MONTANA
Department of
REVENUE

# Property Assessment

VALUATION METHODOLOGY

WHAT IS MASS APPRAISAL?

STEPS TO COMPLETE 2-YEAR APPRAISAL

APPRAISAL & ASSESSMENT CYCLES

# What is Mass Appraisal?

Mass appraisal is the process of valuing a group of properties

Valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property

# Data Data Data

- Physical Onsite Inspection
- Periodic Reviews
- New Construction
- Remodeling/Demolition
- Sales Verification
- Informal Requests for Review
- New subdivisions/Splits/Combo
- Exemption applications

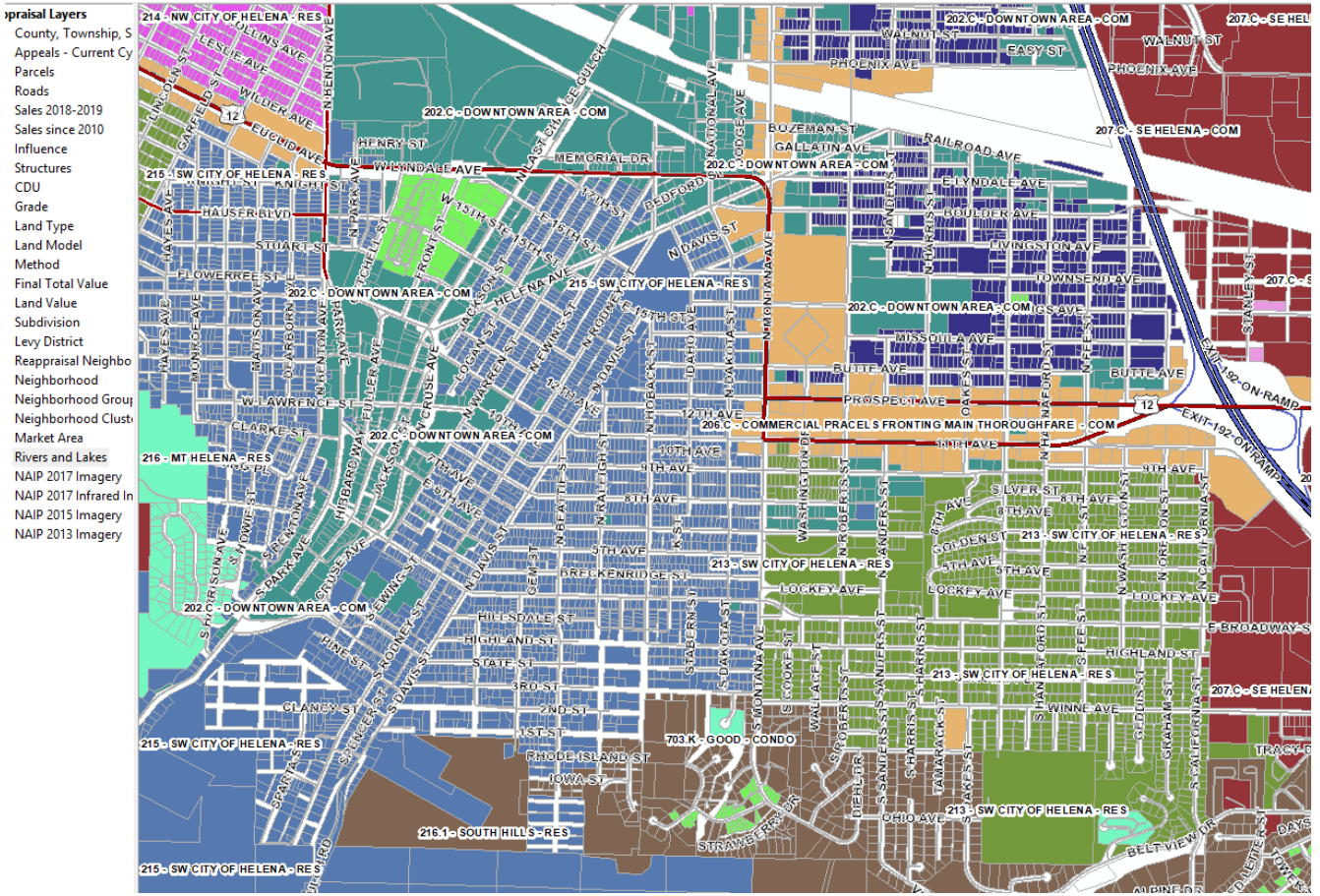




# Geographic Data

## Cadastral Maps

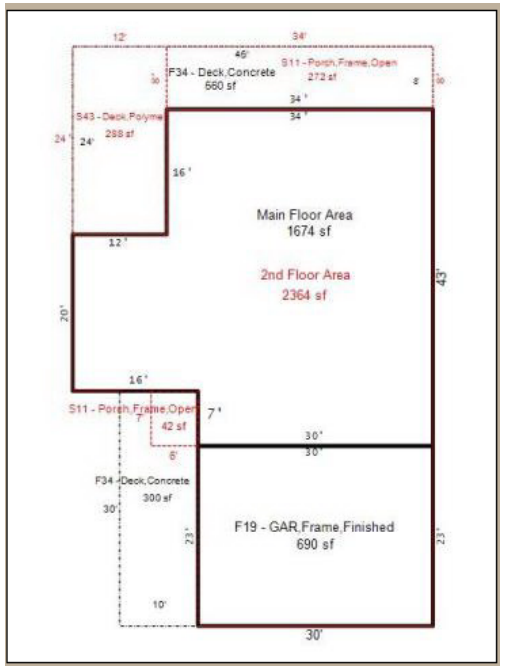
- Boundaries
- Ownership
- Neighborhoods
- Sales Prices
- Land Use
- Roads & Highways



# Property Characteristics Data

## Improvements

- Living Area
- Construction Quality
- Effective Age
- Design and Style
- Basements, Garages
- Porches
- Bathrooms
- Central Air








# Property Characteristics Data

## Land Data

- Lot Size
- Available Utilities
  - Sewer
  - Water
  - Power

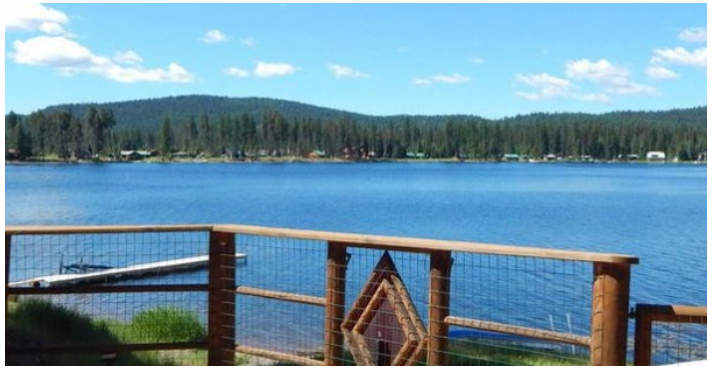






# Geographic Data

- Location Data
  - Site Amenities
    - View
    - Golf Course
    - Water Frontage
  - External Nuisances
    - Heavy Traffic
    - Railroad
    - Airport Noise







# Sales Data

## Realty Transfer Certificates

- Source for Sales Prices
- Validation of Each Sale
  - voluntary sales verification letters are sent to the property owner
  - sale was an open market arm's length transaction
  - date of sale or the date the price was agreed upon
  - buyers and sellers were knowledgeable about the market
  - buyers were aware of the property's condition
  - verify the characteristics of the property are accurate; bed/bath count, basement finish, any additions or buildings not previously on the record
  - any additions or improvement that were made to the property after the sale

# Income and Expense Data

## Collected for Income-Producing Properties

- Voluntary Data Collection Survey (2 years)
  - Income generated from the property itself such as rent per square foot or unit
  - Typical vacancy percentage
  - Expenses associated with the operation of the facility
- Sales Verification Process
- Industry Sources
  - Integra
  - CoStar
  - Other Commercial Real Estate Listing Services

