LOB #101

Real Estate Assessment - Residential

Purpose

This LOB reflects the valuation of residential properties as mandated by Virginia Code §§ 15.2 and 58.1; Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X. In pursuing DTA's Vision of "Generating Revenue Fairly", the Residential Team is committed to ensuring that the valuation and taxation of residential properties is completed in an accurate and uniform manner throughout the County while adhering to professional standards.

Description

The Residential Team of the Real Estate Division annually assesses approximately 342,000 residential parcels, valued at more than $171 billion. Real estate assessments generate approximately $2.4 billion dollars in General Fund revenue, and approximately 75 percent of that revenue is generated by residential properties. The principal responsibilities under this LOB include the following duties:

- Verification of all residential sales data
- Maintenance of residential property records
- Discovery of new construction
- Annual revaluation of all residential property
- Appeals and litigation defense.

Assessments must reflect fair market value and comply with legal mandates set forth in the Constitution of Virginia, the Code of Virginia and the Fairfax County Code.

Benefits

The Real Estate Division provides revenue forecasts for the Department of Management and Budget (DMB) and senior County management. Real estate taxation provides approximately 64 percent of the County's General Fund revenue, which is used to fund education, public safety and all other General Fund agencies and programs. Of this amount, this LOB contributes approximately $1.8 billion in revenue to the annual General Fund budget.

Additionally, homeowners, mortgage companies and other real estate professionals, including agents, fee appraisers, title examiners and settlement attorneys depend on the accuracy and availability of real estate assessment data.

Mandates

This LOB is fully mandated. The assessment of real property, both commercial and residential, is mandated by Virginia Code §§ 15.2 and 58.1; the Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X.

Trends and Challenges

A significant portion of the County's housing, especially in those areas inside the beltway, is over 50 years old. Much of the County's residential new construction is replacement for or extensive renovation of older housing. Unlike tract homes built in the 50s and 60s, these homes are often built with unique features that present special challenges for the mass appraisal process. Urbanization of the County affects residential markets, as more people now wish to live near their workplace or in close proximity to mass transit. This is true not only for Tysons, Mosaic and Reston, but also for older, established communities located near these areas. These factors can increase the complexity of the assessment process, such as determining comparability of sales.

Technology presents both a challenge and an opportunity. Taxpayers are able to access an abundance of valuation information from DTA's website, including information on their own homes as well as the sales that were used to determine their assessment. Business people, such as real estate agents, appraisers and lenders, depend heavily on County data available on the web. Accordingly, DTA is challenged to provide a wealth of accurate and timely information readily available to the public.

As part of prior budget reductions, the Real Estate Assessment - Residential LOB no longer staffs a team of Exempt Limited Term employees to conduct routine site visits checking property characteristics against DTA records. Instead, DTA replaced these employees with a more efficient automation process that compares GIS Aerial Photography to property sketches within DTA's assessment data base. Properties with footprint differences are written to a separate work list for closer review by appraisal staff. This process helps staff keep track of property characteristic changes in an efficient manner and overcomes property inaccessibility issues. This FY 2010 LOB reduction eliminated 11 Exempt Limited Term positions, saving the County approximately $340,000 per year.

Staff also reviews County building permits and Realtor multiple listing service information. This presents a workload challenge which must be balanced as part of the overall assessment process, but also helps staff comply with professional standards and maintain accurate assessment records.

Another challenge is succession planning. A number of senior appraisers will be retiring before the end of FY 2017, and the learning curve for new employees can be significant. Fortunately, DTA has been able to groom a solid cadre of appraisers and has also used underfill agreements as training opportunities in the past; at the same time, DTA also actively recruits qualified appraisers from the private sector. This is expected to continue to be a balancing act for the near future.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #101: Real Estate Assessment - Residential			
FUNDING			
Expenditures:			
Compensation	$3,504,767	$3,534,174	$3,694,380
Operating Expenses	776,076	775,416	714,071
Total Expenditures	$4,280,843	$4,309,590	$4,408,451
General Fund Revenue	$254,397	$248,175	$251,139
Net Cost/(Savings) to General Fund	$4,026,446	$4,061,415	$4,157,312
POSITIONS Authorized Positions/Full-Time Equivalents (FTEs)			
Positions:			
Regular	55 / 55	55 / 55	55 / 55
Total Positions	55 / 55	55 / 55	55 / 55

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Residential Properties Valued	341,225	341,101	341,513	341,788	342,000
Residential Sales Verified	14,918	15,315	16,938	15,184	17,000
Residential Permits Worked	8,692	9,026	9,070	7,490	8,000
Residential Appeals/BOE Worked	819	724	963	900	900
Residential Base-Equalization (Assessed Value)	$145,307,300,000	$150,807,072,410	$161,394,060,020	$166,770,364,710	TBD
Residential Base-Growth (Assessed Value)	$2,989,131,200	$3,297,590,040	$3,583,185,770	$4,639,332,730	TBD
Residential Assessment to Sale Ratio (ASR)	92.67%	93.54%	93.59%	93.88%	95.00%
Residential Coefficient of Dispersion (COD)	4.27%	4.01%	3.84%	3.54%	3.54%

Although the number of residential properties valued has not changed significantly from FY 2013 to FY 2016, there have been a significant number of changes to those properties as evidenced by the number of permits worked by staff during that time, as well as the upward changes in value for both equalization and growth (new construction). Appeal volume tends to increase when there have been significant value changes. From FY 2013 to FY 2016, the residential market has been stable, with moderate increases overall. Two key statistics used by the assessment industry to measure effectiveness are the Assessment to Sale Ratio (ASR) and the Coefficient of Dispersion (COD). The ASR measures assessment level. The Constitution of Virginia mandates that all property should be assessed at fair market value. Given the diversity and size of the County, an ASR in the low to mid-90 percentile is deemed to be highly reflective of fair market value without over-assessing properties. DTA’s ASR is well within professional standards. It is also important to note that this measure is against a sales volume of only about 3 percent of all taxable properties.

The Coefficient of Dispersion (COD) is a statistic that measures the uniformity of all assessment-to-sale ratios among all residential properties within the County. The Residential Coefficient of Dispersion for FY 2016 was 3.54 percent. By comparison, an index of 15 percent is considered good by professional assessing standards. The index for Fairfax County falls in the excellent category, indicating a high degree of assessment uniformity.

Trends for both the ASR and the COD have been positive. Factors contributing to positive performance include staff stability (low turnover), careful quality review and a stable market.