NASSAU COUNTY
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Review of the 2020/21 Reassessment

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Review of the 2020/21 Reassessment

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Report Highlights

BACKGROUND

The Nassau County Department of Assessment (DofA) is responsible for developing fair and equitable assessments for all residential and commercial properties within Nassau County.

There are approximately 386,000 residential and 37,000 commercial properties in Nassau County.

The DofA annually produces an assessment roll which lists information concerning the valuation of each property within the County.

In January 2019, the County released the tentative assessed values associated with the reassessment of all properties for the 2020/21 assessment roll.

REVIEW OBJECTIVES

Review the methodology and processes utilized to conduct the 2020/21 Reassessment.

KEY FINDINGS

- Prior to performing the 2020/21 Reassessment, the Department of Assessment (DofA) did not fix property information and data weaknesses reported to them by expert consultants.
- The Curran Administration made unexplained changes to the assessment roll.
- The lack of cyclical reassessments prior to the 2020/21 Reassessment led to a sudden jump in assessed values.
- The Phase-In Exemption delayed the full capture of the 2020/21 Reassessment for five years, until 2024/25.
- The Phase-In Exemption resulted in multiple properties paying little to no property taxes in 2020/21, inequitably transferring these tax responsibilities to others.
- The Phase-In Exemption resulted in inequitable taxes as it caused properties with identical 2020/21 Final Assessed Values to have differing tax responsibilities.
- The New York State 6/20 Rule capping assessed value increases for Special Assessing Units limited the capture of the appreciation of the 2020/21 Reassessment.

KEY RECOMMENDATIONS

The Department of Assessment should:

- Consistently review and update the data it maintains concerning properties, utilizing updated sales data and technology, and improve training to ensure accuracy and timeliness in data collection;
- Plan for and allocate sufficient time and resources necessary to perform quality control review of property valuation prior to publishing future rolls;
- Maintain a clear audit trail, including detailed records to support decisions and processes used to determine and/or change property valuations;
- Implement an assessment modeling system capable of performing Class One valuation in-house; and
- Develop a plan to keep assessment rolls current and maintain accurate physical descriptions of properties.

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Background

The Nassau County Department of Assessment (DofA) is responsible for developing fair and equitable assessments for residential and commercial properties within Nassau County. Annually, the DofA publishes information concerning the assessment (valuation) of each property through an assessment roll. The DofA first publishes a tentative assessment roll, and then completes the publication process by publishing a final assessment roll.

Under New York State Real Property Tax Law (RPTL), Nassau County and New York City are the only municipalities to be considered Special Assessing Units. Properties in a Special Assessing Unit are classified into one of four Classes:

- **Class One**: One, two and three-family residential houses and residential condominiums of three stories or less and most residential vacant land;
- **Class Two**: Apartment buildings, residential cooperatives and residential condominiums of four stories or more;
- **Class Three**: Public utility property; and
- **Class Four**: Properties not defined in the first three classes. This class contains primarily commercial and business properties and vacant land.

Information about each property in Nassau County is maintained by the DofA in an integrated real property information database and computer software system known as ADAPT. The ADAPT system is utilized by the DofA to maintain valuations and to publish assessment rolls, as well as many other functions, such as providing assessed value and tax notifications to property owners.

The 2020/21 Reassessment

In 2015, the Mangano Administration began a review of the DofA's property information, assessment processes and ability to utilize ADAPT to produce valuations. Two expert valuation firms, Standard Valuation Services (SVS) and Michael Haberman Associates, Inc. (MHA) were contracted to perform a "Systematic Review and Analysis of Nassau County Assessment." SVS reviewed Class One (residential) and Class Three (utilities) properties and MHA reviewed Class Two (residential) and Class Four (commercial) properties. A goal of their review was to be able to reevaluate all properties for the 2019/20 tentative assessment roll. SVS, in December 2017, and MHA, in January 2018, reported the results of their analysis. These reports noted a number of weaknesses in the property information and characteristic data maintained by the DofA. Due to these and other issues, reevaluations were not performed for the 2019/20 tentative roll.

In 2018, the Curran Administration conducted a reassessment (2020/21 Reassessment) of all properties for the publication of the 2020/21 tentative assessment roll on January 2, 2019. Because Nassau County's assessment roll is large and diverse (approximately 386,000 residential and 37,000 commercial properties) it was not practical to perform reassessment valuations on a property-by-property basis. Instead, a process of mass appraisal known as Computer Assisted Mass Appraisal (CAMA) was utilized. This mass appraisal process valued groups of properties, as of a given date, through statistical testing and standardized methods using common data, such as sales information and property characteristics.

Background

SVS, working with subcontractor Thimgan & Associates, was contracted to perform revaluations of Class One (residential) and Class Three (utilities) properties. For Class One CAMA, the County's approximately 386,000 residential properties were divided into 326 neighborhoods. These neighborhoods were then grouped into seven different market valuation areas. Different valuation formulas were used for each of the seven market areas. These formulas computed values based upon statistical analysis called multiple regression. Sale prices and approximately 180 different property features and attributes, such as livable square footage, lot size and school district, were analyzed. Because ADAPT was not able to perform multiple regression analysis, SVS utilized IBM statistical software (SPSS) to compute their valuations. SVS provided their Class One valuations to the County in an electronic file to be uploaded into ADAPT. Class Three properties were reassessed using a combination of utilities parcel valuation data provided by the New York State Office of Real Property Tax Services (ORPTS) and an individual analysis of certain larger properties. SVS worked with the DofA to input these valuations into ADAPT.

Two separate and independent reports written by industry experts (other than SVS) who reviewed the Class One 2020/21 Reassessment process concluded that the CAMA analysis performed by the County was conducted in a manner consistent with applicable practices, principles, and standards for such appraisals. These experts noted that any alternative method used to assess such a large and diverse number of properties would be impracticable and would not treat similarly situated properties equitably. **The experts also noted, however, that meeting CAMA standards does not rule out inequities in valuations as a result of incomplete or erroneous data.**

MHA was contracted to assist the DofA in performing reevaluations of Class Two and Class Four properties. These properties were divided into 21 neighborhoods. Each neighborhood was modeled utilizing valuation modules in ADAPT. Valuation data such as income, expenses, depreciation, improvements, and vacancy rates were adjusted to bring values in line with the current market.

