



# Staff Report

---

**Agenda Item:** PRESENTATION – Yavapai County Assessor presentation regarding property assessment process.

**Staff Contact:** Gayle Mabery, Town Manager

**Meeting Date:** December 11, 2007

**Background:** Victor Hambrick, Yavapai County Assessor, was invited by Gayle Mabery, Town Manager to make a presentation to Council on the County Assessor's Office and "Property Values in a Changing Market". The PowerPoint presentation is on the Counties web site under the Assessor's department heading.

**Recommendation:** This is an informational presentation only and no action is required.

# County property values holding steady for 2008

By PAULA RHODEN  
Contributing Reporter

**PRESCOTT** — It is too early to tell, but if the housing market remains steady, property owners may see the full cash value of their property holding steady at the 2008 (2009 tax year) level.

If the market dips, the 2010 Notice of Valuation would reflect the decline in market values.

County Assessor Victor Hambrick said his office would begin mailing the 2008 Notice of Valuation in January.

The full cash value of residential property is market driven.

Hambrick said, "We have seen a significant reduction in the volume of sales in Yavapai County. Our office processed 1,400 sales in July 2005 and only 200 in July 2007. What we have not seen is a drastic reduction in prices."

For that reason, Hambrick asked and received approval from the Arizona Department of Revenue to allow Yavapai County to continue to study sales trends to set the values.

Some property owners saw an increase in their full cash value when they received



Victor Hambrick

their 2008 Notice of Valuation.

Hambrick said his office based the 2008 values on sales for 2005 and half of 2006.

For the 2008 notice, the law requires the assessor's office to use sales for all of 2006 and half of 2007.

Hambrick asked the ADR to expand the timeframe past the June 30 cutoff date.

In a Nov. 2 letter to the ADR, Hambrick wrote, "Based on current research and residential sales

we are seeing an overall trend of declining sales continuing beyond the June 30, 2007, cutoff date. This is of great concern to us as we begin our market adjustment process. We feel in order to serve in the best interest of our County and its taxpayers, using sales available after the June 30th cutoff date would more accurately reflect the market for the 2009 valuation cycle. Our sales affidavit technician will have coded residential sales through August by the time we begin our market adjustments."

Hambrick said if there is a decline in the market, "we can reflect that."

The assessor said his office "hasn't seen people selling their property for less than they paid for it."

Hambrick said the reason he talked to the ADR is that the county wants to "be at the bottom of the market. Our goal is to reflect the market as accurately as possible."

The ADR monitors each county to ensure that the level of the full cash value is between 74 percent and 82 percent of the market value.

Hambrick said, "Our goal at the assessor's office is to hit 75 percent to 85 percent of the market."

Property owners bombarded Hambrick's office after receiving the 2008 Notices of Valuation this past January. Property owners complained about increased valuations, which they said did not reflect the true value of their homes.

Hambrick said his office received about 1,800 challenges to the 2008 valuations. He said between 50 percent and 60 percent of the challenges were successful.

Amble said, "The notice of value, the full cash value, has no bearing on what property is really worth. On average, it is much lower than the real selling price."

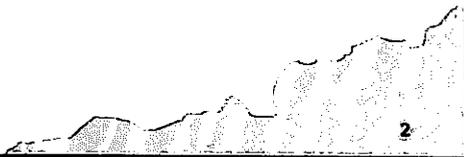
Anyone wanting more information about how the assessor determines tax values should visit the county website at [www.co.yavapai.az.us](http://www.co.yavapai.az.us).

**Yavapai County  
Assessor**

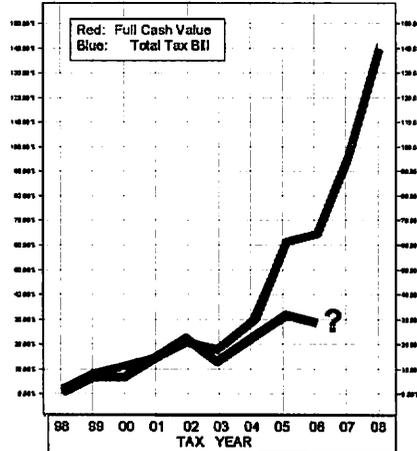
**Property Values  
in a  
Changing Market**



**ASSESSOR'S  
Two Most Commonly  
Asked Questions:**

- ◆ How are increases possible when the market is declining?
  - ◆ How much is my tax bill going to increase?
- 

## Comparison Of The Full Cash Value And Tax Bill For A Typical Property



Tax Rates Have not been set for 2007 or 2008

## The Typical Home In Yavapai County:

- ◆ County wide average sale price is \$259,500.
- ◆ County wide average home size is 1510 square feet.
- ◆ County wide average year built is 1991.

