

**Caroline County Commissioners
Meeting
Hearing Room #106
Courthouse
Denton, Maryland**

February 27, 2007

**PRESENTATION OF DANA JARRELL, SUPERVISOR,
CAROLINE COUNTY OFFICE OF MARYLAND
DEPARTMENT OF ASSESSMENTS TO COUNTY COMMISSIONERS
OF CAROLINE COUNTY, MARYLAND**

P R O C E E D I N G S

MS. JARRELL: Thank you for inviting me. I have handed the Commissioners a packet of information that includes a copy of the director's press release, that was issued of course to the press when assessment notices were released at the end of December. He outlines there general information about statewide numbers. Statewide assessments increased on average 56 percent. Unfortunately we have become noticed and our values in the northern third of the County, which was re-assessed on this particular cycle, 76 percent on average. It is the highest number, I have worked for SDAT since 1979 and it is the highest percent of increase that I have ever been a participant in creating. The appeals interestingly enough that we're getting, the numbers on that are relatively stable. So I think that while not everyone reads the newspaper I do think a good number

of folks have read their notice a little more carefully, have called and asked a few questions. And then there is the other group that have dropped it into a desk drawer and when they get their tax bill in July will be calling at that time when it's a little too late to discuss what's their individual property value.

Another item that's in the packet was a sample of the assessment notice. The department did try to rearrange some of the information on the notice so that the property owner clearly see in red ink what the taxable assessment is as compared to the actual market value assessment. There is also more detailed information about the Homestead Tax Credit, which is the automatic credit that is calculated on the bill if you have an eligible property, an eligible property being the principle residence.

I also have included the appeal information that's available on our website. We have an excellent website at www.dat.state.md.us. And on that website the general population can read about the process of assessments, whether it's business, personal property or real property, which is what the homeowners, the property owners in Caroline County would be interested in. They can also do some sales research by doing a data search to look for sales in their neighborhoods. To look at assessments on neighboring properties if they are concerned that if maybe they weren't treated fairly. They can also read statistical information on the main webpage, there is a little blue bar and there is a spot there that says SDAT stats and if

you click on that you can read our annual reports, our ratio surveys that show how we rank the quality of the job. And other statistics such as the number of sales that are taking place, the number of accounts by different classes of properties in all of the counties statewide. It's an excellent website.

The brochures that, for folks without a computer we do publish brochures, and there's also a small collection of those in your packet that I've given. Both those same items are available on the website for perusal, printout, exactly what you want. You can also now file an appeal online. We've been doing that a couple years. We haven't had too many people actually do that. I think they still feel more comfortable dealing with us in person. But that is an option. Another booklet enclosed in the packet I've given you is the Homestead Credit Booklet. Because of the change in the cap for Caroline County I think it's important that people understand how it is we determine who's eligible. Merely telling us that, well this is where I live, isn't necessarily going to qualify your property for a homestead credit. There are some pretty fine definitions out there as to what qualifies. So I have included that information.

Briefly an overview, the Assessment Department is charged with the job of estimating a current fair market value for one third of the properties in the County each year. Fair market value is what would typically be seen in the general market place between willing buyers and sellers who are acting on their own behalf, they are reasonably informed. And there is nothing

atypical about the transaction, such as being compelled to sell because you are going bankrupt. Or being compelled to buy because you had a job relocation and you had no place to go. So fair market value is what would be the most typical price paid for a piece of real estate. We have to study the sales activity in the area being reassessed. The last time the northern third was reassessed was for January 1, 2004. We utilize the sales data in the previous year 2002-2003, to come up with those values. Likewise on this review we have looked primarily at 2005 and 2006 data to estimate the values. And those values are, that were issued as fair market values on assessment notices are a reflection of what's typically happening in 2006 in the northern most third of the county. The property owners had until February 12th to file an appeal if they felt something was wrong with the value or if they just wanted to come in and sit with the assessor to discuss how the value was determined. We have just now begun holding the tax appeals with those that filed by the 12th. And we'll be doing tax appeals probably until the end of April at a first step hearing to determine whether or not the value needs to be refined or is incorrect in some way.

The northern most third of the County is comprised of about 5,500 properties, commercial, residential, farms, some waterfront, in town and out of town property types. It's Election Districts 1, 2 and 7. So the incorporated towns of Templeville, Marydel, Henderson, Goldsborough, Greensboro, and Ridgely are also included in that area. The number of sales that we had to study, just in 2006 we had 175 improved property

sales that we determined were reflective of current market condition. And out of that 175 sales it indicated a mean sale price of about \$270,000. That compared to three years ago we only had 113 sales to utilize three years ago. So we had over a 50 percent increase in just the amount of sales activity over the three years. The mean sale price three years ago was about \$146,000. So as you can see it's just quite a change going on.

