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In All Fairness

**Building a Model Assessment
System in New Orleans**

BGR Review Committee

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EXECUTIVE SUMMARY

In the upcoming spring 2010 elections, New Orleans voters will make history. For the first time since the city's current boundaries were established in the 1870s, the electorate will choose one assessor for the entire city. The seven-assessor system and the Orleans Parish Board of Assessors will disappear from the law and from life in New Orleans.

New Orleans' seven-assessor system has not served the city well. The system is grossly inefficient and has produced inaccurate assessments. Those assessments have deprived the city of needed revenue, inflated tax rates and created highly inequitable tax burdens among residents.

The consolidation of the seven assessors into one does not guarantee accurate and fair assessments. Rather, it opens the way for critical reforms. The new assessor can seize the moment and make major upgrades – or simply stitch together a somewhat modified version of the status quo.

A reform-minded assessor would modernize the office's structure and staff, emphasize data collection and maintenance, take full advantage of its mass appraisal valuation technology, develop professional appeal procedures, more rigorously monitor exemptions, and improve communication with citizens.

It is up to the winner of the election to bring about these reforms. And it is up to the electorate to determine which candidate is the most likely reformer.

To make that determination, voters must understand the problem areas and listen for the candidates' proposed solutions. Voters should ask candidates for concrete answers to the following questions:

- How will the assessor structure the staff?
- What steps will the assessor take to staff the office with quality personnel?
- What will the assessor do to obtain and maintain accurate property data?

- What will the assessor do to produce accurate valuations?
- What will the assessor do to give the appeals process integrity?
- What steps will the assessor take to fairly apply and rigorously monitor exemptions?
- What will the assessor do to improve transparency and communication with the public?

This report addresses those questions in detail and provides recommendations for creating an effective assessor's office. In doing so, it draws from best practices outlined by the International Association of Assessing Officers (IAAO), from interviews with assessment officials locally, statewide and nationally, and from BGR's extensive prior work on the topic.

Organizational Structure and Staffing

The starting point for any meaningful change is a restructuring of the assessment office on a functional basis. To work efficiently, the office should be organized into three primary departments: one for appraisal, one for technology and another for administration. Each of these should be staffed with personnel who bring the necessary expertise to the job.

Currently, each of the seven assessor's offices has had its own staff. The result is a top-heavy organization, lacking skilled personnel in essential specialized areas such as mapping and statistical modeling.

The new assessor faces the challenge of creating an office organized on a functional basis and building a staff with the expertise to carry out those functions. This will require the elimination of redundant positions and a wide-ranging search for the most highly qualified candidates.

To ensure that the new office is organized and staffed to produce accurate assessments in an efficient manner, the single assessor should:

- Create a consolidated office structure with departments devoted to appraisal, technology and administration.

- Obtain professional outside assistance during the transition period after the election to develop an organizational plan with a realistic timeline.
- Establish and enforce minimum education and professional development standards for employees modeled after those recommended by the IAAO in its *Standard on Professional Development*.
- Open all positions to a wide variety of applicants, including, but not limited to, current employees.
- Identify the highest quality personnel available to fill positions in the new organization.

Data Collection and Maintenance

Accurate assessment begins with correct, complete and current property data. Without that, an assessor cannot determine the fair market value of property.

New Orleans' assessors failed for years to collect complete and current property data. Hampered by a top-heavy system, they did not employ sufficient staff to carry out an effective data collection program. Recently, the assessors took action to remedy the information gap, spending millions of dollars to hire a contractor to collect fresh property data.

Devoting the resources to update this information will be vital to the accuracy of future valuations. It will also help the office avoid another expensive, parishwide data collection contract in the future.

To maintain current and accurate data from which to produce fair assessments, the single assessor should:

- Develop an in-house data collection and maintenance program to keep property information current.
- Mine all legally permissible sources of information, including sales data, building and demolition permits, aerial photographs, exterior inspections, property questionnaires and real estate data.

Accurate Valuations

Collecting data is only part of the work. Once an assessor's office has accurate property data on hand, it must translate the information into fair market valuations. This is no small task. Yet countless jurisdictions around the state and country manage to meet similar challenges thanks in large part to computer assisted mass appraisal (CAMA) technology.

CAMA is a powerful tool that values property by applying statistical techniques to property data. The technology allows an assessor to create models that incorporate a wide range of relevant factors. This provides a strong base for equitable assessments. Appraisal staff then monitor CAMA for accuracy, conduct additional field appraisals and adjust valuations where necessary. This is especially important in New Orleans, which has significant variety among and within its neighborhoods.

Instead of using modern technology to determine market value, the seven assessors have relied heavily on sales chasing, the practice of adjusting the assessment of a recently sold property to its sale price. Sales chasing creates inequitable tax burdens by assessing new property owners near market value while long-time property owners benefit from dated assessments.

The Board of Assessors took a step in the right direction by purchasing its own CAMA system in 2003. However, the board has never taken full advantage of the system. To date, the assessors have used it only as a database. They have not employed it to generate valuations and currently lack the expertise in statistical modeling and CAMA programming to do so.

The utility of the system is further limited by the fact that it is not linked to Geographic Information System (GIS) mapping technology. Mapping makes it much easier to identify market areas – areas in which an assessor applies a particular valuation model – and to flag valuation outliers and errors.

Finally, accurate valuations require regular self-monitoring through in-house ratio studies. Using a sample of recently sold properties, ratio studies compare sales prices against the properties' assessments immediately

prior to the sale. The assessors do not conduct such studies on a regular basis.

In 2007, the assessors took an important step toward improving valuations by signing a contract with a private assessment services firm to value all property in the city. As is discussed more fully below, the board later canceled the portion calling for residential valuations. Instead, the firm will revalue only commercial and industrial property.

To produce fair, accurate and uniform assessments in Orleans Parish, the single assessor should:

- Develop an appraisal and technology staff capable of designing and executing mass appraisal valuation models appropriate for New Orleans.
- Abandon sales chasing in favor of more sophisticated revaluation based on recent sales and a wide variety of property characteristic data.
- Forge an agreement with the city to link the office's mass appraisal technology with the city's GIS, or create an in-house GIS.
- Conduct ratio studies at least annually to test the accuracy of the office's valuations.

Appeals

Accurate assessments will not mean much if the assessor's office then hands out unfair reductions based on appeals.

An examination of Orleans' appeal process reveals the need for improvement. Some assessors in Orleans Parish have lacked standard procedures for hearing informal assessment appeals and fostered an environment that encourages negotiation of assessments in face-to-face meetings between property owners and assessors.

To professionalize the informal appeal process within the assessment office, the single assessor should develop a clearly delineated process for hearing appeals. A property owner contesting an assessment should be required to make a compelling case, subject to scrutiny by a staff appraiser and at least two of his supervisors, to justify a reduced assessment.

Monitoring Exemptions

In addition to valuing property in the parish, the single assessor must also administer the various property tax exemptions afforded under Louisiana law. This is critical in New Orleans, where a significant portion of the property benefits from nonprofit exemptions.

For decades, the assessors' administration of nonprofit exemptions has fallen short of best practices. The offices do not engage in systematic monitoring of exemptions. The assessors do not uniformly require nonprofits to reapply for exemptions, and they do not systematically conduct inspections of exempt properties. Nor do they systematically revalue exempt properties. As a result, policymakers and the public are not informed of the cost of Louisiana's wide variety of exemptions.

To limit nonprofit exemptions to eligible properties, the single assessor should:

- Interpret exemptions as strictly as jurisprudence allows.
- Require exempt nonprofit property owners to reapply for their exemption on a regular basis.
- Conduct regular inspections of exempt property.

To educate policymakers and the public on the cost of exemptions, the single assessor should:

- Revalue exempt property as frequently as nonexempt property.
- Publish summary and organization-specific information on the number and value of exemptions.
- Advise taxpayers of the net impact of exemptions on their annual tax bills.

Transparency and Public Information

It is critical to reform that the public understand how the assessor's office works and what's at stake. To educate the public and to make the single assessor accountable, the office must make critical information available in a systematic way.

Historically, the seven assessors have published little information on how their offices operate and how they value property. Currently, the Board of Assessors' web site provides little information other than a searchable property database and a handful of forms. Anyone seeking other information from the assessors must either call or visit the office. Moreover, the assessors do not publish an annual report summarizing the state of the property tax base and key assessment data.