## Example Of A Typical Yavapai County Home



- Sold 11-28-05 for \$259,500
- Full Cash Value: \$202,200
- 78% of the Sale Price

# THE VALUATION PROCESS

## Valuation Begins With **Land**

- ◆ The land value is determined by buyers and sellers in the market.
- ◆ Land value is influenced by factors such as size, location, and amenities.
- ◆ The example site is approximately ¼ acre.
- ◆ The example site was valued at \$69,200.

## Adding In The Improvement Value

- ◆ The example home's components are priced using the Marshall & Swift cost system:  
\$128,500
- ◆ The cost is then adjusted for location and age:  
\$127,800

## Adjusting Cost To Market

- ◆ Study of sales of similar properties in the neighborhood indicate an adjustment of +4% to the cost is necessary to bring value into compliance with State Guidelines.
- ◆ This is referred to as the Market Adjustment: **\$133,000**

## Full Cash Value

- ◆ Improvement value: **\$133,000**
- ◆ Land Value **\$69,200**
- ◆ 2008 Total Full Cash Value: **\$202,200**

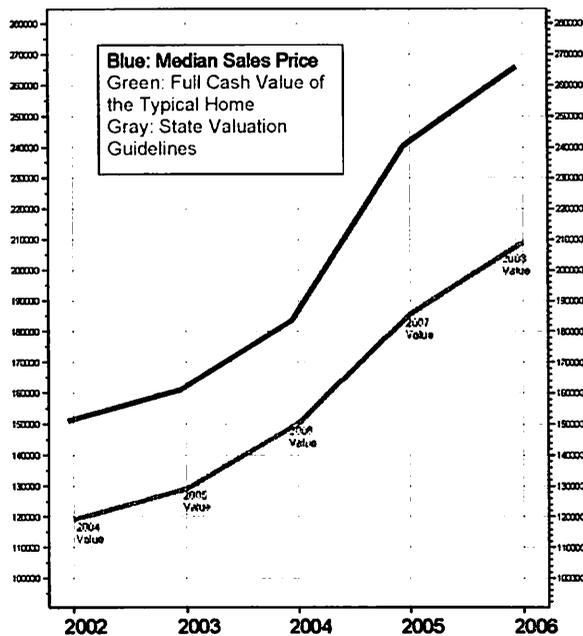
2007 Full Cash Value was **\$162,300**

Percent change: **25%**

## How Are Increases Possible When The Market Is Declining?

- ◆ Statute defines Full Cash Value as synonymous with Market Value.
- ◆ Department of Revenue requires that the Average Full Cash Value fall between 74% and 90% of Market Value.
- ◆ The sales used for the 2008 values were taken from January 2005 through June 2006.
- ◆ State Statute requires Assessor to value property at market value.

11



12

# How Much Is My Tax Bill Going To Increase?

## Tax History For Example Property

Year	Tax Bill:	Percent Change
1998	\$ 896.36	0.00%
1999	\$ 952.10	6.22%
2000	\$ 950.66	-0.15%
2001	\$1,022.50	7.56%
2002	\$1,109.00	8.46%
2003	\$1,004.00	-9.47%
2004	\$1,089.04	8.47%
2005	\$1,185.56	8.86%
2006	\$1,156.16	-2.48%
2007	Not Yet Set	?
2008	Not Yet Set	?