Level of Assessment (LOA) and the Reassessment Phase-In Act of 2020

After valuing all properties, the County Assessor is tasked with determining a Level of Assessment (LOA) for each Class of property. The LOA is a percentage applied to the full value of a property to produce an assessed value.

In Nassau County, there are two unique factors that influence the Assessor's LOA determination. The first is a cap on Class One increases to assessed value established by New York State law only for Nassau County and the City of New York. This cap limits assessed value increases to 6% per year or 20% over five years. Because assessed value is a percentage of full value, an Assessor may need to lower the LOA to keep assessed values within the 6% cap. The second is what is known as the Halpern Stipulation, which settled a lawsuit concerning assessed value grievances. Under Halpern, firms representing grieving property owners can stipulate to a separate LOA to be utilized to settle all grievances.

Background

In March 2018, County Executive Curran issued an Executive Order "relating to the Level of Assessment." This Executive Order took the unusual action of dictating to the Assessor the LOA for the 2020/21 assessment roll (.25% for Class One and 1% for Classes Two, Three and Four). Curran stated that it was necessary to maintain the .25% Class One Level of Assessment in order to continue taxpayer protections from unreasonable assessment increases.

In September 2018, recognizing that the County Assessor is the appropriate official with the legal authority to set the LOA and considering the potential for grievance firms to stipulate to a lower LOA, County Executive Curran issued a superseding Executive Order. This Executive Order directed the County Assessor to determine the LOA for the 2020/21 tentative assessment roll. Assessor Moog set the LOA at .10% for Class One properties. Assessor Moog stated that the decrease in LOA would ensure a consistent Level of Assessment whether or not a resident completes the grievance process.

County Executive Curran's September 2018 Executive Order also directed the County Attorney to "prepare draft State legislation that would transition over five years any relative changes in Class One tax burden that could otherwise result from the reassessment."

In April 2019, after securing an amendment to the New York State Real Property Tax Law (RPTL), County Executive Curran submitted a proposal to the Nassau County Legislature for adoption of a "Taxpayer Protection Plan." This plan phased in the effects of increases in Class One property owners' tax burdens over five years through a property tax exemption. Curran stated that the plan was "essential for the County to protect taxpayers and smooth out the impact of change in their relative tax burdens," adding that "after the reassessment, as expected, almost all Class One properties (approximately 96%) saw an increase in their home's market value upon which assessments are based."

In March 2020, the Nassau County Legislature adopted the "Reassessment Phase-In Act of 2020." According to leadership in the Nassau County Legislature, the name of the act was modified because "the title Taxpayer Protection Plan was misleading. There are taxpayers who are going to be hurt by this — the people [whose property values] are decreasing should be seeing relief sooner."

For more information about assessment values and tax bills, see Appendix B of this report.

The timeline in which the 2020/21 Reassessment was conducted is a critical underlying component of this report and the findings included here. The compressed timeframe impacted the process and its outcomes. On the next page is a timeline that provides context for the findings and recommendation in this report.

2020/21 Reassessment Timeline

2015	• Mangano Administration begins review of Department of Assessment (DofA) - Standard Valuation Services (SVS) and Michael Haberman Associates, Inc. (MHA) hired to assess County data and processes
December 2017	• SVS reports significant weaknesses in residential property data
January 2018	• MHA reports significant weaknesses in commercial data
March 2018	• Curran Administration begins 2020/21 Reassessment - SVS contracted to reassess Class One (residential) & Class Three (utility) properties - MHA contracted to reassess Class Two (apartments, co-ops, and condos four stories or more) & Class Four (commercial and business) - Curran issues Executive Order: Level of Assessment (LOA) at .0025 for Class One properties
September 2018	• SVS provides Class One reassessment to County for Tax Impact Notices • Curran issues new Executive Order: County Assessor to determine LOA for 2020/21; the Assessor sets it as .0010 • Curran directs County Attorney to prepare legislation to phase in new reassessment of Class One properties over five years
November 2018	• MHA reports it is not possible to address data inaccuracies due to time constraint • Tax Impact Notices released to property owners
December 2018	• IT staff provides DofA staff with a file to override the valuations for the tentative roll
January 2, 2019	• *Morning:* DofA publishes tentative assessed roll to County website • *Afternoon:* IT staff sends a file containing 18,433 Class One property valuation changes to staff at the DofA, with instructions to upload these changes and make necessary changes to the tentative assessment roll before midnight
April 2019	• County Executive Curran submits "Taxpayer Protection Plan" to Legislature, which proposed to phase-in the impact of the Reassessment
March 2020	• "Reassessment Phase-In Act of 2020" adopted by Legislature

Finding 1

Reassessment was Conducted Using Flawed Data

Prior to performing the 2020/21 Reassessment, the DofA did not fix property information and data weaknesses reported to them by SVS and MHA.

Standards for performing assessments are established by the International Association of Assessing Officers (IAAO), the New York State Office of Real Property Tax Services (ORPTS) and applicable provisions of the New York State Real Property Tax Law (RPTL). The standards dictate that assessors should:

- Estimate market values using best available information for each property on the roll by utilizing appraisers and other established methods of analysis; and
- Keep and maintain current physical description (inventory) of every property on the roll.

Residential Class One Properties

In Nassau County, Class One property assessment is based largely on market value and physical description. Factors include comparable sales, neighborhood, lot size, location/desirability, style, condition, living area, and age of the home. This data, also referred to as inventory, is maintained by the DofA in ADAPT.

SVS's December 2017 Systematic Review report recommended that the County take corrective action to fix ADAPT data weaknesses prior to performing a reassessment. SVS stated that with these data flaws, individual values may not be accurate or supportable.

