

How The Municipality Assesses Your Property

January 13, 2013

With those little green cards about to arrive in the mail, advising you of the Assessed Value of your property for the 2013 Property Tax year, I thought we should ask the question - How does the Municipality assess your property?

There is no better person to address this subject than Marty McGee, long time leader of the Property Appraisal division of the Municipality of Anchorage. Other Alaskan cities and Burroughs follow similar principles.

Here is the City Assessor's most helpful description of the process:-

“We are currently preparing the 2013 assessment roll for the Municipality Of Anchorage. There have been significant but subtle changes in our community, and the value of real property reflects those changes. The story for Anchorage is a little different than many places in the United States. Through the recent economic trouble Anchorage has not only retained its population and jobs but there has been a small amount of growth in employment and income. Changes are occurring in the age demographics of the population and in living expenses such as the price of heating and fuel. Major employers in the community remain the same with health care, government and transportation - major components of the local economy.

There has been new construction. However, when the population does not grow appreciably, new buildings tend to take market share away from older existing buildings and new businesses compete with established businesses for the same market share. This competition depresses real property value. The aging of the population and the increased fuel costs are changing the demand for residential property both in the type of property required by the market and the location of residential property. Services associated with an aging resident population are also changing the real property associated with those required services.

In 2013 there will be over 96,000 taxable real property parcels. We expect the total assessed value to increase about 2% overall to about \$29.5 billion dollars. Accurate property descriptions lead to accurate assessments. We have visited and inspected about 15,600 properties in 2012 and have adjusted our descriptions for these properties. The changes can result in changes to the assessed value that is different than the overall market trend.

The assessed value is based on current market data and the description of the individual property. We also gather data from cost guides and local construction costs to estimate the replacement cost as if new. Similar houses have similar values. Most land value is based on the contributory value of the lot as it relates to the total value of the property.

We encourage home owners to check their property description at our web site (www.muni.org/pa) to verify the accuracy of the description. We have compared the assessed values to sale prices and current listings and feel that the values are accurate

based on these comparisons. After January 15 the assessment web site will show comparable sales of residential property to support the 2013 assessed values.

We have several challenges in doing this work each year. Most of what we know about a building is what we can see from the outside. Estimating the exact square footage and condition of the interior is difficult. Also, in Alaska, property owners are not required to tell the assessor the sale price of a property when it sells. We rely on voluntary disclosure and do not know the sale price on all transactions each year. So an accurate description and current market data are difficult to come by. These two issues are our biggest challenges. Recognizing these issues, if a property owner comes forward and gives information to the assessor, their value may be changed based on that information without the need for a formal appeal or an appeal hearing.

The review and appeal process is intended to act as a safety valve in the mass appraisal process. The assessor's office makes many changes each year based on information about the individual property. This information helps correct the assessment for all owners of similar property. In 2012, approximately 1,700 individual values were adjusted by this process and most did not require an appeal hearing. I and all the staff of the Assessment division look forward to working with the community in the 2013 assessment year."

Dear Dave: My parents made a fortune on buying and selling Real Estate, including their own home. I can't seem to match their success and I'm not sure why. Is there a trick to Real Estate speculation?

Answer: Your mom and dad lived in a different place and time. When you live in a country where inflation has been kept at, or under, 3% per annum for the last ten years, you can't expect to reap huge profits in Real Estate.

If everyone was gaining 10% appreciation on Real Estate each year, inflation would be at least 10% also – probably much more. Inflation is like a tornado, and the Federal Reserve Board seeks to contain it because, uncontained, it spirals up and ultimately devours your real income. Your parents lived in a less controlled economic environment and enjoyed the part of the tornado that dropped the devoured wealth of others into their backyard.

There are still people who have the skills and knowledge to predict areas of a Real Estate boom, even within a moderately growing economy, and these folks reap large profits. However, for the most part, it is not a reasonable expectation for the average person to make tons of money on Real Estate when national inflation is responsibly controlled.

As an aside, with the FED purchasing 85 billion dollars worth of its own securities issued into the marketplace each month, there will be an enormous inflationary spiral within the next few years, and then you can expect to see the price of everything increase rapidly, while the FED increases interest rates to try and slow down the tornado which they are responsible for seeding now.