

A CITIZEN'S GUIDE TO PROPERTY ASSESSMENTS



Kodiak Town Site from St Paul Harbor

Photograph – Sheila Roberts

*KODIAK ISLAND BOROUGH
ASSESSING OFFICE
2015*

A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

The purpose of this pamphlet is to explain the Kodiak Island Borough tax assessment procedures and requirements. The contents include references to the laws that govern the assessment of real and personal property in the State of Alaska and The Kodiak Island Borough, the methods used to arrive at the assessed values, what the assessed values actually represent and lastly the property owner's rights of appeal if they disagree with the assessment of their property.

WHAT IS THE ASSESSMENT AND ITS PURPOSE

The property assessment is an appraisal of the fair market value of your property completed by the assessing staff. Alaska Statute 29.45.110(a) states that this

PARKS CANNERY, UYAK BAY



assessment is to be at full and true value, which is defined in the statute as the “estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.” The Alaska Legal System has added some embellishments to this definition for special use properties, machinery, and leasehold properties, but for 95% of the properties in the borough this is the definition of value for assessments. The statute further requires that the assessment be as of January 1 of the assessment year and the assessments are to be reviewed annually for full and true value. Secondly, Alaska Statute 29.45.150 requires a “systematic reevaluation of taxable real and personal property...over the shortest period of time practicable.” Each property is to be re-inspected on a regular schedule. The

A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

time frame set by Kodiak Island Borough (KIB) Resolution is every three years for properties on the road system and five years for remote properties and properties within the remote cities and villages. To this end, AS 29.45.130 states that the assessor or his agent (staff) may enter real property during reasonable hours to examine visible personal property and the exterior of a dwelling or other structures on the real property.

This office's protocol for physical inspection of structures on real property is to approach the front entrance of the home and knock on the door or ring the doorbell and wait for a response. If an adult is home to answer, we identify ourselves and our purpose, which is to take photographs and measure the exterior of structures. If the person is unhappy or unwilling to allow that type of entrance onto their property, we acknowledge their wishes and leave the premises. In this case we complete the assessment based on

MV TUSTUMENA (THE TRUSTY TUSTY)



what can be seen from the street and what we can gather from public record or by using the GIS imagery. If no-one is home or answers the door, we continue with our duties as outlined in state statutes and authorized in AS 29.45.130.

The purpose of the assessment is to determine the value of the property for calculating the borough real estate (property) tax. The rate of taxation is set by the Assembly annually based on the estimated annual expenditures for that year. The task of the Assessing Office is to strive to bring equity to the assessments. The benchmark set by the state is 100% of market value. The assessing department attempts to get as close to that standard as possible and also assure that the deviations from the standard are in a narrow range so that all property owners are paying taxes on an equal basis. For this reason, the re-assessment process is typically completed by neighborhood or class of property (i.e. average quality single-family homes inside the city, commercial properties, multifamily, etc.) to ensure equity across each strata of the market.

The standard that the State Assessor as well as the local assessor uses to determine compliance with the state requirements is the sales price to assessment ratio. This

A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

information is used by the State Assessor's Office to determine the level of State funding for schools and state revenue sharing. If the State Assessor finds that the local assessing office has not been performing its duties and assessments are below acceptable ratios or are not equitable across the market strata, he or she can give the borough a notice of major errors. The borough would have until the next assessment period to correct those errors (AS 29.45.105). If errors in the assessment valuation result in a loss of revenue to the state, the borough could be mandated to reimburse the state for the amount of that loss. In other words, if the assessment ratio was so poor that the State has overfunded the borough for schools and revenue sharing, the borough would have to repay the State the overpayment.

Assessment values can change from year to year for several reasons. The first and most obvious is that the physical characteristics of the property change. For example, an addition is built onto an existing home, a garage is added, a major remodel completed, or, in the negative direction, part of the home is destroyed or the lot is subdivided. However, the most common reason that values change from year to year is because of changes in the real estate market. Kodiak's general real estate market has been increasing since the late 1980's. From about 2000 until the general crash of the lower forty-eight real estate market in 2007 our market was increasing by 6-12% annually. When the real estate economy and the general economy of this country fell drastically in 2007, the Kodiak real estate market generally continued to grow 2-4% annually through 2012. The market has leveled out in 2013 and 2014, for the most part. Upper value homes have seen a softening of the market and prices have trended down slightly for these properties from about 2010 to present. Part of the reason for our insulation from the general market crash is that Kodiak is an island. It also helps that we are in the State of Alaska. Alaska's real estate market was not driven by shoddy lending practices that put so many bad loans on the market in other areas of the country. Also, the Alaskan economy remained fairly strong as its main elements were unimpaired by the recessionary effects of the Wall Street and banking fiasco in the rest of the country. Oil production for the state in general helped keep the Alaskan economy from a major downturn and the fishing

