

## Ratio Study Narrative 2022

General Information	
<b>County Name</b>	Marion County

Person Performing Ratio Study			
Name	Phone Number	Email	Vendor Name (if applicable)
Gabriel Deaton	317-327-4915	<a href="mailto:Gabriel.Deaton@indy.gov">Gabriel.Deaton@indy.gov</a>	

Sales Window	1/1/2021 to 12/31/2021
<b>If more than one year of sales were used, was a time adjustment applied?</b> n/a	<b>If no, please explain why not.</b>  If yes, please explain the method used to calculate the adjustment.

Groupings
Please provide a list of township and/or major class groupings (if any). Additionally, please provide information detailing how the townships and/or major classes are similar in market. <b>**Please note that groupings made for the sole purpose of combining due to a lack of sales with no similarities will not be accepted by the Department**</b>
<p><b>Vacant Industrial</b></p> <p>After reviewing our vacant industrial sales only 13 were deemed valid, all of which were in Center, Decatur, Pike and Wayne Townships. Due to the lack of sales we have combined Center, Decatur, Pike and Wayne Townships to create one vacant industrial ratio study. The four townships are contiguous, have similarly situated industrial areas and share the many of the same types of industrial properties.</p> <p><i>-Our other townships had no valid vacant industrial sales.</i></p> <p><b>Improved Industrial</b></p>

For the improved Industrial study we combined the nine total sales in Decatur, Franklin and Perry townships. The three townships are contiguous, and the properties involved were similar.

Lawrence and Washington townships had insufficient valid sales to have their own studies.

**Vacant Commercial**

For the vacant Commercial study, we combined Pike, Washington and Lawrence Townships to form one study along the most northern edge of the county. Apart from being close in proximity they were also similar types of properties. We also grouped Decatur, Franklin and Perry Townships for a vacant commercial study. Again, these townships are contiguous and have similarly situated industrial areas.

*- All of our other townships had sufficient valid sales for their own study.*

**Improved Commercial** *All townships had sufficient valid sales for their own study.*

**AV Increases/Decreases**

**If applicable, please list any townships within the major property classes that either increased or decreased by more than 10% in total AV from the previous year. Additionally, please provide a reason why this occurred.**

Property Type	Townships Impacted	Explanation
Commercial Improved	None	
Commercial Vacant	None	
Industrial Improved	None	
Industrial Vacant	None	
Residential Improved	None	
Residential Vacant	None	

**Cyclical Reassessment**

**Please explain which townships were reviewed as part of the current phase of the cyclical reassessment.**

As we laid out in our approved cyclical reassessment plan, we have now completed phase 4 of reassessment and land order on the following parcel groupings (all of which were data entered into our cama system for the 1/1/2022 assessment date):

***-Residential/Agricultural***

May 1, 2021 – January 1, 2022 West District 80,473 Parcels

**-Commercial/Industrial**

*- In the Industrial plan, to accommodate the approximately 25% per year requirement we adjusted our existing West/North district boundary to include all of Pike township in the north district.*

May 1, 2021 – January 1, 2022 West District 4,997 Parcels

**Was the land order completed for the current cyclical reassessment phase? If not, please explain when the land order is planned to be completed.**

Yes

**Comments**

**In this space, please provide any additional information you would like to provide the Department in order to help facilitate the approval of the ratio study. Such items could be standard operating procedures for certain assessment practices (e.g. effective age changes), a timeline of changes made by the assessor's office, or any other information deemed pertinent.**

**Appeals**

With the exception petitions requiring an IBTR or PTABOA hearing, or those for which we are awaiting further taxpayer correspondence, we are working 2021 payable 2022 appeals. We have closed approximately 22,000 appeals over the last three calendar years.

**Field Work: annual permit work for January 1, 2022**

As a result of our personnel assigned to performing field inspections, Marion County processed 7563 (3161 commercial and 4402 residential) site inspections in response to building permits issued.

**Review and Validation of the Sales Database**

We used sales from January 1, 2021 through December 31, 2021 in the annual adjustment process. To ensure the accuracy of the sales used, we individually reviewed all of the paper copies of sales disclosures submitted during that period to confirm that they were accurately data-entered in our electronic file. The sales were audited by a dedicated staff of sales disclosure auditors reviewing on MIBOR and aerial photography before being submitted to the field personnel to perform inspections within 60 days of the sales date, per statute.

For those sales that were deemed invalid for trending purposes, an explanation can be found in the sales disclosure file. Where a sale was subsequently excluded during the trending process, we have provided a spreadsheet with an explanation showing why the sale was inappropriate for use.

