

Narrative

General Information

County Name: Lawrence

Person Performing Ratio Study: Kirk Reller

Sales Window (e.g. 1/1/19 to 12/31/19):

If more than one year of sales were used, was a time adjustment applied? If no, please explain why not. If yes, please explain the method used to calculate the adjustment.

For Residential Improved sales only sales from the 1-1-19 to 12-31-19 sales window were used.

For Residential Vacant sales the sales window was enlarged to encompass sales from 1-1-2018 through 12-31-19. There was no discernable change in values between the 2018 sales and 2019 sales. Looking back to sales from years prior to that there is a limited amount of sales and no obvious trend to justify trending the 2018 sales.

For Commercial Improved sales the sales window was also expanded to include 2018 sales to provide a more comprehensive sales pool. As with the residential vacant sales grouping there is such a limited supply of sales that no trend factor to trend values to the 1-1-20 valuation date was applied.

Groupings

In the space below, 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.

For the Residential Improved category, sales from Indian Creek Township and Spice Valley Township were combined. These two townships comprise the southwest corner of the county. There is a little discernable difference between the townships as far as topography, mix of property types, or price range of homes. This is a very hilly, rolling area bisected by the White River. Both townships have small older towns with homes valued at the lower end of the real estate market within the county. There are a limited number of rural subdivisions within the townships that were developed in the 1980's with a mix of ranch and bi-level homes. Typical price ranges of homes in these townships tends to fall between \$70,000 to \$240,000. Both townships also abut the Crane Naval Weapons Center on the west.

Also in the Residential Improved section, the townships of Bono, Pleasant Run and Guthrie have been grouped into one section. These townships comprise the eastern third of the county. They are very hilly, heavily wooded, and the most sparsely populated townships in the county. The small towns in the townships have very limited sales, typically at the low end of sales within the

county. Most home sales within these three townships fall within the \$70,000 to \$150,000 range.

All townships have been combined for the Commercial Improved section. The largest driver for most commercial activity in the county is the Highway 37 corridor. Highway 37 bisects the county running north-south through Marion, Shawswick, Perry and Marshall Townships. While this is the most active area in each of the townships, the townships also share a limited demand for older downtown traditional type commercial properties. Demand levels for these types of properties are limited throughout the county.

For Residential Vacant properties, all townships outside of Shawswick Township have been grouped. Most sales of land within Shawswick Township are primarily for future new construction of homes for people working in the Bedford area. Once you get outside of the Bedford (Shawswick) area then the demand for unimproved residential property is driven by two factors. The first is building sites for people that will live within Lawrence County but work in other counties. Both Perry and Marshall Townships have larger numbers of people that work in Monroe County. In Indian Creek and Spice Valley many of the residents work at the Crane Naval Weapons Center in Martin County. The second determinant of land sales is out-of-county buyers wanting recreational sites for hunting or fishing. Sites such as these can be found throughout the townships away from Bedford.

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 | | |
| Commercial Vacant | | |
| Industrial Improved | | |
| Industrial Vacant | | |
| Residential Improved | | |
| Residential Vacant | | |

Cyclical Reassessment

Please explain in the space below which townships were reviewed as part of the current phase of the cyclical reassessment.

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

The Land Order is scheduled to be completed during Phase 3 of the Cyclical Reassessment.

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.

LAWRENCE COUNTY ASSESSOR

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2020 Lawrence County Trending Project Supplemental Narrative

Activity Summary

General

Lawrence County is made up of 9 townships, including the two largest which are Marion and Shawswick. Like most of the state the residential real estate market slowed in most areas of the county beginning in mid-2007 and continued to slow throughout 2008 and 2009. Prices had remained relatively flat since the recession, however beginning in 2014 volume increased and home prices were slightly higher. In 2017 both sales volume and sales price increased at levels not seen since 2005 or 2006. This trend has continued through 2019. While the number of distressed sales remains high compared to pre-recession levels the market seems stable, and there was never a dramatic downturn in the market as evident in other parts of the country. Prior to 2009 most of the growth in the county was seen in the northern part of the county, in Marshall and Perry Townships, where new development has been influenced by the close proximity to Bloomington. During 2009 growth in these two townships slowed and continued to be slow between 2011 through 2015. However, since that time there has been an uptick in sales volume and prices for houses at the upper end of the market in these 2 townships.