The DofA did not make most of these corrections. As such, the 2020/21 Reassessment was conducted using flawed data.

Inconsistent Rating of Quality and Condition

The data maintained by the DofA concerning a home's quality and condition utilizes a grading system. A home's quality is graded A+, A, A-, B+, B, B-, C+, C or C-. A home's physical condition is graded Excellent, Very Good, Good, Average, Fair or Poor.

SVS reported numerous inconsistencies in the data concerning these characteristics. For example, some newer homes and older homes had the same quality grade despite clear physical differences, and some homes that appeared to be in fine physical condition received a grading of Poor. These inconsistences affect the ability to determine value increases and decreases. SVS recommended that the DofA update its manual of procedures for grading with clear examples and conduct in-house training of staff to reduce subjective bias and to improve consistency.

Auditors were informed by current DofA staff that these grading inconsistencies were not corrected prior to the 2020/21 Reassessment.

Sales Data Not Up To Date

All property transfers and sales in Nassau County are required to be recorded with the Nassau County Clerk's Office by the filing of a deed. There are more than 30,000 of these filings each year. These deeds contain important information as to the current condition of a property, including renovations, alterations, or other improvements. It is imperative that the DofA utilize this information to keep their data up to date.

To extract this information, DofA staff manually read each deed. DofA staff read and research deeds by either accessing the County Clerk's public data or by reviewing physical and electronic (PDF) copies provided by the Clerk's Office. This manual research process is extremely time consuming, hampers the DofA's ability to identify updated inventory information, and results in lags between sales and updates to property information.

The DofA did not improve this process or ensure that its review was up to date prior to the 2020/21 Reassessment. As such, this up to date sales information was not reflected in SVS's CAMA modeling. SVS noted that updates and enhancements to properties are often done immediately prior to sales. Delays in reviewing property transfer records can cause many properties to be underassessed.

At the time of this Review in June of 2022, DofA was still eight months behind in this process.

Improper Handling of Properties with Multiple Parcels

A property can be made up of multiple parcels. In many cases, one parcel on the property is where the home is located (referred to as the "improved parcel") and one or more related parcels are land only (referred to as an "unimproved parcel"). When a property is made up of multiple parcels, the parcels should be associated for purposes of accurately valuing the property. Once associated, a single value can be attributed to the entire property or "economic unit."

SVS found that such properties are not properly coded or classified in ADAPT to value them based on "economic unit" association. Failure to associate two or more parcels affects the accuracy of the valuation for all the parcels making up the property, whether improved or unimproved, because each parcel is valued separately without regard to their association to one another.

The inability of ADAPT to associate multiple parcel properties as a single economic unit was not fixed prior to the 2020/21 Reassessment. SVS conducted a parcel review and analysis which identified many economic units. This analysis was incorporated into the valuations file they provided to the County by apportioning the entire economic unit value to each parcel making up the multiple parcel property.

Because ADAPT does not have a code to show the association for each parcel making up the economic unit, Auditors were unable to determine how many parcels were identified as economic units.

Commercial Properties

The ADAPT database contains approximately 150 fields of data for Class Four properties. These data fields contain information about property ownership, sales data, income and expense data, and physical characteristics for both land and buildings, such as plot size, access to utilities, access to paved roads, proximity to a business district, year built, grading of construction quality, square footage and height/stories, interior and exterior wall materials, interior and exterior building features, and commercial use.

In January 2018, MHA submitted their Systematic Review report, which noted data weaknesses in ADAPT. MHA emphasized that the success of any mass appraisal system is directly related to the accuracy of the inventory database.

MHA reported inventory data weaknesses with Commercial properties, such as:

- Some fully built properties listed as 2% built;
- Some buildings listed with incorrect construction type codes (ex. steel construction type or fireproof construction type); and
- Some retail and warehouse properties that are larger than the size codes assigned.

MHA also reported that ADAPT is unable to make economic unit associations, affecting the accuracy of valuations. MHA noted that software is available that can be added to ADAPT to accomplish this.

Additionally, MHA reported an issue regarding how valuation codes are maintained. The ADAPT system is designed to compute multiple values for the same property using 13 methods of valuation. This allows the DofA to select the most appropriate method depending on a property's commercial use at the time of the valuation. Each method has a code assigned to it. MHA reported that most of the commercial properties had a general "override" code. **As a result, there is no record in ADAPT as to the method of valuation used.**

In April 2018, the Curran Administration tasked MHA with assisting the DofA to: (1) improve ADAPT's property inventory database, and (2) utilize standard mass appraisal methodologies to produce new assessed values for the 2020/21 tentative assessment roll to be released on January 2, 2019.

In November 2018, MHA reported that it was not possible to address the data accuracy and valuation issues they previously reported because of the tight time constraint to produce new valuations. DofA staff also noted to auditors that they received valuation information from MHA very late in the process resulting in a rushed quality control review.

Finding 2

Unexplained Assessment Changes

The Curran Administration made unexplained changes to the assessment roll without a documented audit trail and did not allocate sufficient time to correctly perform the reassessment.

In March 2018 the Curran Administration commenced the 2020/21 Reassessment for publication of a tentative roll on January 2, 2019. Pursuant to NYS RPTL §511, the County is required to distribute to property owners Tax Impact Notices at least sixty days prior to the publication of a reassessed tentative roll, making the deadline for these 2020/21 Notices November 2, 2018. This left inadequate time to ensure accurate valuations for these Notices.

The NYS Department of Taxation and Finance provides the following guidance to property owners concerning Tax Impact Notices:

> "Based upon the available information about your property, your assessor will estimate the market value of your property. A notice then will be sent informing you of your new assessment. If you have any questions or disagree with the new assessment, you should arrange for an informal conference at your assessor's office to review the information on which the value is based…. Only when your assessor is convinced that all the property assessments are as accurate as possible will they be placed on the tentative assessment roll."

In September of 2018, SVS provided their Class One property valuations to the DofA for its distribution of Tax Impact Notices. After the Tax Impact Notices were sent, the DofA permitted property owners to give feedback on their Notices through individual meetings.