## Summary of Tax History

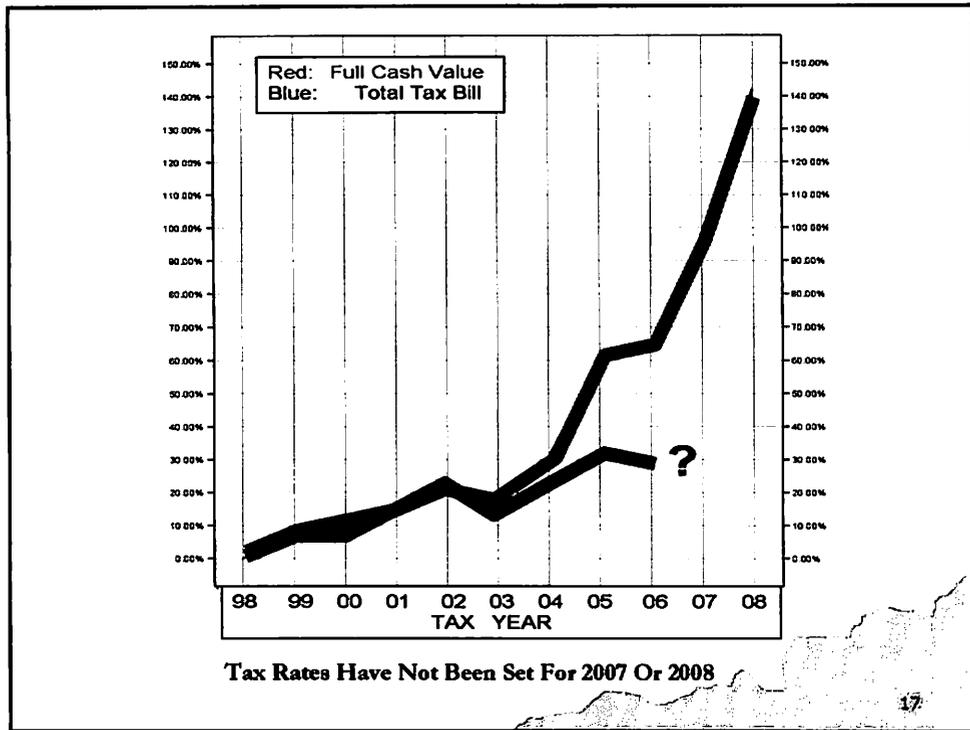
- ◆ Over the past eight years, the example property's tax bill has increased 29%.
- ◆ This is an average of 3.6% per year of actual increase.

15

## How Much Is My Tax Bill Going To Increase?

- ◆ There is not a direct relationship between increases in market value and the tax bill.
- ◆ Historically, a sharp increase in property value does not cause a sharp increase in the property tax.

16



## Definitions

### Limited Property Value:

Growth is limited to the greater of (1) 10% more than prior year's limited value or (2) 25% of the difference between the prior year's limited value and the current year's Full Cash Value.  
Refer to A. R. S. §42-13301.

### Limited Assessed Value:

Limited Property Value multiplied against a statutory rate/assessment ratio equals the Limited Assessed Value.

**Funds the maintenance and operation budgets  
of State and Local Government**

## Definitions cont.

- ◆ Full Cash Value -  
Full Cash Value is synonymous with market value. Full Cash Value shall be used as the basis for levying secondary property taxes. Refer to A. R. S. §42-11001.
- ◆ Assessed Full Cash Value  
Full Cash Value multiplied against a statutory rate/assessment ratio equals the Full Cash Assessed Value.

**Funds Voter Approved Services such as  
Bonds, Special District, etc...**

19

## Definitions cont.

- ◆ Assessment Ratio - A percent multiplier applied to the Full Cash Value and the Limited Property Value determines the Assessed Value.

20

## Arizona Classification System Assessment Ratios

Arizona's property tax system classifies property according to its use. Each class of property is assigned an assessment ratio.

(The percentages are determined by the State Legislature).

The most commonly used classifications are:

Class 1: Commercial	24% ratio
Class 2: Vacant Land	16% ratio
Class 3: Residential	10% ratio
Class 4: Residential Rental	10% ratio

(rental does not receive state aide to education tax credit)

21

## SECONDARY TAX CALCULATION

- ◆ Levied against the Full Cash Assessed Value.
- ◆ Example Property:  
Full Cash Value \$200,000 x .10 (ratio) =  
\$20,000 Assessed Full Cash Value.
- ◆ \$20,000 x \*secondary tax rate\* = Tax Amount (secondary only).

