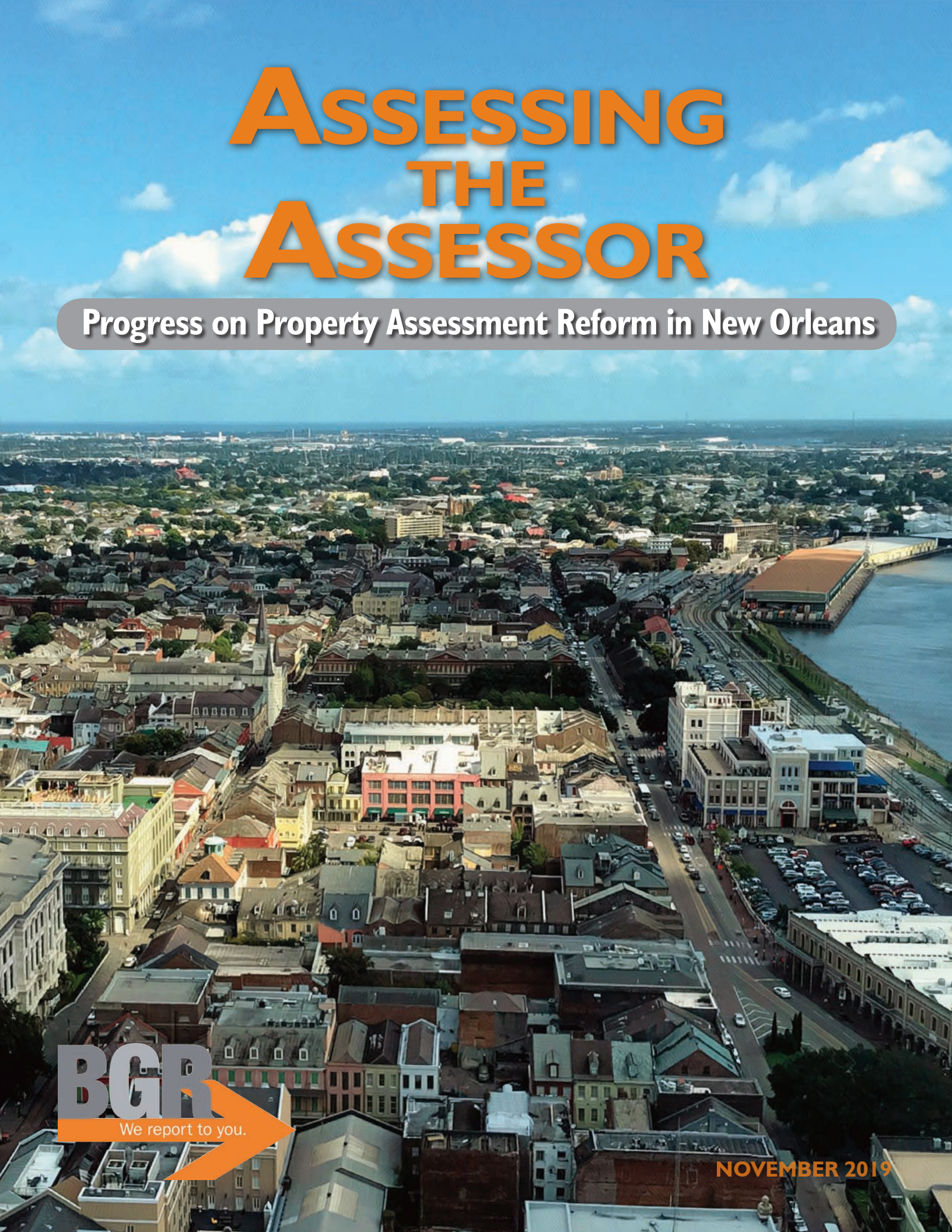
Assessing the Assessor

Progress on Property Assessment Reform in New Orleans



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NOVEMBER 2019

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ASSESSING THE ASSESSOR
PROGRESS ON PROPERTY ASSESSMENT REFORM IN NEW ORLEANS

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INBRIEF

ASSESSING THE ASSESSOR

Progress on Property Assessment Reform in New Orleans

November 2019

WHY THIS REPORT MATTERS

In 2019, New Orleans property taxes generated $600 million, nearly half of all local taxes to fund public services and infrastructure. While BGR has highlighted concerns about the adequacy and allocation of those revenues, the determination of property taxes must also be fair for taxpayers. Fairness depends on the quality of property assessments determined by the Orleans Parish assessor.

This year's incomplete property reassessment has prompted citizens and policymakers to question the progress made by the assessor to improve New Orleans' assessment system. In 2010, voters elected a single, parishwide assessor to replace seven independently elected assessors, a fragmented system that existed for more than a century. The seven-assessor system contributed to inaccurate assessments, inconsistent administrative practices between districts and an unfair distribution of the tax burden among taxpayers. BGR extensively reported on those problems and supported parishwide consolidation. This offered the opportunity to allocate resources more efficiently, focus the public eye on one executive and facilitate fair assessment practices. In 2009, before the historic election of the new single, parishwide assessor, BGR published *In All Fairness: Building a Model Assessment System in New Orleans*. The report made recommendations, based on nationally recognized best practices, and provided the new single assessor with a roadmap to create a consolidated, high-functioning assessment office.

Now, in *Assessing the Assessor*, BGR evaluates the single assessor's progress since taking office in 2011 to determine whether and to what extent the assessment system in Orleans Parish is better now than it was before consolidation. The report begins with an overview of the assessor's consolidated office, funding and budget. It then discusses the assessor's progress in improving the property valuation process, followed by an update on the appeal process, exemption administration and other administrative matters. The report concludes with recommendations to improve the Orleans Parish assessment system.

KEY FINDINGS

During the past eight years, the single assessor has made progress in some areas important to implementing a model assessment system in New Orleans. The assessor has created an in-house data collection and maintenance program and linked the data to the City's mapping technology. These steps have improved the accuracy of information used in determining property valuations. In addition, the assessor created a standard appeal process for property owners who want to contest their property valuations. The office has also strengthened the administration of property tax exemptions by strictly interpreting exemption criteria, regularly inspecting exempt properties and sharing more information with the public about exemptions and exempt properties. Finally, the assessor has enhanced the office's website by making property records, maps, forms and other assessment-related data publicly accessible. The assessor's progress in these areas is an accomplishment given the disjointed system and practices the office inherited from the seven-assessor system.

However, the single assessor has made insufficient progress in some fundamental areas.

BGR found that the assessor does not openly share with the public how the office uses mass appraisal technology to determine property values. Mass appraisal is the standard method for property valuation, using data and models to value large groups of properties at once while still adhering to appraisal principles. For this report, BGR asked the assessor for a demonstration of the office's mass appraisal technology. The assessor denied BGR's request. This lack of transparency deprives the public of a full understanding of how the office uses mass appraisal technology to value property. It also calls into question whether the assessor is using the technology properly and consistently to value property throughout the parish.

In addition, BGR found substantial evidence that the assessor frequently adjusts the valuations of recently sold properties to match or come to close to their sale price. An analysis of roughly 1,500 detached single-family homes sold between July 1, 2018 and June 30, 2019 showed that the assessor's office adjusted the valuation of nearly 900 properties to reflect 90% or 100% of the sale price. The office's reliance on sale prices to value recently sold properties increased as the July 2019 deadline to mail next year's assessment notices approached. Further, the sold properties were more likely to experience large increases in valuation from 2019 to 2020 than unsold residential properties.

Adjusting sold properties based solely on their sale price, a practice discouraged by national and State standards but widely used under the seven-assessor system, may seem logical. However, it undermines uniformity among property valuations.

That is because the assessor uses sale prices to value sold properties and a different method to value unsold properties. This can create unfairness among taxpayers.

It also makes it difficult to evaluate the assessor's true appraisal performance. For this report, BGR sought to conduct a commonly used study of the assessor's appraisal performance for single-family homes in the recent reassessment. The study, which evaluates the assessor's valuations against the sale prices for a sample of recently sold properties, can provide an effective measure of appraisal performance if an assessor uses the same method to value sold and unsold properties. However, with 60% of sampled properties valued based on their sale price, BGR could not complete its study. It would show an unusually high degree of appraisal accuracy and uniformity, and the findings would not accurately represent the broader population of New Orleans' single-family homes because unsold properties cannot be valued in the same way (i.e., by sale price).

Further, BGR found that the assessor could not demonstrate that the office conducts annual studies to self-check the quality of its appraisal performance, as recommended by best practices. While the assessor told BGR that the office conducts the studies on a regular basis, the assessor did not produce a full copy of any previously conducted study. The assessor said that the office generally does not keep copies of any studies conducted in prior years. Assessment experts told BGR that, at a minimum, an assessor should keep copies of the studies during a reassessment cycle to justify and support changes to property valuations for the next cycle. The office's current practices raise questions about quality assurance and public transparency.

Significant gaps also remain in the area of tax exemption administration. The assessor does not require nonprofit owners to reapply for the exemption annually, a practice that would help ensure that nonprofit-owned properties continue to meet eligibility requirements and comply with State law. Further, because exempt properties do not generate tax revenue, the assessor does not regularly revalue them. A regular revaluation of exempt properties would accurately inform policymakers and the public of the true cost of exemptions on the property tax base and tax revenue.

Finally, while BGR did not make a recommendation on funding the assessor's office at the outset of the single assessor era, its subsequent reports have flagged the office's surplus revenue. The assessor's office receives a flat 2% fee on the total amount of property taxes billed in Orleans Parish each year. The fee is not based on the needs of the office, but rather grows as millage rates and property valuations increase. Over the years, the assessor's fee has allowed the office to build a fund balance of $13.1 million, or 123% of its annual operating budget. The assessor has reserved $8 million of that amount for new office space, which he may pursue with the assistance of a special taxing district created this year by the State Legislature. The assessor's substantial reserves call into question the size of the office's dedicated funding, particularly at a time when the City of New Orleans and other property tax recipients are looking for additional revenue to address high-priority needs.

Overall, the report's core finding is that the single assessor has put in place some of the necessary building blocks for a high-functioning assessment office but still falls short in crucial areas. The office's valuation practices and lack of transparency raise serious concerns about the uniformity and fairness of property valuations in New Orleans, as well as the sufficiency of the processes that are supposed to inform them. Ongoing weaknesses in exemption administration further underscore that the job of reforming assessments in New Orleans is not done. Fortunately, that path to a fair and transparent assessment system remains clear and achievable, as this report's recommendations indicate.

SUMMARY OF RECOMMENDATIONS

The report points to a number of ways in which the assessor could continue to improve the Orleans Parish assessment system. These include abandoning the practice of valuing sold properties based on their sale price, fully utilizing the office's mass appraisal technology to value property, opening the valuation process to public review and conducting internal studies to monitor the accuracy of the office's property valuations. BGR further recommends that the assessor strengthen the office's administrative practices by, among other things, revaluing exempt properties on a regular basis and requiring nonprofit property owners to reapply for the exemption annually.

The report also provides City and State policymakers with a number of recommendations to make certain property data more accessible to the assessor, increase the office's transparency, ensure the office's funding aligns with its needs and study how the assessor's annual reappraisals may affect property tax rates.

EXECUTIVE SUMMARY

In 2019, New Orleans property taxes generated $600 million, nearly half of all local taxes to fund public services and infrastructure, including fire and police protection, streets, levees, drainage and public education. While BGR reports have highlighted concerns about the adequacy and allocation of those revenues, the determination of property taxes must also be fair for taxpayers. This depends on the quality of property assessments determined by the Orleans Parish assessor.

This year, the assessor conducted a quadrennial parishwide reassessment mandated by Louisiana law. After adjusting for local appeals through October, the reassessment increased the city's total assessed property value by 14%. Taxing bodies are considering whether to maintain their current millage rates in 2020, which would allow them to receive increased property tax revenue.

The reassessment has been controversial. The assessor did not complete it, leaving roughly 40,000 properties for revaluation next year. In addition, thousands of property owners challenged the accuracy of their new valuations, which in some cases more than doubled. Residents, businesses and policymakers have raised concerns about the assessor's property valuation processes and whether those processes result in fairness for taxpayers.

Public scrutiny of the reassessment has also raised questions about the extent to which the single assessor has improved New Orleans' assessment system. In 2010, voters elected a single, parishwide assessor to replace seven independently elected assessors, a fragmented system that existed for more than a century. The seven-assessor system contributed to inaccurate assessments, inconsistent administrative practices between districts and an unfair distribution of the tax burden among taxpayers. BGR extensively reported on those problems and supported parishwide consolidation. This offered the opportunity to allocate resources more efficiently, focus the public eye on one executive and facilitate fair assessment practices. In 2009, before the historic election of the new single, parishwide assessor, BGR published *In All Fairness: Building a Model Assessment System in New Orleans*. The report made recommendations, based on nationally recognized best practices, and provided the new single assessor with a roadmap to create a consolidated, high-functioning assessment office.

In this report, BGR evaluates the single assessor's progress since taking office in 2011 to determine whether and to what extent the assessment system in Orleans Parish is better now than it was before consolidation. The report begins with an overview of the assessor's consolidated office, funding and budget. It then discusses the assessor's progress in improving the property valuation process, followed by an update on the appeal process, exemption administration and other administrative matters. As discussed below, BGR finds that the consolidation of the seven-assessor system into a single, parishwide office has resulted in some progress but not a model assessment system. The report concludes with recommendations to improve the Orleans Parish assessment system.

Overview of the Single Assessor's Office

Today, the single assessor leads an office of more than 70 employees. It has three specialized departments: assessment valuation, assessment services (e.g. data entry and imaging) and assessment administration. Following the 2010 election, the assessor retained a national consultant to help with the transition. The assessor also opened up all positions and sought qualified applicants. In establishing the new office, the assessor largely followed BGR's 2009 recommendations.

The office's staff size exceeds the staff-to-parcel ratio suggested by best practices for a jurisdiction the size of New Orleans, which would be 47 to 55 employees. However, an assessment administration expert told BGR that assessors in urban jurisdictions with a complex assortment of properties tend to require larger-than-average staffs.

To fund the office, the assessor receives a flat 2% fee on the total amount of property taxes billed in Orleans Parish each year. In 2019, the fee generated $12 million, or 96% of the office's total revenue, and the assessor projects a $1.9 million surplus. BGR's 2009 report did not make recommendations regarding the office's source of funding. However, since then, surpluses from the fee have allowed the assessor to build a fund balance of $13.1 million, or 123% of the office's annual operating budget. The assessor has restricted $8 million of that reserve to pay for new office space, which he may pursue with the assistance of a new special district established by the State Legislature in 2019.

> **“BGR finds that the consolidation of the seven-assessor system into a single, parishwide office has resulted in some progress but not a model assessment system.”**

The amount of revenue generated by the assessor’s fee is not based on the office’s workload or expenditures. Rather, the 2% fee grows with millage rates levied by taxing entities and the property valuations determined by the office. For example, a recent voter-approved tax for fire protection, which generates $10 million annually, netted the assessor an additional $200,000 in annual revenue. Further, any refunds of excess revenue to local tax recipient bodies are at the assessor’s sole discretion. Given the surpluses generated by the assessor’s fee at a time when local taxing entities are seeking new revenue for high-priority needs, local and State policymakers should review the assessor’s dedicated funding to determine whether it aligns with the office’s needs.