# Cost

Localized building costs

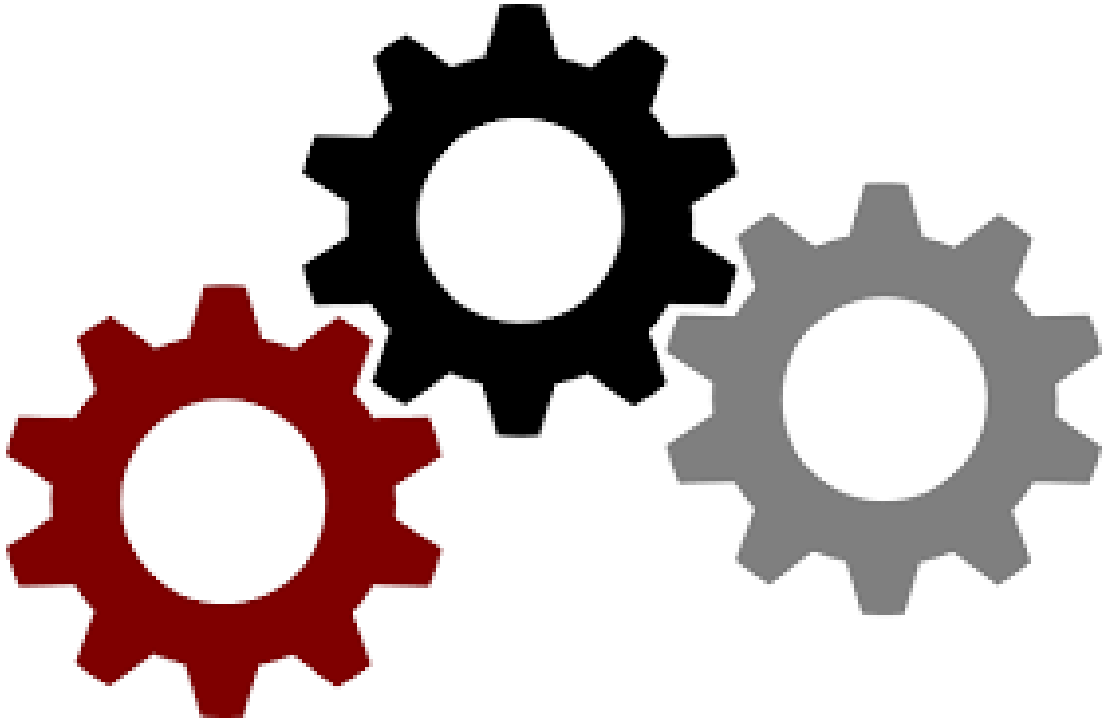
- Building Contractors
- Lumber Yards and Other Building Retailers
- New construction cost information is gathered during on-site reviews and from sales data

