

An Overview of 2007 Annual Trending Hendricks County June 2007

The following steps were taken to conduct the 2007 annual adjustment procedure per 50 IAC 21 in Hendricks County:

Step 1: Re-Delineation of Neighborhoods

In addition to the creation of many new neighborhoods due to new construction, several neighborhood delineations were re-examined in the county. For example, in the outlying, rural townships, there are some smaller towns. In 2006, these small towns were delineated with several neighborhoods leading to circumstances where similar property received different land valuations and/or different market adjustment factors. For 2007, these neighborhoods in each smaller town were combined or reduced, so as to provide better uniformity and equity.

Similarly, on the commercial/industrial side, existing boundaries and groupings of property were scrutinized, often resulting in the very smallest delineations (naturally with very little or no sales data) being combined or compared with surrounding similar property.

Step 2: Calculation of New Land Values

Residential land values were completely overhauled in 2006; however, in about 35% of neighborhoods, new and improved data indicated the needs for updates and corrections. In most cases, these changes resulted in increased land values. In the rural areas, both the base acreage rate as well as the excess rate was re-examined with minor changes throughout. Obviously, in the instances of newly created neighborhoods, new land rates were established. Site values were implemented more often in 2007 as compared to the traditional front foot method.

For commercial and industrial properties, land values were completely overhauled based on sales data, listing information, as well as that generated through the appeals process. In some cases, the primary land rate was accurate, but the rates for other land use classifications were too low. Those were increased. In several instances, even the primary rate was too low. Land rate adjustment factors were removed as the adjustment process was too broad and non-specific, in favor of specialized rates for the various market areas. Hendricks County continues to experience growth and appreciation especially in the major corridors, contrary to national trends.

Step 3: Calculation of New Residential Factors & Residential Studies

Per 50 IAC 14, a preliminary ratio study was conducted for vacant and improved residential at the township level. This study dictated which property classes required further analysis, stratification, reassessment or calculation of a new neighborhood factor. In some particular neighborhoods, this preliminary analysis indicated that assessments were both accurate and uniform. Those neighborhoods were left unchanged. In most other neighborhoods, further review was required. This resulted in the calculation of new market adjustment factors and outlier resolution in cases where there was an extreme difference between assessment and sale. Comparable properties were similarly adjusted.

In the more developed townships, neighborhood boundaries typically remained unchanged and the factor was the primary driving element in revised assessments. In the rural areas, both land rate changes and market factor changes were used to adjust assessments per the annual adjustment rule. As

discussed with the neighborhood analysis, the combination of neighborhoods in the rural towns resulted in small changes (plus or minus) for many parcels that ultimately will lead to better equity and uniformity as each now has a common land rate and common market adjustment factor.

Step 4: Updated Commercial & Industrial Improvement Values

Trended commercial and industrial cost tables were the starting point for updating commercial and industrial improvement values. Additionally, the county also changed the year of depreciation from 2005 to 2006 per 50 IAC 14. On average, gross costs increased 2 - 7% on average, dependent on property type. Due to Hendricks County's CAMA system, costs were updated based on the use type of the improvement.

In addition to updating the cost tables, sales, income, and appraisal data was used to update commercial and industrial improvement values. In cases where these methods produced widely divergent values, we consulted with the assessor to arrive at the valuation most appropriate to the property in question. When comparable non-sold properties were identified and values from sales and/or income justified changes, the non-sold property was likewise adjusted. Income data collected from the field and through the appeals process was also used by property class or for specific, unique properties. In some specified cases where little or no comparable property existed within the township or county, this comparison process extended beyond the county borders so as to identify the most appropriate comparisons and valuations.

Step 5: Final Ratio Study

The ratio study process was useful in Hendricks County as some commercial & industrial assessments received market adjustment factors so as to bring average sales prices in line with average assessments. The Assessor worked thru the ratio study on an individual neighborhood basis, spotlighting the need for further, neighborhood-specific adjustments. Not to be confused with sales-chasing, each improved parcel (sold and unsold) in the neighborhood was adjusted based on the factor needed to bring average assessments in line with average sales prices. This thorough analysis was time-consuming, but has yielded a more accurate work product.