Progress on the Property Valuation Process

In 2009, BGR analyzed and made recommendations on three key elements of the property valuation process: data collection and maintenance, mass appraisal technology, and internal ratio studies.

Data Collection and Maintenance. Accurate property data serve as the foundation for fair property valuations. Assessors collect different types of data (e.g., physical characteristics, use, condition and location) from a variety of sources. An assessor also should ensure that property data remains accurate and up-to-date.

In 2009, BGR recommended that the single assessor develop an in-house data collection and maintenance program. It recommended that appraisers or trained data collectors seek all legally available sources of information. BGR also called for the assessor to integrate the office’s data with the City’s mapping technology.

Since taking office, the single assessor has developed an in-house data collection and maintenance program. The office collects data on a daily, weekly and monthly basis from various sources, including the local real estate Multiple Listing Service, the City’s Department of Safety and Permits, and the Clerk of Civil District Court. In addition, the assessor says that the office verifies property data with exterior inspections conducted by staff and property owner questionnaires.

The assessor has also increased the use of aerial imagery. From the assessor’s website, the public can access

a parishwide property map with the assessor's property data for each parcel. The map and data link to the City's mapping technology, which allows the public to search for any parcel, view it in various ways on the map, and see its property data, including owner, property description, and appraised value and assessment for the last three years.

Despite these efforts, Louisiana law limits the assessor's reach in data collection. Louisiana is one of only 14 states that does not require the disclosure of a property's sale price. As a result, a parish assessor may have difficulty finding a property's true sale price.

In addition, owners of properties that produce income (e.g., rental properties) are not obligated to provide an assessor with income and expense data, which are often critical in determining value. While the assessor requires owners to submit income and expense data during the appeal process, this occurs after the assessor has determined the property's value for the assessment rolls.

Mass Appraisal Technology. After property data is collected, best practices call for assessors to apply mass appraisal techniques, as guided by professional standards, to develop fair market valuations for properties. The mass appraisal process uses various sets of data, valuation models and statistical testing to determine property values. It also enables assessors to value large groups of properties at once, as opposed to a parcel-by-parcel basis, while still producing accurate property valuations and adhering to appraisal principles.

Best practices further call for assessors to avoid sales chasing, which occurs when an assessor adjusts the property valuation of recently sold properties to match or approach their sale price. While it may seem logical for an assessor to set a property's value at or close to its sale price, the practice prevents assessment uniformity because an assessor must use a different method to value unsold properties. Sales chasing also can create unfairness among taxpayers. In New Orleans, the historic reliance on sales chasing by the seven assessors created inequity through a dual system of valuation – a higher one for newcomers to a neighborhood and a lower one for long-term property owners – and contributed to undervaluation for unsold properties throughout the city.

In 2009, BGR recommended that the assessor take full advantage of the computer-assisted mass appraisal technology that the seven assessors purchased but only partially implemented. BGR recommended that the assessor properly use the technology by developing staff with the expertise to create valuation models, run statistical analysis and perform other critical functions necessary to the mass appraisal process. At the same time, BGR recommended the single assessor abandon the practice of sales chasing, which the seven assessors used extensively.

The assessor says two full-time employees operate and manage the office's mass appraisal system. In addition, the assessor says that the office uses the technology to create valuation models for each of the approximately 500 residential and commercial assessment areas in New Orleans, and that the office's employees review and validate property valuations generated by the system based on their professional judgment and field verifications.

The assessor's website provides the public with a general overview of the office's mass appraisal system and process. In addition, the assessor recently explained to the City Council that the office develops an average price per square foot for each neighborhood based on sales data collected during each reassessment cycle. If necessary, the assessor says staff members adjust the average price per square foot depending on a property's condition and other factors. The assessor then uses the adjusted average price per square foot to value properties in the neighborhood. Despite the assessor's explanation, it remains unclear how this process uses mass appraisal technology to value property.

BGR sought a more complete understanding of how the office uses the technology to value property throughout the parish. In response to BGR's public records request, the assessor provided BGR with only limited access to certain mass appraisal manuals. The assessor also denied BGR's request for an in-person demonstration of how the office uses data, appraisal techniques and mass appraisal technology to determine property valuations. The assessor said that the mechanics of the office's technology are proprietary information of the software vendor, and providing a demonstration would violate the assessor's user agreement. However, assessment experts told BGR that assessors in other jurisdictions openly share how their offices use mass appraisal technology to value property.

> **“The assessor’s lack of transparency on mass appraisal leaves the public with an incomplete understanding of one of the most fundamental tools for property valuation.”**

The assessor’s lack of transparency on mass appraisal leaves the public with an incomplete understanding of one of the most fundamental tools for property valuation. It also raises questions about whether the office is properly utilizing the technology to produce accurate and uniform property valuations. The office’s inability to revalue all properties for the recent parishwide reassessment reinforces this concern.

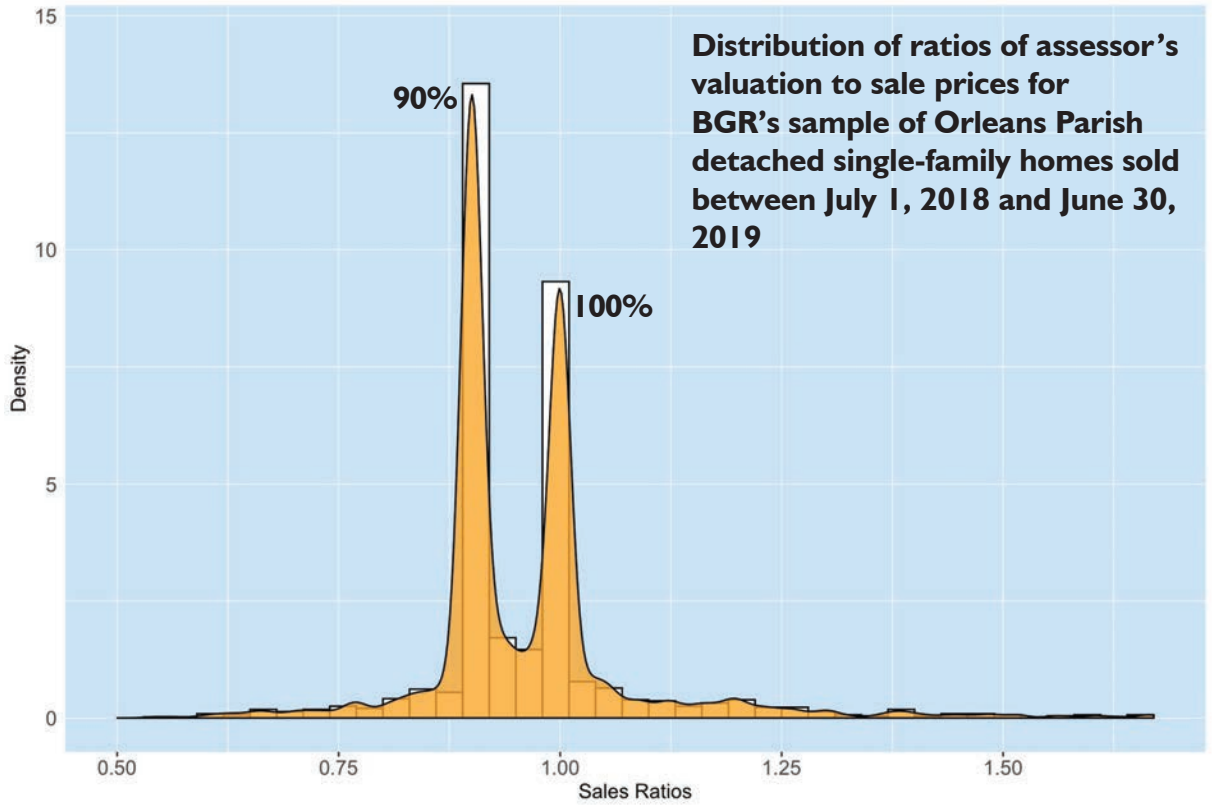
In addition, BGR found substantial evidence that the assessor’s office still uses sales chasing to value many sold properties. BGR made this determination during its effort to evaluate the assessor’s appraisal performance in this year’s reassessment. BGR retained a Virginia-based consultant with expertise in mass appraisal performance evaluation to conduct a ratio study. The study would have calculated and analyzed ratios of the assessor’s “uncertified” valuations as of August 15, 2019 to sale prices for a sample of more than 1,500 detached single-family residential properties that sold in arm’s-length transactions between July 1, 2018 and June 30, 2019. The use of uncertified valuations would have provided a clear window into the assessor’s reappraisal effort before the office made any significant modifications due to assessment appeals.

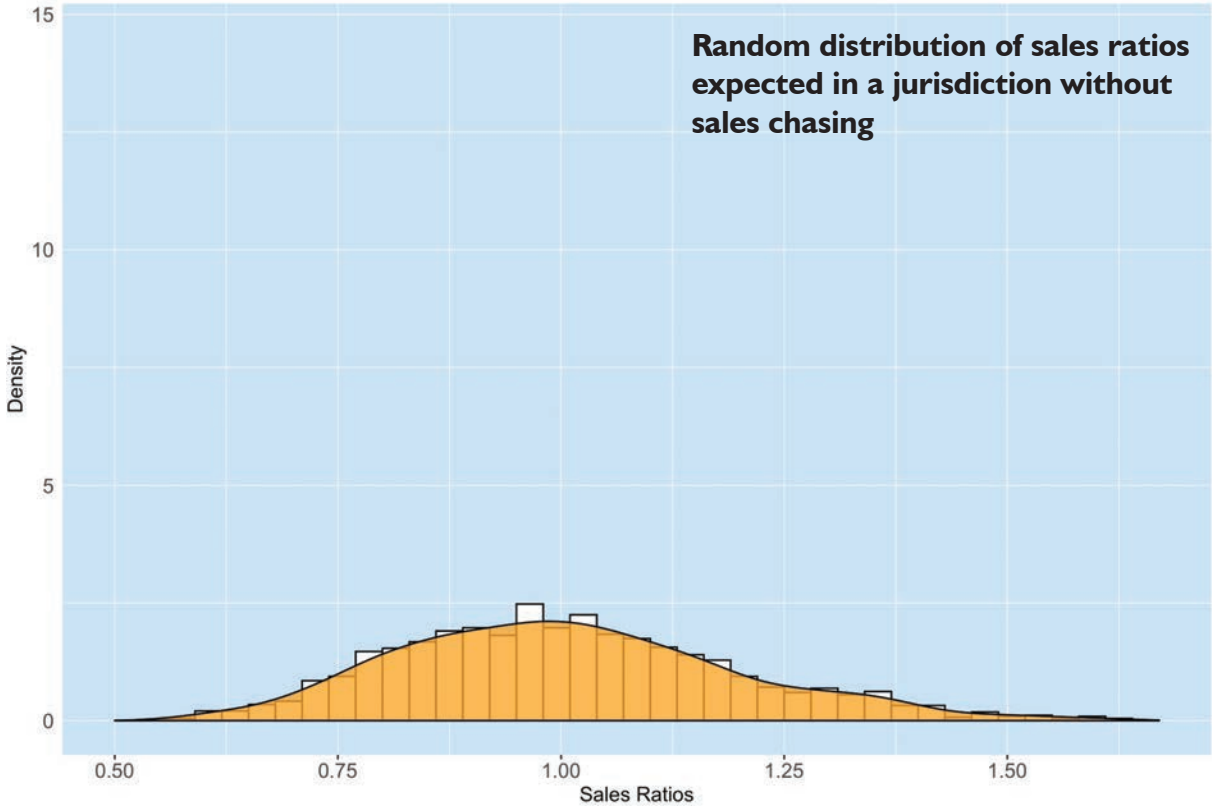
The initial analysis showed that the assessor’s office changed the values of nearly 60% of the sample – or almost 900 properties – to reflect either 90% or 100% of the property’s sale price. According to BGR’s consultant, such post-sale adjustments to just 5% of a sample would raise serious concerns about sales chasing. The high percentage of property valuation adjustments found in BGR’s sample indicates sales chasing that far exceeds what would be expected in a high-performing assessment office.

Further, as shown in the top chart on page 8, the distribution of ratios, which represents a comparison of assessor’s valuation to sale price for each property in the sample, shows dramatic peaks at 90% and 100% of sale price. This distribution cannot be achieved through consistent application of mass appraisal models. Rather, it is achieved when an assessor selectively reappraises sold properties. Proper use of mass appraisal processes should yield a random distribution of sales ratios in the shape of a bell curve.

BGR also analyzed changes in the assessor’s valuations from 2019 to 2020 for the sample of sold properties and 108,500 unsold residential properties. As shown in the upper chart on page 9, a significantly higher percentage of sold properties saw valuation increases above 10%. Meanwhile, unsold properties saw no changes to their property valuations at more than three times the rate of sold properties.

EVIDENCE OF SALES CHASING IN NEW ORLEANS RESIDENTIAL PROPERTY VALUATIONS





Note: Each bar chart shows the distribution of sales ratios at regular intervals. The bars indicate the relative frequency of ratios at each interval. The density graphs (in orange) reveal where the ratios are concentrated along a continuous distribution.
Charts provided by BGR's assessment consultant, Josh Myers Valuation Solutions, LLC.

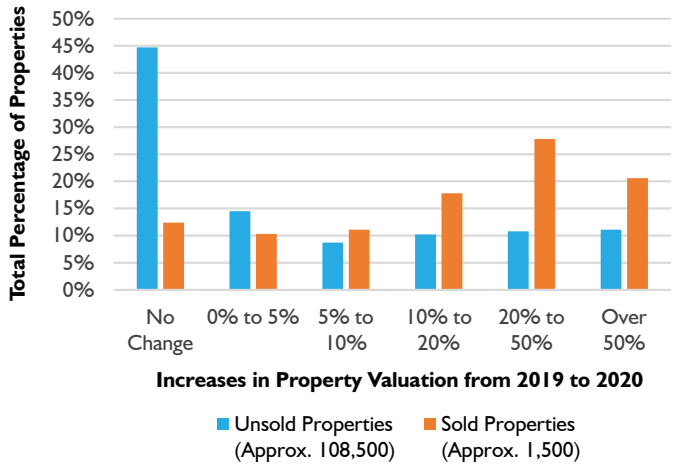
In addition, the analysis found that the office's reliance on sales chasing increased in the months before the office's July 2019 deadline to send assessment notices to property owners. As shown in the chart at the bottom of this page, starting in February 2019, the office's overall reliance on sales chasing dramatically increased to approximately 80% of the month's sales. And the assessor's office began adjusting a greater proportion of sold properties to reflect their full sale price.

