Overview of Assessment Practice and Procedure

for the

Town of Framingham

Parties to the Assessment Process

Massachusetts Legislature

Town of Framingham Board of Assessors

Commonwealth of Massachusetts DOR

- Bureau of Local Assessments (BLA)
- Division of Local Services (DLS)

Massachusetts Appellate Courts:

- Appeals Court
- Supreme Judicial Court

Framingham Assessors Responsibilities

Collect Property Data – sales, measurements, rents and permits

Analyze data and develop values and classify property based upon data collected within DOR requirements

Report Results to Department of Revenue for approval of assessments

Department of Revenue BLA & DLS Responsibilities

- Sets Assessment Requirements and Procedures for all Cities and Towns in Massachusetts
- Reviews methodology, data quality, procedures, conclusions of the local Board of Assessors.
- Reviews and Certifies (Approves) Town Assessments.

Assessors Mandate Under Massachusetts Law

Assessors are required to annually assess all properties in the Town of Framingham at their "full and fair cash value" or "fair market value."

Definition of “Fair Cash Value”

Fair cash value has been defined by the Massachusetts Supreme Judicial Court as:

"fair market value", is the price an owner willing but not under compulsion to sell ought to receive from one willing but not under compulsion to buy. It means the highest price that a normal purchaser not under peculiar compulsion will pay at the time, and cannot exceed the sum that the owner after reasonable effort could obtain for his property.

Fair Market Value…

A valuation limited to what the property is worth to the purchaser.

The fair cash value is the value the property would have on January first of any taxable year in the hands of any owner, including the present owner“

(Boston Gas Co. v. Assessors of Boston, 334 Mass. 549, 566 (1956).

The Date of Assessment

...Except as otherwise provided, all taxes shall be assessed as of

January first preceding the fiscal year with respect to which taxes are assessed.

Assessors must use property valuation data from 12 months preceding the Date

The Date of Assessment For Fiscal Year 2012

Year 2012 Values are based on the market value of the property as of:

January 1, 2011

(Using calendar year 2010 sales)

Assessing Methodology

<u>Mass Appraisal Process</u>

to assess properties in the Town of Framingham.

What is Mass Appraisal?

The Commonwealth of Massachusetts defines "Mass Appraisal" as:

Use of standardized procedures for collecting data and valuing property to ensure that all properties within a municipality are valued fairly.

What Mass Appraisal Is not…

Mass Appraisal is not an appraisal of each individual home or commercial parcel.

Three Accepted Methods of Valuation

Sales Comparison Approach

Analysis of the Properties that Sold in Framingham in the 12 months Preceding the Assessment Date.

Income Capitalization Approach

Analysis of the Income (Rents) and Expenses of Investment Properties in the twelve months Preceding the Assessment Date.

Cost Approach

Analysis of Cost to Reproduce improvements and Land Value Less Depreciation

Application of Valuation Methods

The ***sales comparison approach*** is considered the best method for valuing single family homes, condominiums and small multi families.

The ***income approach*** is used to estimate the market value of income producing properties such as office buildings, warehouses, apartment buildings and shopping centers.

The ***cost approach*** is used to appraise special purpose buildings such as churches, schools and public buildings.

Valuation of Single Family Homes and Other Residential Properties

Sales of single family & small multi family homes compared to similar homes located in similar neighborhoods are the best indication of valuation, however:

Sales must be arms-length transactions to be used in the valuation process.

Arms-Length Sale

1. Must have a Willing buyer and a willing Seller, (acting in their own best interest),

2. Property must have been exposed to the open market for a period of time, (i.e. listed with an agent or other market listing),

3. Payment made in terms of cash (not trade), and

4. The property is typically financed (bank mortgage etc)

Sales Not Considered Arms-Length Transactions

1. Foreclosure Sales or Short Sales to Avoid Foreclosure,

2. Sales between related persons or parties,

3. Probate Sales or court ordered sales (inherited properties, divorced proceedings or forced sales) and,

4. Sales that involve lease to own or lease buyback or unusual financing provisions.

Why Foreclosure Sales are Not Considered Arms-Length Sales

1. Lending Institutions typically do not hold or manage vacant property and in short sales buyers are trying to avoid foreclosure.)

2. The properties themselves are usually distressed.

3. Other factors may affect the price paid for foreclosed property.

4. Dept of Revenue currently does not allow the use of Foreclosed Properties in Valuation for assessment purposes.

How Foreclosed Properties Sales Effect Valuations of Properties

- Sales of Foreclosed Properties effect Market Price of Non-Foreclosed Properties through a
- negative effect on pricing, increasing the inventory of properties available for purchase, and negatively impacting the availability of mortgage funding.

Sales Data Analysis

Properties analyzed by type of property, location of property and sales price of property to determine valuation of properties for the given time period.

Results are applied to properties in neighborhoods and areas in community.

Sales Verification Process

Each Sales Transaction is verified and analyzed by the assessor's office.

Deeds from Middlesex Registry are sent and reviewed by the Assessor

New Ownership Information and initial decision as to arms-length under the guidelines set forth by the DOR

Sales Questionnaires are mailed to new homeowners to further determine terms of the sale.

Sales Verification Process 2

4. Assessors Staff inspects the sold property and makes adjustments to property records as needed,
5. Sales information is incorporated into the CAMA or Computer Assisted Mass Appraisal System

Valuation of Commercial and Industrial Properties

A method of estimating property value by converting anticipated net rental revenue, generated by the property, into an indication of market value. Used primarily to value commercial and industrial properties and apartment buildings, which are normally bought and sold on the basis of their income producing capability.

Cost Approach

- A method used to estimate the present market value of an existing property by calculating the current cost to rebuild it, then adjusting the cost downward for depreciation based on the property's actual age. Land is valued separately and added to the depreciated replacement cost.

Parcels Assessed in Framingham

20,286 Total Parcels

18,067 Residential Parcels
254 Apartments
1,141 Comm/Industrial
824 Exempt Parcels

If You Disagree with Your Assessment…

- M.G.L c.59 sec. 59 provides all taxpayers who believe they have been incorrectly assessed may file an abatement application with the Board of Assessors 30 days after the actual (3rd Quarter Tax) was mailed or February 1st whichever is later.

What is the Abatement Application Process

The Abatement process allows a real estate property owner the opportunity to step out of the Mass Appraisal Process and allow the assessors to take a closer examination of the Property's value.

Abatement's are due no later February 1st, 2012 at 5:00 PM (can be postmarked)

If After Review of Your Assessment you Disagree with your Assessment…

M.G.L c.59 sec. 64, 65 provides all taxpayers who believe they have been aggrieved by a decision of the Board of Assessors, may file an Appeal to the Appellate Tax Board within 90 days of the decision of the board.

What Assistance Can the Board of Assessors Provide with Abatements

At the suggestion of the Board of Selectmen the Assessors will be holding two abatement workshops on the last two Thursdays of January (1/19 & 1/26) 2012 from 8:30 AM to 8:00 PM.

An additional Clause Exemption seminar will be held on February 9, 2012 from 8:30 am to 8:00 pm to assist seniors, veterans and handicapped citizens in exploring any tax relief they are entitled to under MGL.