

## **Municipal Reassessment Approved for Mendham Borough**

On July 23, 2009 the Morris County Board of Taxation approved the application for Reassessment that was made by the Mendham Borough Tax Assessor. There has been much discussion within the community about the need for a Reassessment in order to adjust property assessments in accordance with the drastic changes that have occurred in the real estate market during the past year. However, to date very little information has been disseminated to the public regarding how the Reassessment program will work. The following is an explanation of what a Reassessment is, along with a brief history and status of the Reassessment as it applies to Mendham Borough.

Definition – Mendham Borough has actually been approved by the Morris County Tax Board and New Jersey Division of Taxation to conduct a **“HYBRID REASSESSMENT PROGRAM”**. Much like a Revaluation, the goal of a **Reassessment** is to **spread the tax burden equitably** within a taxing district by **appraising each property according to its true market value**, and establishing assessments based on this value. Typically, a Reassessment is conducted solely by the Tax Assessor, shortly after the completion of a full-scale Revaluation. However, if 4 years have gone since the date of the last Revaluation, complete inspections of all property must again be performed (as per rules established by the Division of Taxation, and similarly adopted by the County Tax Board). That’s where the term “Hybrid” comes in – as an outside company (generally a Revaluation Company) is retained by the municipality to provide the needed manpower to perform all the inspections. Due to the fact that the data for all properties will potentially be altered to some degree as a result of the inspection process, both the Tax Assessor AND the outside firm will participate in the analysis of the data and determination of valuation formulas.

The most common reason for a Reassessment is due to significant changes in the real estate market from the time of the last Revaluation. The need for a Reassessment becomes evident when there is a greater disparity between the assessed values of the properties and their true market value based on recent sales. The **VALUATION DATE** that will be used as the baseline to assess all property within the municipality for this Reassessment is **October 1, 2009**.

Brief History – The last full-scale Revaluation was conducted in 2005 and went into effect for the 2006 tax year. Prior to that Revaluation, Mendham Borough’s equalization ratio was 51.76%. Simply stated, this ratio indicated that assessed values were approximately 51% of what the properties were actually selling for at that time. The corresponding tax rate at the time was \$3.10. Once the Reval was completed and assessments depicting current market values were put in place, the ratio went to 100%, and the tax rate dropped to \$1.29. Since the 2006 Revaluation, a lot has changed in the real estate market. Properties appeared to enjoy a continued period of appreciation at least through the end of 2006. However, a change in lending policies and decline in the stock market signaled an abrupt end to what had been several years of appreciation and prosperity in the real estate market. The year 2007 seemed to be a “holding period” in property values – with a noticeable decrease in overall sales volume. By 2008, property values were in a sharp decline from their 2006 high. This downward trend has continued all through the current 2009 Tax Year. Mendham Borough dealt with a considerable volume of Tax Appeals filings this year in response to this decline, with tax dollar losses in excess of \$100,000.

Hiring of Professionals – The Borough of Mendham has entered into a contract with the firm **Appraisal Systems, Inc.** of Morristown, NJ to provide significant professional assistance with the upcoming Reassessment of the municipality. This firm was NOT the same company that performed the 2006 Revaluation of the Borough.

Proposed Timeline - The fieldwork inspections will begin sometime in late September 2009. Property owners will be notified by mail from the Appraisal firm **PRIOR** to the commencement of the fieldwork in their particular neighborhoods. Based on the contract with Appraisal Systems, and sanctioned by the Morris County Tax Board – the firm will only be making a **SINGLE ATTEMPT** to inspect property. ***The Appraisal firm will be supplied with all the Current Property Record Card Data maintained by the Assessor's Office, and have this in their possession during the inspection.***

**If someone is not home during the initial visit** from the Appraisal firm, the Field Inspector will only conduct and “Exterior Inspection” of the property and any improvements thereon, and compare the data on the existing Property Record Card with what they observe to be in place at the time of the inspection. Any differences – whether from additions, alterations, demolitions, former errors, etc. – will be noted, and the record card changed to reflect the present condition of the property. In order to properly conduct our SALES ANALYSIS – if no one is home during the initial visit to properties that have been recently sold (sales occurring from 2008 to present), along with current listings “for sale” and properties currently “under contract” – a “call-back card” may be left stating when a return visit will occur. This card will also have the phone number of the Appraisal firm in the event the property owner requests a different time for the inspection.

Regardless of when a property is inspected during this program, the new property values will all be determined based on their estimated market value as of October 1, 2009 (the statutory date required by law). The inspection phase of this program is expected to be completed by mid December. **Property owners will be notified by mail by the end of the year** of their “**Proposed**” new assessed values, and given an opportunity to schedule a hearing with a representative of the Appraisal firm in order to review their new assessment.

Assessment reviews will be finalized by early 2010 (January), and the new assessments will become effective for the 2010 tax year. The tax rate for 2010 will be altered to reflect the new value of the ratable base, but the specific rate will not be determined until late spring 2010. Subsequent to the implementation of these new assessments, **any property owner who wishes to dispute their new assessment may do so by appealing their valuation** with the Morris County Tax Board **prior to May 1, 2010** (typically the date is April 1 – but with the implementation of a Reval or Reassessment, the appeal deadline is extended 1 month).

Any questions with this process can either be directed to the Assessor's Office (973-543-7152 ext. 13) or to Appraisal Systems (800-994-1999). Thanks to all residents for their anticipated cooperation during this program.