The larger increases in the valuations of sold properties and the month-by-month analysis further support the conclusion that the office relied on sale prices to value sold properties during the recent parishwide reassessment, instead of properly utilizing its mass appraisal technology. They also show how this practice creates a lack of uniformity in valuing sold and unsold properties.

Further, sales chasing makes it difficult to discern an assessor's true appraisal performance. A ratio study, which commonly analyzes appraised values to recent sale prices, can provide an effective measure of an assessor's appraisal accuracy and uniformity if an assessor uses the same method to value sold and unsold properties. Sales chasing, however, skews this evaluation. Property valuations based on chased sales will show a high degree of appraisal accuracy and uniformity, but these findings do not truly represent an assessor's appraisal performance for an entire jurisdiction.

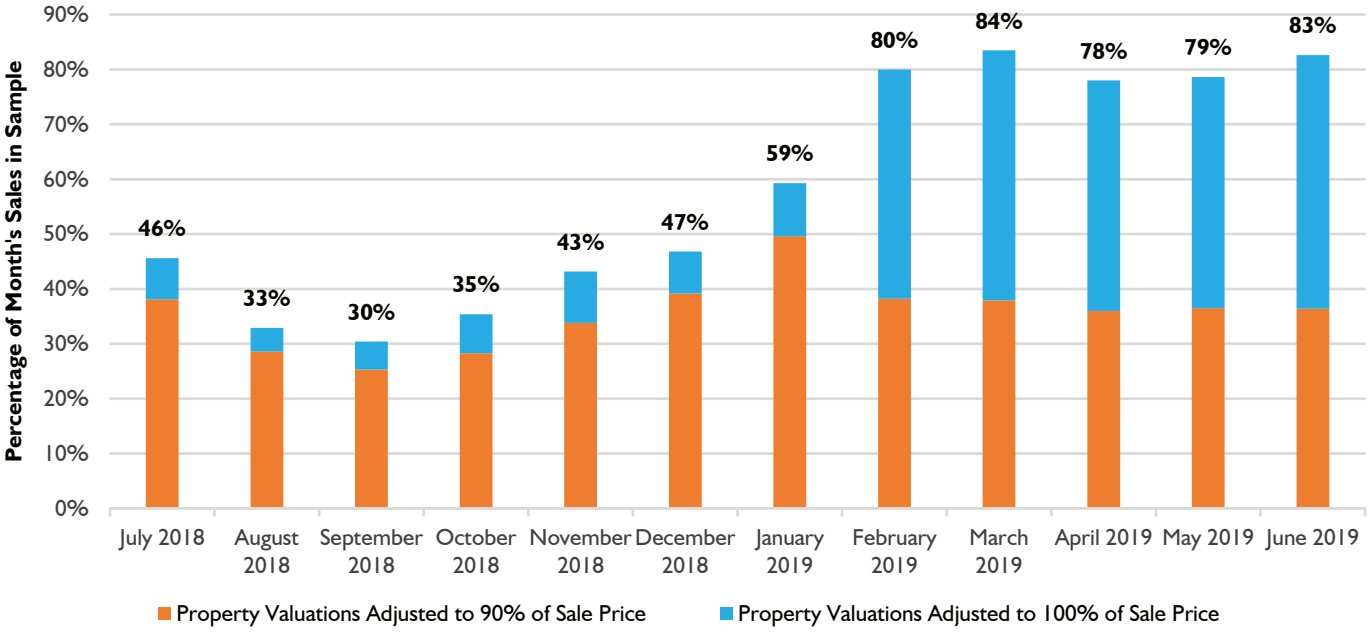
In BGR's sample of more than 1,500 detached, single-family homes, the prevalence of sales chasing created too much bias for BGR to complete its intended evalu-

DISTRIBUTION OF PROPERTY VALUATION CHANGES FROM 2019 TO 2020 FOR SOLD AND UNSOLD RESIDENTIAL PROPERTIES



BGR chart based on analysis provided by BGR's assessment consultant, Josh Myers Valuation Solutions, LLC. Due to data limitations, the unsold properties represent residential, non-condominium properties. While they include some multifamily apartments and attached residential housing, they do not significantly affect the comparison.

SALES CHASING PERCENTAGES BY MONTH, JULY 2018 THROUGH JUNE 2019



BGR chart based on analysis provided by BGR's assessment consultant, Josh Myers Valuation Solutions, LLC.

ation of the office's appraisal performance in the recent reassessment. Sales chasing affected nearly 60% of the sold properties in the sample and, as a result, any analysis would show a artificially high degree of appraisal accuracy and uniformity. Moreover, because the assessor could not value unsold properties outside of the sample in the same way (i.e., by sale price), the findings produced by the sample would not be applicable parishwide to represent the broader trend in valuations of New Orleans' single-family homes. Further, when the Louisiana Tax Commission conducts its own ratio studies to evaluate the assessor's appraisal performance in the recent reassessment, there is a significant risk that the sales chasing identified by BGR could distort the commission's findings.

BGR's sales chasing findings follow similar findings previously made by the Tax Commission, which has taken a stronger stance against the practice in recent years. Last year, the commission conducted a sales chasing analysis statewide. It found that assessors in 28 parishes, including Orleans, could be sales chasing. The commission notified the parish assessors of the results and asked them to stop the practice.

The assessor told BGR that the office does not engage in sales chasing. Rather, the assessor has argued that the office's practice regarding "character changes" gives the appearance of sales chasing. According to the assessor, the office is obligated to adjust property values when a property undergoes a character change, such as a renovation, demolition or addition. The assessor says that staff members typically discover character changes when analyzing a property's sale and adjust individual property values for character changes during the year the change is discovered. The assessor also says that high-demand areas tend to see greater renovation and construction activity, leading to more character changes. These actions, the assessor says, may produce results that look like sales chasing, even though the office does not engage in the practice.

Tax Commission officials confirmed that assessors should update their assessment rolls to reflect character changes. However, according to commission officials, assessors should track character changes and adjust property values for sold and unsold properties in the same manner.

Notwithstanding the office's stated practice regarding character changes, its tendency to revalue a property after it sold at 90% or 100% of sale price does not clearly account for the nature of the change to the property. A renovation, demolition or other character change would result in quite a different property valuation, but usually not a valuation that reflects a set percentage of sale price. The frequency with which the assessor's office sets property valuations at 90% or 100% of sale price casts doubt on the accuracy of the office's valuation of character changes and points to a continued reliance on sales chasing to value many sold properties.

BGR notes that, for the 2021 tax rolls, the assessor plans to begin revaluing one quarter of the city's properties each year. He says he will start with the roughly 40,000 properties excluded from the recent parishwide reassessment. This rolling revaluation will affect the extent of future millage rate adjustments, and therefore is worthy of further study by policymakers.

Internal Ratio Studies. Assessors should regularly self-check the accuracy and uniformity of their appraisal performance by conducting internal ratio studies. These studies, which are similar to the ones conducted by the Tax Commission, typically include an appraisal-to-sale-price comparison, along with other statistical calculations and analyses. BGR recommended that the assessor conduct this self-check at least annually.

The assessor told BGR that the office conducts internal ratio studies on a regular basis. In 2017, BGR submitted a public records request for copies of any recently conducted studies. In response, the assessor provided a summary for a study of residential properties conducted in 12 neighborhoods selected for reappraisal that year. The assessor's summary did not include the study's methodology or analysis, only the results. Further, the assessor told BGR that the office does not retain copies of previously conducted studies.

Assessment experts told BGR that, at a minimum, an assessor should keep copies of ratio studies during reassessment cycles to justify and support changes to property valuations for the next cycle. The office's current practices regarding the studies raise questions as to whether it is properly checking the quality of appraisal performance relative to market conditions. Additionally, the lack of

documentation is a serious transparency concern.

Moreover, the assessor's office should share its ratio studies with the public. This would increase accountability, build public trust and confidence, and educate property owners on the office's ongoing efforts to develop accurate and uniform valuations. Ratio study analysis, coupled with an analysis of changing property values, could also help policymakers respond more effectively to challenges created by a fast-moving real estate market.

The single assessor worked to extend the period in which property owners can appeal their assessment from 15 days to 32 days.

Progress on Administrative Practices

In 2009, BGR made several recommendations to help the single assessor achieve effective and efficient assessment administration in the areas of education and professional development standards for employees, the appeal process, exemption administration and public transparency.

Education and Professional Development Standards. BGR recommended that the single assessor set minimum education and professional standards to ensure employees perform their jobs at a high level. BGR further recommended that the assessor base the standards on industry-accepted practices.

The assessor told BGR his office has adopted standards, based on best practices, for education and professional development. According to the assessor, this is particularly true for higher-level positions, like appraisers, that require a specific knowledge and skill set. The office, however, has not formally incorporated those standards into the employee manual or job descriptions.

Hearing Informal Appeals. Under State law, property owners who disagree with the assessor's valuation of their property can appeal it. The first step involves making an informal appeal to the assessor's office, potentially followed by a formal appeal to the City Council, the Tax Commission and, ultimately, the courts.

BGR recommended that the assessor create a standardized process for hearing informal appeals. BGR also recommended that the assessor require a property owner to make a compelling case to receive a reduced assessment, subject to scrutiny by a staff appraiser and at least two supervisors.

The assessor has created a standardized appeal process. During the open rolls period, which the assessor worked to extend from 15 days to 32 days, property owners can file an appeal in person or online through the assessor's website. The assessor requires property owners to provide documentation to support a lower valuation. Each reduction requires approval from an appraisal supervisor or the assessor, although not the review by two supervisors that BGR recommended.

Administration of Property Tax Exemptions. BGR made several recommendations to help the assessor improve the administration of property tax exemptions, a significant weakness in the seven-assessor system. These recommendations complemented BGR's longstanding call for reforms to property tax exemptions. BGR urged the single assessor to strictly interpret exemption criteria, require nonprofit owners to reapply annually for their exemption, conduct regular inspections of exempt property, revalue exempt property as frequently as taxable property, and inform the public about the impact of exemptions on the tax base and local government revenues.

BGR found mixed results in the assessor's progress on exemption administration reform. The assessor appears to be strictly interpreting exemption criteria, defending the office's decisions in some instances before the courts. The assessor's office also conducts regular inspections of exempt properties, and it regularly removes properties from the exempt roll when a nonprofit owner loses its federal tax-exempt status. In addition, the assessor created a publicly accessible database of exempt properties and publishes more information regarding property tax exemptions and exempt entities.

However, because exempt properties do not generate tax revenue, the assessor does not regularly revalue them. The office also does not require nonprofit property owners to reapply annually for the exemption, which would ensure that nonprofit owners and properties continue to meet eligibility requirements and comply with current State law.

> **Overall, the report's core finding is that the single assesssor has put in place some of the necessary building blocks for a high-functioning assessment office but still falls short in crucial areas.**

Transparency and Public Information Sharing. BGR recommended that the single assessor create a user-friendly website with information such as: an explanation of the role and duties of the assessor; an assessment timeline; downloadable forms; a property tax calculator; and information on property values, millage rates, exemptions and assessment appeals. The assessor's website now includes all of the information BGR recommended.

BGR further recommended that the assessor publish an annual report on key property and assessment data, including the total number of parcels in the parish, the parish's total assessed value, the value of property tax exemptions, and a discussion of assessments by property classification and neighborhood. BGR also recommended that the annual report include the number of assessment appeals and their outcomes, noting the impact successful appeals may have on the parish's property tax revenue. The assessor's office publishes an annual newsletter and fact sheet that contain some, but not all, of the data BGR recommended. Still, the assessor has significantly increased the amount of information shared with the public about New Orleans properties.

Conclusion

Overall, the report's core finding is that the single assessor has put in place some of the necessary building blocks for a high-functioning assessment office but still falls short in crucial areas.

The assessor's improvements include: creating an in-house data collection and maintenance program, linking the office's property data to the City's mapping technology, creating a standard appeal process, tightening some exemption administration practices, enhancing the office's website and sharing more information with the public. The assessor's progress in these areas is an accomplishment given the disjointed system and practices he inherited from the former seven-assessor system.

However, the office's valuation practices and lack of transparency raise serious concerns about the uniformity and fairness of property valuations in New Orleans, as well as the sufficiency of the processes that are supposed to inform them. Ongoing weaknesses in exemption administration further underscore that the job of reforming assessments in New Orleans is not done. Fortunately, that path to a fair and transparent assessment system remains clear and achievable, as this report's recommendations indicate.

Recommendations

To improve property valuation processes, BGR recommends that the Orleans Parish Assessor:

- Completely abandon the practice of sales chasing as a method to value property.
- Consistently use computer-assisted mass appraisal technology to value property in assessment areas, in accordance with International Association of Assessing Officers (IAAO) standards on mass appraisal and automated valuation models.
- Provide the public with a comprehensive explanation of how the office values properties, including how it: uses various data sets; develops valuation models, rates and formulas; utilizes mass appraisal technology to produce property valuations in accordance with appraisal industry standards and best practices; and incorporates any other critical steps necessary to produce accurate and uniform property valuations.
- Publish an annual schedule of the neighborhoods or assessment areas to be reassessed so the public will be informed about the reassessment process and potential changes to property valuations, assessments and the calculation of property taxes.
- Conduct internal ratio studies annually, including documented methodologies that adhere to IAAO guidelines, to monitor the accuracy of the office's property valuations relative to market conditions. The ratio studies should include a sales chasing analysis to demonstrate to the public that the office is not using the practice to value sold property.
- Publish all internal ratio studies and sales chasing analyses to inform residents and policymakers about the office's appraisal performance, property valuations and market conditions.

To improve administrative practices, BGR recommends that the Orleans Parish Assessor:

- Incorporate minimum education and professional development standards relevant to employee positions into the office's written personnel policies, and encourage employee advancement in achieving professional training.
- Strengthen the informal assessment appeal process by requiring the review of two supervisors for more complicated appeals or appeals that would result in a significant decrease in property value.
- Regularly revalue exempt properties to accurately quantify their impact on the tax base and property tax revenue.
- Require nonprofit property owners to reapply for the exemption annually in compliance with State law and to ensure that nonprofit owners continue to meet exemption criteria.
- Develop an online process to streamline the annual reapplication for nonprofit exemptions.

Further, BGR recommends that City and State policymakers:

- Review the assessor's current funding mechanism and, if it remains, consider requiring the assessor to refund excess revenue, over and above the amount necessary to maintain a reasonable reserve, to the City of New Orleans for distribution on a pro-rata basis to tax recipient bodies.
- Consider State legislation that would require sale price disclosure and up-front access for parish assessors to income and expense data for income-producing properties, to align Louisiana with the common practices nationally.
- Obtain copies of the annual ratio studies conducted by the Louisiana Tax Commission and any other studies conducted by the commission in that year to remain informed on the assessor's appraisal performance on an annual basis.
- Study the impact of the assessor's practice of revaluing a portion of the city's properties each year on taxable assessed value and constitutional requirements for millage rate adjustments.
- Work with the assessor to develop an online application to streamline the annual reapplication process for nonprofit property owners.