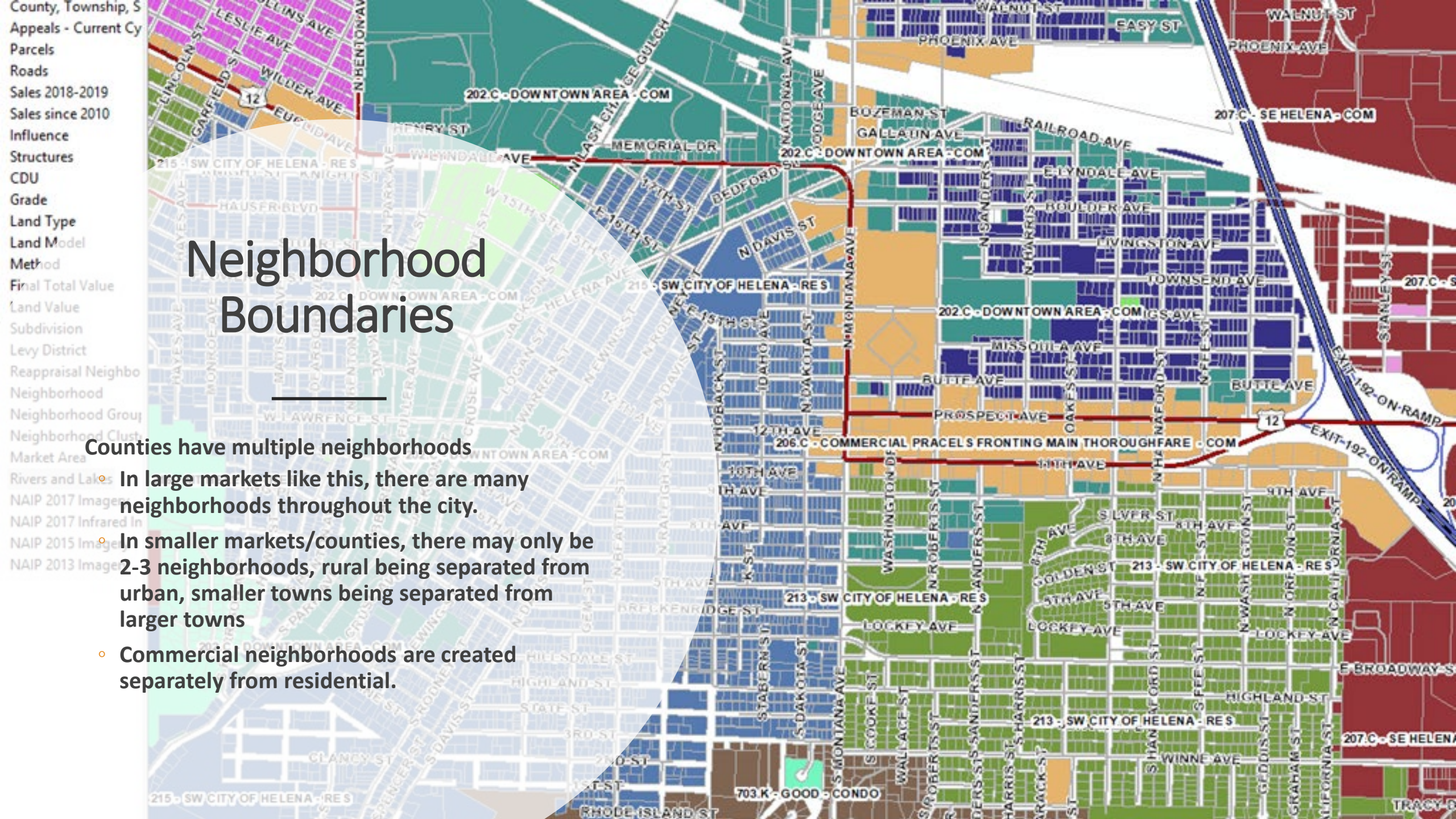
Labor costs - the Montana Department of Labor and Industry.

The department also uses nationally accepted appraisal cost manuals

- Marshal & Swift
- RS Means

# How is Appraisal Actually Done?






# Neighborhood Boundaries

# Land Models

| | |
|---|---|
| Sufficient Sales Data | • Build regression model using these sales |
| Sales Data is limited | • Group similiar neighborhoods together<br>• Build regression model using these sales<br>  • pay special attention to locational adjustments |
| Sales Data is limited - neighborhood grouping not practical | • Include improved sales in the land models<br>  • remove improvement values through<br>  • allocation-sales ratio<br>  • abstraction-cost value of improvements |