To enhance the quantity and quality of assessment-related information available to the public, the single assessor should:

- Add significantly more information to the web site, including an explanation of the role and duties of the assessor; an assessment timeline; downloadable forms; millage rate information; information on individual property tax exemptions and their value; and comprehensive explanations of valuation, exemptions, taxes and appeals. The office should make general information available upon request to property owners who lack web access.
- Publish an annual report, tabulating the number of parcels in the parish, the parish's total assessed value, assessments by property classification, assessments by neighborhood, and the number and value of homestead and nonprofit exemptions in the parish. It should also include the number of appeals and their outcomes, with a calculation of the impact of successful appeals.

Getting Off to a Good Start: How the State, City and Current Assessors Can Help

The Louisiana State Legislature, the current assessors and the City of New Orleans can help the incoming assessor by addressing certain matters critical to the proper operation of the assessment office.

Eliminating the Time Lag. When drafting the constitutional amendment on consolidation and the accompanying legislation in 2006, state legislators created an eight-month gap between the official end of the term of the seven assessors (May 2, 2010) and the

date on which the single assessor takes office (January 1, 2011).

During the session beginning March 29, 2010, the Legislature should amend state law to specify that the term of the single assessor begins the first Monday in May following the election.

Inheriting Uniform Assessments. In 2007, the assessors signed a contract with a private assessment services firm to collect data on every parcel in Orleans Parish, as well as to handle valuations and appeals. The data collection effort concluded in September, but, citing a funding shortage, the assessors cancelled the portion of the contract calling for residential valuation and appeal defenses. Instead, the firm will revalue only commercial and industrial property. Without the private residential valuations, the single assessor will inherit seven sets of valuations calculated seven different ways.

Obtaining residential valuations through a contractor would provide the single assessor with a baseline of uniform assessments for the entire city. It would also buy the assessor time to assemble an appraisal staff capable of completing that work in-house in future years. It is unlikely that the single assessor could develop an appraisal staff with this expertise in time to compile an accurate assessment roll for the 2012 reassessment.

The Board of Assessors should reinstitute the portion of the contract to revalue all residential property in the parish and defend against property owner appeals. If the Board of Assessors does not restore the contract for revaluation of residential property, the single assessor should immediately determine the combination of in-house and private appraisal work needed to produce an accurate assessment roll for the 2012 reassessment.

Fixing the Board of Review. Best practices suggest that the board of review for assessment appeals should be comprised of individuals with real estate, appraisal and other relevant expertise. Professional standards call for these individuals to apply industry-established techniques for determining market value when considering appeals.

Under Louisiana law, the New Orleans City Council serves as the board of review. The City Council's lack of assessment expertise and its multitude of other responsibilities make it an inappropriate choice to handle such an important role in the appeal process.

To professionalize board of review hearings, the Legislature should initiate a constitutional amendment to replace the parish's governing authority (in New Orleans, the City Council) with a panel of independent experts in the fields of real estate and appraisal. If the Legislature does not enact such a change, the City Council should hire consultants and require them to conduct appraisals in accordance with IAAO standards.

INTRODUCTION

In 2006, voters statewide and in Orleans Parish voted to amend the Louisiana Constitution to consolidate New Orleans' seven-district assessment system into a single, parishwide office. This spring, Orleans Parish voters will elect a single assessor, officially ending the district-based system that for decades has hamstrung city finances and contributed to inequitable tax burdens. The election will bring Orleans Parish's assessment structure in line with that of the other 63 parishes in Louisiana.

Leading up to the February elections, voters will no doubt devote considerable attention to the high-profile races for Mayor and City Council, but they should also give careful consideration to the election of the single assessor. The new office will determine for taxation purposes the fair market value of all residential, commercial and industrial property in Orleans Parish. Getting this right is essential for the fair administration of the property tax, a primary funding source for schools, public safety and infrastructure. The single assessor will also administer the many property tax exemptions afforded under Louisiana law, including those for homesteads and nonprofit organizations.

While the consolidation amendment marked a major step forward for assessment reform in New Orleans, it alone will not cure the multitude of problems that have plagued the assessment system. Rather, consolidation provides an unprecedented opportunity to establish the best practice reforms necessary to modernize the office's structure and technology – and ultimately establish a fair, accurate and transparent assessment system in Orleans Parish.

For years, BGR has highlighted the central problems of Orleans Parish's property tax system: top-heavy administration, uneven assessments and inappropriate exemptions. BGR has recommended wholesale changes across the property tax landscape, targeted at the Louisiana State Legislature, the Louisiana Tax Commission and the seven assessors. Virtually all of those recommendations remain relevant today. However, this report will focus primarily on matters within the single assessor's immediate control and

matters impacting the transition to a consolidated office.

Once elected, the single assessor will have significant discretion in determining how the new office is structured, how it collects data, how it values property, how it monitors exemptions, how it handles appeals and how it relates with the public. Fortunately, the International Association of Assessing Officers (IAAO), an educational and research association serving assessment professionals, has published industry-established best practices on each of these fronts. Assessment offices around the state and country provide examples of how the new assessor can implement them.

In this report, BGR will outline these best practices, compare them to the current practices of the seven assessors and examine how the single assessor can deploy best practices to establish a quality, 21st century assessment office in Orleans Parish.

WHEN WILL THE SINGLE ASSESSOR TAKE OFFICE?

When drafting the consolidation amendment and accompanying legislation in 2006, state legislators failed to create a logical transition to a single assessor. The terms of the seven assessors expire May 2, 2010. However, under state law, the single assessor will not take office until January 1, 2011.¹ This creates a nearly eight-month gap between the end of the terms of the seven assessors and the date the single assessor takes office.

The state Attorney General has issued an opinion stating that Louisiana law allows the seven assessors to remain in office – and maintain control over budgets and personnel – until the single assessor is officially sworn in January 1, 2011. The Attorney General has noted that the Legislature is free to address the gap during its upcoming legislative session, which begins March 29, 2010.²

Eliminating this gap is imperative for the prompt

METHODOLOGY

In conducting this study, BGR consulted a variety of sources. These included publications of the International Association of Assessing Officers and interviews with the Louisiana Tax Commission staff and eight Louisiana assessors, both in Orleans and other parishes.

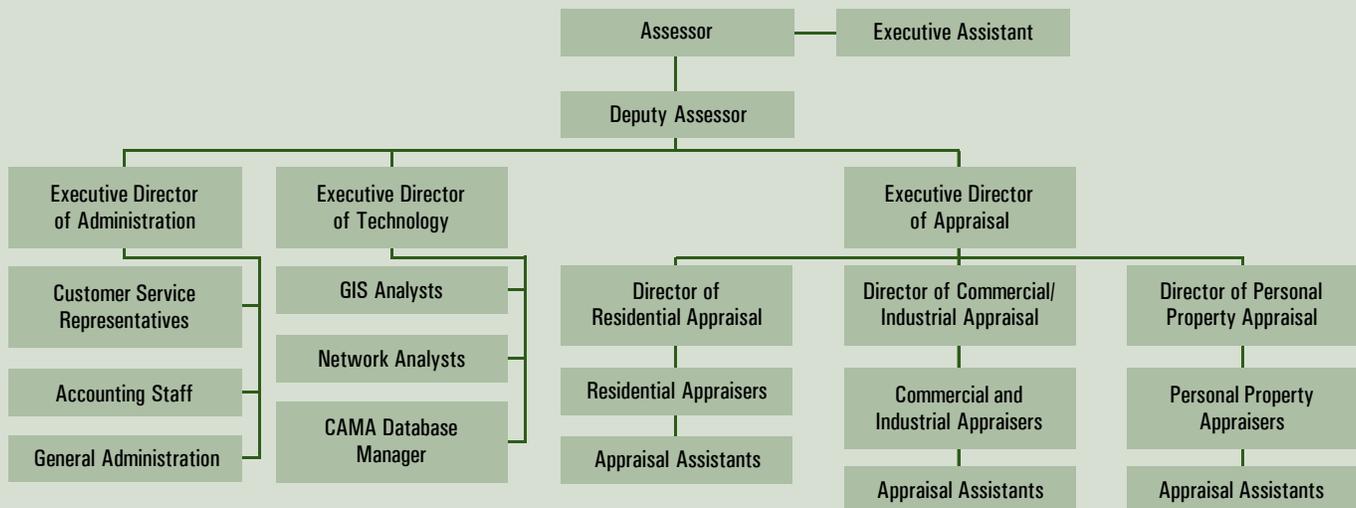
BGR also consulted assessors from model jurisdictions around the country, including Milwaukee, Wis., and Alachua and Lee counties, Fla., both recent winners of the IAAO's Certificate of Excellence in Assessment Administration. Finally, where appropriate, BGR relied on some of its previous research and publications on assessment practices in Orleans Parish.