ASTOR
PARKING

INTRODUCTION

In 2019, New Orleans property taxes generated $600 million, nearly half of all local taxes, to fund public services and infrastructure, including fire and police protection, streets, levees, drainage and public education.[1] While BGR reports have highlighted concerns about the adequacy and allocation of those revenues, the determination of property taxes must also be fair for taxpayers. This depends on the quality of property assessments determined by the Orleans Parish assessor.

The assessor determines the fair market value for nearly all taxable properties in the city.[2] The assessor then applies an assessment percentage, as required by Louisiana law, to a property's value to determine its assessment.[3] The City of New Orleans, as tax collector for the parish, calculates individual tax bills by multiplying a property's assessment by the millage rates set by taxing bodies. A fair distribution of the tax burden depends on the accuracy of the assessor's property valuations.

This year, the assessor conducted the quadrennial parishwide reassessment mandated by Louisiana law.[4] The assessor reported that more than 64,000 property owners saw an increase in their property values, which in some cases more than doubled.[5] After adjusting for local appeals through October, the city's total assessed property value grew by 14%.[6] Taxing bodies are considering whether to maintain their current millage rates in 2020, which would allow them to receive increased property tax revenue.[7]

The reassessment has been controversial. The assessor did not complete it, leaving roughly 40,000 properties for revaluation next year.[8] In addition, thousands of property owners challenged the accuracy of their new valuations.[9] Residents, businesses and policymakers have raised concerns about the assessor's property valuation processes and whether those processes result in fairness for taxpayers.

Public scrutiny of the reassessment has also raised questions about the extent to which the single parishwide assessor has improved New Orleans' assessment system. The single assessor, elected every four years, replaced seven independently elected assessors, a fragmented system that existed for more than a century. The seven-assessor system contributed to inaccurate assessments, inconsistent administrative practices between districts and an unfair distribution of the tax burden among taxpayers. BGR reported extensively on these problems and supported parishwide consolidation.[10] In 2006, voters approved the shift to a single parishwide assessor, as further described in the sidebar. In 2009, before the historic election to fill the new office, BGR published *In All Fairness: Building a Model Assessment System in New Orleans*.[11] The report made recommendations, based on nationally recognized best practices, and provided the new single assessor with a roadmap to create a consolidated, high-functioning assessment office. The single assessor took office January 1, 2011 and was recently re-elected for a third term.

In this report, BGR evaluates the single assessor's progress since taking office to determine whether and to what extent the assessment system in Orleans Parish is better now than it was before consolidation. BGR begins with an overview of the assessor's consolidated office, funding and budget. It then discusses the assessor's progress in improving the property valuation process, followed by an update on the appeal process, exemption administration and other administrative matters. Finally, the report makes recommendations to improve the Orleans Parish assessment system.

FROM SEVEN ASSESSORS TO ONE

After Hurricane Katrina, residents and policymakers advocated for the overhaul and consolidation of the assessment system. They called for a single parishwide assessor to mirror all other Louisiana parishes and additional reforms to bring the system in line with standard practices for assessment administration.

In 2006, voters statewide and in Orleans Parish amended Louisiana's constitution to consolidate the seven assessors into one. BGR supported the consolidation as an opportunity to allocate resources more efficiently, focus the public eye on one executive and facilitate fair assessment practices.* In 2010, voters elected the first parishwide assessor, who took office the following year. Since consolidation, the assessor now manages one of the state's largest assessment rolls with more than 165,000 real estate parcels.**

* BGR, *On the Ballot Report, November 2006*.
** Orleans Parish Assessor's Office, 2019 Fact Sheet. This total includes residential, commercial, vacant and exempt properties. It does not include public service property or personal property.

REPORT METHODOLOGY

BGR evaluated the single assessor's progress based primarily on its *In All Fairness* recommendations and standards of the International Association of Assessing Officers (IAAO). The IAAO sets standards regarding professional development, property appraisal, assessment administration and property tax policy.

Where applicable, BGR also relied on rules established by the Louisiana Tax Commission. The commission is the State entity that oversees parish assessors and makes rules to guide the assessment of real and personal property.*

BGR gathered the information analyzed in this report primarily from the Orleans Parish Assessor's Office. This included assessment records, statistical and financial reports, contracts, and administrative policies and procedures. BGR also obtained the assessor's responses to specific questions.

BGR also sought advice from national experts regarding mass appraisal technology, property valuation processes and assessment administration. And as further described in this report, BGR retained a Virginia-based consultant with expertise in mass appraisal performance evaluation to assist with the analysis of a sample of property valuations produced by the assessor's office for the 2020 assessment rolls. In addition, BGR interviewed local real estate professionals, including agents, appraisers and brokers.

Finally, prior to publication, BGR provided a draft of the report to the Orleans assessor for review and comment.

* For the commission's current rules, regulations and guidelines, see https://www.latax.state.la.us/Menu_RulesRegulations/RulesRegulations.aspx.

GLOSSARY OF KEY TERMS

Accuracy. The closeness of an assessor's appraisal to the true, exact or accepted market value. Accuracy also can be expressed as an acceptable range about the true value. In the context of mass appraisal within a jurisdiction, accuracy is tested by applying acceptable ranges to (1) the overall ratio of appraised values to market values and (2) the degree to which properties, either assembled as a group or stratified by worth, are appraised at equal percentages of their market value (i.e., the assessment "uniformity"). These ensure the fair distribution of the burden of taxation.

Appraised value. The assessor's estimate of the value of a property before application of any fractional assessment ratio, partial exemption or other adjustments.

Arm's-length sale. A sale in the open market between two unrelated parties, each of whom is reasonably knowledgeable of market conditions and under no undue pressure to buy or sell.

Assessed value. A value set on real estate and personal property by a government as a basis for levying taxes. Assessed values differ from the assessor's appraised value due to fractional assessment ratios, partial exemptions, preferential assessments and decisions by assessing officials to override market value. BGR refers to a property's real estate assessed value as its "assessment."

Computer-assisted mass appraisal (CAMA). A process that uses a system of integrated components and software tools to support the appraisal of a universe of properties based on mathematical models of the relationship between property values and supply/demand factors.

Market value. The most probable price (in terms of money) which a property should bring in a competitive and open market under all conditions requisite to an arm's-length sale. It assumes that the buyer and seller each act prudently and knowledgeably, and price is not affected by undue stimulus.

Ratio study. A study of the relationship between an assessor's appraised values and market values. Indicators of market values may be either sales (sales ratio study) or independent "expert" appraisals (appraisal ratio study).

Reassessment. The mass appraisal of all property within an assessment jurisdiction mandated by state law to occur within or at the beginning of a reassessment cycle. This can also be called revaluation or reappraisal.

Reassessment cycle. The period of time established in state law for a jurisdiction to have a complete reappraisal.

Sales chasing. The problematic practice by which an assessor adjusts the property valuations of recently sold properties to match or approach their sale price, which results in different methods to value sold and unsold properties.

Sources: International Association of Assessing Officers, *Standard on Ratio Studies*, April 2013; *Standard on Mass Appraisal of Real Property*, April 2013; *Standard on Verification and Adjustment of Sales*, November 2010. BGR, *In All Fairness: Building A Model Assessment System in New Orleans*, December 2009, p. 50.

OVERVIEW OF THE SINGLE ASSESSOR'S OFFICE

This section discusses how the assessor has structured and staffed the consolidated office. It also discusses the office's funding and budget, as well as the assessor's search for new office space.

Organizational Structure and Staffing

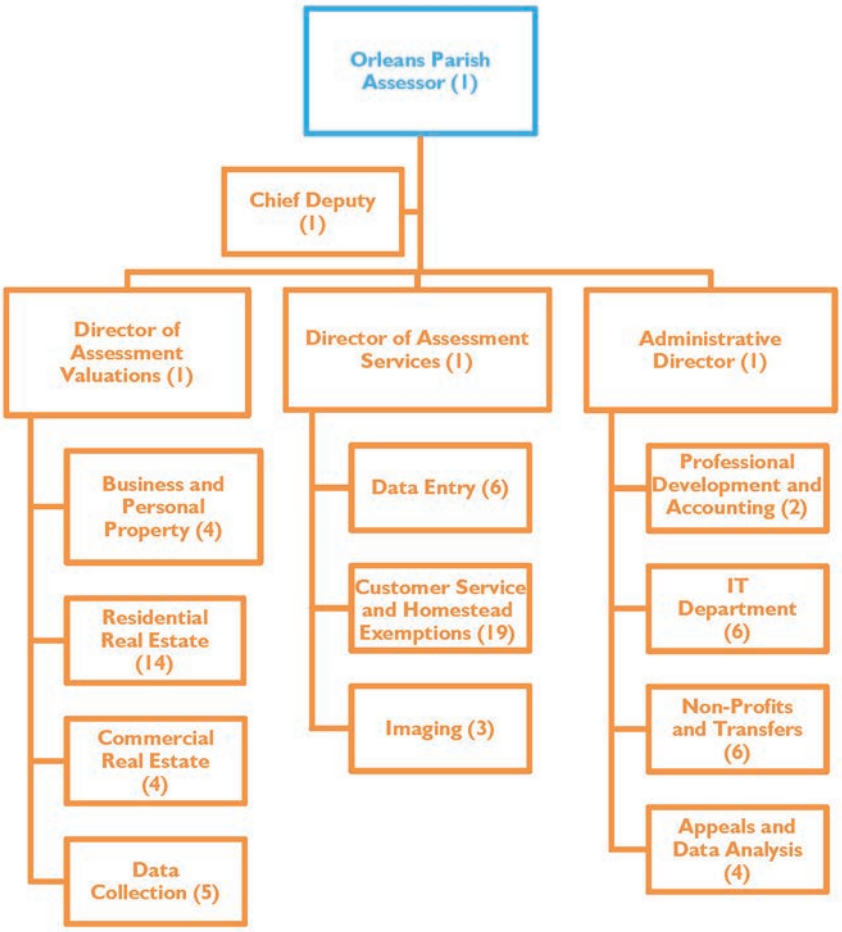
Organizational Structure. The single assessor currently leads a parishwide office with three specialized departments and more than 70 employees, as shown in Chart A.

BGR recommended that the assessor create separate departments for appraisal, technology and administration. The assessor followed BGR's recommendation in part. He created separate departments for appraisal (referred to as assessment valuation) and administrative functions. However, instead of a stand-alone technology department, the assessor created an assessment services department to handle data entry, customer service, homestead exemptions and, most recently, document imaging. The assessor placed other basic technology functions in a division of the administration department. The assessor outsources more complicated and specialized technology matters to private contractors.

BGR also recommended that the assessor obtain professional outside assistance during the transition period to develop a new organizational plan within a realistic timeframe. The assessor accomplished this by retaining a national consultant. The assessor says he combined the consultant's recommendations with his own professional experience as a former district assessor to structure the new office.[12]

Staffing. BGR recommended that the assessor open all positions in the consolidated office to a wide variety

CHART A: ORGANIZATION OF THE ORLEANS PARISH ASSESSOR'S OFFICE, APRIL 2019



Source: Information provided by the Orleans Parish Assessor, April 10, 2019. The assessor noted that 71 positions were filled at that time.

of applicants. According to the assessor, employees under the former system had the opportunity to apply for positions in the new office. The assessor says he also opened all positions to new applicants, advertising in local newspapers, industry periodicals and on the office's website. BGR cautioned that rehiring former district assessors could impede the creation of a new organizational culture for the office. The assessor did hire two former district assessors for supervisory positions in the new office. The assessor defends those decisions by pointing to their State certifications and extensive experience as district assessors.

BGR also recommended that the assessor identify the highest-qualified personnel available to fill positions in the new organization. BGR suggested that the assessor gauge an applicant's willingness to follow appropriate administrative practices. The assessor says his transition team interviewed and evaluated all applicants. According to the assessor, the transition team brought objectivity to the hiring process, which included evaluating former employees of the assessor's own district office. The assessor says he made hiring decisions based on the recommendations of the transition team.

The assessor plans to have up to 76 full-time employees in 2019, excluding the assessor and chief deputy assessor.[13] Best practices suggest that a jurisdiction the size of Orleans Parish have one full-time employee for every 3,000 to 3,500 parcels.[14] With approximately 165,000 parcels valued by the assessor, this ratio suggests a staff of 47 to 55 employees.[15] While 2019 staffing exceeds the recommended number, the assessor says he eliminated all redundant positions but added positions to meet the needs of the new office. In addition, an assessment administration expert told BGR that the complexity of valuing property in urban jurisdictions like New Orleans can increase staffing needs.

Funding and Budget

Almost all of the assessor's funding comes from a 2% fee on the total amount of property taxes billed each year.[16] This fee, which originated during the seven-assessor era, generated $12 million in 2019, or 96% of the office's total revenue.[17] The assessor's budget includes $10.6 million in total expenditures, with personnel salaries and benefits comprising the majority of operating costs.[18] The assessor anticipates ending the year with a $1.9 million surplus.

Because the State constitution creates the position of parish assessor, the assessor's office operates as a standalone entity separate from City government.[19] As a result, the assessor does not follow the typical operating or capital budget processes of City departments, which require review and approval by the City Council. Rather, the office simply coordinates with the City's Treasury Department to receive the revenue generated by the 2% fee.

BGR's 2009 report did not make a recommendation regarding the office's source of funding, but subsequent reports have flagged the office's surplus revenue.[20] Over the years, these surpluses from the fee have allowed the assessor to accumulate a sizeable fund balance. In 2019, the assessor's fund balance is budgeted to reach $13.1 million, or 123% of the office's annual operating budget.[21]

The amount of revenue generated by the assessor's fee is not based on the office's workload or expenditures. Rather, the 2% fee grows as millage rates levied by taxing entities and property valuations determined by the office increase. For example, a recent voter-approved tax for fire protection, which generates $10 million annually, netted the assessor an additional $200,000 in annual revenue.

Further, any refunds of excess revenue to local tax recipient bodies are at the assessor's sole discretion. The assessor refunded $2.2 million in excess revenue to taxing entities in 2016. Despite its growing surplus, the office has not made any further refunds.

The assessor's surpluses call into question the size of the office's dedicated funding, particularly at a time when the City and other property tax recipients are looking for additional revenue to address high-priority needs.[22] Local and State policymakers should review the assessor's funding to determine whether it aligns with the office's needs.

A Search for a Bigger Office

The assessor says his office has outgrown its current space at City Hall.[23] State law requires the City to pro-

> **The assessor's surpluses call into question the size of the office's dedicated funding, particularly at a time when the City and other property tax recipients are looking for additional revenue to address high-priority needs.**

vide the assessor with a "suitable building" to conduct the functions of the office.[24] The assessor says he has requested more office space from the City for years; however, the City has not provided it.[25] The City is considering whether to relocate City Hall, which could provide new space for the assessor's office.[26] While the assessor is open to this possibility, he also told BGR that he is negotiating a location for a new office and will share its location with the public once finalized.