# Land Model Considerations

Sales must be time adjusted to current reappraisal date

Outliers need to be reviewed for accuracy

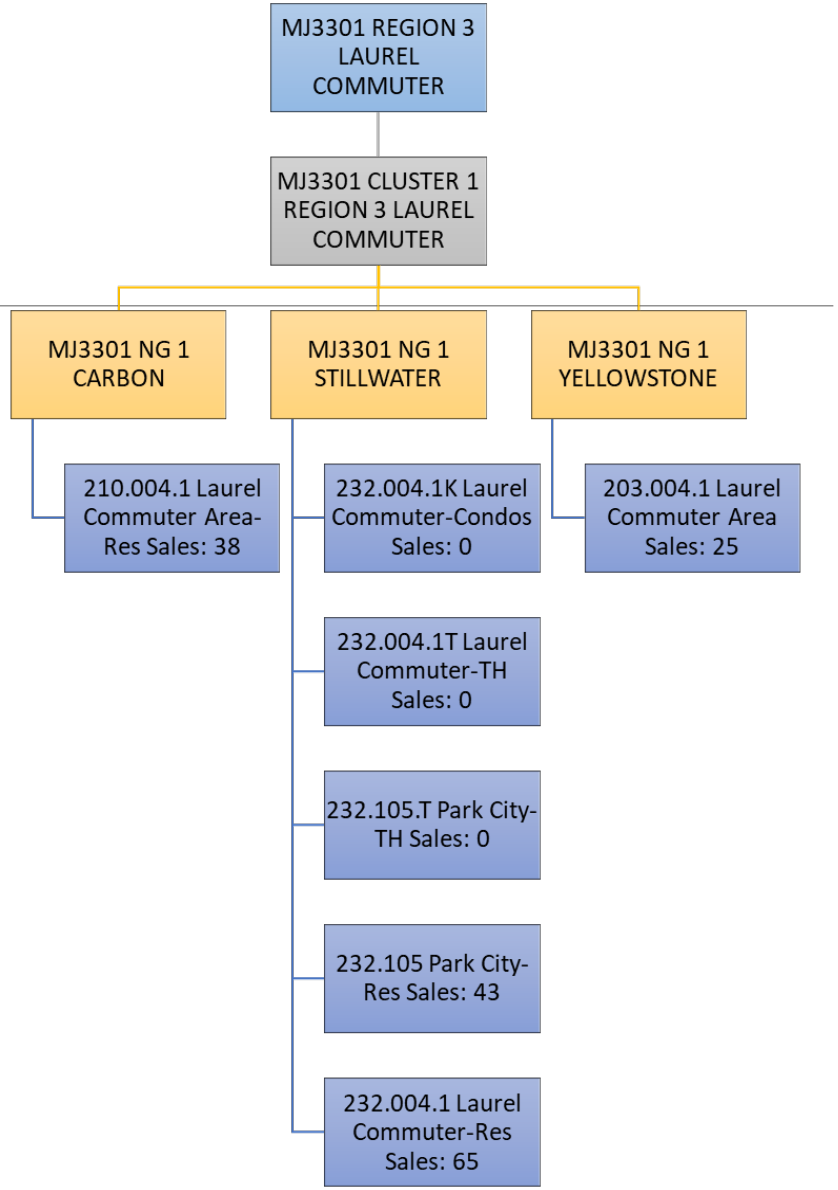
Determine if influences exist

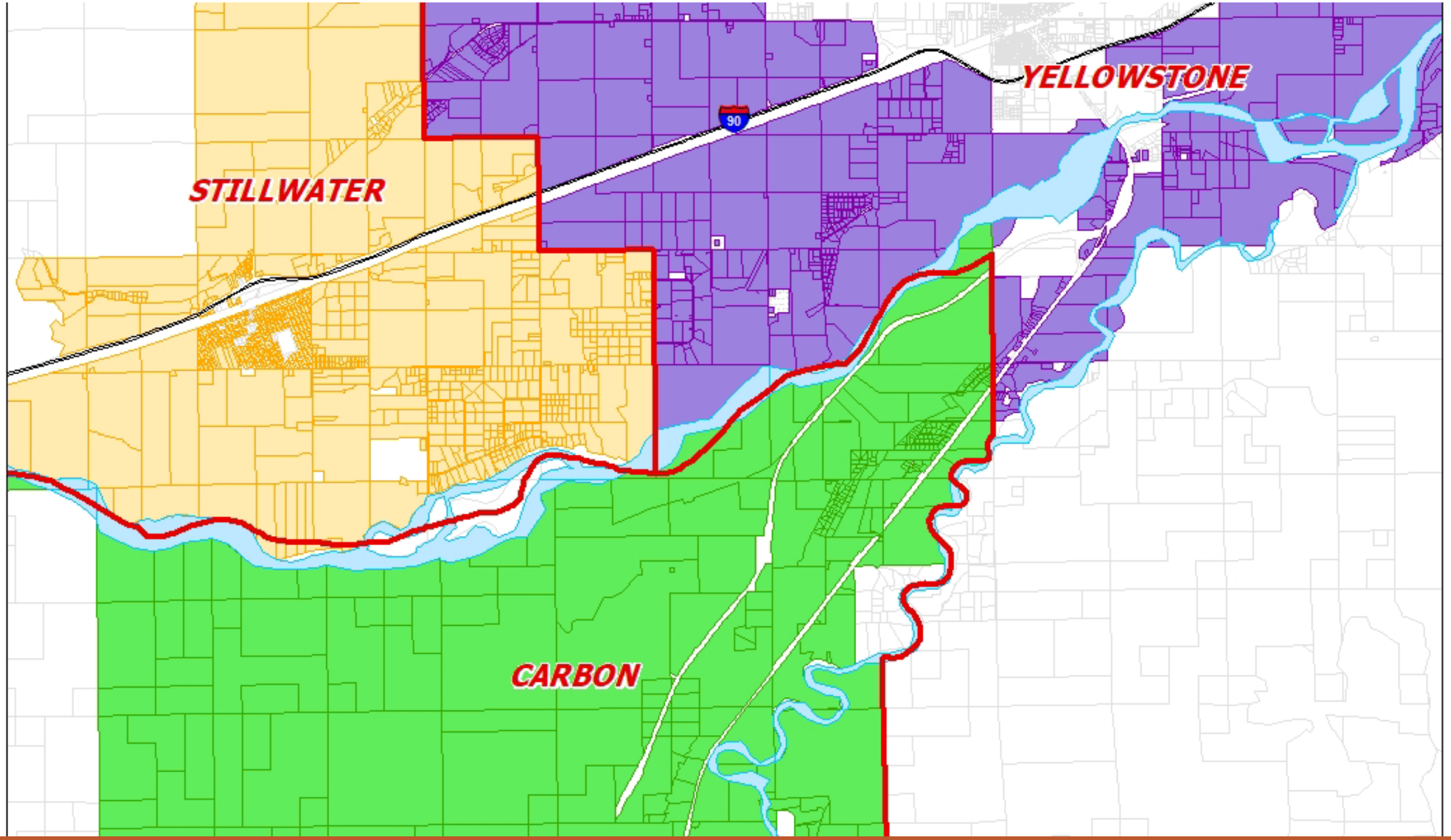
- Location
- Frontage or View
- Size or Topography