Former County Assessor David Moog informed the current Comptroller's Office that the Tax Impact Notices were informational, and values were corrected after sending them. He stated that there was continued review of market trends (comparable sales), refining the CAMA model, and quality control performed, knowing this would naturally lead to valuation adjustments between the Tax Impact Notice and publication of the tentative roll.

These valuation adjustments were made with little input from the County assessment expert (SVS) or DofA staff. Auditors were informed that members of the Curran Administration adjusted valuations for publication of the tentative roll on January 2, 2019, by working directly with the County Department of Information Technology (IT). On December 21, 2018, IT staff provided DofA staff with a file to upload into ADAPT. This file overrode the valuations originally uploaded into ADAPT and used for the Tax Impact Notices.

Neither the IT Department nor the DofA could provide auditors with a documented audit trail or any other specific information as to the reasoning for the majority of the valuation changes made by the Curran Administration.

The appraised value of a property should emanate from the set of values that the CAMA model has computed. There should be minimal, if any, need to override or replace model produced values. However, should changes to valuations be necessary, the method of adjustment must be documented.

Review Findings

Auditors were informed by multiple sources that unsupported unilateral reductions were authorized by the Curran Administration, including modifications in Port Washington.

To investigate these assertions, auditors reviewed data concerning Class One properties provided by the DofA to create the Tax Impact Notices in November 2018 and the tentative roll published the morning of January 2, 2019. After considering potential rounding differences and known identifiable changes, such as updated sales trending, inventory changes, and other reasonable factors that may have resulted in value changes, auditors identified 22,611 unexplained valuation reductions in 108 geographic areas. Further analysis revealed that:

- Of these 22,611 unexplained valuation changes, there were 6,354 parcels with reductions between 5% to 25%;
- Half of these 5% to 25% reductions occurred in only ten areas: Cedarhurst, Great Neck, Hicksville, Lawrence, Manhasset, New Hyde Park, Plainview, Port Washington, Westbury, and Woodmere;
- Port Washington with 968 reduced parcels (15% of the 6,354) had the most unexplained value reductions of the 108 affected areas; and furthermore
- Port Washington reductions were 36% of 2,026 more significant parcel reductions, those between 15% to 25%.

Current DofA staff could not furnish documentation or specific procedures followed to provide an adequate audit trail to support the reasons for these value reductions.

Additional changes were made without an audit trail. On the morning of January 2, 2019, the 2020/21 tentative roll was electronically published by the DofA through their normal process of posting on the DofA website. That afternoon a file containing 18,433 Class One parcels valuation changes was sent by IT staff to DofA staff. DofA staff were directed to load these changes into ADAPT, make any necessary calculation changes to the tentative assessment roll, and post the revised tentative assessment roll before midnight. **Current DofA staff were unable to find any documentation as to the reasons for these additional valuation changes.**

Finding 3

Lack of Cyclical Reassessment Led to Significant Appreciation

The lack of cyclical reassessments prior to the 2020/21 Reassessment led to significant appreciation in values.

Industry standards set forth that assessors should have a defined plan for keeping assessment rolls current. This plan should include maintaining accurate physical descriptions of properties and cyclical reassessments so that market values are based on the best available data.

Judicial challenges to the County's Class One assessment method in the late 1990's led the County to perform its first market value based reassessment of properties for the 2003/04 assessment rolls. A second market-based reassessment was conducted for the 2011/12 assessment rolls. Had the County planned for and performed additional cyclical reassessments prior to the 2020/21 Reassessment it would have avoided this sudden total appreciation in value for the 2020/21 Reassessment.

From 2011/12 to 2019/20 valuations were frozen, except for adjustments to properties for physical changes reviewed by the DofA and successful assessment grievances. Consequently, the 2020/21 Reassessment saw significant appreciation in total Fair Market Value.

During this same period of time overall Assessed Value was deteriorating. This is because many properties received annual reductions from their 2011/12 assessed values due to successful assessment grievances.

As demonstrated in the chart below, while overall Assessed Value was deteriorating during the freeze, overall Market Value was increasing.

2020/21 Reassessment Appreciation

	Overall Assessed Value	Level of Assessment	Effective Full Market Value
2011/12 Final	466,861,324	/ .0025	$ 186,744,529,600
2019/20 Final	349,068,114	/ .0025	$ 139,627,245,600
Decrease from 2011/12 to 2019/20 due to grievances and/or phsical changes	(117,793,210)		$ (47,117,284,000)
Percent Decrease 2011/12 to 2019/20	**(25%)**		**(25%)**
2019/20 Final (Converted to .0010)	139,627,246	/ .0010	$ 139,627,245,600
2020/21 Tentative	253,573,084	/ .0010	$ 253,573,084,000
Increase from 2019/20 to 2020/21	113,945,838		$ 113,945,838,400
Percent Increase 2019/20 to 2020/21	**82%**		**82%**

Review Findings

Auditors estimate that:

- Between 2011/12 and 2019/20 overall Assessed Value decreased by at least 25% due to grievances and/or physical changes;
- Between 2011/12 and 2020/21 overall Fair Market Value increased by approximately 36% from $186,744,529,600 to $253,573,084,000; and
- As result of the lack of reassessments and the continued reductions of frozen 2011/12 Assessed Values, the effective overall Assessed Value and corresponding overall Market Value increased by 82% in one year between 2019/20 and 2020/21.

It should be noted that an overall increase in Assessed Value or Fair Market Value does not necessarily correspond to an increase in taxes for individual property owners. For more information about assessment values and tax bills, see Appendix B of this report.

Background of the Reassessment Phase-In Act of 2020

Findings 4, 5 and 6 relate to the impact of the Reassessment Phase-In Act of 2020.

The Reassessment Phase-In Act of 2020 spread out the increases in Class One property values captured by the 2020/21 Reassessment over five years through a property tax exemption, known as the Phase-In Exemption.

