

To: Department of Local Government Finance

Date: 5/15/2009

Annual Adjustments Narrative for 2009 pay 2010 Annual Adjustments.

For the 2009 payable 2010 Annual Adjustments, the Vanderburgh County Assessor utilized sales occurring between 01/01/2007 and 12/31/2008. There was a need to extend past this range and utilize a small number of sales from calendar year 2006 for Union Township. Union Township's market is influenced by several factors, including a close proximity to the Ohio River, which results in frequent widespread flooding through varying parts of the year. Union Township is completely located within a flood zone. Due to this fact, there are few real estate transactions that occur in Union Township on a yearly basis. All other Townships showed sufficient sales for ratio study analysis of residential properties.

Analysis of commercial and industrial properties was limited in Armstrong Township and Union Township as these townships have less than 25 parcels within the commercial and industrial property classes individually. There were also insufficient sales to analyze Armstrong vacant residential land, Center industrial vacant land, Perry commercial and industrial, Pigeon industrial and commercial vacant land, Scott commercial and industrial land, and Union residential vacant land. Where applicable, these sales were combined with sales from the same property class from other townships to assure that assessment levels were consistent throughout the county. The commercial

and industrial neighborhoods for Vanderburgh County are established and maintained on a county wide scale and based upon property location. Sales from all townships were utilized to establish and adjust these commercial and industrial neighborhood rates.

Vacant land sales were used to determine any adjustment to land base rates to conform to current market trends. Townships with insufficient vacant land sales were compared to comparable land values from townships with sufficient vacant land sales to verify land rates. As well, we established model lots for all neighborhoods that previously had land assessed by site values or flat rates. This change in land method calculation has helped to establish better land values in townships that showed inconsistencies in land values.

Improved sales were used to determine what, if any, market adjustment factors were necessary to establish uniform and equitable assessments. The preliminary ratio studies used the following calculation for ratio of assessment:

$$\text{Ratio} = (\text{Imp AV}) / (\text{Sales Price} - \text{Land AV})$$

This calculation removes the land value from the calculation of any market adjustment factor as we adjust land values through the vacant land studies. The final ratio studies are calculated using the following formula:

$$\text{Ratio} = (\text{Total AV}) / (\text{Total Sales Price})$$

The ratio studies were performed within the counties CAMA system, Proval. The ratio studies were performed first at the neighborhood level to determine which areas had inconsistent values and to determine neighborhood specific market adjustment factors. Vanderburgh County has expanded its use of the House Type Factor. The House Type Factor allows for the calculation of market adjustment factors specific to individual house types. If a study shows that all homes in a neighborhood should be increased by 2%, except for 2 story homes, which may need to increase by 5%, then we can determine and apply both factors to the same neighborhood.

Ratio study outliers were field checked to determine why the assessments showed a disparity in assessed value compared to market sales. Any necessary corrections, such as missing assessment data such as additions, remodels, etc. were performed to bring the parcel's value in line with the rest of the neighborhood. Any grade or condition changes were compared to the grades and conditions for that neighborhood as a whole and adjusted on a neighborhood wide scale.

Approximately 16% of the parcels in Vanderburgh County show an increase in value from 2008 to 2009, while approximately 66 % of the parcels show a decrease in value and approximately 17 % showed no change in value. We feel that the market data analyzed supports these changes. The drop in the real estate market from 2006 to 2008 did not affect Vanderburgh County as much as other parts of the country, but the sales

used in trending this year have reflected a drop in value for the majority of the properties in Vanderburgh County.

Annual adjustments for commercial and industrial properties did utilize the income approach to value where applicable. Gross rent multipliers were calculated from rental information collected from apartments and multifamily rental units where sufficient data was available. We continue to maintain an income and sales file for commercial and industrial properties for use in future valuations. We also have utilized MLS data and appraisals from prior appeals to verify and evaluate land rates, market adjustment factors, and values obtained from the ratio studies. It is the goal of the Vanderburgh County Assessor to fairly and accurately reflect market values and conditions in the counties tax base.

Jonathan Weaver  
Vanderburgh County Assessor  
05/15/2009