Compare valuation between cycles to determine anomalies that require further review

# Market Areas

- Market Areas are typically created for residential comparable sales models.  In some rural communities the market areas may also reflect how land models are grouped together.
- Market Areas are not county specific.  Here we have grouped neighborhoods together that cross county boundary lines.
- Market areas are determined based on similar factors that are influencing a property's sales price
- The size of a market area is dependent upon the number of available sales in the area




YELLOWSTONE
90
STILLWATER
CARBON

# Comparable Sales Models

**Market Areas established**

**QA on sales performed by appraisers**

**Sales extracted into the model**

**Multiple Regression Analysis**

- Multiple variables are selected dependent upon their contribution to the sales price
- Size, time, quality of construction, age, garage, porch, fireplace
- Contributory values for these variables are identified through multiple regression and reviewed

**Selection Rules**

- Rules that tell the system which variables are most important when choosing a comparable sale.
- Appraisers assist in choosing these rules and testing the results

**Model Testing**

- Sold properties are run through the comparable sales process to determine if predicted values are hitting the sales prices
- Adjustments are made if necessary to select better comparable properties and testing continues
- We take our time to ensure the predicted values are appropriate

# Final Determination of Value

Last step in the reappraisal process

Comparable sales values are applied to qualifying properties

Income values are applied to all qualifying commercial properties

All properties are reviewed, valuation method is set

- Comparable Sales-preferred method for residential property
- Income-preferred method for commercial properties
- Cost-required in some circumstances
  - Agricultural, percent complete, mixed use properties, vacant land, industrial
  - Also used when comparable properties are not similar, unique commercial property or when an income model does not exist

Greatest weight is given to the approach to value that is most credible given the available data

# Other Reappraisal Activities

Update cost and depreciation tables

Economic Condition Factors set

Agricultural Commodity prices are gathered, changes recommended to ag advisory committee

