

Marion County Assessor

Joseph P. O'Connor



May 2, 2019

Mr. Wesley R. Bennett, Commissioner
Indiana Department of Local Government Finance
200 N Senate Ave Ste N1058(B)
Indianapolis, IN 46204

RE: 2019 (payable in 2020) Annual Adjustment Process for Marion County, IN

Dear Commissioner Bennett:

This letter is to serve as our narrative explanation for the Annual Adjustment process for the 2019 (payable in 2020) assessments in Marion County.

Cyclical Reassessment

As we laid out in our approved cyclical reassessment plan, we have now completed phase 1 of reassessment on the following parcel groupings (all of which were data entered into our cama system for the 1/1/2019 assessment date):

-Residential/Agricultural

May 1, 2018 – January 1, 2019 North District, 71,821 Parcels

-Commercial/Industrial

- In the Commercial planned, to accommodate the approximately 25% per year requirement, we adjusted our existing East/South district boundary line to include all of Warren Township in the East district.

May 1, 2018 – January 1, 2019 South District *Adjusted*, 5,526 Parcels

Appeals

With the exception petitions requiring an IBTR or PTABOA hearing, or those for which we are awaiting further taxpayer correspondence, we are working 2018 payable 2019 appeals. We have closed approximately 42,000 appeals over the last three calendar years.

Field Work: annual permit work for January 1, 2019

As a result of our personnel assigned to performing field inspections, Marion County processed 11487 (4674 commercial and 6813 residential) site inspections in response to building permits issued.

Review and Validation of the Sales Database

We used sales from January 1, 2018 through December 31, 2018 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 2019 (payable in 2020) 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 500 parcels have been combined and priced for the 2019 pay 2020 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.

Vacant Industrial

After reviewing our vacant industrial sales only 7 were deemed valid, all of which were in Wayne Township. For that reason, Wayne Township is the only vacant industrial study you find in our ratio study.

-Decatur, Franklin, Lawrence, Perry, Pike, Warren, Washington and Center had no valid vacant industrial sales.

Improved Industrial

Due to a lack of valid sales we combined 2 of our most western townships as well as our 2 most northern townships to create separate improved industrial ratio studies. Wayne and Decatur have similar industrial areas and a combined 9 sales which we combined to form our western industrial improved study. Washington and Pike have similar industrial areas and a combined 11 valid sales which have been combined to create our northern industrial improved study. Center and Lawrence townships had sufficient sales to run its own study.

-Perry and Franklin townships had insufficient valid sales to have their own studies.

Vacant Commercial

For the vacant Commercial study, we combined Washington and Lawrence Townships, with Washington having only 1 valid sale which was located in the eastern portion of the township closest to Lawrence. We also combined Pike, Wayne and Decatur Townships to form one study along the western third of the county. As for the southeastern part of county we combined Franklin and Warren Townships with Franklin having only 1 sale.

- Perry had no valid sales. Center township had sufficient valid sales for its own study.

Improved Commercial

All nine of our townships had sufficient sales data to run their own sales data.

Property Classes Changing by 10% or More

Vacant Commercial

-Franklin

This is primarily due to the split for a new shopping center, much of it still vacant as of 19pay20 but priced as commercial land.

Vacant Industrial

-Decatur

This is primarily due to Parcels 2000195 and 2003650 having their developer discount dropped. Both are now being priced as Industrial.

-Franklin

There are now only 2 vacant industrial parcels in Franklin Township.

-Lawrence

Developer discount was removed from 4019604

Vacant Residential

-Franklin

New subdivisions created residential parcel that had previously been priced as farm ground. Also, many developer discounts were removed.

-Wayne

New subdivisions created residential parcel that had previously been priced as farm ground. Also, many developer discounts were removed.

Improved Residential

-Center

Several factors drive the notable appreciation of residential property values in Center Township. The gentrification of neighborhoods such as Fountain Square has expanded to other near south east side neighborhoods such as Bates Hendricks, while new construction continues

on formerly vacant lots in near northside neighborhoods such as Kings Park. Investment sale prices increased as well as speculators attempt to get in on the newest hot spot. Finally, the popularity of downtown urban living has driven a notable increase in existing home and condominiums sales within the mile square. Coupled with the strong housing market at large, the center of Indianapolis has enjoyed a significant upswing.

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.

The ratio studies and the Marion County workbook have been made available to you on an FTP site.

I hope these results meet with your approval. If there are any problems, or if you have any questions about our process, please let me know.

Sincerely,



Joseph P. O'Connor