The Phase-In Exemption was developed by establishing an Exemption Base for properties that increased in value. The Exemption Base is the increase between a property's 2019/20 Final Assessed Value and its 2020/21 tentative assessed value (factoring in the different LOA from these years).

The amount of a property's annual Exemption is a percentage of the 2020/21 Exemption Base reduced every year by 20%, as follows:

- 80% of the Exemption Base against the 2020/21 Final Assessed Value;
- 60% of the Exemption Base against the 2021/22 Final Assessed Value;
- 40% of the Exemption Base against the 2022/23 Final Assessed Value;
- 20% of the Exemption Base against the 2023/24 Final Assessed Value; and
- 0% of the Exemption Base against the 2024/25 Final Assessed Value.

Unless there is a physical change to the property, the Exemption Base remains the same even if a property's assessed value is decreased through a property tax appeal (grievance).

Finding 4

Delay in the Equitable Capture of the 2020/21 Reassessment

The Phase-In Exemption delayed the capture of the 2020/21 Reassessment for five years, until 2024/25.

The chart below demonstrates how the Phase-In Exemption delayed the effective capture of the 2020/21 Reassessment from a single example Class One property.

How the Phase-In Exemption Removes Assessed Value (AV) from a Single Class One Property

Phase-In Exemption Base Values

2019/20 Final Assessed Value	**882**
2019/20 Final Effective Market Value	**$352,800**
882 AV / Level of Assessment .0025 = Full Market Value $352,800	
2019/20 Final Assessed Value Equalized to 2020/21 LOA	**353**
$352,800 x Level of Assessment .001 = AV of 353	
2020/21 Reassessment Fair Market Value	**$718,000**
2020/21 Tentative Assessed Value	**718**
$718,000 x Level of Assessment .001 = AV of 718	

Phase-In Exemption Base Calculation

2020/21 Tentative Assessed Value	**718**
2019/20 Equalized Assessed Value	**(353)**
Phase-In Exemption Base	**365**

Exemption Year	Exemption Base		Exemption
2020/21 at 80%	**365**	**x .80 =**	**292**
2021/22 at 60%	**365**	**x .60 =**	**219**
2022/23 at 40%	**365**	**x .40 =**	**146**
2023/24 at 20%	**365**	**x .20 =**	**73**
2024/25 at 0%	**365**	**x .0 =**	**0**

Annual Assessed Value Decrease Due to Phase-In Exemption

Exemption Year	Final Assessed Value Before Phase-In Exemption*	Phase-In Exemption	Assessed Value after Phase-In	% of Assessed Value Decreased
2020/21	**718**	**(292)**	**426**	**41%**
2021/22	**730**	**(219)**	**511**	**30%**
2022/23	**688**	**(146)**	**542**	**21%**
2023/24	**730**	**(73)**	**657**	**10%**
2024/25	**730**	**(0)**	**730**	**0%**

***2021/22 Final Assessed Value change is due to DofA trending and a grievance, and 2022/23 change is due to a grievance. 2023/24 & 2024/25 are estimates based on the DofA tentative assessment roll.**

As demonstrated in the chart on the previous page, it took five years, until 2024/25, for the County to capture all the 2020/21 assessed value increases. For this single Class One property, the Phase-In Exemption:

- Delayed capture of 41% of the property's assessed value in 2020/21;
- Delayed capture of 30% of the property's assessed value in 2021/22;
- Delayed capture of 21% of the property's assessed value in 2022/23; and
- Delayed capture of 10% of the property's assessed value in 2023/24.

Auditors then applied this analysis to the entire 2020/21 assessment roll, which included 386,462 Class One parcels of which 371,835 received a Phase-In Exemption.

How the Phase-In Exemption Removes Assessed Value From the Class One Residential Roll

Values Used for the 2020/21 Phase-In Exemption

2019/20 Final Assessed Value	**349,068,114**
2019/20 Final Effective Market Value	**$139,627,245,600**
349,068,114 AV / Level of Assessment .0025 = Full Market Value $139,627,245,600	
2019/20 Final Assessed Value Equalized to 2020/21 LOA	**139,627,246**
$139,627,245,600 Full Market Value x Level of Assessment .001 = AV of 139,627,246	
2020/21 Reassessment Fair Market Value	**$253,573,084,000**
2020/21 Tentative Assessed Value	**253,573,084**
$253,573,084,000 x Level of Assessment .001 = AV of 253,573,084	

Phase-In Exemption Base Calculation

2020/21 Tentative Assessed Value	**253,573,084**
2019/20 Equalized Assessed Value	**(139,627,246)**
Phase-In Exemption Base	**113,945,838**

The Annual Total Class One Phase-In Exemption

	2020/21 (Actual)	2021/22 (Estimated)	2022/23 (Estimated)	2023/24 (Estimated)	2024/25 (Estimated)
Phase-In Exemption Base	**113,945,838**	113,945,838	113,945,838	113,945,838	113,945,838
Percentage Applied to Phase-In Base	**80%**	60%	40%	20%	0%
Phase-In Exemption	**91,156,670**	68,367,503	45,578,335	22,789,168	-

The Annual Overall Assessed Value Decrease Due to the Phase-In Exemption

	2020/21 (Actual)	2021/22 (Estimated)	2022/23 (Estimated)	2023/24 (Estimated)	2024/25 (Estimated)
Total Final Class 1 AV (1)	**248,804,445**	249,583,232	249,583,232	249,583,232	249,583,232
AV removed by Phase-In Exemption	**(91,156,670)**	(68,367,503)	(45,578,335)	(22,789,168)	-
AV after Phase-In Exemption	**157,647,775**	181,215,729	204,004,897	226,794,064	249,583,232

The Annual Overall Percentage Decrease Due to the Phase-In Exemption

	2020/21 (Actual)	2021/22 (Estimated)	2022/23 (Estimated)	2023/24 (Estimated)	2024/25 (Estimated)
% of AV Removed from Class 1 Roll	**37%**	27%	18%	9%	0%

(1) Final Class One AV differs from the Tentative AV due to greivance reductions and physical changes.

