Current Use
2017 Audits

Audit Findings for
Charlotte, Fletcher
and Landgrove

(As required by 32 V.S.A. § 3760a)

Prepared by

Division of Property Valuation and Review

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VERMONT
DEPARTMENT OF TAXES

Introduction

The Director of Property Valuation and Review (PVR) must annually conduct an audit of three towns with lands enrolled in the Use Value Appraisal Program, referred to as Current Use (CU), to ensure that parcels with a use value appraisal are appraised by the local assessing officials consistent with the appraisals for non-enrolled parcels (32 V.S.A. § 3760a). The statute also provides advice on criteria for selecting towns to audit, and direction on the methodology, and what actions to take.

The Towns of Charlotte, Fletcher, and Landgrove were selected by the Director for audits in 2017. In the following sections, the audit selection criteria, process, findings, and actions are discussed for each town.

In summary, the audits found:

- The Town of **Charlotte** required no action. The Director deemed them compliant with our methodology and the values were reasonable and supported.

- The Town of **Fletcher** required several actions. The Director's recommendation is that the Grand List needs a full reappraisal done by an independent firm. The properties enrolled in Current Use that did not comply with our methodology were changed and recalculated by PVR staff and the Town's Board of Listers and were incorporated into the grand list.

- The Town of **Landgrove** was not compliant with our methodology for allocation of value between enrolled and excluded land. PVR staff corrected the parcels requiring action and incorporated the new values into the grand list.

How PVR Chose the Three Towns

This year's audit of three towns' CU parcels is the third of PVR's now annual audits. The criteria used this year have helped make the initial selection, but we might find that they reveal something different when each parcel is looked at individually.

After performing the audit, it could reveal that the criteria we focused on were insufficient, that the analysis should have been done differently, or that an unusual statistic for some town was the result of unusual circumstances for the enrolled parcels or their valuation history. For those reasons, it is in the best interest of the State and the appraisers who will be doing the audit work to limit the selection of towns to those that have 50 parcels in CU or fewer. This will ensure that the cost to the State is kept at a minimum as we fine-tune the data analysis for future years. Larger towns will be considered once the audit's research process has been validated and/or improved.

PVR also recognizes that assessment practices differ in different parts of the state and in different types of towns. Those differences may be the result of town history, the background of municipal personnel, or even town geography. At the same time, it is important that every town adheres to the same rules for valuing CU property because the cost of the program is shared equally across all taxpayers in all towns. For that reason, it is in the best interest of the State to select three towns from separate regions of the state, and with different characteristics. By following that principle this year and in subsequent years, PVR will be able to assemble data that informs the shape of the program and the types (and direction) of outreach that need to happen in the future.

Finally, very few towns appear high up the list for more than one or two of the criteria that were examined. The Department tried to examine each list in various ways and analyze information across lists. That process will likely improve in future years as the criteria are paired down and the relative weight of each is better understood.

CHARLOTTE

The Town of Charlotte was selected for audit based on criterion (1) in the selection document. *"the fair market value per acre of enrolled land in each town."*

Charlotte: The average change in total listed value for the fifteen parcels that have entered Current Use in non-reappraisal years was $74,640 (Criterion 5b) for a total of $27 million in exempted value. The average fair market value per acre for enrolled land is $3,911 (Criterion 1).

Charlotte was reappraised in 2015 by New England Municipal Resource Center (NEMRC) using the MicroSolve system. At the time of audit, 172 properties were enrolled in the Use Value Appraisal Program/Current Use in Charlotte. A representative sample of property enrolled in the program was chosen for a desk audit to gauge the valuation methodology as well as the allocation methodology utilized by the town.

Procedure

In February 2017, the Department's Property Valuation and Review (PVR) District Advisors team began the process of conducting an audit of the Town of Charlotte Current Use program. The team consisted of Cy Bailey, Doug Lay and Charlotte Town Lister Betsy Tegatz. The process began with a transfer of the Charlotte Grand List, land schedule, cost tables, and CU enrollees property records to the PVR team. This was followed up with three days of field work, including on-site exterior inspections of 17 enrolled properties and a corresponding number of comparable properties.