District 1, interestingly enough, District 1 which in my view is as far away as you can get from the County seat and very rural in nature did have some of the largest increases. I think that the reason there is because traditionally in the rural area in the small towns we've had lower property values. In the Director's Report that is one statistic that he noted statewide was that the properties in the price range of \$250,000 or less had the largest amount of change since three years ago.

District 2 includes of course incorporated town of Greensboro and many small older subdivisions on Greensboro-Denton Road as you come down towards Burrsville. There was a little bit less change in value, fewer sales as well. I think because it was an existing neighborhood area. The values there rose still from three years ago \$140,000 to a today value of about \$235,000.

District 7 with the incorporated town of Ridgely, had a lot of new homes, not just in the town but also in the rural area, a lot of development, there was 70 percent more sales transactions take place in District 7 than three years ago. And a value doubled, essentially from \$150,000 to \$300,000. But there is

quite again a range of property types from farms to brand new subdivision built homes.

Commercial properties, commercial and industrial properties were included, of course small town retails. Not too many large industrial properties in the northern third of the county. But typically the values increased 25 to 40 percent depending on the property type. Convenience stores sold very strongly compared to small retails. So group wide we had a tremendous overall increase in the assessments.

Everybody wants to know what's causing all of this and I think most of us realize that as interest rates have stayed at very, very low rates over the last three years, that is, that does fuel activity. Also, the fact that the surrounding counties, particularly on the western shore, have seen price increases maybe a year or two earlier than we have. And folks have basically been priced out of the market. We are seeing many, in our interviews with buyers and sellers, finding many folks coming to the area because they literally cannot afford to buy a house anywhere else. And there again we have the modest price range. We have a nice rural lifestyle, open spaces and people are also appreciating that. We hear many, many comments of folks who have recently moved into the area that just love it. They really do.

I think that the northern most third of the county does grow at a slightly different pace from the rest because of the commuting corridor of Route 301 and 50. Even Marydel is 15 minutes to hit 301 and head north to Wilmington or west across

the Bay Bridge. And I can see this pattern primarily on vacant land, huge increases in lot prices. Three years ago we might have seen \$25,000 to \$45,000 depending on the size and shape of a building lot. And now we're seeing \$75,000 to \$175,000. And a lot of those parcels of land are to the western side of the reassessment area. So I know that they are commuting. I think this is going to continue awhile later.

Everyone has been reading in the Sun papers, in the Post, in the local papers about the market slowing down, prices dropping off. And I do think that is happening. But we don't have a way yet to measure it very well in the assessment office. We are studying for the most part settled sales. And so until some of the transactions actually get to the settlement table and are recorded we won't know whether or not we're really dropping sale price or if we're just slowing in activity. Local realtors and title companies are telling us as we interview them, to verify information, that there are a lot of homes in inventory that are taking, they are on the market longer. The days on market numbers are increasing. Whether or not that means we're going to see a dip in the values, it's too soon to say.

One of the things that the property owners I think will need to know that because we only value once every three years the triennial process itself helps to insulate them somewhat from an immediate impact of the skyrocketing assessments. If you don't have a principal residence here but own vacant land or a commercial property, your huge increase is getting stair-

stepped in over the three years of billing cycle until we study the market again. And when we come back three years from now into this area, if values have tapered off or fallen it will be reflected on that assessment notice. So we are studying the market completely new each time we do the reassessment. We're not going in and saying looks like 100 percent and then we just index everybody up. That's not what we do. We actually are looking at every sale that's taken place in the district. We're looking at the properties. It is an exterior, not an interior inspection. But we are looking at neighborhood conditions, property conditions, and trying to verify what's really happening in the dynamics of the neighborhoods.