As demonstrated in the chart on the previous page, auditors estimate that the Phase-In Exemption:

- Delayed capture of 37% of all Class One assessed value in 2020/21;
- Delayed capture of 27% of all Class One assessed value in 2021/22;
- Delayed capture of 18% of all Class One assessed value in 2022/23;
- Delayed capture of 9% of all Class One assessed value in 2023/24; and
- **It is not until 2024/25 that all 2020/21 assessed value increases are captured.**

Finding 5

Properties Paying Little to No Property Taxes

The Phase-In Exemption resulted in multiple properties paying little to no property taxes in 2020/21, inequitably transferring these tax responsibilities to others.

To demonstrate how the Phase-In Exemption resulted in tax inequity, auditors examined six properties that paid little to no property tax due to the application of the Phase-In Exemption.

The properties represented in the chart below had no other exemptions other than the Phase-In Exemption.

Properties with Little to No Taxes Payable in 2020/21						
Property	**1**	**2**	**3**	**4**	**5**	**6**
2020/21 Fair Market Value (FMV)	**2,545,000**	**2,595,000**	**4,012,000**	**7,798,000**	**6,022,000**	**14,388,000**
Assessed Value (FMV x .001)	2,545	2,595	4,012	7,798	6,022	14,388
NYS 6/20 Rule Reduction	(983)	0	(1,341)	0	(1,371)	(282)
Reduction due to grievances	(390)	(1,450)	(668)	(4,198)	(859)	(6,106)
2020/21 Final Assessed Value	1,172	1,145	2,003	3,600	3,792	8,000
Phase-In Exemption	(1,564)	(1,479)	(2,403)	(3,550)	(3,414)	(7,252)
	(392)	(334)	(400)	50	378	748
Which equates to taxable values of	**0**	**0**	**0**	**50**	**378**	**748**
2019/20 taxes	**$18,670**	**$26,296**	**$31,019**	**$88,728**	**$92,978**	**$120,140**
2020/21 taxes	**$0**	**$0**	**$0**	**$1,225**	**$18,312**	**$16,152**

As seen above:

- Parcels 1 through 3 paid zero taxes on properties that were otherwise valued between $2.5 million to $4.0 million because their Phase-In Exemption was greater than 100% of the Final Assessed Value; and
- Parcels 4 through 6 paid minimal taxes on properties that were otherwise valued between $7.8 million to $14.3 million because their Phase-In Exemption was greater than 90% of the Final Assessed Value, resulting in 80% to 99% reduction in taxes.

Auditors also note that, Parcels 4, 5 and 6, paid $87,503, $74,666 and $103,988 less in taxes from the prior year, respectively.

Proper analysis of the impact of the proposed phase-in could have identified the potential for some properties to pay little to no taxes. The language of the law could have been modified to ensure against these outcomes.

Finding 6

Properties with Identical Assessed Values Paying Different Taxes

The Phase-In Exemption resulted in inequitable taxes as it caused properties with identical 2020/21 Final Assessed Values to have differing tax responsibilities.

All five properties in the chart below have identical 2020/21 Final Assessed Values, the same tax rates, the same basic STAR Exemption, and are located in the same area. However, their 2019/20 Final Assessed Values differed mostly due to prior year successful assessed value grievance(s). As previously explained in Finding 4, the Exemption Base was based upon these 2019/20 Final Assessed Values.

The differing tax results are clearly demonstrated below.

Identically Valued 2020/21 Class One Properties with Differing Taxes					
Differing Taxable Values					
Property	**1**	**2**	**3**	**4**	**5**
Number of Successful Grievances for each parcel from 2010/11 to 2019/20	**0**	**0**	**4**	**6**	**10**
Identical 2020/21 Final Assessed Value	**500**	**500**	**500**	**500**	**500**
Differing 2020/21 Phase-In Exemption due to the number of successful grievances from 2010/11 to 2019/20	**122**	**129**	**203**	**235**	**267**
SCAR (see glossary) reduction				**17**	**5**
Differing Taxable Value	**378**	**371**	**297**	**248**	**228**
Differing Actual Property Taxes Paid					
Actual 2020/21 Property Taxes	**$ 12,937**	**$ 12,675**	**$ 9,908**	**$ 8,076**	**$ 7,328**
Estimated 2021/22-2024/25 Property Taxes	$ 37,433	$ 36,651	$ 28,385	$ 22,911	$ 20,677
Differing Total Property Tax	**$ 50,370**	**$ 49,326**	**$ 38,293**	**$ 30,987**	**$ 28,005**

As demonstrated in the chart on the previous page, the more frequently a property successfully grieved assessed value from 2010/11 to 2019/20:

- The greater the assessed value deteriorated;
- The greater the value of their annual Phase-In Exemption;
- The less they paid in taxes in 2021; and
- The less they are estimated to pay in taxes from 2021/22 to 2024/25.

For a five-year period after the 2020/21 Reassessment, equally valued Property 1, with no prior grievances between 2010/11 and 2019/20, is estimated to pay $22,365 more in taxes than Property 5 that had ten successful prior grievances.

Finding 7

New York State Cap Limited Capture of 2020/21 Reassessment

The New York State 6/20 Rule capping assessed value increases for Special Assessing Units limited the complete capture of all the appreciation from the 2020/21 Reassessment.

New York State Real Property Tax Law §1805 requires "Special Assessing Units" (*only Nassau County and New York City*) to limit assessed value increases for residential property to 6% per year and no more than 20% over 5 years. This is known as the 6/20 Rule. The 6/20 Rule diminishes the Assessor's ability to keep values current and equitably capture all increases in assessed value.

While municipalities place limits on assessed value increases to protect taxpayers, the International Association of Assessing Officers (IAAO) Standard on Property Tax Policy states that, although "limits that constrain changes in assessed or appraised value of property may appear to provide control [they may] actually distort the distribution of the property tax, destroying property tax equity and increasing public confusion and administrative complexity." This is because assessment limits protect taxpayers owning properties that have rapidly increasing market values at the expense of taxpayers owning properties with decreasing values or with more limited increases. This was the result for the 2020/21 Reassessment.