implementation of the best practice reforms recommended below. It would also give the single assessor 15 months, instead of just seven, to complete the sizable task of compiling an accurate tax roll for the mandatory parishwide reassessment in 2012.³

Some of the current assessors argue that changing the takeover date to May 3, 2010, would create a chaotic three months leading up to the August 1, 2010 deadline for finalizing the 2011 assessment roll. But, because 2011 is not a mandatory reassessment year, this period should not be nearly as chaotic as the 2008 reassessment, when thousands of homeowners filled City Hall to appeal their assessments.

The transition from seven offices to one will create challenges whenever it occurs, but moving the takeover date up to May 3, 2010, will give the single assessor more time to prepare for the next mandatory quadrennial reassessment in 2012.

SAMPLE ORGANIZATIONAL CHART OF A MODEL ASSESSMENT OFFICE



Source: BGR chart based on IAAO best practices model and survey of several model offices.⁴

BEST PRACTICES: HOW DOES ORLEANS MEASURE UP?

The single assessor will inherit from the current seven assessors significant room for improvement in key areas. The following sections discuss these areas in detail:

- Organizational structure and staffing
- Data collection and maintenance
- Accurate valuations
- Appeals
- Exemptions
- Transparency and public information

Organizational Structure

A successful assessment office requires an organizational structure designed to fulfill the office’s assessment mission. The assessor should establish departments – and positions within them – that enable the office to carry out parishwide assessment effectively and efficiently.

A Well-Structured Office. BGR’s review of model assessment offices indicates that an assessor should organize the office around three primary functions: appraisal, technology and administration. In larger offices, these functions are handled by three different departments. In some smaller offices, technology and administration are combined into a single department.

The appraisal department should contain divisions that value residential, commercial, industrial and moveable business property (also referred to in assessment circles as “personal property”). The technology department should perform the office’s information technology and mapping functions. The administration department should perform the range of clerical, customer service and other administrative duties necessary for the office. This structure, illustrated in a sample organizational chart above, allows teams of specialized staff to apply their expertise to the core elements of property tax assessment.

Best practices suggest that a jurisdiction the size of Orleans Parish should employ one full-time employee for every 3,000 to 3,500 parcels in the parish.⁵ With roughly 165,000 parcels in Orleans, this ratio suggests a staff of 47 to 55 employees. Although the IAAO does not recommend a benchmark ratio of appraisal, technology and administrative personnel,

BGR’s review of successful assessment offices around the country indicates that the staff should be composed of at least 60% appraisal and technology employees.

Current Organizational Structure in Orleans. Because of New Orleans’ unique seven-district assessment system, its organizational structure and staffing patterns bear little resemblance to best practices. Currently, New Orleans’ assessment system is governed by the Orleans Parish Board of Assessors. The Board consists of seven elected assessors, and each assessor is responsible for valuing property in his or her district. The seven assessors manage their own staffs.

The Board of Assessors and the seven assessors’ offices employ a total of 53 full-time-equivalent workers. Each assessor’s staff varies in size, from three to 16 employees. The seven assessors organize their offices in various ways. Most offices are staffed by a combination of deputy assessors and clerical personnel. Many of them are so small that employees do not develop specialized areas of expertise in essential appraisal, technological and administrative functions. For example, many of the offices’ “deputy assessors” juggle appraisal and administrative responsibilities. The chart at right illustrates the staffing of the current system.

Collectively, the total staff of 53 employees rests within the IAAO’s recommended range. However, the assessors do not have sufficient data collection, mapping, accounting, legal or technology staff. The assessors have neglected those functions, or the Board of Assessors has contracted with private firms to per-

form them. For instance, after decades of insufficient collection and maintenance of property data, in 2007 the assessors signed a multi-million dollar contract with a private firm to collect data on all property in the parish. (BGR will discuss this contract in more detail in the coming sections.)

The new assessor will certainly have the resources to assemble a quality staff. New Orleans’ assessors receive considerably more money per parcel to run their offices than do their counterparts in other major parishes in Louisiana. In 2009, Orleans Parish had a budget of \$41 per parcel, compared to roughly \$29 per parcel in East Baton Rouge, \$27 in Caddo and \$15 in Jefferson. However, the top-heavy organizational structure in Orleans has prevented taxpayers from getting the best return on their investment in the assessment system. For example, Orleans Parish taxpayers pay \$728,000 each year to cover the salaries and expense accounts of the seven assessors. By contrast, the annual salary and expense allowance for the assessor in Jefferson Parish, which contains more parcels than Orleans, total just \$126,700.

Creating a New Staff Structure. Once elected, the single assessor will face the challenge of immediately transi-

ASSESSMENT STAFFING IN NEW ORLEANS

<p>Board of Assessors - 8 Assessors (7) Secretary</p>	<p>Mire (1st) - 6 Chief Deputy Assessor Deputy Assessor (3) Executive Assistant Secretary</p>	<p>Williams (3rd) - 16 Chief Deputy Assessor Residential Appraiser (2) Commercial Appraiser Personal Property Appraiser Abstract Specialist (2) Photographer Customer Service Supervisor Customer Service Rep. (6) Secretary</p>
<p>Maubret (2nd) – 6.5 Chief Deputy Assessor Deputy Assessor (2) Field Worker (1.5) Office Manager Secretary</p>	<p>Arnold (5th) – 5.5 Chief of Staff Chief Deputy Assessor Deputy Assessor (2.5) Secretary</p>	<p>Marshall (6th) - 6 Chief Deputy Assessor Deputy Assessor (4) Secretary</p>
	<p>Jefferson (4th) - 2 Deputy Assessor (2)</p>	<p>Heaton (7th) - 3 Deputy Assessor (3)</p>
<p>Total Employees: 53</p>		

Source: Orleans Parish assessors.

tioning to a parish-wide assessment office. The assessor should establish an organizational structure modeled after best practices, with specialized departments devoted to appraisal, technology and administration.

Establishing fully-staffed, professional departments in these areas is critical to creating a more specialized work force and a more clear-cut division of labor. Enabling staff to focus solely on their particular areas of expertise should ultimately generate better data, maps, valuations and public information.

Consolidating the seven assessor offices into a model organization will be a significant challenge. The newly elected assessor could get a start on the project during the transition by hiring professionals to develop an organizational plan. The plan should identify the key challenges to getting the office off the ground and provide a realistic timeline of actions necessary to meet those challenges.

Staffing the New Office

The success of the consolidated assessment office will hinge not only on its organizational structure, but also on the quality of its personnel. Employees should possess a baseline of education and assessment expertise to perform the appraisal, technological and administrative tasks inherent in modern property tax assessment. Therefore, the new assessor should establish appropriate minimum educational and professional standards to ensure that employees can perform their jobs at a high level.

A Qualified Staff. The IAAO's *Standard on Professional Development* outlines minimum education and professional qualifications necessary for employees in a modern assessment office. For example, the *Standard* recommends that staff appraisers have a bachelor's degree in a related field, have mastered the three standard approaches to valuation (see sidebar) and have completed four foundational courses in appraisal techniques and ethics. Mapping staff should possess formal training in Geographic Information Systems (GIS) and should have completed IAAO courses in introductory appraisal techniques, mapping and ethics. The *Standard* also recommends educational and professional standards for other key personnel in an assessment office.⁶

THE THREE APPROACHES TO ASSESSING PROPERTY

There are three industry-recognized techniques for assessing the fair market value of real property: the sales comparison approach, the cost approach and the income approach. In Louisiana, an assessor must use at least one of these approaches to determine the fair market value of properties.⁷

The sales comparison approach estimates the value of a property by analyzing the sales prices of similar properties. The reliability of this approach hinges on the number and quality of available sales. When enough information is available, the sales comparison approach is the preferred method for assessing single-family residential property and land.

