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Department of Local Government Finance
100 N Senate Ave, N1058B
Indianapolis, IN 46204

RE: 2008 SPENCER COUNTY TRENDING

Dear Commissioner Musgrave,

The processes Spencer County used for adjusting property values for 2008 is as follows:

GENERAL INFORMATION

Spencer County is the 72nd smallest county in the state. The county is made up of 9 townships. The three largest are Carter, Clay and Ohio. Population is scattered with no real population center. The county seat of Rockport and the Town of Santa Claus are the two most populated incorporated towns. The Town of Santa Claus covers a portion of both Clay and Carter Townships. It is the most active area for residential sales. Increases in the Holiday Village area (in SC Carter) have been the highest in the county. The residential housing market has been relatively flat throughout most of the remaining part of the county. Parts of Luce Township have seen zero growth in recent years according to local appraisers.

With the exception of the Santa Claus area, most of the commercial sector has seen very little activity or growth. The main street areas of Rockport, Chrisney, Grandview, Gentryville, and Richland are all very depressed. The primary factor currently affecting the commercial sector is the relocation and construction of a new four lane US 231 corridor. This major road project stretches the county north to south from the William Natcher Bridge to Interstate 64. There is little new growth as a result of the project since the roadway is not complete and there is only limited access at the present time. Holiday World/Splashin' Safari, with its over one million guests, helps boost the growth of commercial properties in the Santa Claus area and improvements totaling about \$5 million were added to the park this year.

The industrial sector has been relatively static. The county's two largest facilities, AK Steel and the I & M power plant, have remained relatively unchanged since their construction. AK Steel is the primary steel provider for the Princeton Toyota plant, and declining truck sales could have an adverse impact on this plant. There has been some limited expansion among the smaller facilities in the county, while production at larger facilities has slowed.

Commercial

In the towns of Rockport and Santa Claus, a large enough sample of improved commercial sales was available to develop a trending factor. Applying this trend factor to the improved parcels yielded an increase in almost all parcels during the 2007 trending project. However, while Santa Claus continues to grow, the demand for commercial space in Rockport has declined for 2008. This has resulted in a decrease or no change to many of the commercial properties in Ohio Township. A majority of commercial parcels in both taxing units were also increased during the 2006 trending project. In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of commercial and industrial properties were carried out.

The cost index was developed from reviewing four different time-adjusted indexes in the *Marshall and Swift* manual. The index was arrived at was 1.33 (133%) for 2007 and that has been revised to 1.39 (139%) for 2008. After the commercial and industrial recalculation was carried out, new depreciation figures were applied using January 1, 2006 as the new effective date to determine depreciation instead of the prior January 1, 1999 date. The market data was used to help determine obsolescence depreciation if needed.

As part of the review of commercial property, the county's appraisal vendor carried out field inspections and complete reassessments of 65% of the improved commercial and industrial parcels located throughout the county during 2007 and 2008. These reworks were exterior and interior inspections of each parcel and complete computer updates.

Commercial Land

The number of land sales in the county is limited, and will remain so until the new US 231 highway is opened. In order to help verify or revise existing land rates a local appraiser was consulted to assist in updating the rates. Some rates were increased significantly in 2007 while others were raised in 2006. The changes in 2008 were relatively modest in comparison.

Residential

All sales disclosures for residential properties are initially verified in the office phase of review. For those parcels where the sale price and assessed value differ by more than 20% a field inspection is carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted, or removed improvements. Discussion with the property owner onsite often yields new information about the financing or family relationships which do not always appear on the disclosures.

Sales prices throughout the county showed modest increases in 2006 and 2007. The number of foreclosures was higher than in the past and created additional work during the verification process. Significant changes were made to the residential parcels during the 2006 trending project, but most of the changes for 2007 were relatively modest. Changes in 2008 were once again modest, however, there has not been any widespread decline in housing prices in the county during the review period.

Income Producing Properties

Spencer County has a very small number of multi-family housing apartments. Most are either low-income or elderly housing. The county has obtained income and expense data from the majority of these properties. Almost all of the multi-family apartment property assessments were appealed either after the 2002 reassessment or after the 2006 and 2007 trending took place. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 revaluation. The county is currently in the process of gathering rental data from residential rentals to develop GRM's and then compare the GRM derived values against the current assessed values.

Other Data Sources

The county has 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 used to obtain construction data on both residential and commercial property. During the 2006, 2007 and 2008 trending projects approximately 500 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 to just trending.

In 2007 Spencer County retained the services of tax attorney Marilyn Meighen and commercial appraiser Gene Stuard to assist in defending the 2002 reassessment of the Kimball International plant. Kimball had also appealed the assessment every year thereafter. The professional appraiser determined the plant's value very close to the county's assessed value. Kimball withdrew all appeals just days before it was scheduled to be heard before the IBTR. We would hesitate again to hire outside consultants to assist us in defending assessments.

The Spencer County PTABOA also utilizes the services of Ron Magnus Appraisals. Ron is a member of our PTABOA board. He has extensive knowledge of all residential, commercial and industrial properties in Spencer County. He routinely advises the county on land and improved valuations throughout the county.

Lakefront Lot Adjustments in Christmas Lake

Beginning during the 2002 reassessment the county began the process of bringing lakefront lots more in line with the market. These lots had traditionally been undervalued relative to other lots in Christmas Lake. During the 2008 project all of the lots fronting the big lake were once again raised, many by a significant margin. While sale price of the few remaining lakefront lots continues to climb, sales of off-lake lots in the "Village" continue to remain flat. Sales of the off-lake lots are very erratic and similar adjacent lots may sell with 50 to 100% variances in prices. There is no established market for these off-lake lots and there is at any one time a glut of lots available for sale. These lots may sell for as little as \$100 and as high as \$15,000. The higher prices are often paid by internet or out-of-state buyers not familiar with the local market.

Neighborhood Adjustments

During the neighborhood review process it was determined that the county was "overstratified". Many of the existing neighborhoods established during the 2002 reassessment were developed by subdivision and were relatively small. During the 2008 process many of these smaller neighborhoods were combined with other similar areas to produce larger neighborhoods. A partial list of combined neighborhoods is found below:

Town of Dale (Carter Township) -- #1103, 1104, 1105, 1107, 1109, 1113 and 1121 all combined with neighborhood #1106;

Town of Hatfield (Luce) -- #8002, 8004, 8005, 8008, 8010, and 8012 all combined with neighborhood #8001;

Richland City (Luce) -- #8061, 8062 and 8066 all combined with #8060.

Do not hesitate to contact me if you have any questions.

Sincerely

Sara J Arnold
Spencer County Assessor