Pursuant to a report by the New York City Advisory Commission on Property Tax Reform: "the AV Growth Cap is a major driver of inequity within Class One. Over time, AV Growth Caps have produced inequities among properties that have seen different rates of market value appreciation."

In periods of market value appreciation that exceed the 6/20 Rule limit, the cap will**:**

- Limit Nassau County's ability to adjust assessed values to maintain them at their current Fair Market Value;
- Cause an inequitable tax burden shift to other properties; and
- Cause Nassau County to continue to undervalue properties that appreciate above the Cap.

In addition, the Assessor will be forced to apply an ever-decreasing fractional Level of Assessment (LOA) to absorb the increases.

Auditors' analysis of the 2020/21 Reassessment determined that due to the application of the 6/20 Rule, 5,673 parcels were undervalued by 543,304 in assessed value or the equivalent of more than $543,000,000 of Fair Market Value.

Review Recommendations

The Department of Assessment should:

1) **Review reports provided by SVS and MHA concerning property information and data inventory flaws, consistently review and update all the data it maintains concerning properties, utilizing updated sales data and technology, and improve training to ensure accuracy, timeliness and eliminate subjectivity in data collection and inventory data;**

2) **Maintain an audit trail of all inputs into the ADAPT system used to develop rolls, review and modify valuation change procedures, and ensure that all changes follow these documented processes;**

3) **Plan for and allocate sufficient time and resources necessary to perform quality control review of property valuation prior to publishing future rolls;**

4) **Consider modification to ADAPT or implementation of a new assessment modeling system that would give them the ability to perform residential CAMA modeling in-house; and**

5) **Develop a plan for keeping assessment rolls current and maintain accurate physical descriptions of properties so the market values are based on the best available data. The process should be transparent, so that property owners have a clear understanding of any valuation changes.**

References

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- New York State Real Property Tax Law 1805, Limitation on increases of assessed value of individual parcels (the 6/20 rule)
- Reassessment Methodology: https://www.nassaucountyny.gov/5189/Reassessment-Methodologies
- Standard on Property Tax Policy, [IAAO 2020], https://www.iaao.org/media/standards/Standard_on_Property_Tax_Policy.pdf
- Standard on Mass Appraisal of Real Property, [IAAO 2017], https://www.iaao.org/media/standards/StandardOnMassAppraisal.pdf
- SVS Standard Valuation Services (December 2017), *Systematic Review and Analysis of Nassau County Assessments*
- *Eric Berliner et. al. v Nassau County et. al.,* Supreme Court of the State of New York, County of Nassau, Index Number 605904-2019, Final Expert Report of Robert J. Gloudemans, Exhibit K (Motion Numbers 005 & 006)
- *Eric Berliner et. al. v Nassau County et. al.,* Supreme Court of the State of New York, County of Nassau, Index Number 605904-2019, January 28, 2020, Final Expert Report of Laurence P. Farbstein, Exhibit L (Motion Numbers 005 & 006)

Appendix A – Glossary of Terms

ADAPT: An integrated real property information database and compute software system utilized by the Department of Assessment to maintain valuations and to publish assessment rolls, as well as many other functions, such as providing notifications to property taxpayers.

Appeal: The process to challenge or grieve the Assessor's determination of a property owner's value, tax classification status, or exemption status as listed on the tentative roll.

Assessment Roll (s): Information concerning the assessment (or valuation) of each property in an accessing unit. The DofA first publishes a tentative assessment roll, and then completes the publication process by publishing a final assessment roll.

Assessed Value (AV): A percentage of Fair Market Value assigned to a property used for assessment and tax rolls.

Assessing Unit: A city, county, town, or village with the authority to value real property for purposes of taxation.

CAMA: A system of appraising property that incorporates computer supported statistical analyses such as multiple regression analysis and adoptive estimation procedure to assist the appraiser in developing values.

Cyclical Reassessments: Frequency of reappraisals when reassessments are being performed.

Depreciation: In appraising, a loss in property value from any cause; the difference between the reproduction or replacement cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

Fair Market Value (FMV): The most probable price, expressed in terms of money, that a property would bring if sold in the open market in an arm's length transaction between a willing seller and a willing buyer.

Final Assessment Roll: A document containing assessment and exemption information on all parcels in a municipality. It differs from the tentative assessment roll with respect to changes ordered by a board of assessment review.

Fractional Assessment: A procedure whereby assessments are made at some uniform percentage of full or Fair Market Value rather than at 100% thereof.

IAAO: Acronym for the International Association of Assessing Officers.

Level of Assessment (LOA): The percentage of full market value at which assessments are made in a given assessing unit.

Mass Appraisal: A systematic valuation of a large number of properties as of a given date.

ORPTS: Acronym for the Office of Real Property Tax Services. The agency responsible for carrying out the policies and programs of the State Board of Real Property Services.

Physical/Quantity Change: An increase in assessed value resulting from new construction or other improvements or a decrease in assessed value resulting from fire, demolition, or other negative events.

Appendix A – Glossary of Terms

Property Inventory: A collection of data for each parcel in a municipality such as land size, square feet of living area, number of bedrooms, finished basement area, etc.

Reassessment: A systematic analysis of all assessments, either within an assessing unit or within a class of a special assessing unit, synonymous with the term's revaluation and update. A reassessment can be completed by a reappraisal of all parcels, trending all parcels to current value, or a combination of both.

RPTL: New York State Real Property Tax Law.

SCAR: An acronym for Small Claim Assessment Review. A special small claims hearing established to review challenges to the assessment of owner-occupied one, two and three-family houses and residential condominiums of three stories or less.

Tax Certiorari: The legal process by which a property owner can challenge the real estate tax assessment on a given property in an attempt to reduce the property's assessment and real estate taxes.