The cost approach estimates the fair market value of a structure by calculating the cost of replacing it, adjusted for depreciation. This method requires reliable data on current construction costs and accurate depreciation schedules. The cost approach is the preferred method for assessing industrial and special purpose property and can assist with assessing single-family residential property.

The income approach uses statistical analysis of income and expense data to value property. It is the preferred valuation method for income-producing properties, like commercial, agricultural and some industrial and multi-family rental property.

Educational and Professional Standards in the Seven-Assessor System. Currently, neither state law nor the Orleans Parish Board of Assessors imposes standards for minimum education or professional qualifications for assessors or their staffs. Assessors can, however, receive a 7% annual salary bonus if they complete a series of courses and become a Certified Louisiana Assessor.⁸ To gain certification, an assessor must pass

four 30-hour IAAO courses and a 15-hour ethics course. Six of the seven assessors are certified.⁹ Staff members can obtain a Certified Louisiana Deputy Assessor designation by completing the same courses.¹⁰ Only a handful of staffers – a total of seven, from just three of the seven offices – are certified.

Assembling the Staff. Upon taking office, the single assessor must assemble a staff capable of carrying out the responsibilities of a modern, consolidated assessment organization. This will require opening all positions to a wide variety of applicants, including, but not limited to, current employees. Using interviews and skills evaluations, the assessor should identify the highest quality personnel available to fill positions in the new organization. The assessor should also gauge applicants' willingness to embark on the best practice reforms outlined in this report. Furthermore, staff members should meet minimum educational and professional standards similar to those recommended by the IAAO.

BGR's review of the offices' current staffing and structure revealed three major issues with staffing.

First, the seven offices possess a total of 25 deputy assessors. At first glance, this might suggest that the new assessor will inherit a full stable of qualified appraisers. However, some assessors assign the title of deputy assessor to employees who possess significant administrative, non-appraisal responsibilities and who have not achieved state certification. Rehiring all deputy assessors working in the current assessment system would not result in the highest quality appraisal staff.

Second, the current offices collectively lack the mapping and technology personnel necessary for parish-wide assessment. The new assessor must recruit outside the current organization to fill these roles.

Third, the offices contain duplicative personnel, such as the seven elected assessors and redundant administrative staff. Eliminating redundant positions will be necessary to free up resources needed to adequately staff essential appraisal and technological functions in the new organization.

When staffing the new office, the assessor should not

simply rehire everyone from the old system. Like other applicants, current employees of the Board of Assessors and the seven assessors' offices must prove, through a competitive application process, that they are best suited to fill a position in the new office. Since the assessors' employees are unclassified members of the civil service, the new assessor will possess flexibility in assembling a staff.¹¹

In considering whether to rehire current personnel, the new assessor should take into account the need for a change in the organizational culture. Obviously, some of the existing personnel have played a role in the dysfunction that has plagued the office. With this in mind, the assessor must determine whether each potential employee would contribute to, or detract from, the reform effort. Rehiring the existing assessors would tend to work against a change in the organizational culture.

Data Collection and Maintenance

Accurate assessment requires correct, complete and current property data. Without it, an assessor cannot determine the fair market value of property. Therefore, the new assessor should devote sufficient resources to collecting and maintaining this data. This requires significant investment, since data collection is generally the most costly and labor intensive component of assessment.

Gathering and Maintaining Data. In general, an assessor should collect sales data and detailed property characteristic data, such as square footage, lot size, use, location, quality of construction, architectural style, number of bedrooms and bathrooms, and information regarding the property's roof and foundation. For commercial property, an assessor should collect income and expense data and information on moveable property. An assessor should continuously collect this data throughout the parish to ensure that property information is as current and complete as possible in advance of parishwide reassessments. In Louisiana, an assessor must revalue real property at least every four years and assess moveable business property, known in assessment circles as "personal property," every year.¹²

To gather and maintain property data, an assessor must:

- Ensure frequent field visits by appraisers or trained data collectors. Some jurisdictions employ handheld computer devices that allow appraisers to enter property data directly from the field.
- Monitor property sales. Sales data are needed for reliable valuation models based on market value, and they provide an assessor with indicators of the office's valuation performance.
- Continually update property characteristics data in response to new construction, new parcels, remodeling, demolition and destruction. Tracking these changes requires close coordination with the local permitting agency.

Current Data Collection Practices in Orleans. New Orleans' assessors have long failed to collect complete and current property data. In the current top-heavy system, the assessors have not employed sufficient staff to carry out an effective data collection program. Instead, for years the assessors relied on acts of sale, permits and whatever information their small staffs uncovered in the field.¹³

Assessors face a legal barrier to acquiring a complete picture of each property in the jurisdiction, as Louisiana law does not expressly allow interior inspection of property.¹⁴ This limits the accuracy of assessments, particularly in an older city like New Orleans, where critical characteristics affecting value often lie inside a property.

In 2007, in an effort to remedy its lack of dependable information, the assessors signed contracts with a private assessment services firm to collect data on every parcel in Orleans Parish, value all property in the parish and defend against assessment appeals filed by property owners. The data collection effort concluded in September 2009. In June, the assessors amended the valuation portion of the contract. Citing a funding shortage, the assessors cancelled the revaluations and appeal defenses for residential property. The contractor will revalue only commercial and industrial property.

These contracts, even as amended, carry a considerable cost: \$8.9 million for data collection and \$900,000 for commercial and industrial revaluations. In 2007, the assessors issued a 10-year revenue bond to pay for the data collection component. The single assessor will face annual payments of \$1.15 million – roughly one-sixth of the office's budget – through 2017 to service that debt. Operating funds are covering the \$900,000 bill for commercial and industrial revaluations.

Getting Serious about Data Collection. The single assessor should protect its multimillion-dollar investment in fresh property data by establishing an aggressive data maintenance program. The program should update property information continuously, so that the office's appraisal staff is armed with accurate data prior to mandatory quadrennial reassessments. This is especially important in post-Katrina New Orleans, where the housing stock is changing rapidly.

This program should consist of appraisers or trained data collectors using all methods of data collection legally available to them. These methods include regular exterior inspections of properties; consistent monitoring of sales, permits and real estate data; and the use of aerial photography and property owner questionnaires.¹⁵ If a property owner fails to return the questionnaire to the assessor, he loses the right to appeal the assessment.¹⁶

This program could be staffed by in-house appraisers or contracted out to a private firm. However, BGR's interviews with assessors – both locally and around the country – suggest that the single assessor should conduct most data maintenance efforts in-house. To start, relying on private contractors is expensive. According to its 2007 data collection contract with the Board of Assessors, the contractor charges \$55 for an hour of work performed by a data collector and \$90 for an hour of work performed by an appraiser.

A team of in-house appraisers could maintain the recently-collected data at a more reasonable cost. According to salary information provided to BGR by assessment offices around the country, entry-level appraisers or data collectors earn roughly \$37,000 per year. Mid-level appraisers earn roughly \$55,000 per

year. Assuming that the cost of employee benefits equals 35% of salary,¹⁷ the cost of employing entry- and mid-level appraisers jumps to between \$49,950 and \$74,250, respectively. This equates to hourly rates of \$25 and \$37 per hour, significantly less than the rates charged by the private assessment services firm.

Using in-house staff to maintain property data would also guarantee that the office's appraisal staff is intimately familiar with the parish's neighborhoods. This is vital to determining value and defending against property owner appeals. Furthermore, because monitoring sales and permit data is recurring work, permanent, in-house employees offer the best approach to maintaining this data.

Valuation and Computer Technology

Once an assessor's office has accurate property data on hand, it must translate the information into fair market valuations. This is no small task. Yet countless jurisdictions around the state and country manage to meet similar challenges thanks in large part to modern appraisal technology. The single assessor will inherit such technology from the seven assessors, but he or she must take full advantage of it in order to provide Orleans Parish with fair and accurate assessments.