**Funds Voter Approved Services  
such as Bonds, Special District, etc...**

22

## PRIMARY TAX CALCULATION

- ◆ Levied against the Limited Assessed Value.
- ◆ Example Property:  
Limited Value \$160,000 x .10 (ratio) =  
\$16,000 Limited Assessed Value.
- ◆ \$16,000 x \*primary tax rate\* = Tax Amount (primary only).

**Funds the maintenance and operation budgets of State and Local Government.**

23

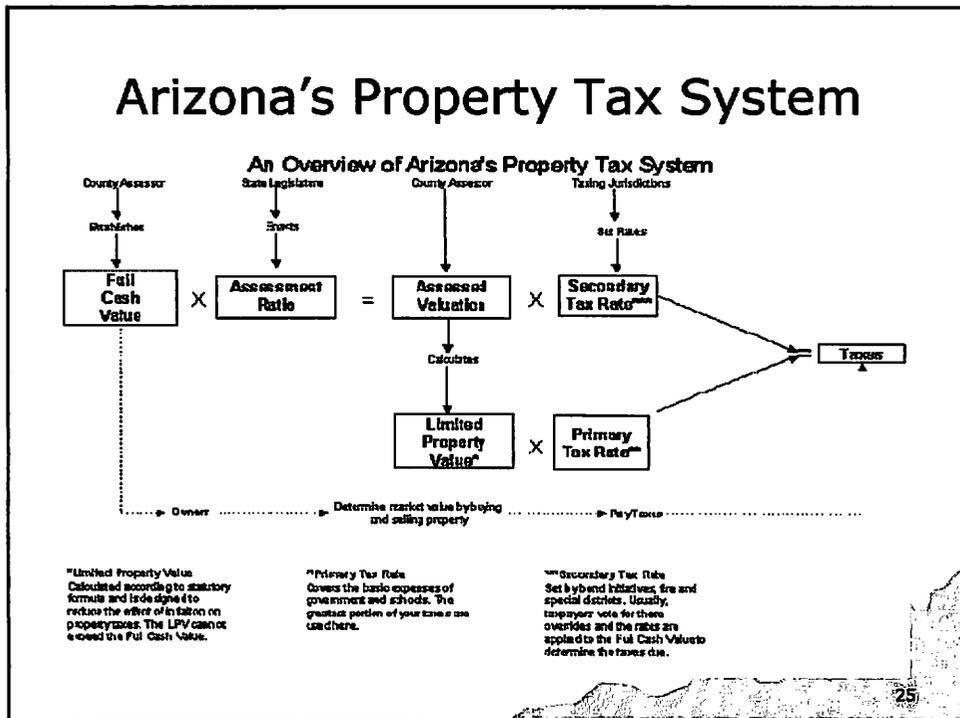
## Total Tax Bill

Secondary Tax Amount  
plus  
Primary Tax Amount

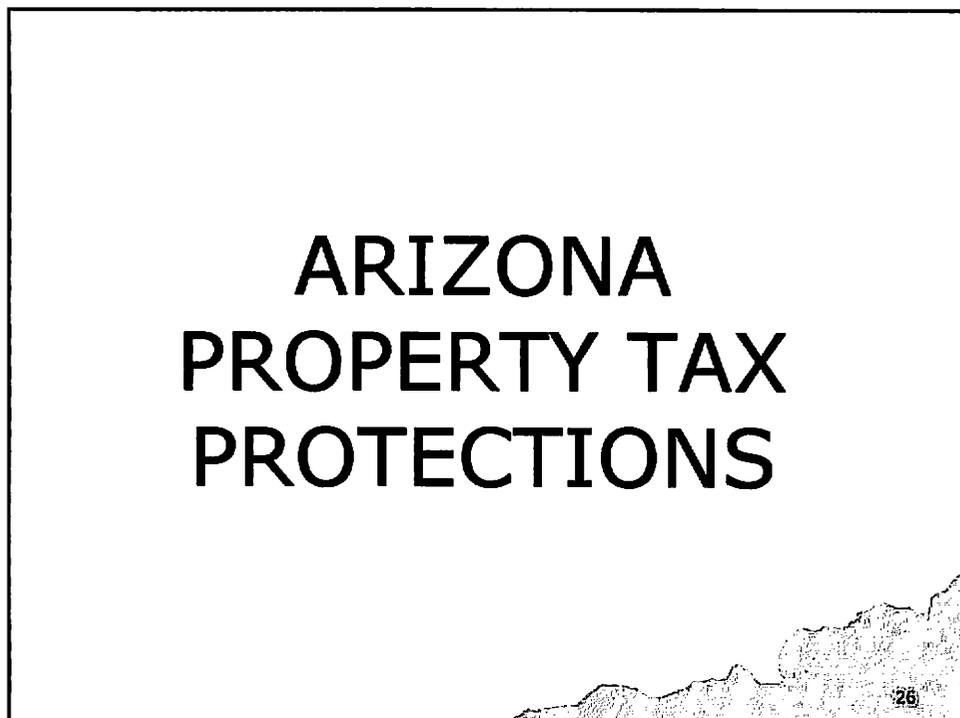
**Total Tax Bill**

24

# Arizona's Property Tax System



# ARIZONA PROPERTY TAX PROTECTIONS



14

## Property Tax Protections Valuation Limitations

- ◆ Limited Property Value – Growth is limited to the greater of (1) 10% more than the prior year's limited value or (2) 25% of the difference between the prior year's limited value and the current year's full cash value.

27

## Property Tax Protections Valuation Limitations cont.

- ◆ Valuation Protection for Seniors  
(Senior Freeze)- Homeowners that are 65 years or older and whose income is below a certain level can freeze their full cash value for 3 years.

Must reapply every 3 years

28

## Property Tax Protections Rate Limitations

- ◆ Homeowner Rebate (residential) – The state currently pays 36% of each homeowner's primary school taxes, up to \$520 (for 2006).
- ◆ 1% Primary Property Tax Limit (residential) – Total primary property taxes for owner-occupied residential property cannot exceed 1% of the limited value of the property.

29

## Property Tax Protections Rate Limitations cont.

- ◆ School District Qualifying Tax Rate – Any increase over a "truth in taxation" level requires a truth in taxation hearing and a 2/3 majority vote to pass.
- ◆ Primary Property Tax Levy Limits – The amount of total primary property taxes that counties, cities and community college districts can levy is limited to 2% each year, plus new construction.