The assessor has restricted $8 million in reserves to pay for new office space. While the statutory provision that governs the assessor's 2% fee does not specify uses of the fee revenue,[27] it appears that the assessor, in his official capacity, lacks the authority to purchase property on behalf of the office.[28] A new law enacted by the State Legislature in 2019 attempts to work around this limitation.[29] The law creates the Mid City Economic Development District to purchase and develop property for the assessor within the district's boundaries of LaSalle Street, Tulane Avenue, Broad Street, and Interstate 10.

A board of commissioners, led by the assessor, will govern the district. The 5-member board also includes the district's State representative and senator, along with the mayor and sheriff. Any of the elected officials on the board may appoint a designee to serve in their place.[30] The law also authorizes the City Council to levy a 50-year property tax, subject to voter approval, on taxable property located within the district.

While neither the assessor nor the council has advanced any plans for a tax proposal, the new law raises some concerns about the district's taxing authority and scope. It authorizes a property tax within the district's boundaries, even though the assessor's office serves residents parishwide. The law's scope also extends beyond the assessor and allows the district to purchase and develop property for any governmental subdivision.

PROGRESS ON THE PROPERTY VALUATION PROCESS

In 2009, BGR's core recommendations for the consolidated assessor's office focused on improving the accuracy and fairness of the property valuation process, which had been long-running concerns with the seven-assessor system. Specifically, BGR focused on the key elements of data collection and maintenance, the proper use of mass appraisal technology and self-checking the accuracy of property valuations. The following discussion explains why these elements are essential to property valuation and then examines the single assessor's progress toward addressing them.

Key Elements of the Property Valuation Process

Data Collection and Maintenance. Accurate property data serve as the foundation for fair property valuations. Assessors collect data on a property's physical characteristics, condition, use, size and location, among other things. Assessors gather property data from a variety of sources, including land records, appraisals, inspections, building permits, property tax exemptions, images and maps.[31]

Once collected, assessors should ensure that property data remains accurate and up to date.[32] Property data that are wrong or outdated lead to inaccurate property valuations. An effective property data collection and maintenance program can be expensive, but is critical for the valuation process.

Mass Appraisal Technology. An assessor must then use mass appraisal techniques to estimate fair market value. According to the International Association of Assessing Officers (IAAO), mass appraisal is "the process of valuing a group of properties as of a given date and using common data, standardized methods, and statistical testing."[33] Many assessment offices, including Orleans, have computer-assisted mass appraisal (CAMA) systems that analyze property and market data and create valuation models to appraise large groups of properties at once. Most mass appraisal systems support the three approaches that assessors can use to determine a property's market value, as discussed further in the sidebar. In addition, mass appraisal technology has made it more feasible for assessors to produce accurate and uniform property valuations throughout a jurisdiction. In 2018, the IAAO published a new best practice standard on the use of automated valuation models.[34]

Importantly, mass appraisal technology does not rely solely on sale prices to generate property valuations. While it may seem logical for an assessor to set a property's value at or near its sale price, the practice – called sales chasing – violates key principles of the mass appraisal process and creates a lack of uniformity among property valuations because an assessor must use different methods to value sold and unsold properties.

Further, the lack of uniformity can create unfairness among taxpayers. The presence of non-uniformity among property valuations carries over to property assessments and, ultimately, the calculation of property taxes. In New Orleans, the historic reliance on sales chasing by the seven assessors created inequity through a dual system of valuation – a higher one for newcomers to a neighborhood and a lower one for long-term property owners. The practice also contributed to undervaluation for unsold properties throughout the city.[35]

In addition, sales chasing makes it difficult to evaluate an assessor's appraisal performance because it can distort the findings of a ratio study. The study, which commonly analyzes appraised values to recent sale prices, can provide an effective measure of an assessor's appraisal accuracy and uniformity if an assessor uses the same method to value sold and unsold properties. An assessor who engages in sales chasing will appear to have achieved a high degree of appraisal accuracy and uniformity. These results, however, do not represent the the assessor's performance for the broader population because the method used by an assessor to value the sample of sold properties (i.e., sale price) differs from the method used to value unsold properties.[36]

Internal Ratio Studies. Finally, assessors should not wait for oversight agencies, such as the Louisiana Tax Commission, to conduct external ratio studies. Rather, assessors should self-check the accuracy of their property valuations by conducting their own studies.

According to the IAAO, internal ratio studies are the most important performance analysis tool, and assessors should conduct the studies at least annually.[37] They help assessors track property valuations compared to changing market conditions. They can also justify and support adjustments in property valuations, particularly at the start of a new reassessment cycle. By conducting annual internal ratio studies, an assessor can detect and correct valuation problems before they become serious.[38] Many mass appraisal systems include a component to help assessors conduct internal ratio studies.

The following sections focus on the assessor's progress toward addressing the core elements of the property valuation process.

Data Collection and Maintenance

The seven assessors failed to consistently collect and maintain accurate and current property data. The top-heavy administration left many of the district offices understaffed to maintain an effective data collection program. As a result, the assessors often worked with inaccurate property data.

Typically, assessors collect and maintain property data in-house. The historical failure of the assessors to create an effective data collection and maintenance program cost them, and ultimately taxpayers, millions of dollars in private consultant fees. In 2007, the assessors collectively contracted with a private assessment services firm to fill the data gap. They paid the firm $9.8 million to update property data on every parcel in Orleans Parish and revalue commercial and industrial properties.[39]

BGR recommended that the single assessor develop an in-house data collection and maintenance program. It also recommended that appraisers or trained data collectors seek all legally available sources of information, including sales and real estate data, building and permit data, exterior inspections, aerial photography and property owner questionnaires.[40] BGR also called for the assessor to integrate his data with the City's mapping technology.

The assessor has developed an in-house data collection and maintenance program. The office collects property data on a daily, weekly and monthly basis from various sources, such as the local real estate Multiple Listing Service. The office also has full access to the City's building permit database, managed by the Department of Safety and Permits, and receives weekly updates from the database.[41] In addition, the Clerk of Civil District Court sends copies of real estate documents to the assessor's office on a weekly basis.[42] According to the assessor, appraisers conduct exterior inspections of properties in selected neighborhoods on an annual basis to ensure the completeness and accuracy of property data, such as size, condition, type of construction and use.[43] The assessor says the office uses inspection results to update property records. The IAAO recommends that an assessor conduct a physical review of properties at least once every four to six years.[44] For more discussion about property inspections and their role in the valuation process, see the sidebar.

THREE APPROACHES TO VALUING PROPERTY

There are three industry-recognized techniques for determining the fair market value of property: the sales comparison approach, the cost approach and the income approach. In Louisiana, an assessor can use any of these approaches to determine a property's fair market value.

The **sales comparison approach**, also referred to as the market approach, estimates the value of a property by statistically analyzing sale prices of similar properties. The reliability of this approach depends 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. Generally, a mass appraisal system extracts sales data from the property database and searches for comparable sales based on selected criteria.

The **cost approach** estimates the fair market value of a structure by calculating the cost of replacing it, while adjusting 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. A typical mass appraisal system applies detailed cost tables to support this valuation approach.

The **income approach** estimates the fair market value of a property based on the income the property generates. This method uses a capitalization rate to convert an estimate of future income into an estimate of market value. It is the preferred valuation method for income-producing properties, such as commercial properties with tenants, multi-family rental property, agricultural land (e.g., farmland with crop production) and some industrial property.

For similar types of income-producing properties, a mass appraisal system can process income and expense data to generate typical gross incomes, vacancy rates, net incomes and expense ratios. The system then consistently applies the data to the appropriate valuation model to value each property within a group.

Sources: IAAO, *Standard on Mass Appraisal of Real Property*, April 2013; La. R.S. 47:2323; BGR, *In All Fairness*, p. 9.

The assessor has also increased the office's use of aerial imagery. Each year, with assistance from an outside contractor, the office updates aerial imagery for the parishwide property map.[45] This map, along with the assessor's property data for each parcel, links to the City's Geographic Information System (GIS) mapping technology. The public can access the map and the parcel data through the assessor's website. Since the merger of property data and GIS mapping, residents can search for any parcel and view it in various ways on the parishwide map. For example, they can see its owner, property description, and appraised value and assessment for the last three years. For each individual parcel, the assessor's website includes a link for property owners to review and pay their City property tax bill.[46]

Finally, the assessor has used property owner questionnaires to verify the office's data, such as a property's square footage.[47]

State Limitations on Data Collection. The assessor faces certain limitations in collecting and maintaining accurate property records. Notably, Louisiana law does not require buyers and sellers to disclose the sale price of a property in the sale document. As a result, a parish assessor may have difficulty finding a property's true sale price. Local real estate experts told BGR that this practice is increasingly common in high-value commercial sales.[48]

Nationally, 36 states require some form of sale price disclosure, such as sales questionnaires, real estate conveyance tax forms, or affidavits to state officials or local assessors.[49] According to the IAAO, a state should seek laws that mandate the disclosure of sale data.[50] Only 14 states, including Louisiana, do not require the disclosure of a property's sale price. This can limit both the valuation procedures of parish assessors and the oversight processes of the Louisiana Tax Commission. Making these types of disclosures mandatory in Louisiana would likely require action by the State Legislature.

According to some local real estate experts, Louisiana's data limitations especially affect the valuations of commercial properties. In addition to the lack of disclosure laws, owners of income-producing commercial properties are not obligated to provide an assessor with income and expense data. This information, which can include the number of rental units and vacancy rates, is often critical in determining value. While the assessor and Tax Commission require owners to submit income and expense data during the appeal process, this occurs after the assessor has determined the property's value for the tax rolls.[51] An assessment expert told BGR that up-front income and expense disclosure is common, although not universal, in other jurisdictions. Many jurisdictions require the filing of income and expense data with the assessor; however, because of the proprietary nature of the information, it is confidential and not subject to public inspection. Further, some jurisdictions fine property owners or bar them from appealing their assessment if they fail to file income and expense data.

Overall, the limitations created by Louisiana's status as a non-disclosure state and the lack of up-front income and expense data from owners of income-producing properties can constrain the assessor's ability to collect and maintain accurate property data. Still, the single assessor has made strides in developing in-house data

PROPERTY INSPECTIONS IN THE VALUATION PROCESS

According to the IAAO, assessments based on current market value imply a reassessment of all property annually. This standard does not require an assessor to reappraise every property each year. Rather, on an annual basis, an assessor should observe and re-evaluate the factors that affect a property's value to ensure it conforms to market conditions.*

Further, the IAAO recommends that assessors physically review and update property characteristics data at least every four to six years. Reviewing the physical characteristics of a property on a regular basis helps an assessor maintain the accuracy of property data, a cornerstone of the valuation process. The IAAO finds several approaches acceptable.

- Re-inspect all property at periodic intervals (e.g., once every four years).
- Re-inspect properties on a cyclical basis (e.g., one-fourth of all properties each year).
- Re-inspect properties on a priority basis based on ratio studies or other considerations while still examining all properties at least every six years.**

* IAAO, *Standard on Property Tax Policy*, July 2010, p. 13.
** IAAO, *Standard on Mass Appraisal of Real Property*, April 2013, p. 12.

collection and maintenance. The assessor has dedicated staff to collect data from a variety of sources. In addition, the assessor has integrated the office's property data with the City's mapping technology and made them publicly accessible through the office's website.

Mass Appraisal Technology and Sales Chasing

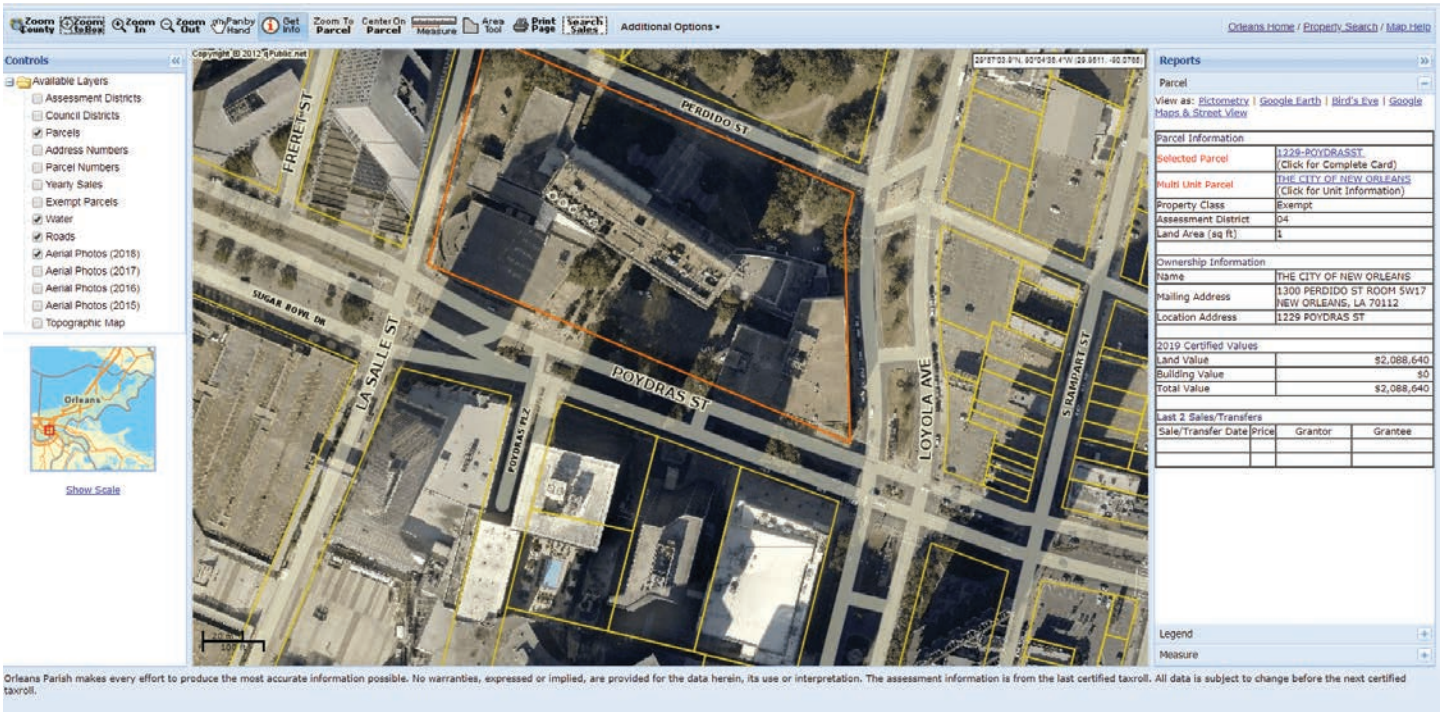
In fall 2003, the seven assessors attempted to modernize the property valuation process by investing $1.2 million in a shared, integrated system that provided, among other things, computer-assisted mass appraisal (CAMA) capabilities.[52] Before this, the assessors relied on a 1970s-era computer database and thousands of paper records to determine property values. Unfortunately, the seven assessors and their staffs lacked the expertise to utilize all components of the new mass appraisal technology. When BGR published its 2009 report, the assessors were using the system only as an information database and not as a tool to value property.[53]

Meanwhile, they relied heavily on the practice of sales chasing to value properties. In 2008 and 2009, for example, the Tax Commission conducted ratio studies to evaluate the district assessors' appraisal performance. The studies compared the assessors' valuations of recently-sold properties to their sale prices.[54] Because of sales chasing, the assessors' valuations frequently matched sale prices. Accordingly, the commission's studies found that the assessors had achieved extraordinarily high levels of appraisal accuracy and uniformity.[55] However, the commission's findings did not reflect the accuracy and uniformity of property valuations throughout the entire parish. In fact, unsold properties generally remained unchanged and undervalued. Thus, the practice created an inequitable assessment system. Property valuations for newer owners were generally higher and more closely reflected increasing market values, while long-term owners benefited from out-of-date and typically lower valuations.[56]

BGR recommended that the single assessor develop staff capable of operating the mass appraisal system to its full potential. This would require the assessor to train staff to perform statistical modeling and programming functions.[57] In recommending full implementation of mass appraisal technology, BGR also called for the assessor to abandon sales chasing as a method of valuing property.[58]

Mass Appraisal Technology. The assessor says two full-time employees operate and manage the office's computer-assisted mass appraisal system. In addition, the assessor says that the office uses the technology to create valuation models for each of the city's unique as-

ILLUSTRATION: SAMPLE IMAGE FROM ASSESSOR'S GIS PARCEL MAP



BGR screen capture from nolaassessor.com.

sessment areas. The assessor has divided New Orleans into more than 500 residential and commercial assessment areas based on geographic location and property characteristics.[59]

The assessor also says employees review and validate valuations generated by the mass appraisal system based on their professional judgment and field verifications. An assessment expert told BGR that a review of these results is an important part of the property valuation process. However, the expert cautioned that adjustments made to property valuations generated by mass appraisal technology should be the exception and not the rule. Frequent decisions by assessment staff to override mass appraisal valuations could indicate flaws in the system's valuation models, improper use of the technology or inappropriate staff subjectivity.