PORT OBRIEN, UGANIK BAY NORTHEAST ARM



A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

and fish processing industry along with the strong financial influence of the U. S. Coast Guard Base kept the Kodiak economy healthy. In 2014 we saw a drastic change in the price of a barrel of oil and the Alaskan economy in general will suffer. The real estate market will undoubtedly follow suit. For Kodiak, the affect may be less dramatic as projections for fish and fish processing is positive for 2015. The recent and ongoing expansion of Trident Seafoods is a reflection of this factor.

HOW IS THE ASSESSMENT CALCULATED

Rhetoric has it that the Assessor has a dart board and this is what he uses to set property values. The truth, unfortunately, is not that simple. To do the job properly the assessor's staff must have a working knowledge of local real estate trends, economic conditions that affect the market, finance options available to buyers and most important, what sellers are asking for their properties and what the buyers are willing to pay for those properties. If you buy or sell a property in Kodiak, or in most of Alaska for that matter, you will receive a letter from the local assessing departments asking for the pertinent details of the sale. In Kodiak, this letter and its contents once filled out and returned to the assessing office are confidential and are not shared with anyone outside of the assessor's office unless required by court order. The reason for requesting this information is to gather data on market sales and market conditions for use in equalizing the general assessments in the borough, for determining sales price to assessment ratios to be used by the state in determining the efficiency of the local assessing department, and in determining equitable levels of funding for schools and municipal revenue sharing. This information **is not used to raise the taxes on the property being sold or purchased.** In fact, that practice is unethical and unlawful and will bring the wrath of the State Assessor's Office down upon the local assessing office. Assessing staff also track property listings in the local newspaper, on the statewide multiple listing service, and on such internet sites as Craigslist and Zillow. The staff also keeps abreast of economic trends, financing trends and supply and demand as it relates to real property.

WIND GENERATOR, PILLAR MT



A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

The assessing staff collects data about the characteristics of each individual property in the borough by physically inspecting them. The pertinent characteristics include the property use, the location, number and size of improvements, quality of construction, condition, year built, etc. This information is used to estimate the market value of each property by one or more ways. The three main appraisal techniques are: 1) Direct comparison of the subject property to recent sale properties and adjusting for differences that affect value. 2) Estimating the cost to build the improvements, subtracting the effects of depreciation and adding the site value. 3) For income producing properties, estimating the potential income stream, subtracting the costs of producing that income stream and converting the estimated net operating income into a current value. Accurate appraisals/assessments require constant searching for and accumulation of significant data to analyze in order to arrive at a fair market value for all properties within the borough.

VIEW FROM PILLAR MT (Photo S. Roberts)



The Kodiak Island Borough has roughly 7,800 real property parcels and about 1,700 business personal property accounts. Business personal property includes machinery and equipment used by local businesses. The Kodiak Island Borough exempts the first \$20,000 of business personal property from taxation. To adequately reappraise both the real and business properties on an annual basis and specifically re-inspect and reappraise about one-third of them on an annual basis, the assessing department utilizes a Computer Assisted Mass Appraisal (CAMA) system. The CAMA system utilizes all three of the approaches to valuing property discussed above. This system allows staff to both catalogue each property's characteristics and also value the

A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

property based on those characteristics. The process of valuing the property requires staff to determine what property details most affect their market value and to use this information to set up models for the most prevalent types of properties. For instance the three-bedroom Aleutian Home is in a market of its own, as is say, a newer three-bedroom, two-bath ranch home with attached garage located in Trinity Islands Subdivision. The market data that is gathered from the sales information letters sent out to individual buyers and sellers along with listing data and other pertinent market trends are used to make value models for each segment of the market. These models are an accumulation of both cost and market sales data. The computer program then compares each property to the appropriate model, i.e., three-bedroom Aleutian Home, and adjusts for any differences from the norm. This is one of the reasons that it is very important for the assessing department to complete regular inspections to determine what specific characteristics one home might have that would affect its value in the market. The models are updated on a regular basis and this update is usually reflected as a slight increase or decrease to the assessed values, depending on the vagaries of the market. For this reason, your assessment can fluctuate up or down on an annual basis. Starting in 2013, the market adjustments are being made each year as the Assessing Department now has the CAMA system fully populated.