Best Practices for Valuation. IAAO standards recommend that an assessor physically review and individually reappraise all property within a jurisdiction at least every four to six years. Louisiana law supports this best practice, requiring parishwide reappraisal at least every four years.¹⁸

Logistically, it would be nearly impossible for an assessor to conduct field appraisals of every property in a jurisdiction immediately prior to a parishwide reassessment. Therefore, modern assessment offices rely heavily on mass appraisal technology to value property. Computer assisted mass appraisal, or CAMA, is a powerful tool that values property by applying statistical techniques to property data. The valuations are based on the neighborhood in which the property is located, recent sales, and a multitude of property characteristics, such as use, square footage, lot size, age, location, number of bedrooms and bathrooms, and quality of construction.¹⁹ This technology

allows an assessor to create valuation models that incorporate the wide variety of the factors that determine a property's value. CAMA also allows an assessor to value large numbers of property at once, which improves the uniformity of assessments.

CAMA's benefits multiply when linked with online mapping software, such as GIS.²⁰ The maps bring the information stored in and generated by CAMA to life. Linking the technologies allows appraisal staff to view property information alongside aerial and street-level photos. The linking also allows an assessor to visualize neighborhood trends and identify outliers or errors. Finally, mapping software facilitates the creation in CAMA of market areas that contain like properties. Creating these distinct districts provides a defined geographical area in which an assessor can apply a particular valuation model.

However, using a sophisticated valuation model in CAMA does not guarantee flawless assessments. Appraisal staff should monitor CAMA output for accuracy and conduct additional field appraisals and adjust valuations where necessary. This is especially important in New Orleans, which has significant variety among and within its neighborhoods.

Without current property data and modern valuation technology, an assessor faces the temptation to engage in sales chasing, the practice of adjusting a recently sold property to its sale price. This has been the case in New Orleans. However, sales chasing is not a justifiable approach to valuation. It creates inequity through a dual system of valuation: a higher one for newcomers to a neighborhood and a lower one for long-term owners. When an assessment district is characterized by significant degrees of under-assessment, sales chasing creates acute equity problems. An assessor can achieve greater accuracy and equity by applying a CAMA valuation model – that includes recent sales as a key variable – to all properties in a neighborhood, and then using staff appraisers to review the valuations and adjust them, where necessary.

In jurisdictions taking full advantage of CAMA, all assessment staff members use the system in some way. Senior appraisers and technology staff develop the statistical models that produce property valuations. Staff

appraisers fill CAMA property databases with the characteristic data they uncover in the field and monitor CAMA data and output for accuracy. Mapping personnel work to provide a visual element to the data stored in and produced by CAMA. Administrative personnel enter property data collected by appraisers in the field, produce reports and access property records.

Current Valuation Technology in Orleans. In an effort to modernize its valuation methods, the Board of Assessors purchased a CAMA system in fall of 2003 for \$1.2 million, leaving behind a 1970s-era computer database and thousands of paper records. Although the Board of Assessors acquired the CAMA system six years ago, it has yet to take full advantage of it. To date, the assessors have used the system only as a database, not to value property in the system. The single assessor must overcome two challenges to fully exploit CAMA's potential.

First, generating valuations in CAMA requires that an assessor's office possess expertise in statistical modeling and CAMA programming. The seven assessors and their staffs do not currently possess this expertise.

Second, the assessors' CAMA system is not linked to GIS mapping technology.²¹ This significantly limits the program's power. Linking CAMA and mapping technology would provide benefits of particular significance to New Orleans, with its heterogeneous collection of neighborhoods. To begin with, market areas – areas in which an assessor applies a particular valuation model – are much easier to identify if placed on a map, rather than a database. Furthermore, linking CAMA and mapping technology would allow the assessor to visually flag valuation outliers and errors. The assessor could then zero in and determine whether a property is indeed unique or has simply received an incorrect valuation.

In interviews with BGR, several of the assessors noted that they attempted to work with the Mayor's Office of Technology to link CAMA with the city's GIS, but that the two sides never reached an agreement. The assessors are hopeful that the single assessor can forge such an agreement with a new mayoral administration. Linking assessment data with the city's existing GIS offers the possibility of critical information-sharing

SALES CHASING: A HAM-HANDED APPROACH TO VALUATION

In a properly functioning assessment system, property would be assessed at its fair market value, and similar properties – with respect to size, use, condition and location – would be assessed at similar levels. That has rarely been the case in New Orleans. With stale data and underutilized valuation technology, the assessors have failed to apply equitable and comprehensive valuation models to property in their districts. Instead, the assessors in Orleans historically have relied heavily on sales chasing, which has resulted in chronically low and inconsistent valuations.

For example, a 2004 analysis by *The Times-Picayune* revealed that, on average, homes were selling for 70% more than their assessed value.²² The newspaper's analysis featured one particularly galling example of the assessors' failure to keep assessments current. A large, three-story Greek revival townhouse in the heart of the French Quarter sold for \$3.5 million. Since it had not changed hands in years, at the time of sale it was assessed at just \$300,000.

Just prior to Katrina, the Louisiana Tax Commission ordered the seven assessors to reassess all property in the parish. Those reassessments, which were completed in 2007, represented the first serious effort in decades to assess property at its actual value. The reassessments increased the taxable value of property in the parish by 37% – a shocking figure considering the widespread property damage caused by Hurricane Katrina – and allowed the City Council and other local taxing bodies to cut the local millage rate by 27%.²³

However, despite the improved assessments, parishwide underassessment and inequities between districts remain. A follow-up analysis conducted by *The Times-Picayune* in 2008 revealed that recently sold properties were selling on average for 24% more than their assessed value.²⁴ The analysis also revealed that, though some districts were finally assessing near fair market value, others continued to lag.

between agencies, such as between the Office of Safety and Permits and the assessor. If the single assessor cannot forge an agreement with the city, he or she should explore purchasing GIS for the office.

Deploying Modern Valuation Technology in New Orleans. The single assessor must produce accurate valuations for the mandatory 2012 reassessment and beyond. The 2012 parishwide reassessment will be a challenge, particularly since the single assessor will not inherit the in-house expertise and mapping system needed to fully deploy the CAMA technology.

The 2012 assessment roll must be ready for public inspection by August 1, 2011,²⁵ just seven months after

the new assessor is scheduled to take office. If state law is amended to allow the single assessor to take office on May 3, 2010, immediately following the terms of the seven assessors, the new assessor will have 15 months to restructure the office, assemble a staff and produce fair assessments. This is a tight schedule.

Producing accurate valuations for the 2012 reassessment would be much easier had the Board of Assessors not cancelled the portion of its contract with a private contractor that called for it to value the roughly 120,000 residential parcels in the parish. While expensive – the residential valuations and appeal defenses carried a price tag of roughly \$2 million – this portion of the contract would have provid-

ASSESSMENT FUNDING IN ORLEANS PARISH

For years, the Board of Assessors complained that poor funding prevented the assessors from collecting current data and producing accurate valuations. The single assessor will not be able to make such a claim. Thanks to a 2005 change to state law, the assessors now receive 2 percent of the ad valorem taxes levied on property in Orleans Parish.²⁶ This represents a significant increase in funding. Prior to the change, the assessors' total budget hovered around \$3 million. In 2009, it totaled \$6.9 million. In addition to receiving the 2 percent of levied taxes, the assessors receive in-kind support from the city in the form of office space and utilities.

The assessors enjoy a generous budget compared to assessment offices of comparable size. The table below, which includes parcel and budget information from large Louisiana parishes and comparably-sized jurisdictions from around the country, illustrates this point.

The single assessor will feel the budgetary impact of the parishwide data collection contract. The \$8.9 million loan requires annual payments of \$1.15 million through 2017. However, the remaining funds should leave the single assessor with ample funding to run the office. Subtracting the \$1.15 million debt service payment from the Board of

Assessors' 2009 budget, the assessors shared roughly \$5.73 million – or \$34.71 per parcel – to run the seven-assessor system. This per parcel budget still puts Orleans near the top of the range of jurisdictions sampled above.