Tax Levy: The amount of money that taxing authorities (municipal, school, or special taxing districts) require to be collected through the property taxes to fund their operating budgets.

Tax Rate: A rate per one hundred dollars of assessed value expressed in dollars and cents. Each local governing body - county, town, school, and special district - determines its own budget. The amount to be raised by taxes, divided by the assessed value from the jurisdiction would equal the tax rate per $100 of assessed valuation.

Taxable Assessed Value: The assessed value of a parcel (or an entire assessment roll) against which the tax rate is applied to compute the tax due. In case of a partial exemption, the exempt amount is subtracted from the assessed value in order to determine the taxable assessed value.

Tentative Assessment Roll: Due January of each year, listing estimated market value and assessed value for each property.

Valuation: The process of estimating market value, investment value, insurable value, or other properly defined value of an identified interest or interests in a specific parcel or parcels of real property as of a given date.

A tax burden of an individual property is based on that property's taxable assessed value, the total taxable assessed value on the Roll within that Class, and the amount of overall taxes needed to be collected (or the levy). Depending on these variables, regardless of whether a property's assessment increases or decreases, the tax burden may increase, decrease or remain the same. For example, if all properties doubled in value upon reassessment their proportionate share of taxes would remain the same.

NEW YORK STATE | Department of Taxation and Finance

Assessments vs. Taxes: What's the difference?

Your assessment could increase, and your tax bill could decrease

Last year		This year	
Your assessment:	$100,000	Your assessment (5%↑):	$105,000
Total value of the town:	$50,000,000	Total value of the town (8% avg.↑):	$54,000,000
Tax levy:	$1,500,000	Tax levy:	$1,500,000
Tax rate:	$30 Per $1,000	Tax rate:	$27.78 Per $1,000
Your property tax bill:	**$3,000**	**Your property tax bill:**	**$2,917 ($83 decrease)**

Your assessment could increase, and your tax bill could stay the same

Last year		This year	
Your assessment:	$100,000	Your assessment (5%↑):	$105,000
Total value of the town:	$50,000,000	Total value of the town (8% avg.↑):	$54,000,000
Tax levy:	$1,500,000	Tax levy (2.86%↑):	$1,542,855
Tax rate:	$30 Per $1,000	Tax rate:	$28.57 Per $1,000
Your property tax bill:	**$3,000**	**Your property tax bill:**	**$3,000 (no change)**

Your assessment could decrease, and your tax bill could increase

Last year		This year	
Your assessment:	$100,000	Your assessment (5%↓):	$95,000
Total value of the town:	$50,000,000	Total value of the town (5% avg.↓):	$47,500,000
Tax levy:	$1,500,000	Tax levy (2.86%↑):	$1,542,855
Tax rate:	$30 Per $1,000	Tax rate:	$32.48 Per $1,000
Your property tax bill:	**$3,000**	**Your property tax bill:**	**$3,085.60 ($85.60 increase)**

- For more information on the factors affecting your tax bill, talk to your school board, town board, city council, or county officials.
- For more information on assessments, talk to your assessor.
- More information is available online at: *www.tax.ny.gov*

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Appendix B – Assessments vs Taxes

Maintaining current values, through fair and uniform assessment, ensures equitable distribution of tax responsibility and provides information to property owners which helps them better understand the fairness of those values. Reassessments bring values up to date, allowing municipalities to capture increases and/or decreases in values.

As noted by the New York State Office of Real Property Tax Services (ORPTS) the fairness, or equity, of the real property tax depends on whether similar properties are treated alike. By keeping assessments up-to-date, assessors can go a long way toward this goal, which in-turn helps assure taxpayers that they are not paying more or less than their fair share of taxes.

Benefits of Cyclical Reassessment to Property Taxpayers

New York State Guidelines for Cyclical Reassessment states that the benefits of maintaining current market value assessments include:

- Assessment Equity for Taxpayers – the longer it has been since a municipality has updated assessments, the more likely it is that some taxpayers are paying more or less than their fair share of taxes. Up-to-date assessments eliminate unfair assessments and the "sticker shock" that taxpayers experience when assessments are adjusted;
- Fewer Court Challenges to Assessments – by keeping assessments up-to-date, municipalities are likely to have fewer tax certiorari cases; and
- Transparency – improve taxpayer understanding of the process.

Appendix C – Review Methodology

The objective was to review the methodology and processes utilized to conduct the 2020/21 Reassessment.

To prepare for the review of the 2020/21 Reassessment Roll:

Auditors reviewed:

- The New York State Real Property Tax Laws and rules for Real Property Tax Administration;
- Publications and guidance of the New York State Office of Real Property Tax Services (ORPTS); and
- Numerous standards of the International Association of Assessing Officers (IAAO) including their Standard on Mass Appraisal of Real Property.

To achieve the objective, the procedures included the following:

Auditors interviewed:

- The Nassau County Assessor that administered the 2020/21 Reassessment, the subsequent Acting Assessors, and the current Acting Assessor;
- Staff within the Department of Assessment;
- The valuation experts contracted to perform the Reassessment; and
- Personnel from the Nassau County Information Technology Department (IT).

Auditors reviewed:

- Contracts with expert valuation firms to perform the Reassessment;
- Reports written by expert valuation firms contracted by the County;
- Reports written by expert valuation firms who submitted opinions as to the Computed Assisted Mass Appraisal (CAMA) methodology used by Department of Assessment;
- Data used to create the Tax Impact Notices issued in November 2018;
- Data used to create the Class One tentative roll published in January 2019;
- Changes between the Final 2019/20 and Tentative 2020/21 Assessed Values;
- The County's Implementation of the Reassessment Phase-In Act;
- The Phase-In Exemption calculation for sample properties; and
- The effect of the NYS Assessed Value Appreciation limits on Reassessed Values.

Samples for the analysis were selected based on professional judgment. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for analysis.

Auditors believe the evidence obtained provides a reasonable basis for the findings and recommendations based on the review objective. Management has the responsibility to initiate a corrective action plan that addresses the findings and recommendations in this report.