As of February 12th, which was the last date to file an appeal if you received a reassessment notice, we had 255 appeals filed. This is a little lower than last year. Not on percentage basis though, last year we had slightly more accounts in the area of review. We will be done conducting the hearings at what's called the supervisor's level of assessment probably by the end of April. The supervisor's level of hearing is the first step in the process where the property owner comes and sits down with the assessor, if he would like. Or he can be interviewed by telephone or even make a written appeal. But we discuss the property factors. What affected the value? What does the property owner think is a fair value and why? We're unfortunately not able to adjust values when there is, say a dispute with a next door neighbor or they are not happy about a pothole in the road in front of their house. Those are not

really the issues. The issues are, what is a fair value and what factors exist on your property that contribute to making a fair value? Generally one in three, one in four would get some adjustment. It may not be as much as a property owner would like. Sometimes it's merely correcting the attributes of the building such as the square footage. But we do our best to make a value, consider everything that we hear at that first step. It's informal, it's free. And anyone that has a question, even if they think the value is okay, they should come in and talk to us about it so we have a correct record.

The second step of the appeal process exists for those who are not satisfied that we did the best we could for fair value. The second step of the process is a citizen's board. The property tax assessment appeals board is made up of three county citizens and an alternate who listen to the property owner's presentation as to why he thinks a value should be lowered. They also ask the assessor to support their value with comparable sales data. And then they make an independent decision.

Either the State Department Assessments, meaning the assessor, or the property owner can continue on to a third level of appeal at Maryland Tax Court, which is an administrative court of appeal, and it is conducted by an administrative tax court judge. So it's more formal in nature. But it is free. And if the property owner can compare a case that's logical or it may get some help from an appraiser or someone in the real estate business they can make a very good impression on tax

court. It costs nothing more than the time. We don't have very many cases that actually go to that high step of appeal. Because generally we are able through the first steps of appeal to come to reasonable conclusion of value and explain our positions.

As far as tax relief is concerned, last year the state legislature did enact changes to the homeowner's tax credit, which is based upon a property owner's income and its relationship to the size of its tax bill. Because the criteria was adjusted a little bit I think that there maybe some people who are missing out on an application for that. The homeowner's tax credit requires an annual application from the property owner, some income information from them. Last year we had approximately 350 property owners that qualified. There were more than that that applied. But about 350 qualified. I think this year we may see an increased number in applications.

The other form of tax relief, other than the phasing in of the values, is of course the homestead credit. Homestead credit like I pointed out earlier is based upon, it's based on eligible properties that are described as principle residences in our record. So it is important for property owners to pay attention to their assessment notices and their bills to make sure that it says, if this is the principle residence that it says yes at the top of that assessment notice. Principle residence is the one dwelling where the homeowner regularly resides. It is the home that they designate as their legal address for income tax, for voter's registration, for the car registration. It is possible

to have more than one residence. But you cannot get a homestead credit on more than one. Our records as of the time we cut off the assessment roll and produce a tax roll for the county and the towns, up to that date if we can get the designation in there accurately the credit would be automatically calculated at the time of tax billing on the eligible properties.

Now there are some circumstances that property owner may not qualify even though it is their principle residence. An example of that would be, I lived there, moved in there, and I'm there on July 1 for the tax bill. But I just bought the property in April. I haven't lived there six months of the year yet. And so in that very first year I wouldn't be eligible for the credit. But in the second year I would become eligible. There are some other criteria also that might effect eligibility and homeowners really need to talk to us if they think they are deserving and eligible for a credit they need to document why. It's not automatic necessarily.

One of the things I would like to point out, last week in the newspaper there was an article about checking for the correct designation on the assessment notice. And of course it doesn't really refer to those folks who didn't get a reassessment notice. So it might inspire some folks to give us a call. When folks call us and say I think my property is designated incorrectly, what should I do? We have a form we send them that they must complete within 30 days telling us which of these different categories, like voter's registration, income tax, what are your addresses for each of those categories

and how long have you lived at this property. We do have property owners unfortunately who have more than one property in the State of Maryland, who maybe they have moved, have not informed everyone of where they actually are living for principle residence reasons now. And there are mistakes that crop up in the records on account of that kind of situation. We rely basically on the deeds at the time of transfer, when the title companies filled out the intake sheet they indicate if this is going to be the principle residence of that buyer. And sometimes on the deed there will be an affidavit where the buyer says he's going to live there. And we utilize that information at that time. We also, on our regular field inspections, if we find a discrepancy we've got a homeowner occupied status on the sheet that the assessor carries and a person answers and says well I don't own this place I rent it, you know, we automatically are going to disqualify that property. But we can't know on every property. I would ask the towns, since there are some town representatives here, if you suspect any properties are improperly designated please let us know what those addresses are. We're not going to go out there and automatically disqualify but we will send an assessor or a letter to look at that property to see if there is a mistake in the record. Because we do know that there are many rental properties in the county. It's a very difficult task. The property owner may indeed get his mail at that address but he's renting it out while he's gone to Florida. So please, if you have a registry of apartments that would be helpful as a good

cross check. But even just a list of addresses we will investigate those.