PVR staff members then examined each enrolled parcel record for accuracy, completion, and adherence to the CU assessment process. This included looking closely at the land grading and the factors that went into those decisions, as well as recalculating the value using the MicroSolve CAMA program. Values and any changes to value for both the enrolled and excluded acreage were recorded and analyzed.

Of the 17 enrolled parcels, none reflected differences where the new value was 10% less than the town's value, requiring substitution by the Director. 32 V.S.A. § 3760(d). We found that the Charlotte town listers were following approved guidance for allocation, and that the properties were valued in a manner consistent with fair market value for the town and area. The accuracy and estimated values of the representative sample can be extrapolated to the remaining parcels with no changes anticipated.

FLETCHER

According to the 2016 Current Use List, Fletcher has 121 parcels enrolled in Current Use and a total of $18.1 million in exempted value. Fletcher was in the top 15 for discrepancies for criterion 2b and for 7b. The last reappraisal in Fletcher was in 2005. Fletcher was chosen as an audit candidate for various factors, both quantitative and qualitative, which suggest a deviation from consistent valuations across enrolled parcels.

Procedure

An Audit of Fletcher's Current Use enrollments began after a review of the Computer Assisted Mass Appraisal (CAMA) files. Numerous errors were found which could change values beyond the scope of the Current Use Audit. The corrections have the potential of being numerous and including more than the simple land value. Reassessing the majority or the dwellings associated with current use parcels would add days to the estimate. However, no significant discrepancies in Current Use calculations were noted.

Allocation calculations done on all properties and differences from recommended process were included in the findings. Most of the issues were identified in parcels with land size greater than 2 acres. Also, the Town continued to add land lines in their calculation instead of calculating the developed acreage as a separate parcel. Out of the 65 properties examined, 25 were readjusted and are included.

Enrolled vs Non-Enrolled farm buildings were examined and found to be consistently treated.

After a large sugar woods sale approximately five years ago, the Town revalued multiple land parcels. Rather than look at total land schedule, they concentrated on parcels over 50 acres in size and developed grades for those properties with significant sugar bush potential. While not ideal best practice, sales data existed to support the increased valuations. The majority of those properties were enrolled in the Current Use program.

The Current Use program appears to be administered fairly, equitable and as dictated by statute. There are, however, multiple corrections based on a recalculation of excluded land and or clerical errors. A complete review of all Current Use accounts was made (the worksheets and cost sheets are appended to this report). These corrections were performed by the auditor on site with the listers assistance and incorporated in the Grand List.

Several errors were found in the use of the MicroSolve CAMA system, leading the auditors to believe that there is a lack of understanding as to how the program is to be operated in certain instances and/or a lack of quality control. Due to the nature of the errors and the age of the last reappraisal the auditor recommends a complete townwide reappraisal.

In 2016, Fletcher had 121 Current Use enrollments, all of which would need to be inspected. The effort estimated to complete this effort will consume a total of 15-17 days using three staff members. The breakdown would be 75% appraisal/field personnel, 25% clerical/administrative. In effect, PVR staff would be conducting a complete reappraisal of all Current Use property.

Property not enrolled in the program would remain with errors. This leads to the conclusion that the only equitable solution is a complete reappraisal of all property in Fletcher. This is beyond the scope of PVR resources to do and exceeds the enabling statutory authority for this audit.

FLETCHER Current Use relevant benchmarks
121 PROPERTIES ENROLLED
17,100.91 ACRES
$36,869,700 REAL VALUE
LAND-IMRPOVMENT RATIO 64/36
CUSE LAND GRADE RANGE 0.80-2.57
$15,812,100 HOMESTEAD REAL VALUE
$21,057,600 NON-RES REAL VALUE