Assessor Budgets in Orleans Parish and Other Jurisdictions

Jurisdiction	Parcels	2009 Budget	Budget per Parcel
Gainesville - Alachua, Fla.	114,424	\$5,031,749	\$43.97
Boston, Mass.	143,000	\$6,223,002	\$43.52
Orleans Parish	165,062	\$6,880,742	\$41.69
Nashville - Davidson, Tenn.	236,500	\$7,198,900	\$30.44
Milwaukee, Wis.	153,946	\$4,500,000	\$29.23
East Baton Rouge Parish	140,322	\$4,000,000	\$28.51
Caddo Parish	152,733	\$4,049,191	\$26.51
Lafayette Parish	102,492	\$1,800,000	\$17.56
Jefferson Parish	176,534	\$2,730,000	\$15.46

Source: Louisiana Tax Commission Biennial Report, 2006-2007, and BGR surveys of assessment offices.

ed the single assessor with a baseline of professional, uniform property valuations with which to begin work. Without the professional valuations, the single assessor will inherit seven sets of assessments calculated seven different ways.

Developing a CAMA valuation model will be challenging for the new assessor. New Orleans is famous for its remarkable architectural diversity, both among and within its neighborhoods. Many neighborhoods contain properties in varying degrees of repair. In many parts of the city, clunky, across-the-board valuation models based on only a couple of variables, such as per-square-foot value and location alone, will not produce accurate assessments. The single assessor must develop a CAMA valuation model that accounts for neighborhood heterogeneity and the wide variety of factors that influence value.²⁷

Monitoring Valuation Performance

There is no excuse for the level of underassessment and inequity that has long plagued Orleans Parish. An assessor should regularly evaluate the accuracy and equity of assessments, and ratio studies provide an easy-to-implement method for doing so.

Putting Ratio Studies to Work. The IAAO recommends that an assessor regularly utilize in-house ratio studies to test valuation performance.²⁸ Using a sample of recently sold properties, ratio studies compare sale prices against the properties' assessments immediately prior to the sale. As long as the study employs a sufficient sample of recently sold properties, this comparison provides the assessor a window into whether valuations are keeping pace with market values. Ratio studies also measure the variability of assessments, shedding light on whether taxpayers within an assessment district fairly share the property tax burden.

Virtually all CAMA systems allow an assessor to conduct in-house ratio studies. The IAAO recommends that an assessor conduct ratio studies at least annually, but an assessor can also make more regular use of this tool. For example, Milwaukee's assessor conducts monthly studies both to test the office's valuation performance and to identify neighborhoods in need of attention from appraisal staff.

Local Weaknesses in Quality Control. Historically, the seven assessor offices have not conducted regular, in-house ratio studies to monitor performance.

The Louisiana Tax Commission subjects every assessor in the state to four types of ratio studies every quadrennial reassessment cycle: sales, commercial improvements, whole property residential, and land.

If an assessment office does not meet certain benchmarks – the average assessments from the sample must be within 10% of their total fair market value, and the sample's coefficient of dispersion, a measure of variability, must not exceed 20% – the Tax Commission can mandate a parishwide reassessment.²⁹

The sales ratio studies conducted by the Tax Commission compare sale prices to assessments. The other three studies compare appraisals conducted by the Tax Commission to assessments.

However, the Tax Commission's ratio studies do not always paint an accurate picture of assessor performance. When conducting sales ratio studies, the Tax Commission often includes assessments that have already been adjusted in reaction to the sale.³⁰ This undermines the validity of the studies.

Effectively Monitoring Performance. Ratio studies are an excellent, easy-to-use tool for analyzing appraisal performance if conducted properly. The single assessor should make use of them to evaluate the quality of the assessments that come from the current seven assessors and to self-monitor the office's future valuation performance.

Assessment Appeals

Even in a model assessment system, valuation errors are inevitable. A data collection or clerical error can cause CAMA to produce a faulty valuation. An assessor may forget to apply an exemption. Or, an assessor's valuation model in a particular neighborhood may neglect a key variable that significantly impacts property value. Even if an assessor's appraisal staff diligently monitors CAMA valuation output for errors and makes every effort to address them, mistakes will occur. Moreover, even if an assessment is accurate, a property owner might contest it anyway. This is where the

appeals process comes into play.

How Appeals Should Work. The IAAO recommends that assessment appeals proceed through a four-step process.³¹ First, property owners should be able to request an informal review with the assessment office to confirm the accuracy of property data and to review sales of comparable property. If the informal review does not address the property owner's concerns, he should be able to appeal to a local board of review. If the property owner or the assessor is not satisfied with the determination by the board of review, either party should be able to appeal to a state tax tribunal. If the property owner or assessor is not satisfied with the state tax tribunal's decision, either party should have recourse to the courts.

Assessment Appeals in Orleans. The assessment appeal process set forth in the Louisiana Constitution provides for review by the parish governing authority, which acts as the board of review, the Louisiana Tax Commission and the courts.³² The assessors provide a first level of appeal in their own offices. There are problems with the review processes at the assessor and governing authority levels.

Some assessors in Orleans Parish lack standard procedures for hearing informal assessment appeals, both during the two-week roll review period each August and when dissatisfied property owners visit the office throughout the year. This has fostered an environment where property owners believe that assessments can be negotiated in face-to-face meetings with their assessor. A property owner visiting the office to contest an assessment should not receive a reduction simply for showing up. He should be required to make a compelling case, subject to scrutiny by appraisal staff, to receive a reduced assessment.

The IAAO recommends that the board of review, the second level of the appeal process, include individuals with real estate, appraisal and other relevant expertise.³³ However, in Louisiana, the parish governing authority serves as the board of review.³⁴ The New Orleans City Council itself has noted that its lack of assessment expertise and multitude of other responsibilities make it an inappropriate choice to handle such an important role in the appeal process.³⁵ In recent years, the City Council

has hired a third party to review the appeals.

Improving the Appeal Process. In the consolidated office, the single assessor should implement standard procedures for hearing informal assessment appeals – both for practical purposes and to remove the specter of politics from the process. In model jurisdictions, including Alachua and Lee counties in Florida, property owners who disagree with their assessment must make an appointment with the staff appraiser responsible for their neighborhood. At the appointment, the property owner and appraiser confirm the accuracy of property characteristic data and review recent sales. If the staff appraiser recommends adjusting the assessment, the recommendation must first receive the approval of an appraisal supervisor and then of the assessor. Such a process limits the assessor's role in hearing informal appeals and sends the message that property owners must present a compelling case, based on supporting evidence, that they merit an adjustment.

To improve the second level of the appeal process, the Legislature should initiate a constitutional amendment to replace the parish governing authority as the board of review with a panel of experts in real estate and appraisal. If such a constitutional amendment is not possible, the City Council should contract with consultants that meet and apply IAAO standards.

Monitoring Exemptions

In addition to valuing all property in the parish, the single assessor must also administer the various property tax exemptions afforded under Louisiana law. These exemptions – for homesteads, public property, and nonprofit-owned property – significantly impact the tax burdens of non-exempt property owners. Therefore, the single assessor must take exemption administration seriously.

Strong Exemption Administration. BGR has long advocated for improvements to exemption administration in Orleans Parish.³⁶ It has called on assessors to act as more aggressive exemption gatekeepers and monitors. An assessor should closely scrutinize applications for exemptions and strictly interpret exemption criteria. After an assessor has granted an exemption, the work is not complete. The assessor should rigorously moni-

A VIEW FROM THE COURTS: THE WEAKNESS OF LOUISIANA'S NONPROFIT EXEMPTION CRITERIA

The Louisiana Constitution states that non-profit-owned property shall not be exempt if "owned, operated, leased or used for commercial purposes unrelated to the exempt purposes" of the organization. This clause is the lone limitation on nonprofit exemptions. In an effort to ensure that exemptions go only to property used in the public interest, Louisiana assessors have tried to interpret this language strictly. However, they have met resistance from the courts. Three cases, all regarding Orleans Parish properties, illustrate the jurisprudence on the matter.