## **Remodeled Home Effective Age Guidelines**

Appendix B of the Real Property Assessment Guidelines states “There is probably no issue that is less understood than the application of depreciation in the valuation of a structure...” and yet “The appropriate calculation of depreciation remains as one of the single most important parts of arriving at a fair and equitable valuation...”

In Marion County we utilize Effective Age under the Market Value in Use standard as a critical tool to help determine a remodeled/rehabilitated residential property’s remaining economic life. Since the housing market recovery began home renovators have remodeled or rehabbed thousands of homes in Marion County to earn a significant profit, and many neighborhoods in Marion County have undergone some level of gentrification. Effective Age is a critical tool to help reflect the impact of those renovations on the market value in use of a given property.

Common remodels that often show impact in the market include kitchen remodels, bath remodels, flooring updates and complete “gut to the studs” remodels. Understanding that the various potentially remodeled components comprise the whole, Marion County developed an effective age model utilizing an adaptation of the existing percentage of completion guidelines from the real property assessment manual to derive a percentage of the whole that was remodeled. That percentage was then applied to the existing effective age in a manner similar to calculating effective age by room addition, allowing us to derive an accurate effective age based upon the remodel. As an attachment, along with the narrative we are providing an example effective age calculation sheet.

To ensure we capture as much rehab activity as possible we rely on our County’s robust permitting system, boots on the ground field work and desktop review which includes aerial photography and the MLS. As mentioned in an earlier section of this narrative, we receive details on many thousands of permits every year which trigger a review of properties for which permits have been pulled. During this review, we check to see if other homes in the neighborhood have undergone rehab/updating for which no permit was pulled. It is worth noting that many internal remodels take place without permitting, thus are only discovered when the conditions of sale are reviewed. Additionally, while full gut to the studs remodels typically involve permits, such remodels also involve highly skilled and motivated investors who rapidly finish the job and resell the home.

## **Review of Income Producing Properties**

Our commercial assessment team has developed an income capitalization model to be used for multi-family residential properties. As part of processing hundreds of appeals for these apartments, this model was used to arrive at a settlement. Any information gleaned in the appeals process was then used to develop market assumptions we used for the 2022 (payable in 2023) assessments. Market data resources were also consulted to confirm our income approach information. All multi-unit apartments were reviewed using all three assessment approaches, and the lowest value was applied in accordance with IND. CODE § 6-1.1-4-29.

## **General Data Cleanup**

Our GIS team has been working diligently to revise our base map to make our parcel delineations more accurate. Data errors and inconsistencies in our assessment data continue to be identified and corrected. We continued to revise improperly identified use codes. We have encouraged taxpayers to combine

contiguous parcels to take advantage of the supplemental homestead deduction, thus eliminating unnecessary parcel delineations. More than 750 parcels have been combined and priced for the 2022 pay 2023 tax year.

### **Calculation of New Neighborhood Factors**

We used our PVD computer system to perform initial ratio studies at the neighborhood and township levels. This initial calculation identified areas where neighborhood delineations needed to be reviewed. Where a review of a parcel's physical characteristics was warranted, aerial photography, Pictometry, or Metropolitan Indianapolis Board of Realtors (MIBOR) listing information were reviewed to be certain physical data was correct. Where that information was inconclusive, field inspections were conducted. After these changes were made, we performed the ratio studies again. In many neighborhoods, there were an inadequate number of sales to rely on for proper trending. In these cases, we turned to other market trend sources, such as MIBOR analyses, CoStar's sale and lease data, and our own analysis of trends in Marion County's sales, to determine whether a change in the trending factor was appropriate. The ratio studies were again performed after all the changes outlined above had been made. The results of the final ratio studies achieved statistical measures within the IAAO limits.

### **Quadrants for Center, Washington, and Wayne Township Improved Residential**

Per IC 6-1.1-14-12 and your Department's request, we broke Center, Washington, and Wayne Townships into quadrants for the purposes of the Improved Residential Ratio Study. Since the 3 townships in question are for the most part rectangles, we first looked for major streets and/or natural barriers (ex. rivers) that are close to the centerlines of the basic outline of the township. We then compared the number of residential improved parcels in each quadrant and adjusted the quadrant boundaries to come as close to an even 25% breakdown in each quadrant as possible while keeping the boundaries on major streets or other natural barriers. For simplicity, we named the quadrants, Northeast, Northwest, Southeast, and Southwest. Appendix A shows the boundaries of each of the quadrants and the number of Improved Residential parcels in each quadrant. In our ratio study spreadsheet, we broke each of the quadrants into their own study while also doing a study at the township level. In the workbook, we added a column to indicate quadrant, this added column is only filled in for the residential improved parcels.