The assessor's website provides the public with a general overview of the system and the mass appraisal process.[60] In addition, the assessor recently explained to the City Council that the office develops an average price per square foot for each neighborhood based on sales data collected during each reassessment cycle. If necessary, the assessor says staff members may adjust the average price per square foot depending on a property's condition and other factors. The assessor then uses the adjusted average price per square foot to determine fair market value for the properties in the neighborhood.[61] Despite the assessor's explanation, it is unclear how this process uses mass appraisal technology to value property.

BGR sought a more complete understanding of how the assessor uses property data within the system, develops valuation models and applies them to the city's neighborhoods. BGR submitted a public records request to the assessor for copies of any internal policies or procedures that address the property appraisal process, including the use of mass appraisal technology. In response, the assessor allowed BGR to review certain instructional manuals in person but did not permit BGR to copy the manuals, noting that they were the proprietary information of a private contractor's software system.

Following its public records request, BGR asked the assessor for a meeting with staff to receive a demonstration on how the system is used to value property. The assessor declined BGR's request advising that the mechanics of the office's mass appraisal technology are also proprietary, and providing a demonstration would violate the assessor's user agreement with the software vendor.[62]

In a final attempt, BGR asked the assessor to consider requesting consent from the software vendor to allow BGR to receive a demonstration for the limited purpose of understanding how the office has incorporated mass appraisal technology into the property valuation process. The assessor did not respond to this request.

Assessment experts told BGR that it is common for other assessment offices to openly share with the public how they use their mass appraisal systems to value property. In addition, one expert noted that vendors of mass appraisal technology typically prohibit an assessment office from replicating the technology for sale or profit, but the proprietary language in their license agreements typically does not shield the office from explaining to the public how it uses the technology to determine property values.

Without greater information on how the Orleans Parish Assessor's Office uses its mass appraisal technology, the public lacks a complete understanding of one of the most fundamental tools for property valuation. The assessor's lack of transparency also raises serious questions about whether the office is properly utilizing the system to value property.

Further, during the recent parishwide reassessment, the assessor failed to revalue approximately 40,000 properties.[63] The assessor cites changes in the Tax Commission's rules attempting to regulate the frequency of reappraisals, as discussed further in the sidebar on page 25, for the office's inability to timely complete the reassessment.[64] However, advances in mass appraisal and mapping technology have improved the efficiency of revaluing large groups of properties while following appraisal principles in the revaluation process.[65] The assessor's inability to complete the parishwide reassessment reinforces the concern that the office may not be fully using mass appraisal technology to value property. In addition, the incomplete reassessment has raised significant concerns about the overall fairness of the tax rolls. In the sidebar on page 26, BGR describes how the assessor's plans to pursue a rolling reappraisal cycle will have implications for future millage rate adjustments.

LOUISIANA'S MANDATORY REASSESSMENT CYCLE: A SUBJECT OF DISPUTE

Louisiana's constitution mandates that all property subject to taxation "be reappraised and valued . . . at intervals of not more than four years."* Accordingly, the State's assessors follow a quadrennial reassessment cycle and generally conduct a parishwide reassessment once every four years. Each reassessment cycle has a uniform reappraisal date, which is the date upon which all revaluations are based.

The next reassessment cycle, for example, will begin in 2020. The uniform reappraisal date for that cycle is January 1, 2019. Thus, assessors statewide will reappraise and, if necessary, adjust property valuations as of January 1, 2019. Any adjustments will be reflected on the 2020 assessment rolls. In Orleans Parish, property owners pay taxes upfront and in advance at the beginning of the year, while owners in other parishes are billed in arrears at year end.**

Typically, assessors conduct the parishwide reassessment once and at the same time every four years. During the four-year cycle, assessors collect property data, sales data and other information relative to market value for use in the upcoming reassessment. Then, for the next cycle, assessors adjust property values based on the collected data and other market factors. Under this practice, property valuations generally remain the same during a reassessment cycle with adjustments reflected at the beginning of the next cycle.

The Orleans assessor, however, has historically taken a different approach by reappraising and adjusting valuations to the uniform reappraisal date for roughly one-fourth of the parish's property each year. This practice allowed the assessor to revalue properties throughout the entire cycle while still completing the full parishwide reassessment in four years. By the end of the third year of the cycle, for instance, the assessor would have already revalued and adjusted property valuations for approximately 75% of the parish's assessment roll. In contrast, assessment rolls in other parishes would not reflect adjusted property valuations until the beginning of the next reassessment cycle. Chart B shows the effect of the different approaches on changes in real estate assessments in Orleans Parish and the rest of the state.

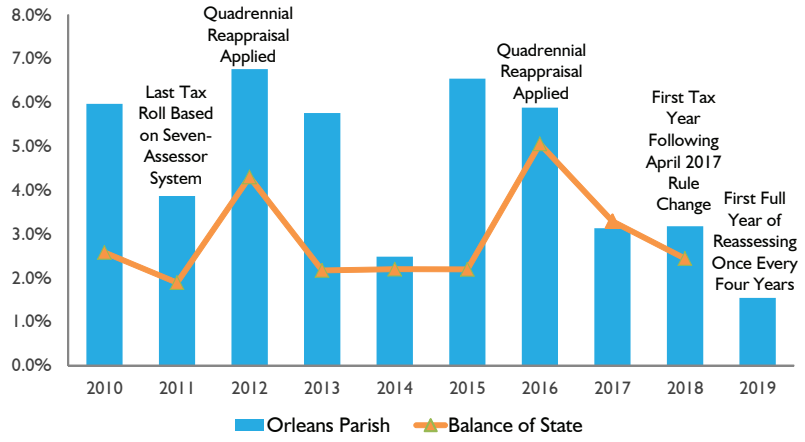
In 2017, the Louisiana Tax Commission adopted new rules to clarify that assessors should reappraise property only once every four years. According to Tax Commission officials, the new rules sought to improve assessment accuracy and uniformity statewide as well as within each parish. In their view, the Orleans assessor's practice of reappraising a portion of the city's property each year undermined these goals. In addition, officials said that the commission could more easily oversee and monitor an assessor's property valuation performance if all assessors followed the same procedures. The commission's new rules took effect with the 2018 tax rolls.

The Orleans assessor objected to the Tax Commission's new rules and told BGR that they were more restrictive than what the constitution allows. Nonetheless, the assessor agreed to follow them and said he would not adjust any property valuations until the 2020 assessment rolls (which were prepared in 2019).

Shortly after the Tax Commission adopted its new rules, a lawsuit challenged their legality to regulate the frequency of reappraisals.*** A district court struck down the Tax Commission's rules, holding that the commission did not have the authority to regulate the frequency of reappraisals and that the rules unconstitutionally infringed upon the powers granted to assessors by the State constitution. The commission did not appeal that ruling, and it is now final. The court's ruling, however, did not affect the commission's regulation to set a uniform reappraisal date for each reassessment cycle. Thus, while the Orleans assessor can decide when to reappraise properties during a four-year cycle, the property valuations determined by any reappraisal must be as of the uniform reappraisal date set by the Tax Commission.

Next year, as the assessor prepares the 2021 rolls, he will revert to his former approach. The assessor says he will start by revaluing the roughly 40,000 properties excluded from the recent parishwide reassessment.****

CHART B: PERCENTAGE CHANGE IN REAL ESTATE ASSESSED VALUE BY TAX YEAR, ORLEANS VS. BALANCE OF STATE



BGR calculations based on Louisiana Tax Commission Annual Reports, 2009-2018, Table 41.

* La. Const. Art. 7, Sec. 18(F).

** In New Orleans, the assessor prepares assessment rolls one year in advance, and the City uses those assessments to prepare tax bills for the upcoming year. In 2019, for instance, the assessor prepared the 2020 assessment rolls, and the City will use those rolls to prepare and mail the 2020 tax bills. Property owners must pay the taxes owed by January 31. In all other parishes, assessors prepare the rolls and the tax collector issues the bills at the end of the year. In 2019, for example, property owners must pay the taxes owed by the end of this year.

*** *Comeaux v. La. Tax Commission*, et al., No. 665,400 (19th Judicial District Court, Section 26, East Baton Rouge Parish, 2018).

**** Public Statement by Assessor Erroll G. Williams, August 26, 2019.

HOW THE REAPPRAISAL CYCLE AFFECTS MILLAGE RATES

BGR notes that the assessor's return to a rolling revaluation has implications for future millage rate adjustments in Orleans Parish. In Louisiana, as property valuations rise, taxing bodies must lower, or "roll back," their millage rates following a parishwide reassessment to keep its fiscal impact revenue neutral. Taxing bodies may then "roll forward" the millage rates to reap the additional revenue, but only after a public hearing and a two-thirds vote.

The State requires a roll-back only every fourth year in conjunction with a parishwide reassessment. In other parishes, an assessor's property valuations and the revenue generated from property taxes generally remain the same in the interim years, except for new property value added to the rolls. However, prior to 2018 when the Orleans assessor used a rolling reappraisal cycle, the annual revaluation of a portion of the city did not trigger a mandatory roll-back. Rather, when the revaluation occurred in the interim years between reassessment cycles, taxing bodies in New Orleans simply voted to hold millage rates constant and receive the increases in property tax revenue that were generated by higher property values determined by the assessor's reassessment.*

As a result, the mandatory roll-back that eventually occurred in the fourth year of a reassessment cycle did not provide a true offset of tax base growth during the four-year period because the prior year's tax revenue reflected the incremental annual increases caused by a rolling revaluation. The assessor's return to this approach and its impact on future millage rate adjustments is worthy of further study by policymakers.

* See, for example, "New Orleans agencies could pocket property tax windfall," *Nola.com* | *The Times-Picayune*, August 15, 2012.

Sales Chasing. An assessor who engages in sales chasing is not properly adhering to key principles governing the mass appraisal process. As discussed earlier, the practice disrupts uniformity among property valuations and can create unfairness for taxpayers.

The assessor told BGR that the office does not engage in sales chasing. However, BGR found substantial evidence that the assessor still uses sales chasing to value many sold properties. BGR made this determination during its effort to evaluate the assessor's appraisal performance in this year's reassessment. BGR retained a Virginia-based consultant with expertise in mass appraisal performance evaluation to conduct a ratio study. The study would have calculated and analyzed ratios of the assessor's "uncertified" valuations as of August 15, 2019 to sale prices for a sample of more than 1,500 detached single-family residential properties that sold in arm's-length transactions between July 1, 2018 and June 30, 2019.[66] The use of uncertified valuations would have provided a clear window into the assessor's reappraisal effort before the office made significant modifications due to assessment appeals. BGR further explains its methodology for creating the sample in the appendix.

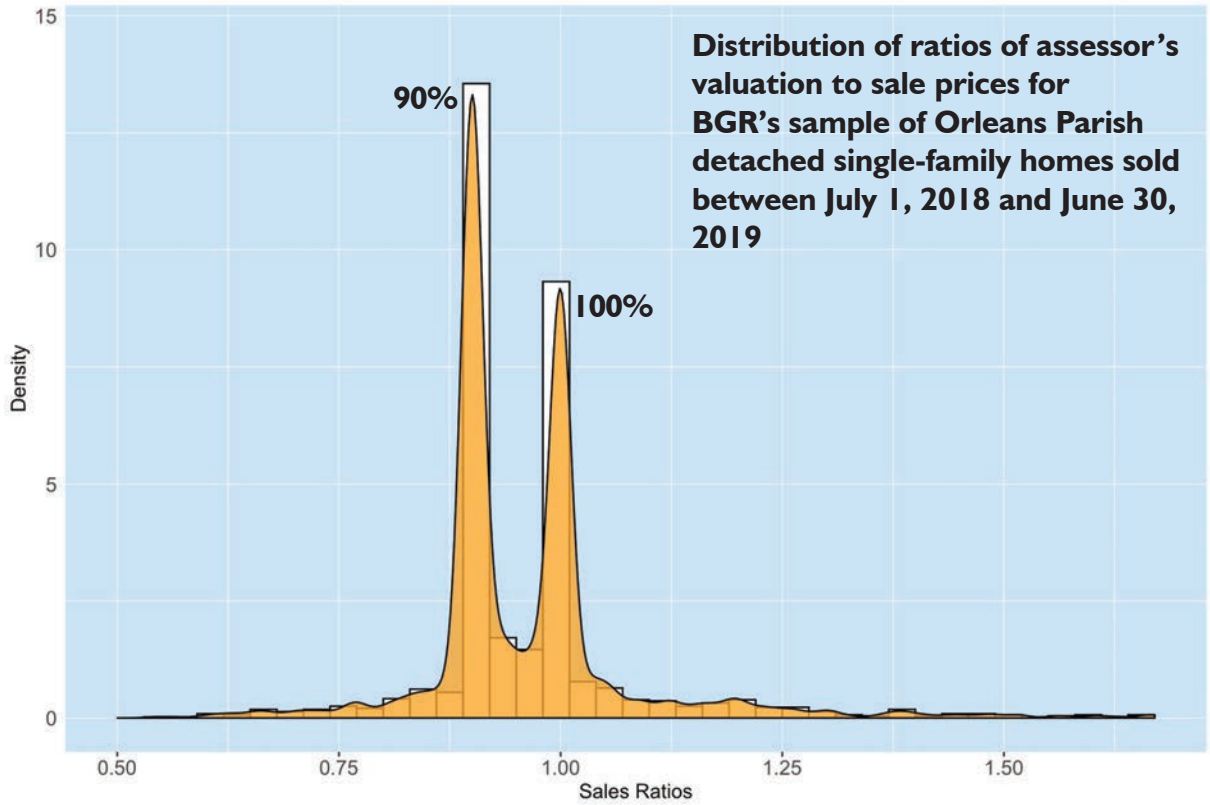
The initial analysis showed that, prior to trimming any outlier ratios from the sample, the assessor changed the values of nearly 60% of the sold properties – or almost 900 properties – to either match the property's sale price (359 properties) or reflect 90% of sale price (539 properties). According to BGR's consultant, post-sale adjustments to just 5% of a sample would raise serious concerns about sales chasing. The high percentage of property adjustments found in this sample demonstrates sales chasing that far exceeds what would be expected in a high-performing assessment office.