Larsen Bay Cannery



A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

WHAT IF YOU DISAGREE WITH THE ASSESSED VALUE

If you believe that the assessed value of your property is incorrect, you have a number of things that you can do. **The first, and most important**, is to go to the assessing office, or call, and ask to review your assessment file with an assessing appraiser. Review the file and make sure the information that the assessing office has is correct. For instance, make sure the square footage of the home or garage, age of the improvements, condition of the improvements, etc. that are contained on the record are accurate. If not, request that the appraiser conduct a field inspection, correct the mistakes and recalculate your assessed value. If the information on file for your property appears to be correct, ask how the assessed value was calculated and if the appraiser can give you some market sales that support that value. Sometimes in checking the calculations an error might be found and corrected. The appraiser can offer to make a property sales grid that will compare your property to similar properties that have sold. This is similar to what a fee appraiser would do if you were to contract him/her to do a market appraisal of your property. This sales grid should support the assessed value.

If you and the assessing staff cannot come to an agreement of value that is satisfactory to you, the next step is to appeal to the Board of Equalization. This board is composed of citizens of Kodiak with some expertise or interest in the local real estate market. There are several things you need to know about appealing to the Board of Equalization:

1. There is a time limit as to when an appeal can be made. For all municipalities and boroughs in Alaska the appeal must be made within thirty days after the mailing of the Assessment Notice (AS 29.45.190(b) and KIB 3.35.050(C)(2)). In the case of Kodiak, these notices are mailed the last day of February and a property owner has thirty days or until March 28th or 29th, depending if it is a leap year (KIB 3.35.040).
2. The appeal must be made in writing on the form approved by the Board. This form is available at the Assessing Office. If you cannot get to the office to pick up a form, you can request one be emailed, faxed or USPS mailed to you (KIB 3.35.050(C)(2)).
3. The property owner has the burden of proof to show that the assessment is incorrect. The only grounds for an adjustment to the assessment are proof

A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

that it is excessive, unequal, improper or undervalued, (AS 29.45.210(b) and KIB 35.050(E)(4)). The property owner must state the reasons on the form, but can supply supportive information, such as a fee appraisal, engineer's report, closing documents, expert witness testimony, etc. Borough Ordinance requires that all written information the property owner wishes to be considered by the board must be delivered to the Assessor's Office by April 15th or, if the 15th is on a weekend, the first working day afterward, for

OCEAN BEAUTY SEAFOODS AT LAZY BAY, ALITAK



- inclusion in the board packet.
4. An excessive assessment is one that is higher than what similar properties are selling for in the local market. An unequal assessment is one that is higher (or lower) than the assessments of other homes in the neighborhood that have similar characteristics. An improper assessment is one that was computed using improper appraisal methodology such as valuing a single-family home by comparing it to multi-family homes. An undervalued assessment is one that is well below market value or the median value of the neighborhood for similar properties. An appeal of undervalued is rare as you can probably assume.
 5. A property owner may have another person represent them at the Board of Equalization hearing, but that person must be named in writing either at the

A CITIZENS GUIDE TO PROPERTY ASSESSMENTS

OR MORE THAN YOU WANT TO KNOW ABOUT TAX ASSESSMENTS

broberts

- time of the filing of the appeal or no later than three days in advance of the hearing (KIB 35.050(C)(1)).
6. Remember, you have to convince the board with facts and your appeal must be based on excessive, unequal or improper assessment. The fact that your taxes are too high or that your assessment went up since last year are not grounds for appeal and the board can do nothing to alter those facts. Unless you can prove your point, the board will uphold the assessor's value.

If the board does not find in your favor, you still have another avenue of appeal. You can appeal the board's decision to the Superior Court, but you must file the action and notify the borough attorney within 30 days of the board's written decision (AS 29.45.210 (d) and KIB 3.35.050(F)). In an appeal to the court there is typically no introduction of new evidence. The court is reviewing what was presented to the board and making a determination whether the board acted correctly in arriving at their decision. If the Superior Court upholds the board's decision you may then take the case to the Alaskan Supreme Court, but again the action of the court is a review of the board's decision and now the lower court's decision, it is not to make an independent decision on the correctness of the assessment.

FINAL COMMENTS

The assessment is an appraisal of the estimated fair market value of a property. It is used by the borough to compute a taxpayer's share of property tax. The Assessor and his staff are charged by the State and the Borough to appraise property at its market value and to assure equity in the assessments so that each property owner is

taxed fairly in comparison with his neighbors. A property owner has avenues of appeal if he or she thinks their assessment is too high or not equitable. The first and most important is a direct appeal to the assessing office.

MV ISABEL (Photo S Roberts)