In the early 1980s, the Louisiana Supreme Court upheld a lower court's decision stating that a restaurant, pharmacy, parking garage and private office complex owned by and located next to Hotel Dieu, a nonprofit hospital, were exempt. The court concluded that because their use, though commercial, was related to the nonprofit health care facility, the exemptions did not run afoul of the limitation on "unrelated commercial use."³⁷

In a 1997-98 dispute between the 5th District Assessor and Tulane University, a state appellate court ruled that vacant property held by a nonprofit organization did not amount to a commercial use and therefore did not violate the limitation set forth in the constitution.³⁸

And, finally, in 1998 the Board of Assessors lost an exemption dispute with Volunteers of America (VOA), a nonprofit housing provider.³⁹ The assessors claimed that because VOA rents were not substantially lower than market rents, and because the constitution does not explicitly provide for a housing exemption, the VOA property should not be exempt. A state court disagreed, arguing that certain day care, educational and counseling services offered on the site were sufficient to merit an exemption.

tor exemptions – via regular reapplication requirements and inspections of exempt property – to determine whether exempt property owners continue to meet eligibility requirements.

In addition, assessors should keep assessments of exempt property current. Although exempt parcels do not generate tax revenue, policymakers and taxpayers need current assessments to evaluate the true cost of exemptions. Assessors should also advise taxpayers of the net impact of exemptions on their tax bills and publish summary and organization-specific information on exemptions.

Exemption Administration in Orleans Parish. For decades, exemption administration in Orleans Parish has fallen short of the best practices highlighted above, especially with respect to nonprofit exemptions. Once a property receives an exemption, the offices do not engage in systematic monitoring. The assessors do not uniformly require reapplication for nonprofit exemptions, and they do not systematically conduct inspections of exempt properties.⁴⁰ As a result, ineligible organizations may continue to enjoy sizable tax breaks.⁴¹

In the past, the seven assessors have defended the passive approach to gatekeeping and monitoring of exemptions, citing a lack of legal resources, generous and vague constitutional language, and a poor appellate record in front of the Tax Commission and the courts.⁴²

Additionally, the seven assessors do not systematically revalue exempt properties.⁴³ Because exempt property generates no revenue, appraising it has been a low priority. As a result, policymakers and the public lack the information to assess the cost of Louisiana's wide variety of exemptions.

Improving Exemption Administration in the Consolidated Office. Between Louisiana's generous exemptions and New Orleans' role as a hub of nonprofit and government activity, a staggering proportion of the property in Orleans Parish is exempt from taxation.⁴⁴ The ultimate solution to Louisiana's problem of overly generous exemptions lies with state policymakers. However, the assessor should strive to prevent fur-

ther erosion of the city’s tax base.

To start, the assessor should have a rigorous gate-keeping program to ensure that exemptions go only to those organizations that legally qualify for one. The single assessor should also establish a monitoring program – including regular re-application periods and inspections of exempt properties – to ensure that exempt properties continue to meet the legal criteria for an exemption. Otherwise, undeserved property tax exemptions could extend indefinitely, starving local government of revenue and inflating tax rates for non-exempt property owners.

Next, the single assessor should reappraise exempt property as often as non-exempt property, so that taxpayers and public officials can evaluate the true cost and value of exemptions. Armed with fresh data and mass appraisal technology, the single assessor will have no excuse for failing to update the values of exempt property. The assessor should also notify taxpayers of the impact of exemptions on their tax bills and publish summary and organization-specific information on exemptions.

Transparency and Public Information

Historically, the seven assessors have published little information on how their offices operate and how they value property. A more transparent office would build trust with taxpayers.

An Open Assessment Office. As a public body at the center of the property tax system, an assessment office requires transparent operations and aggressive public information measures. The primary element of an effective public information program is a user-friendly, information-laden web site. The assessor’s web sites in Denver, Colo., Milwaukee, Wis., and Alachua County, Fla., provide useful templates.⁴⁵ Those sites feature searchable property databases and comprehensive information on valuation, exemptions, taxes and appeals. They allow taxpayers to download forms. They include explanations of the duties of the local assessor, the most recent state auditor report, property tax calculators, historical trends in neighborhood values and historical tax rates.

Milwaukee’s and Alachua County’s web sites link to exhaustive annual reports, which tabulate total assessed value, assessments by property classifications, assessments by neighborhood and millage rates broken down by local taxing bodies.

The Current Approach in Orleans. Currently, the Board of Assessors’ web site provides little information other than a searchable property database and a handful of forms.⁴⁶ Moreover, the assessors do not publish an annual report.

An Information-Rich Web Site. As the comparison with other jurisdictions makes clear, the single assessor should publish substantially more information online. In addition to its property database, the web site should feature:

- An assessment timeline.
- Information on how and why assessors value property.
- Downloadable forms.
- A property tax calculator.
- Information on individual property tax exemptions and their value.
- Summary information on the parish’s property value, exempt property and millage rates.
- Comprehensive explanations of valuation, exemptions, taxes and appeals.
- An annual report that tabulates total assessed value, assessments by property classifications, assessments by neighborhood, and millage rates broken down by local taxing bodies.

Such a web site would better educate the public on matters related to property tax administration and improve efficiency within the office. Milwaukee’s assessor reported to BGR that substantial improvements to its web site reduced call volume in the office so significantly that it allowed the assessor to eliminate three customer service positions. She redirected that funding to core appraisal functions. There is no reason New Orleans could not benefit similarly from an

improved web site.

It should be noted that not all property owners have ready internet access. Upon request, the office should provide citizens with copies of general information available on the web site.

CONCLUSION AND RECOMMENDATIONS

New Orleans' seven-district system of property tax assessment has not served the city well. The system is grossly inefficient and has produced inaccurate assessments. These assessments deprive the city of needed revenue, inflate tax rates and create highly inequitable tax burdens among residents.

While consolidation is a necessary first step to realizing a model assessment system in Orleans Parish, it does not guarantee it. Rather, consolidation provides the rare opportunity to adopt the best practice reforms critical to efficient, fair and transparent assessment. It is imperative that the newly-elected assessor modernize the office's structure and staff, emphasize data collection and maintenance, take full advantage of its CAMA valuation technology, develop professional appeal procedures, more rigorously monitor exemptions, and improve communication with citizens.

BGR makes the following recommendations.

Organizational Structure and Staffing

To properly organize and staff the office, the single assessor should:

- Create a consolidated office structure with departments devoted to appraisal, technology and administration.
- Obtain professional outside assistance during the transition period after the election to develop an organizational plan with a realistic timeline.

- Establish and enforce minimum education and professional development standards for employees modeled after those recommended by the IAAO in its *Standard on Professional Development*.
- Open all positions to a wide variety of applicants, including, but not limited to, current employees.
- Identify the highest quality personnel available to fill positions in the new organization.

Data Collection and Maintenance

To maintain current and accurate data from which to produce fair assessments, the single assessor should:

- Develop an in-house data collection and maintenance program to keep property information current.
- Mine all legally permissible sources of information, including sales data, building and demolition permits, aerial photographs, exterior inspections, property questionnaires and real estate data.

Accurate Valuations

To produce fair, accurate and uniform assessments in Orleans Parish, the single assessor should:

- Develop an appraisal and technology staff capable of designing and executing mass appraisal valuation models appropriate for New Orleans.
- Abandon sales chasing in favor of more sophisticated revaluation based on recent sales and a wide variety of property characteristic data.
- Forge an agreement with the city to link the office's mass appraisal technology with the city's GIS, or create an in-house GIS.
- Conduct ratio studies at least annually to test the accuracy of the office's valuations.

Appeals

To professionalize the informal appeal process within the assessment office, the single assessor should develop a clearly delineated process for hearing appeals. A property owner contesting an assessment should be required to make a compelling case, subject to scrutiny by a staff appraiser and at least two of his supervisors, to receive a reduced assessment.

Exemptions

To limit nonprofit exemptions to eligible properties, the single assessor should:

- Interpret exemptions as strictly as jurisprudence allows.
- Require exempt nonprofit property owners to reapply for their exemption on a regular basis.
- Conduct regular inspections of exempt property.

To educate policymakers and the public on the cost of exemptions, the single assessor should:

- Revalue exempt property as frequently as nonexempt property.
- Publish summary and organization-specific information on the number and value of exemptions.
- Advise taxpayers of the net impact of exemptions on their annual tax bills.

Transparency and Public Information

To enhance the quantity and quality of assessment-related information available to the public, the single assessor should:

- Add significantly more information to the web site, including an explanation of the role and duties of the assessor; an assessment timeline; downloadable forms; millage rate information; information on individual property tax exemp-

tions and their value; and comprehensive explanations of valuation, exemptions, taxes and appeals. The office should make general information available upon request to property owners who lack web access.