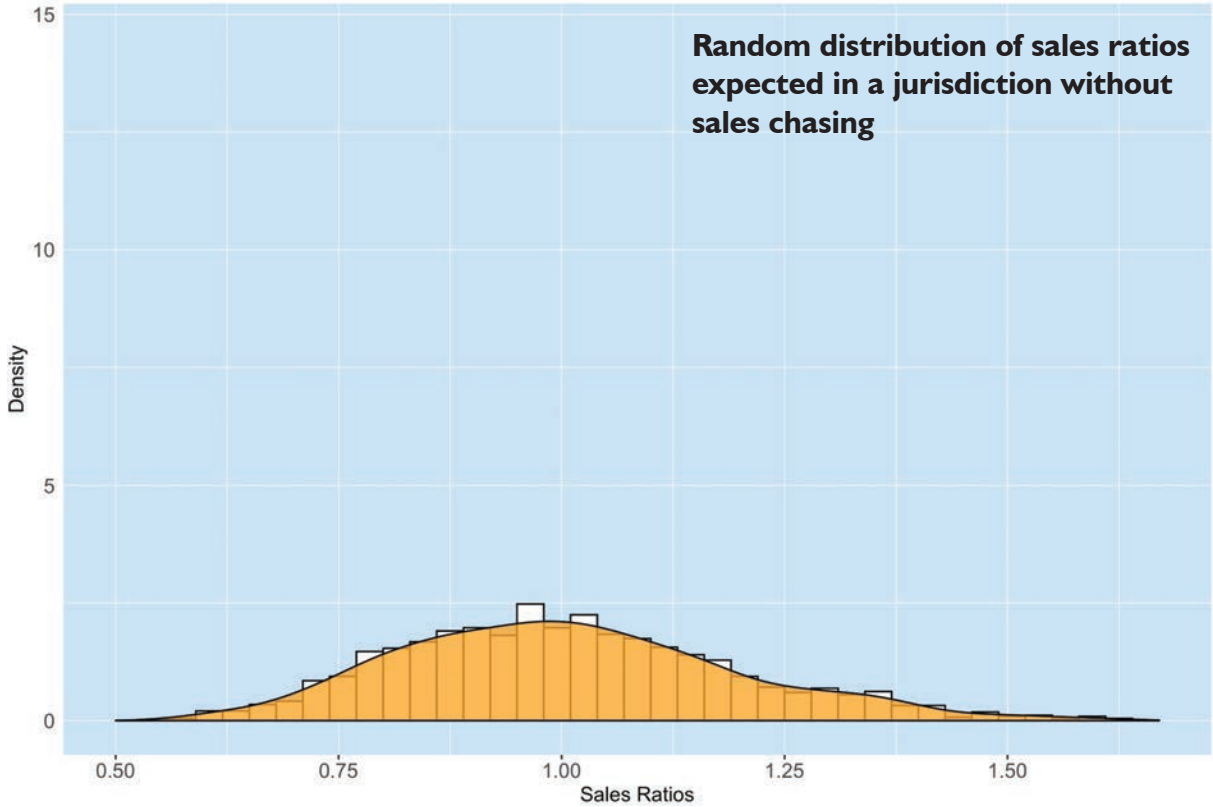
Further, as shown in Chart C on the next page, the distribution of ratios shows dramatic peaks at 90% and 100%. An assessor cannot achieve this distribution through the consistent application of mass appraisal models. Rather, the dramatic peaks are achieved when an assessor selectively reappraises sold properties. Proper use of mass appraisal processes should yield a random distribution of sales ratios resembling the bell curve shape at the bottom of Chart C.

BGR'S CONSULTANT

BGR retained Josh Myers, the principal of Josh Myers Valuation Solutions, LLC, a consulting firm that provides expertise in mass appraisal performance evaluation. BGR reviewed the consultant's methodology, analysis and findings, which adhered to IAAO standards and guidelines.

CHART C: EVIDENCE OF SALES CHASING IN NEW ORLEANS RESIDENTIAL PROPERTY VALUATIONS





Note: Each bar chart shows the distribution of sales ratios at regular intervals. The bars indicate the relative frequency of ratios at each interval. The density graphs (in orange) reveal where the ratios are concentrated along a continuous distribution.
Charts provided by BGR's assessment consultant, Josh Myers Valuation Solutions, LLC.

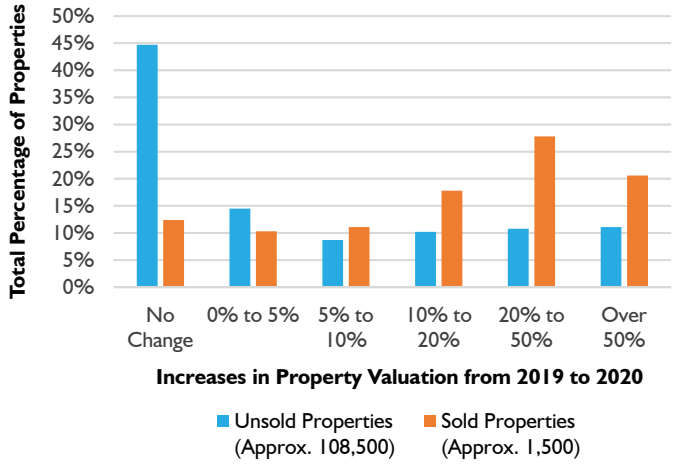
BGR also analyzed changes in the assessor's valuations from 2019 to 2020 for the sample of sold properties and 108,500 unsold residential properties. A significantly higher percentage of sold properties saw valuation increases above 10%. Meanwhile, unsold properties saw no changes to their property valuations at more than three times the rate of sold properties, as shown in Chart D.

In addition, the analysis found that the office's reliance on sales chasing increased in the months before the office's July 2019 deadline to send assessment notices to property owners.[67] As shown in Chart E, starting in February 2019, the office's overall reliance on sales chasing dramatically increased to approximately 80% of the month's total sales. And the assessor's office began adjusting a greater proportion of sold properties to reflect their full sale price.

The larger increases in the valuations of sold properties and the month-by-month analysis further support the conclusion that the office relied on sale prices to value sold properties during the recent parishwide reassessment, instead of properly utilizing its mass appraisal technology. They also show how this practice creates a lack of uniformity in valuing sold and unsold properties.

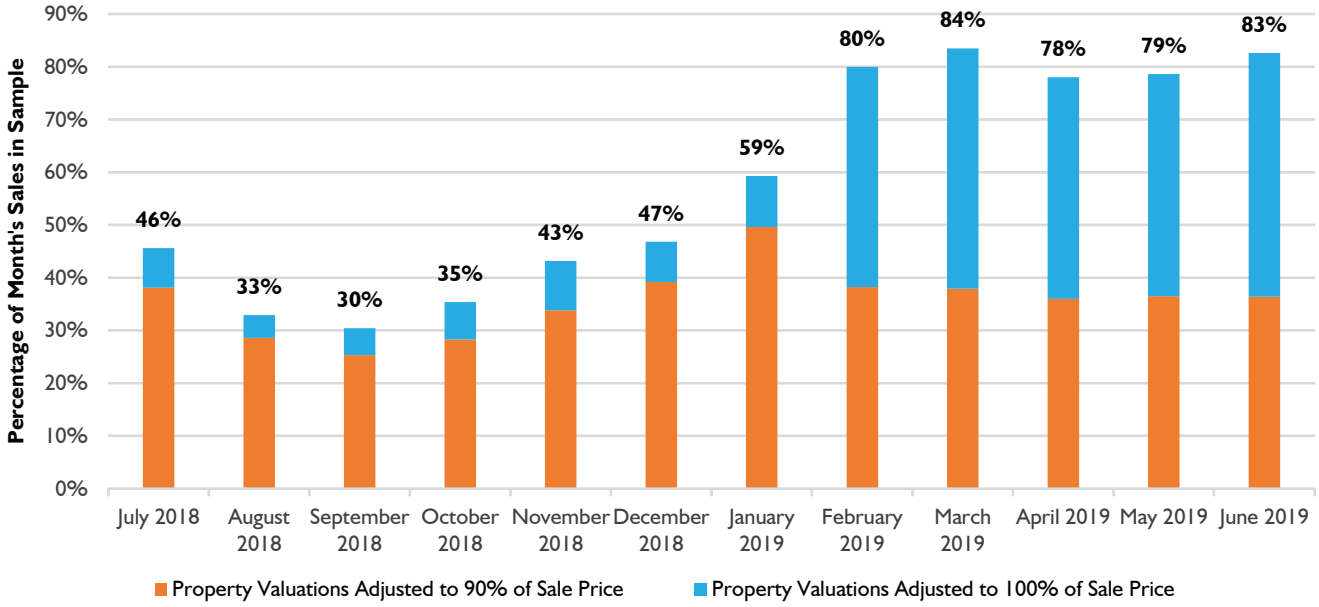
The prevalence of sales chasing created such bias within the sample that BGR was unable to complete its intended evaluation of the office's performance in reassessing detached single-family homes. Because sales chasing affected nearly 60% of the sold properties in the sample, any appraisal performance findings produced from that sample would have shown an unusually high degree of accuracy and uniformity. This achievement, however, would have been due to sales chasing rather than the

CHART D: DISTRIBUTION OF PROPERTY VALUATION CHANGES FROM 2019 TO 2020 FOR SOLD AND UNSOLD RESIDENTIAL PROPERTIES



BGR chart based on analysis provided by BGR's assessment consultant, Josh Myers Valuation Solutions, LLC. Due to data limitations, the unsold properties represent residential, non-condominium properties. While they include some multifamily apartments and attached residential housing, they do not significantly affect the comparison.

CHART E: SALES CHASING PERCENTAGES BY MONTH, JULY 2018 THROUGH JUNE 2019



BGR chart based on analysis provided by BGR's assessment consultant, Josh Myers Valuation Solutions, LLC.

proper application of mass appraisal techniques and principles. Additionally, because the assessor could not value unsold properties outside of the sample in the same way (i.e., by sale price), the findings produced by the sample would not be applicable parishwide to represent the broader trend in values among New Orleans' single-family homes. Further, when the Louisiana Tax Commission conducts its own ratio studies to evaluate the assessor's appraisal performance in the recent reassessment, there is a significant risk that the sales chasing identified by BGR could distort the commission's evaluation.

BGR's sales chasing findings follow similar findings made by the Louisiana Tax Commission, which has taken a stronger stance against the practice in recent years.[68] Last year, as explained further in the sidebar, the commission conducted a sales chasing exercise statewide. The commission found that assessors in 28 parishes, including Orleans, could be sales chasing. The commission notified the parish assessors of the results and asked them to stop the practice.[69]

In response to concerns about sales chasing, the assessor has argued that the office is actually responding to "character changes" in properties. According to the assessor, the office is obligated to adjust property values when a property undergoes a character change, such as a renovation, demolition or addition. Character changes alter a property to such an extent that it must be revalued to maintain an accurate assessment roll. The assessor says that staff members typically discover character changes when a property sells and adjust individual property values for character changes during the year the change is discovered. The assessor also says that high-demand areas tend to see greater renovation and construction activity, leading to more character changes. These actions, the assessor says, may produce results that look like sales chasing, even though the office does not engage in the practice.

Tax Commission officials confirmed that assessors should update their assessment rolls to reflect character changes. However, according to commission officials, assessors should track character changes and adjust property values for sold and unsold properties in the same manner.

Notwithstanding the office's practice regarding character changes, its tendency to revalue a property at 90% or 100% of its sale price does not clearly account for the nature of the change. A renovation, demolition or other character change would result in quite a different property valuation, but usually not a valuation that reflects a set percentage of sale price. The frequency with which

THE LOUISIANA TAX COMMISSION'S SALES CHASING ANALYSES

In 2018, the Louisiana Tax Commission conducted sales chasing analyses in each parish. The commission found that sales chasing could be taking place in Orleans Parish based on three analyses.

First, the commission analyzed the property sample, comprised of nearly 500 properties, used in a recent residential ratio study. The study compared the assessor's 2017 property valuations to recent sale prices. For almost half of the sample, the commission found that the assessor's valuation reflected 90% or 100% of sale price.

In a follow-up study, which included more than 1,900 properties, the commission compared the assessor's 2018 property valuations to recent sale prices. Again, the commission found that the assessor's valuations for almost half of the sample reflected 90% or 100% of a property's sale price. The commission also found an unusually high level of appraisal uniformity in the sample. While assessors can achieve high levels of appraisal uniformity, it is more easily done in newly developed areas (e.g., a planned neighborhood with similar homes built around the same time). High levels of appraisal uniformity are more difficult to achieve in jurisdictions with older housing stock and varying types of properties. Given the diversity of the city's residential properties, the assessor's high level of appraisal uniformity, combined with the commission's other analyses, suggested that sales chasing could be taking place.

Finally, the commission compared the difference in percentage change in assessed values for a sample of sold and unsold properties from 2016 to 2017. The commission found that, on average, sold properties increased in value by 18%, while unsold properties increased in value by only 3%. The difference of 15 percentage points well exceeded the commission's preferred difference of 6 percentage points or less, further supporting the conclusion of sales chasing.

Source: Information provided by the Louisiana Tax Commission.

> **The office's current practices raise questions as to whether it is properly checking the quality of appraisals and capturing market conditions. Additionally, the lack of documentation is a serious transparency concern.**

the assessor's office sets property valuations at 90% or 100% of sale price casts doubt on the accuracy of the office's valuation of character changes and points to a continued reliance on sale price, rather than full utilization of mass appraisal technology, to value sold properties.

Internal Ratio Studies

A well-functioning assessment system requires regular testing to track an assessor's valuations and market trends at the neighborhood level. The seven assessors did not conduct internal ratio studies on a regular basis to gauge appraisal performance. BGR recommended that the single assessor conduct studies at least annually as a self-check on the accuracy and uniformity of property valuations. This would help the office prioritize quality assurance practices, and provide the assessor with additional analysis to support valuation decisions.[70]

The assessor told BGR that the office conducts internal ratio studies on a regular basis. In 2017, BGR submitted a public records request for copies of recently conducted studies. At the time of the request, the assessor provided BGR with a two-page summary of a study conducted on residential properties in 12 neighborhoods selected for reappraisal that year.[71] The summary did not include the study's methodology or analysis, only the results. Further, the assessor told BGR that the office does not retain copies of previously conducted internal studies.