Agricultural land productivity uploaded

Income & Expense survey data reviewed and analyzed, QA

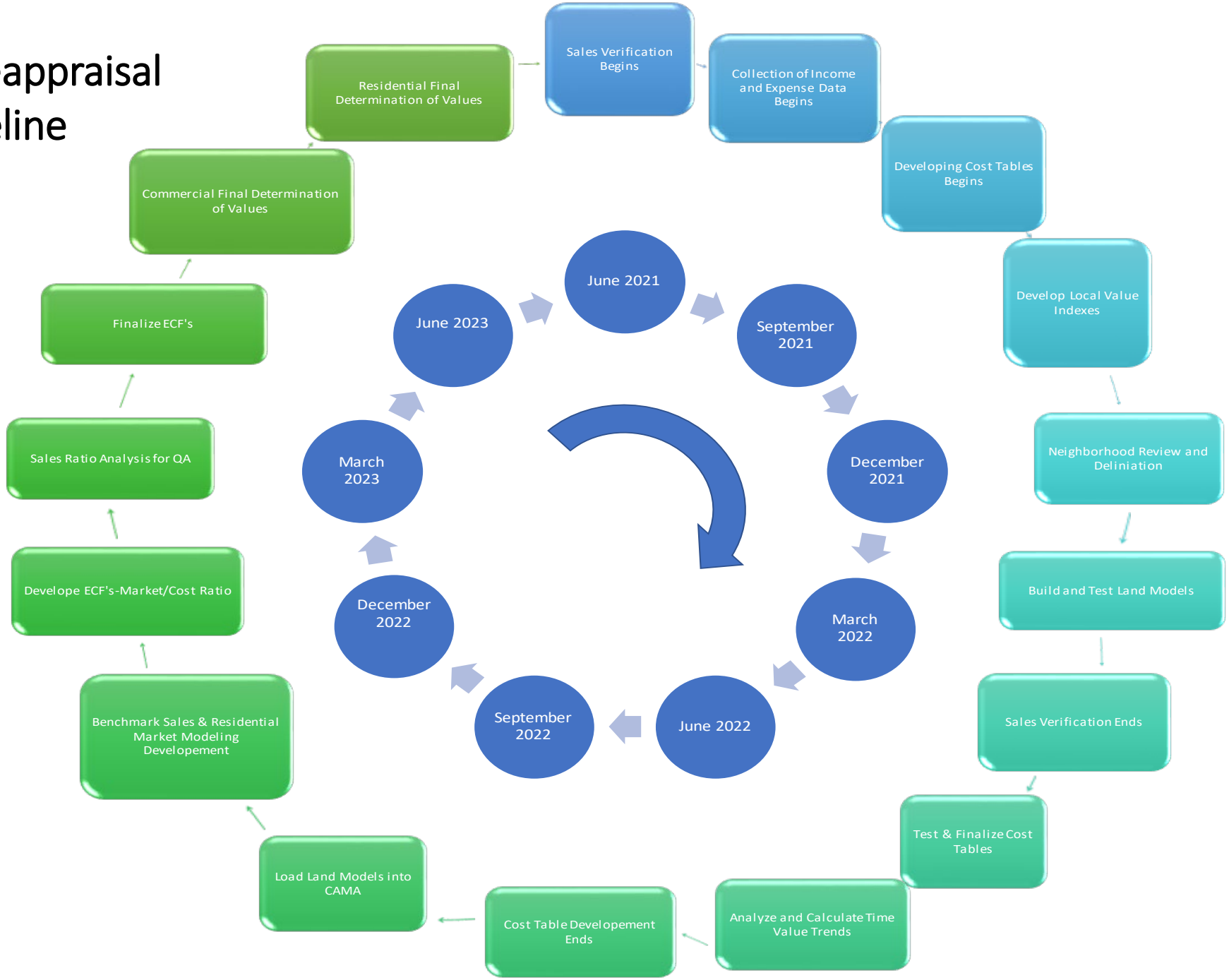
Income models built

# Montana's Reappraisal Cycles

Per Montana statute, residential, commercial, and agricultural properties must be revalued every two years.  This process involves updating all of the data making up the mass appraisal models and the production and commodity price variables for agricultural land.

Forest/timber properties are reappraised every 6 years and timber sales are analyzed and productivity zones updated