Fletcher Corrected CU Allocations

(V2-V1)/V1*100

ID	Old Allocation	New Allocation	% Chng	$ Difference
0SA1-020-000	82,500	84,300	2.18%	1,800
0013-016-001	68,300	71,300	4.39%	3,000
0FMA-003-500	80,800	54,700	-32.30%	-26,100
0004-031-000	51,555	68,100	32.09%	16,545
0016-013-000	50,000	50,400	0.80%	400
0003-021-000	51,400	51,800	0.78%	400
0007-001-000	90,600	58,600	-35.32%	-32,000
0SA1-002-000	136,300	147,000	7.85%	10,700
0003-027-000	12,600	7,900	-37.30%	-4,700
0SA1-048-000	64,800	65,600	1.23%	800
0014-004-000	80,100	80,400	0.37%	300
0013-001-000	76,600	77,100	0.65%	500
0SA1-007-000	60,000	62,100	3.50%	2,100
0032-004-000	95,300	102,700	7.76%	7,400
0004-007-000	57,900	58,600	1.21%	700
0029-019-000	72,300	75,100	3.87%	2,800
0SA2-024-000	54,700	55,200	0.91%	500
0SA2-021-004	57,300	57,500	0.35%	200
0029-021-000	78,600	57,100	-27.35%	-21,500
0108-009-000	83,900	87,200	3.93%	3,300
0SA2-008-002	98,700	106,300	7.70%	7,600
0033-001-000	72,600	76,000	4.68%	3,400
0SA2-006-001	89,500	56,400	-36.98%	-33,100
0023-001-000	60,200	61,200	1.66%	1,000
0SA2-038-000	63,300	63,900	0.95%	600
	1,789,855	1,736,500		**-53,355**

LANDGROVE

The Town of Landgrove was selected for audit based on criterion (1) in the selection document. The average fair market value per acre for enrolled land is $8,291 (Criterion 1).
The average fair market value of land in Current Use that is attached to a housesite is 36% more than land not in Current Use but attached to a housesite (Criterion 2b). Landgrove is a 204-parcel municipality with 38 Current Use accounts with a total Current Use exemption of $19,288,800. Landgrove was last reappraised in 2015 by NEMRC using the MicroSolve appraisal system.

A representative sample of property enrolled in the program was chosen for a desk audit to gauge the valuation methodology as well as the allocation methodology utilized by the town. An audit conducted on 3/17/2017 revealed that the procedure used to value the excluded land did not conform with 32 VSA 3757(d). In other words, the excluded land was not valued as a stand-alone or separate parcel.

PVR District Advisors, with the assistance of the Landgrove Board of Listers, corrected the 14 parcels that had excluded land and incorrectly allocated values. The correction resulted in an excluded land increase of $737,800, effectively reducing the towns Hold Harmless payment by the same amount.

Landgrove Current Use Accounts with Excluded Land >2 acres

SPAN	Original Excluded Land Value	Corrected Excluded Land Value	Change
342-106-10003	$ 266,500.00	$ 365,300.00	$ 98,800.00
342-106-10008	$ 37,200.00	$ 132,000.00	$ 94,800.00
342-106-10015	$ 42,500.00	$ 42,700.00	$ 200.00
342-106-10050	$ 622,000.00	$ 696,000.00	$ 74,000.00
342-106-10023	$ 416,700.00	$ 495,000.00	$ 78,300.00
342-106-10049	$ 233,300.00	$ 300,000.00	$ 66,700.00
342-106-10092	$ 92,800.00	$ 109,900.00	$ 17,100.00
342-106-10131	$ 293,300.00	$ 336,300.00	$ 43,000.00
342-106-10156	$ 369,000.00	$ 432,000.00	$ 63,000.00
342-106-10076	$ 135,500.00	$ 141,900.00	$ 6,400.00
342-106-10263	$ 284,100.00	$ 339,700.00	$ 55,600.00
342-106-10012	$ 146,300.00	$ 164,400.00	$ 18,100.00
342-106-10195	$ 83,000.00	$ 67,500.00	$ (15,500.00)
342-106-10216	$ 35,600.00	$ 80,200.00	$ 44,600.00
342-106-10179	$ 55,700.00	$ 148,400.00	$ 92,700.00
		Aggregate Change	**737,800**

Statutory Citation and Selection Criteria

32 V.S.A. § 3760a. VALUATION AUDITS

(a) Annually, the Director shall conduct an audit of three towns with enrolled land to ensure that parcels with a use value appraisal are appraised by the local assessing officials consistent with the appraisals for non-enrolled parcels.

(b) In determining which towns to select for an audit, the Director shall consider factors that demonstrate a deviation from consistent valuations, including the following:

(1) the fair market value per acre of enrolled land in each town;

(2) the fair market value of enrolled land versus unenrolled land in the same town;

(3) the fair market value of enrolled farm buildings in each town; and

(4) the fair market value of enrolled farm buildings in relation to the fair market value of the associated land.