- Publish an annual report, tabulating the number of parcels in the parish, the parish's total assessed value, assessments by property classification, assessments by neighborhood, and the number and value of homestead and nonprofit exemptions in the parish. It should also include the number of appeals and their outcomes, with a calculation of the impact of successful appeals.

Getting Off to a Good Start: How the State, City and Current Assessors Can Help

Eliminating the Time Lag. To facilitate the production of a fair, accurate and uniform assessment roll for the 2012 reassessment, the Legislature should amend Louisiana law to state that the term of the single assessor begins the first Monday in May following the election.

Inheriting Uniform Assessments. To ensure that the single assessor inherits uniform and current assessments, the Board of Assessors should reinstitute the portion of the contract to revalue all residential property in Orleans Parish and defend against property owner appeals. If the Board of Assessors does not restore the contract, the single assessor should immediately determine the combination of in-house and private appraisal work needed to produce an accurate assessment roll for the 2012 reassessment.

Fixing the Board of Review. To professionalize board of review hearings, the Legislature should initiate a constitutional amendment to replace the parish's governing authority (in New Orleans, the City Council) with a panel of independent experts in the fields of real estate and appraisal. If the Legislature does not enact such a change, the City Council should hire consultants and require them to conduct appraisals in accordance with IAAO standards.

END NOTES

¹ La R.S. § 47:1901(B).

² La. Att’y. Gen. Op. No. 09-0117 (September 28, 2009).

³ The assessor must complete that tax roll and make it available for public inspection by August 1, 2011.

⁴ BGR developed this chart based on organizational charts it collected from International Association of Assessing Officers, *Property Appraisal and Assessment Administration*, 1990, and from assessors in Alachua County, Fla., Denver, Colo., Douglass County, Neb., Milwaukee, Wis., and Shelby County, Tenn.

⁵ IAAO, *Assessment Administration*, 2003, p. 134.

⁶ To view the IAAO’s *Standard on Professional Development*, see www.iaao.org/uploads/profdevfs.pdf.

⁷ La. Admin. Code tit. 61, § 111(C).

⁸ La R.S. § 47:1907.

⁹ The 6th District Assessor is not certified.

¹⁰ State law does not guarantee a salary increase to certified deputy assessors. Their compensation is determined by the elected assessor.

¹¹ La. Const. art. X, § 2(B)(10).

¹² La. R.S. § 47:2331.

¹³ The current assessors complain that the information regarding changes to property forwarded to them by the Office of Safety and Permits is unreliable. Property owners often do not fully disclose the extent of work being done on their property, or they fail to apply for a permit at all.

¹⁴ According to an IAAO survey published in 2000, only 22 states allow interior inspections.

¹⁵ For a list of acceptable data collection methods, see La. Admin. Code tit. 61, § 213(F).

¹⁶ La. R.S. § 47:2329.

¹⁷ This figure includes the average cost of insurance, retirement, and legally required benefits for state and local government employees, as calculated by the Bureau of Labor Statistics’ September 2009 report, “Employer Costs for Employee Compensation.” The data regarding the cost of benefits for state and local employees can be located at www.bls.gov/news.release/ecec.t03.htm.

¹⁸ La Const. art. VII, § 18(F) and La. R.S. § 47:2331.

¹⁹ The assessors in Milwaukee and Boston both input over 30 variables into their CAMA valuation models.

²⁰ IAAO, *Assessment Administration*, 2003, p. 297.

²¹ In the past, the Board of Assessors has purchased aerial photographic images, but these images are not linked to the property data stored in CAMA.

²² Russell, Gordon, “Dubious Value,” *The Times-Picayune*, April 4, 2004.

²³ Russell, Gordon, “N.O. tax rate dives 27%,” *The Times-Picayune*, December 1, 2007.

²⁴ Russell, Gordon, “Closer to Fair,” *The Times-Picayune*, March 16, 2008.

²⁵ La. Admin. Code tit. 61, § 3101(A).

²⁶ La R.S. § 47:1925.8.

²⁷ Milwaukee’s assessor accounts for the city’s heterogeneity by splitting the city into 130 neighborhoods. The office then includes a neighborhood variable in the CAMA valuation model.

²⁸ IAAO, *Standard on Ratio Studies*, 2007.

²⁹ La. R.S. § 47:1837(B)(1).

³⁰ The Tax Commission conducted 2008 sales ratio studies for each of the seven districts in Orleans Parish. The percentage of properties whose assessments were identical to the recent sale price was, for districts one through seven, respectively: 84%, 51%, 77%, 55%, 26%, 72%, and 72%. Such high percentages of flawless assessments suggest that Tax Commission did not use pre-sale assessments. BGR identified this same methodology issue in its 1999 report, *Property Tax Exemption and Assessment Administration in Orleans Parish*.

³¹ IAAO, *Standard on Assessment Appeal*, 2001.

³² La. Const. art. VII, § 18(E).

³³ IAAO, *Standard on Assessment Appeal*, 2001.

³⁴ La. Const. art. VII, § 18(E).

³⁵ On February 21, 2008, the New Orleans City Council passed Resolution 08-08, urging the Legislature to remove it as the board of review and allow property owners to appeal directly to the Louisiana Tax Commission.

³⁶ BGR's 1999 report, *Property Tax Exemption and Assessment Administration in Orleans Parish*, conducted an in-depth review of Louisiana's property tax exemptions and offered a range of recommendations on how to ensure they serve the public interest. The report is available at www.bgr.org.

³⁷ *Hotel Dieu v. Williams*, 410 So.2d 1111 (La. 1982).

³⁸ *Board of Administrators of the Tulane Education Fund v. Louisiana Tax Commission*, 701 So.2d 702 (La. App. 4th Cir. 1997), *writ denied*, 709 So.2d 705 (La. 1998).

³⁹ *New Orleans Towers Affordable Housing Corp., Inc. v. Kahn*, 98-1241 (La.App. 4th Cir., 12/29/98); *modified on rehearing*, 98-1240 (La.App. 4th Cir., 01/29/99).

⁴⁰ Homeowners in Orleans Parish are required to

reapply every year for the homestead exemption. No such requirement exists for nonprofit exemptions.

⁴¹ In 1996, BGR reviewed a small sample of nonprofit exempt properties and concluded that roughly 20% of them did not meet the criteria for an exemption. While this research is dated, it demonstrates the importance of close monitoring of exemptions. Bureau of Governmental Research, *Property Taxes in New Orleans: Who Pays? Who Doesn't? And Why?*, October 1996.

⁴² La. R.S. § 1903.2 states that the New Orleans City Attorney shall represent the assessors in civil matters, but it also allows the assessor to select outside counsel. In the past, assessors have often hired private attorneys to handle contested exemptions.

⁴³ State law requires that assessors reassess all taxable property at least every four years, but it does not require the same for exempt property. La. Const. art. VII, § 18, and La. R.S. § 47:1957.

⁴⁴ In a 1996 report, BGR estimated that over 65% of the city's property value was exempt from taxation. While the research is dated, it is illustrative of a problem. Bureau of Governmental Research, *Property Taxes in New Orleans: Who Pays? Who Doesn't? And Why?*, October 1996.

⁴⁵ City and County of Denver, Assessment Division, www.denvergov.org/assessor/; and City of Milwaukee, Assessor's Office, www.ci.mil.wi.us/assessor/; and Alachua County, Property Appraiser, www.acpafl.org.

⁴⁶ To visit the Board of Assessors' web site, go to www.opboa.org. Two of the seven assessors, Darren Mire in the 1st District and Tom Arnold in the 5th, maintain their own web sites.



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SEVEN QUESTIONS FOR ONE ASSESSOR

Voters should ask assessor candidates for concrete answers to the following questions:

- How will the single assessor structure the staff?**
- What steps will the assessor take to staff the office with quality personnel?**
- What will the assessor do to obtain and maintain accurate property data?**
- What will the assessor do to produce accurate valuations?**
- What will the assessor do to give the appeals process integrity?**
- What steps will the assessor take to fairly apply and rigorously monitor exemptions?**
- What will the assessor do to improve transparency and communication with the public?**