# Biennial Reappraisal Cycle/Timeline

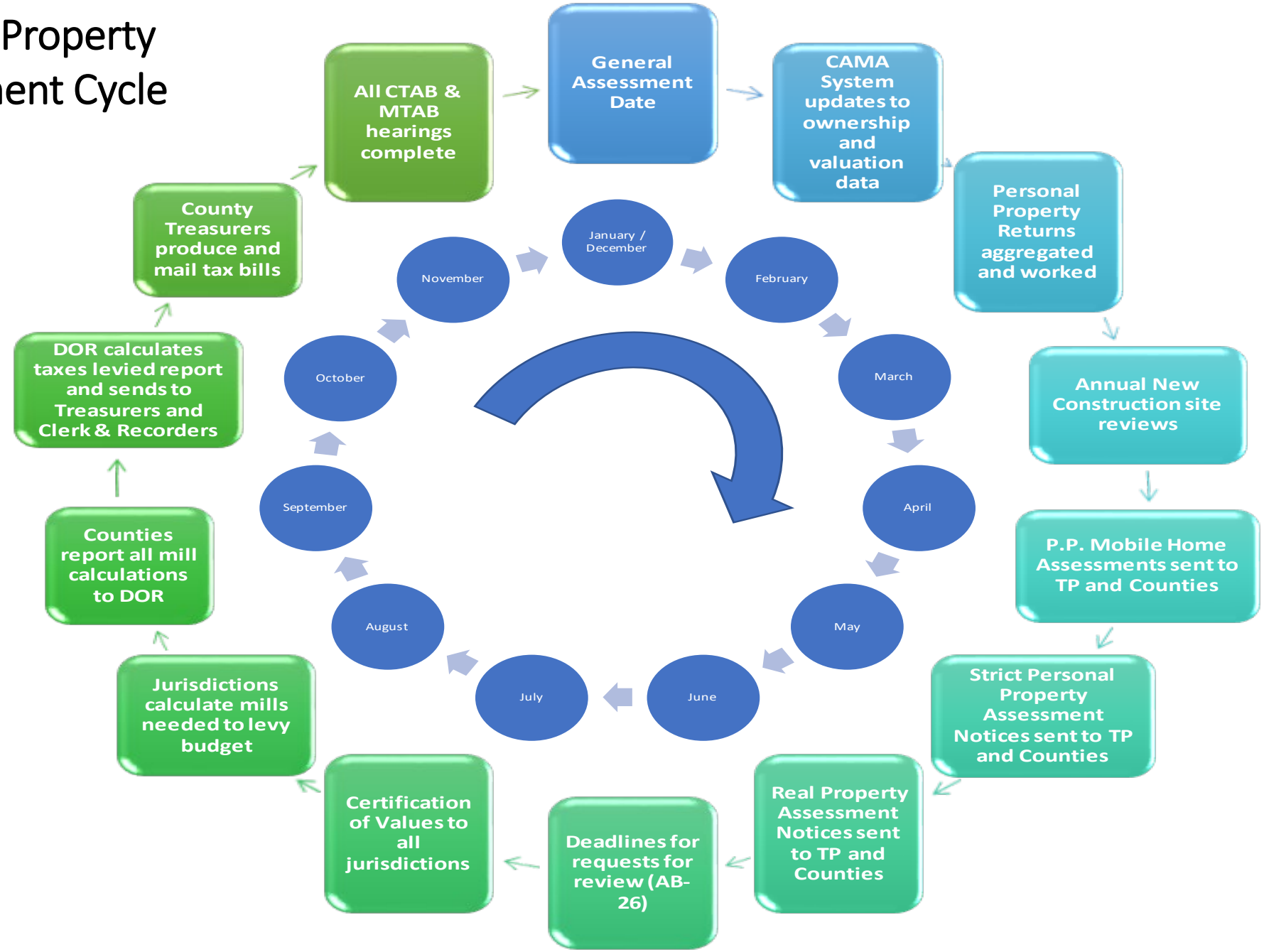


# When are annual assessments issued?

Personal Property and Centrally Assessed properties receive annual assessments

Real property additions or deletions receive annual assessment or ownership changes

# Annual Property Assessment Cycle



# Assessment STATS

- Identify properties to be appraised (new construction, destruction, land splits, combinations, & new parcels)
  - On Average we receive 26,000 building permits/year
- Ownership and deed changes
  - On Average we receive 45,000 ownership changes/year
- Assessment notices sent to taxpayers
  - Real property = 467,463 notices representing 763,109 parcels
  - Mobile homes = 39,702 notices representing 44,577 homes
- Informal Reviews and defending appeals
  - 8,097 Appeals in TY 2021
  - 13,124 Appeals in TY 2019
  - 12,708 Appeals in TY 2017
  - 22,314 Appeals in TY 2015