(c) For each town selected for an audit, the Director shall:

(1) conduct an independent appraisal of enrolled parcels and enrolled farm buildings in that town;

(2) compare the appraisals reached by the Director for each enrolled parcel with the appraisal reached by the local assessing officials; and

(3) review the land schedule and appraisal model applied by the town.

(d) If, as a result of an audit, the Director determines that an appraisal reached by the Director differs from the appraisal reached by the local assessing officials by more than 10 percent, then the Director shall substitute his or her appraisal of fair market value for the appraisal reached by the local assessing officials. A substitution of a fair market appraisal under this subsection shall be treated as a substitution by the Director under subsection 3760(b) of this title.

Methodology

The information in this report was gathered to help inform the selection of three towns by the Director of Property Valuation and Review as prescribed above. The criteria examined were those listed as factors 1-4 in the legislative language and several other criteria that were strongly related to these four. The additional criteria emerged from numerous conversations within the department and with others familiar with the Use Value Appraisal (Current Use) program.

A few important things must be kept in mind by anyone looking at this report:

1. There may be legitimate reasons why a town is an outlier for some criterion.
2. Some towns don't have any parcels that fit the parameters of the criterion, so they do not appear on that particular list.
3. The Current Use list and Grand List can both contain errors and inconsistencies.

Criteria (from statute):

(1) the fair market value per acre of enrolled land in each town;

For every town in Vermont, divide the total amount of fair market value of enrolled land in the Current Use database by the total number of enrolled acres.

(2) the fair market value of enrolled land versus unenrolled land in the same town;

For every town, select current use properties over 25 acres where the entire property is enrolled and find mean fair market value per acre as was done in #1. From the grand list, select properties that are over 25 acres or more and there is no value from improvements, house-site, inventory or equipment and are not in Current Use. Assume each property's total value is from land only. Compute mean per acre value by dividing total value by number of acres. Divide the CU mean per acre by Grand List per acre value to get a ratio.

(2a) Cleaning Process for Grand List properties:

1. Reject any properties that have something besides land in the description field.
2. Reject any property that is described as being a swamp.
3. Reject properties with unusually high per acre values.

(2b) Similar to part a, but only looking at land that is attached to a house-site. For every town, select Current Use properties over 27 total acres where there appears to be a house-site (there are two acres or more of excluded land and a listed dwelling value). Only use properties with 25 or more acres enrolled in the program. Find the mean value of the enrolled acreage in each town by dividing the total value of the enrolled land in the town by the total acres in the program. From the Grand List, only use properties greater than 27 acres, are not in Current Use, and have filed a homestead declaration (because those house-site values are accurate). Assume total value minus house-site value and any other listed non-land value is the value of the attached land. Find per acre value of that land for each town. Divide mean Current Use per acre value by grand list per acre value to get a ratio.

(3) the fair market value of enrolled farm buildings in each town; and

For every town, divide the total value of enrolled farm buildings in the town by the total number of enrolled farm buildings to get a mean value per building.

(4) the fair market value of enrolled farm buildings in relation to the fair market value of the associated land.
Divide the mean enrolled farm building value (from #3) by the mean fair market value of an enrolled acre in the town (from #1) to get a ratio.

Related Criteria (from discussion with stakeholders):
(5) Look at parcels entering Current Use and see if their total listed value increased from what it was on the grand list in the year before entry. Only use parcels where total size is the same from both years. Examine parcels that entered in (a) reappraisal years and (b) non-reappraisal years.

(6) Look at parcels that are already in Current Use and see if their land value increased from what it was the year before. Only use parcels where enrolled acreage amount is the same from both years. Examine parcels in (a) reappraisal years and (b) non-reappraisal years.

(7) Look at parcels that are already in Current Use and see if their farm building value increases from what it was the year before. Only use parcels where number of farm buildings is the same from both years. Examine parcels in (a) reappraisal years and (b)non-reappraisal years

(8) Compare the percent of current use parcels that increase in value in an appraisal year to the percent of non-enrolled parcels that increase. Only use parcels that have not increased in size. Compare Current Use List value in appraisal year to that of previous year. Find percent of CU parcels in town that increased. Do same for non-CU parcels. Calculate difference.