- ◆ Secondary Property Tax Voter Approvals – Secondary taxes that counties, cities, community colleges, school districts and many special districts levy are first subject to voter approval, and limited as such.

30

## Property Tax Protections Expenditure Limitations

- ◆ Expenditure Limits – The ability of counties, cities, community colleges and aggregate school districts to spend tax-generated funds is limited to annual increases in inflation and population.

31

## Property Tax Protections Proposition 101

November 2006, voters approved proposition 101

This proposition limits the amount of taxes that local government can raise. Proposition 101 uses the limit from 2005 as the basis for these restrictions. Increases to the 2005 levy are limited to 2% per year, plus new construction.

32

## Proposition 101

- ◆ Does not freeze or limit the value of your property.
- ◆ Does not freeze or limit increases in your tax bill.

33

## Proposition 101

Proposition 101 places very specific restrictions on the Primary taxes only

It affects the following Yavapai County entities:

Yavapai County Government  
Yavapai College  
City of Prescott  
Town of Clarkdale  
Town of Jerome

34

18

# OPTIONS FOR ARIZONA PROPERTY TAX PAYERS

35

## Options For Arizona Property Tax Payers

Exemptions are available for qualified Widow/Widowers, Disabled Persons, Churches and some Non-Profit Organizations. Applications are accepted January 2<sup>nd</sup> through last day business day in February.

If you have missed the exemption deadline, please contact the Assessor's Office as you may have an option to acquire the exemption.

36

## Options for Arizona Property Tax Payers cont.

- ◆ Persons over the age of 65 may apply for the Senior Valuation Freeze. If they meet the qualifications, their values will be frozen for three years. They must re-apply after three years.
- ◆ Applications for the Senior Freeze are accepted from January 2<sup>nd</sup> through September 1<sup>st</sup>.

37

# THANK YOU

For further information,  
please call

the Assessor's Office

928-771-3220 (Prescott)

928-639-8121 (Cottonwood)

38