The commercial sector has seen mixed results with some new development on the north side of Bedford near the new Wal-Mart shopping center. This tapered off in 2008 and early 2009. Beyond the north side of Bedford there has been little new commercial activity other than scattered sites in Marion and Marshall Townships along Highway 37. The number of commercial buildings permits fell sharply during both 2008 and 2009, but has since leveled off between 2011 through early 2020.

The Industrial sector has been relatively static but has seen some growth. During 2011 and 2012 a new manufacturing facility was added in Mitchell and General Motors Powertrain made a substantial expansion to their Bedford plant, however they mothballed the older sections of the plant. Some smaller shops have also been added during the past few years and some new areas have been purchased for quarry sites. However, the larger quarries have been hurt by the downturn in the construction industry. The Ford Visteon Plant shut its doors and laid off its entire workforce following the downturn in the automotive industry. The Visteon plant was sold in 2008 and has now been converted to a multi-tenant shop and warehousing facility. Most of the converted space is leased to contractors that supply products to the Crane Naval Weapons Center.

Commercial

During the 2012 reassessment all commercial and industrial parcels were rechecked in the field and re-priced with the new 2012 cost tables. The 2015 through 2018 cyclical reassessment phases (1-4) have been completed utilizing on-site physical inspections of commercial parcels. Phase 1 and Phase 2 of the 2018-2022 Cyclical Reassessment have been carried out using the same on site physical inspection methods.

Residential Sales Validation

All sales disclosures for residential properties are initially verified and validated by the county assessor's office. During the period between 2005 and 2010, those parcels where the sale price and assessed value differed by more than 15% a field inspection was carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussions with the owners onsite often yields new information about the financing or family relationships which do not always appear on the disclosures. During the 2011 through 2020 trending projects a majority of sales, including distressed sales, have been field checked.

The number of foreclosures increased during the 2008 and 2009 trending project and jumped again during the 2010 trending project. During the 2011 through 2020 projects the number of distressed sales seemed to level off, but still remained high compared to pre-2007 levels. The resulting number of distressed sales has created additional work during the verification process.

Income Producing Properties

Lawrence County has a relatively large number of multi-family housing apartments. Most of the multi-family developments are either low-income or elderly housing. These apartments include type 515 rural housing and section 42 tax credit apartments. The county has obtained income and expense data from the majority of those properties. Almost all of the multi-family apartments were appealed during the 2002 reassessment and/or following the 2006 through the 2011 trending projects. Several of these complexes were again appealed following the 2012 reassessment. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from a significant number of residential rentals to develop GRM's and compared the GRM derived values against the current assessed values. The county has also obtained gross rent multipliers from area appraisers that is used in valuing rental property in the county.

Other Data Sources

The county has very actively utilized any data that can be obtained from MLS data. The data is primarily on-line listing fact sheets as comparison of value and also to obtain construction data on both residential and commercial property. Between 2006 and 2020 several hundred parcels were adjusted as a result of information gathered from MLS data. The county uses this data in an ongoing basis and the data is not limited just to trending.

A Bloomington appraisal firm that has assisted the county with commercial land valuations has

also assisted the county with a variety of other projects during the past few years including the appraisal of multiple residential and commercial properties throughout the county and a review of capitalized income and expense data. The county has also utilized the services of an Evansville appraisal group with assistance on larger industrial facilities.

Neighborhood Revisions

During the 2008 trending project an extensive review of neighborhoods was conducted. As part of that review various subdivisions within the Bedford City limits were removed from one neighborhood and placed in more appropriate surrounding neighborhoods. While the placement of these subdivisions in their respective neighborhoods seemed appropriate during the 2002 revaluation, sales over subsequent years indicated they should be moved to neighborhoods with different multipliers to bring their assessed values more in line with the market.