I know the cap is a concern now. I think that the one thing about that homestead credit is there is not really a legal deadline for a property owner to notify us. If we can get that in there before tax billing it makes it a whole lot easier than having to correct something that appears to be unjust later. We can and we will correct an unjust assessment. But only if the property owner is able to supply proof of eligibility. And of course it creates a lot of work for us to have to reissue notices. For Dorsey's office to have to handle paperwork for both the county, and the state, and the towns to try to correct incorrect assessments.

In summary I think it's going to be interesting to see where the market goes because we have continued to grow. In three years time we have approximately 1,000 new tax accounts in the county due to subdivisions. And we, you know, as assessors are studying and running a whole lot faster these days to get those values on to pick up new houses. We do see a lot of interest in Caroline County. So I would invite anyone who has a concern or question please contact us. We are open 8 to 5 every day in the multi service center. Things have been relatively quiet at this time despite the increases. So if you have a question now is a good time to stop in and ask. So does anybody have a comment?

MR. COLE: We thank you. I started by saying don't shoot the messenger. And I think that's an appropriate point to restate. Did you have any comments?

UNIDENTIFIED: Actually there was a couple. I think one of the most important things that you said was when you interviewed most of the folks you talked to said they really enjoyed the rural area of Caroline County. And that's something that we have a responsibility to make sure we protect that for sure. But while you were talking there's one of the things that you didn't know I was going to ask you while you were talking I was actually looking up some of the statistics as far as house sales. Just to let you all know as well. Between 2005 and 2006 the number of homes actually sold dropped as far as unit sales by 70, but the prices actually went up. So that means the assessments are going to go up between 2000 and 2006. However, there is a trend on the short term. Between the first half of this year, actually 2006 and the second half of 2006, both the number of houses sold dropped and also the prices dropped, which is a good thing. So on the short term there is a trend. On the long term we're starting to still see prices go up. But, so hopefully that the trend that we're seeing now over the course of the last 8 or 10, 12 months is a good thing. The prices of homes are actually dropping and sellers are deciding hey, you know what it's not really worth having these things sit on the market for a year and hopefully some unsuspecting buyer might come along and buy it, so.

MS. JARRELL: One of the problems even with a short term trend though, or even if the trend becomes a longer trend, because we only reassess once every three years it's likely that the property value will have increased even when the trend is a negative trend. The next area of reassessment is the mid section of the County, including Denton, choking over there. You can file an appeal. We love to see it. In all likelihood that even with a downward trend in value we are able to measure that for the reassessment notices it will likely still be an increase in value over 3 years ago. That is hard for the public to understand. We do make available the list of sales that the assessor had at his fingertips when he estimated the value though if anyone would like a copy for their particular neighborhood. But it's an interesting trend and it just, only time is going to tell.

MR. COLE: And there have been some concern from at least one of the elected officials at the municipal level about perhaps rental properties being incorrectly reported as owner occupied.

MS. JARRELL: We don't want the records to be wrong. Unfortunately I have two full time assessors, in a situation of increasing number of homes to measure, increasing number of lots coming on the rolls. There's no indication that we're going to get beefed up with additional staff. Our neighboring counties, for example Queen Anne's County and Talbot Counties, they've been dealing with growth for some time. And fortunately through automation we're able to do a more efficient job of the job we

do. But being able to interview every property owner and every property is not physically possible. So we do need help to clarify and correct wherever there is some information that needs to get in there.

UNIDENTIFIED: Can I get the website again please?

MS. JARRELL: It's www, I guess everybody's got that part, .dat, which is the Department of Assessments and Taxation, .state, for state of Maryland, .md.us.

MR. COLE: I do think from time to time it's a good idea to acquaint people with the process. We thank you so much. It's good to have you here.

MS. JARRELL: Thank you.

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CERTIFICATE OF TRANSCRIBER

Juanita M. Kohn, Transcriber for the Circuit Court for Talbot County, Maryland do hereby certify that an accurate and true transcript of the electronically recorded hearing held on February 27, 2007, in the Hearing Room #106, at the Courthouse in Denton, Maryland, before the Caroline County Commissioners, was made by me.

Juanita M. Kohn, Transcriber
for the Circuit Court for
Talbot County, Maryland
P.O. Box 165
Hillsboro, Maryland 21641
410-364-5084

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