final bill (generally issued in late December) to file an abatement application.

Understand that the Board of Assessors has no right to review past valuations and make adjustments due to your failure to file an abatement application. Therefore, it is important that you review your property record card on an annual basis to determine whether it is accurate and, if necessary, file an abatement application. Otherwise, you have no recourse in subsequent years should the assessors have made a mistake--or the computer system inaccurately implements a change--that increases your valuation.

In conclusion and in anticipation of double-digit valuation increases, it is important that you review your town's records to determine the accuracy of their data, as that information is crucial in establishing the proper valuation of your home. It should not take much time to review your information, and it could result in significant tax savings over time. If you are a developer facing clients who are concerned that improvements to their home will result in higher real estate taxes, you may wish to share this information with them.



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