Between 2008 and 2018, forty-one (41) small neighborhoods were made inactive and the parcels within those neighborhoods added to adjacent areas with very similar attributes. While these neighborhoods were combined because of "overstratification" a few additional neighborhoods were created to address the problem of having commercial and industrial parcels included in the same neighborhood as residential and ag parcels.

Neighborhood review is an ongoing process with a review of relative values and boundaries each year.

Time Trending of Sales Outside the 2019 Sales Period

Due to the limited number of commercial and industrial sales the number of available sales from Jan 1, 2019 to Dec 31, 2019 was not sufficient to produce an adequate sample pool of sales. The sale range was expanded to include sales from 2018 for commercial improved sales. There were less than 5 usable valid industrial improved, industrial vacant, and commercial vacant sales to provide an adequate sample set even when going back 5 years.

The number of 2019 sales available for residential improved was sufficient to just use those sales from Jan 1, 2019 through Dec 31, 2019. For residential vacant sales the window was expanded to include 2018 sales.

There was little measurable change when comparing year-over-year sales or market trends and commercial improved sales so no time adjustment was made for 2018 sales. Due to the lack of demand for land for new construction, there is no adjustment needed for older vacant residential sales.

Grouping of Sales Files

Due to the limited number of commercial sales and similar demand patterns within the county, all commercial vacant and commercial improved sales have been combined into a spreadsheet that cover sales from all townships. The entire county is considered the market area for these types of properties.

The primary driver for demand for commercial properties is proximity to State Highway 37 which bisects the county, and to a lesser extent, proximity to State Highways 50 and 60.

For the residential improved category, sales from Bono, Guthrie and Pleasant Run Townships have been combined into one grouping (GUTHPRBONO). These townships constitute the eastern third of the county and are very similar in their rolling, heavily wooded topography. These townships are sparsely populated with a similar mix of homes in each township. Typical sales are below the median price level in the county.

Sales from Indian Creek and Spice Valley have also been combined in a second grouping (ICSPV). These 2 townships make up the southwest quarter of the county. These townships are similar in makeup of homes and average home prices. Due to bordering the eastern edge of Crane's Naval Weapons Center, homes in these townships appeal to Crane employees.

For the residential vacant category, Shawswick township was left as an individual township for analysis, while sales of residential vacant parcels from all the remaining townships were grouped into one study group. Demand for raw land building sites has declined in each of these townships since the early 2000's.

Review of Specific Home Types

During the annual trending and reassessment projects, two types of homes have been identified as showing more deviation from sale prices than other types of dwellings – manufactured homes and log homes. Manufactured homes have varied more in price than other home categories and a large number of parcels containing sectional/ double-wide homes have been foreclosed or have sold through distressed sales. Due to this somewhat volatile sales pattern, the assessments on all manufactured homes are being looked at closely.

The assessments on traditional log homes tended to be too low relative to the market. Most log homes have shown a discounted assessed value relative to market sale prices. During trending and the reassessment process all log-type dwellings were looked at closely and to date, the grades have been raised roughly 5 to 10% to bring the assessments more in line with the market.

Cyclical Reassessment Activity

The 2012 Reassessment was a complete, 'traditional', reassessment involving on-site inspections of all parcels and verification of measurements on the vast majority of improvements.

The county's cyclical reassessment plan calls for 25 % of each property class in each taxing district to be reviewed in each of the 4 one-year phases. The 2015 through 2018 cyclical reassessment phases were completed utilizing a complete, onsite, "walk-around" data verification process.

The procedures for Phase 1 and Phase 2 of the 2018-2022 Cyclical Reassessment are the same as those utilized during the 2015-2018 Cyclical Reassessment. Onsite physical inspections were carried out and 25% of each property class within each township were inspected.

Sales Reconciliation File Issues

In late November of 2015 the Assessor's CAMA software was converted from Proval to XSoft. Along with the CAMA conversion the county also began loading sales data into the XSoft sales disclosure program. As a result a large number of sales were loaded into the sales data base utilizing both their existing disclosure software and new XSoft sales program.

This has created a very large redundancy of sales. There are a large number of sales that appear on the reconciliation that are duplicates or triplicates. While unrelated there are a large number of sales that were not utilized since they were first sales following foreclosures.