The office's current practices raise questions as to whether it is properly checking the quality of appraisals relative to market conditions. Additionally, the lack of documentation is a serious transparency concern. Assessment experts told BGR that, at a minimum, an assessor should keep copies of ratio studies during a reassessment cycle to justify and support changes to property valuations for the next cycle.

Further, the IAAO recommends that assessors share their ratio study analyses with the public.[72] This would provide public accountability for the assessor's appraisal performance. The studies would show a property owner how accurately the assessor's valuations reflect market conditions and how uniformly the assessor valued a property when compared to similar types of property in the same area. In addition, by openly sharing these results, an assessor can build public trust and confidence that the office values property in a way that adheres to appraisal-industry standards and results in fairness for taxpayers.

Ratio study findings, coupled with an analysis of changing property values, could also help policymakers respond more effectively to challenges created by a fast-moving real estate market. Last year, for example,

voters approved a constitutional amendment to allow eligible homeowners to phase in significant property tax increases resulting from a reassessment.[73] While the amendment applies statewide, its intent was to provide property tax relief to New Orleans homeowners experiencing significant increases in property valuations within a short timeframe. However, prior to the election, supporters could not quantify the extent of escalating property values, the number of homeowners who could benefit from the amendment or the amendment's potential impact on the collection of local property taxes. While BGR did not support the amendment, it recognized that increases in taxes can create financial hardships for some homeowners. If the assessor conducted ratio studies annually and made those findings public, policymakers could have been better informed when attempting to address tax impacts. For example, if the studies show appraised values significantly lagging market trends, it could indicate increases coming in the next reassessment.

Summary of Findings on Property Valuation

The single assessor has made some progress in improving the office's property valuation processes. The assessor has developed an in-house data collection and maintenance program. This represents an advancement from the seven-assessor system, which suffered from such a fragmented, understaffed data collection effort that it outsourced this function. The office has also linked its data to an online, parishwide parcel map and made this information publicly accessible. BGR notes that State law imposes some limitations on the assessor's collection efforts not present in many other states.

However, BGR finds that significant problems remain in the rest of the property valuation process. The public lacks a complete understanding of how the assessor's office uses its mass appraisal technology to value property. The assessor does not openly share how the office uses property data, market data, valuation models and other mass appraisal functions to determine property valuations. In addition, the assessor rejected BGR's requests to receive an in-person demonstration on how the office uses mass appraisal technology to value property. The assessor's lack of transparency raises serious questions about whether the office is properly using its technology to generate accurate and uniform valuations for all property located in the parish. The assessor's inability to complete the recent parishwide reassessment adds to those questions.

Further, BGR found that, during the recent parishwide reassessment, the assessor relied on sales chasing to determine property values for many sold properties. This practice runs counter to mass appraisal principles and erodes uniformity because the assessor cannot value unsold properties in the same way (i.e., based on sale price). In addition, sales chasing makes it difficult to evaluate the assessor's true appraisal performance. The practice affects the validity of a ratio study sample and prevents the study's findings regarding appraisal performance from being applied to a jurisdiction as a whole. The extent of sales chasing that BGR found prevented it from testing the accuracy of the assessor's property valuations for the 2020 assessments rolls for detached single-family homes. It also poses serious risks for the validity of the Tax Commission's upcoming oversight studies.

The assessor's lack of transparency regarding the use of proper mass appraisal practices and heavy reliance on sales chasing are not the only deficiencies in the office's property valuation practices. The assessor's inability to furnish copies of internal ratio studies raises questions as to whether the office is regularly self-checking the accuracy and uniformity of its property valuations and their responsiveness to changing market conditions. Internal quality assurance regarding property valuations should be a priority for the office. Most mass appraisal systems, including the one used by the assessor, can facilitate this effort.

PROGRESS ON ADMINISTRATIVE PRACTICES

Under the former system, the seven assessors exercised significant administrative discretion over their individual offices. In the absence of uniform administrative practices, the assessors had inconsistent hiring standards and appeal processes. They also lacked standard practices for administering property tax exemptions and, collectively, shared little information with the public.

To improve the effectiveness and efficiency of assessment administration, BGR recommended that the single assessor:[74]

> **"The assessor eliminated the need for property owners to file an appeal in person. Now, property owners can submit their appeal and supporting documentation online through the assessor's website."**

- Establish and enforce minimum education and professional development standards for employees
- Establish a process for hearing informal assessment appeals
- Improve the administration of property tax exemptions
- Increase transparency and public information sharing

The following sections focus on the assessor's progress toward implementing those recommendations.

Education and Professional Development Standards

Many of the district assessors lacked sufficient skilled personnel to be truly effective. A top-heavy administrative structure with seven chief executives resulted in small staff sizes, requiring employees to juggle multiple responsibilities. This made it difficult for staff to develop expertise in critical assessment functions. The assessors also lacked standard criteria for hiring qualified employees.

BGR recommended that the single assessor set minimum education and professional standards to ensure employees perform their jobs at a high level. BGR further recommended that the assessor model the standards on the IAAO's *Standard on Professional Development*, which provides industry-accepted practices for the education and professional development of assessment office personnel.[75]

The IAAO recommends that each job description include the educational background, experience, duties and skills required for the position.[76] The IAAO also recommends testing applicants to ensure they possess the minimum knowledge and skill set.[77] For example, an assessor should test entry-level applicants for general analytical and communication skills necessary to work in an assessment office. For higher-level positions, such as appraisers and property specialists, an assessor should test applicants on substantive knowledge and specific skills.

The assessor says he follows the IAAO's professional development guidelines and requires all employees to meet minimum education and professional standards applicable to their positions. For example, the assessor says most of the office's appraisers have achieved appraisal certification status from the IAAO. Accordingly, these employees have met State law requirements to become licensed appraisers, and they have completed the requisite hours of IAAO coursework covering

various appraisal and assessment topics.[78] BGR found, however, that the assessor has not included the IAAO's guidelines as part of the office's employee manual or the job descriptions for individual positions.

Hearing Informal Appeals

Under State law, property owners who disagree with the assessor's valuation of their property can appeal it. The first step involves making an informal appeal to the assessor's office. If they are not satisfied with the results, they can formally appeal to the City Council, which serves as the local board of review. Either the assessor or the property owner may appeal that decision to the Tax Commission. Finally, either party can appeal the decision of the Tax Commission to the courts.[79]

The seven assessors lacked standard procedures for hearing informal appeals. This resulted in varying requirements of proof and inconsistent hearing processes, including the impression in some districts that simply meeting with the assessor resulted in a lower assessment.

BGR recommended that the single assessor standardize the process for hearing informal appeals. BGR also recommended that the assessor require a property owner to make a compelling case to receive a reduced assessment, subject to scrutiny by a staff appraiser and at least two supervisors.[80]

Since taking office, the single assessor has established a standardized process for hearing informal appeals. During the open rolls period for public inspection of assessments, property owners can meet with an appraiser to discuss their assessments.[81] The assessor instructs property owners to bring documents that will support lowering a property's market value, such as a private appraiser's report, builder's contract, insurance documents or recently dated pictures.[82] Both property assessment notices and the assessor's website include instructions on how to file an appeal.

According to the assessor, an appraiser can recommend a lower assessment if the property owner's evidence supports the reduction. If an appraiser recommends a reduction, an appraiser supervisor or the assessor must review and approve the recommendation.[83] This is a significant check and balance, although not the review by two supervisors that BGR recommended.

The assessor also believes that other changes have improved the informal appeal process. In 2013, the assessor worked with State legislators to extend the open rolls period for Orleans Parish property owners from the standard 15 days in Louisiana to 32 days. This change more than doubles the time that Orleans property owners have to file an informal appeal.[84]

In addition, the assessor eliminated the need for property owners to file an appeal in person. Now, property owners can submit their appeal and supporting documentation online through the assessor's website.[85] An appraiser then reviews the documents and contacts the property owner for further discussion. The same evidentiary and procedural requirements still apply (i.e., a property owner must provide evidence that supports a decrease in property value and any reduction must be recommended by an appraiser and approved by an appraiser supervisor or the assessor). Property owners who prefer to meet with an appraiser to discuss an assessment appeal can visit one of the assessor's three offices located in City Hall, Lakeview and Algiers.

While the assessor has created a standard appeal process, some property owners have criticized its implementation. Following the recent parishwide reassessment, which resulted in more than 9,000 informal appeals, some property owners complained of long waits and a disorganized process for those choosing to file an appeal in person. The assessor's office expected a higher-than-usual turnout for appeals given the reassessment. To streamline the process, the office pointed to the opening of satellite locations and an extended open rolls period.[86]

Administration of Property Tax Exemptions

The seven assessors failed to administer property tax exemptions in a systematic or uniform manner. They lacked a standardized process to regularly monitor, inspect and revalue exempt properties. For nonprofit exemptions, they did not require property owners to reapply annually for the exemption as required by State law. In addition, the assessors published little information to educate the public on tax exemptions and their effect on the local tax base.

Because of the assessors' lax practices, properties that no longer met exemption criteria continued to enjoy tax-exempt status. Further, the assessors' failure to share exemption information with the public kept residents and policymakers uninformed about the full impact of exemptions on the tax base and local property tax revenue.

BGR made several recommendations to help the single assessor improve the administration of property tax exemptions.[87] These complemented BGR's longstanding call for reforms to property tax exemptions. BGR recommended that the single assessor strictly interpret exemption criteria; require nonprofit owners to reapply annually for their exemption; inspect exempt property on a regular basis; revalue exempt property as frequently as taxable property; and inform the public about the effect of exemptions.

Strictly Interpret Exemption Criteria. BGR recommended that the assessor interpret exemption criteria as strictly as jurisprudence allows. This would ensure that exemptions meet all legal eligibility requirements.[88] The assessor says he follows a practice of strictly interpreting exemption criteria. The assessor also says that he evaluates exemption claims on a case-by-case basis and decides whether to defend the office's decisions regarding those claims based on the circumstances and available resources. BGR found evidence of the assessor's approach in several lawsuits involving property owners challenging the assessor's determination that they did not qualify for a property tax exemption.[89]

Require Nonprofit Owners to Reapply for Exemption. BGR recommended that the assessor require nonprofit property owners to reapply for the exemption on an annual basis.[90] State law requires an annual reapplication for Orleans-based nonprofit entities.[91] An annual reapplication would also provide the assessor with a mechanism to ensure that properties owned by nonprofits continue to meet exemption eligibility requirements each year.

The assessor does not require nonprofit property owners to annually reapply for an exemption. Instead, once the assessor approves a nonprofit property tax exemption, the office automatically renews the exemption each year. A nonprofit property owner must reapply for the exemption if the office has revoked the exemption and begun the process of removing the property from the exempt roll.[92] To track exemption eligibility, the assessor told BGR that his office regularly monitors the federal tax-exempt status of nonprofit entities. BGR found that the office appears to keep exempt rolls up-to-date regarding nonprofit entities, as described in the sidebar.

The assessor is aware of the statutory requirement, limited to Orleans Parish, that nonprofit owners annually reapply for the exemption; however, he says no assessor in Orleans Parish has ever followed it. According to the assessor, the intent of the statute was to provide additional revenue to the district assessors through application fees. The assessor says that the office no longer needs the additional revenue given the surpluses generated by its current funding mechanism.

WHEN A NONPROFIT ORGANIZATION LOSES ITS EXEMPT STATUS

The assessor says the office monitors on a quarterly basis whether exempt nonprofit organizations have had their federal tax-exempt status revoked by the IRS. Upon determining that an exempt organization has lost its federal tax-exempt status, the assessor says the office removes that organization and all of the properties owned by it from the exempt roll.

BGR reviewed the IRS list of organizations that lost their federal tax-exempt status in 2016.* BGR then compared the list to the assessor's exempt roll updated as of July 2017 to confirm whether the assessor had removed organizations from the exempt roll that had lost their federal tax-exempt status.

At the time of BGR's review, the IRS had revoked the federal tax-exempt status of 238 organizations in Orleans Parish. The assessor had removed properties owned by 95% of those organizations from the exempt roll. The assessor's exempt roll still included properties owned by 13 organizations with revoked tax-exempt status. While the assessor has not implemented all of BGR's recommendations regarding nonprofit exemption administration, the office appears to have made strides in detecting and removing unqualified properties owned by nonprofit entities from the exempt rolls.

* At the time of BGR's review, the IRS revocation list for 2016 was up-to-date as of July 11, 2017. BGR notes that the IRS continuously updates the list of organizations that have lost their federal tax-exempt status. Thus, the data published by the IRS could have changed between the time the assessor conducted his review and when BGR conducted its review.

Further, the assessor says that an annual application would make managing the paperwork for nonprofit exemptions even more cumbersome. According to the assessor, the office dedicates two full-time employees to managing nonprofit exemptions. Any additional work, including facilitating an annual reapplication process, would require more staff. While the assessor has the budget to hire more staff, he says he does not have the office space. An online application could help streamline an annual reapplication process.

During the 2018 regular session, the Legislature introduced a bill to eliminate the reapplication requirement.[93] The assessor supported this legislation because it would have treated nonprofit property owners in Orleans the same as nonprofit owners in other parishes. However, due to concerns raised by the City's administration, the bill's sponsor withdrew it before its scheduled floor debate. For more information on the scope of the nonprofit exemption, see the sidebar.

Inspect Exempt Properties on a Regular Basis. BGR recommended that the assessor conduct regular inspections to monitor exemption eligibility. This would help ensure that exemptions stay only with those owners who legally qualify for one.

The assessor says the office regularly inspects exempt properties. When staff members conduct exterior inspections of a particular neighborhood, the assessor says the inspections include both taxable and exempt properties located within that area. The assessor says the office has also increased efforts to fight homestead exemption fraud as described in the sidebar.

Revalue Exempt Property on a Frequent Basis. BGR recommended that the assessor revalue exempt properties as frequently as taxable properties. This would help taxpayers and public officials evaluate the true cost and value of exemptions.

The assessor has not pursued this. According to the assessor, the revaluation of exempt properties is not a high priority because those properties do not generate tax revenue. Instead, the assessor says the office only revalues an exempt property once it loses its exempt status.

Louisiana law requires an initial valuation of exempt property, but it is silent on when and how frequently

LOUISIANA'S NONPROFIT EXEMPTION

The Louisiana constitution exempts an unusually wide range of nonprofit-owned properties. In March 2016, BGR pointed out that Louisiana's nonprofit exemption is significantly out of step with national norms. Its exemption provisions are overly broad, not necessarily tied to public benefits, and do not require that the property itself be used for an exempt purpose.

In March 2017, BGR prepared a template for constitutional revisions to address these concerns and provided it to State legislators. The proposed constitutional revisions called for tightening exemption eligibility and imposing a stricter use requirement. BGR continues to study statutory changes necessary to implement the proposed changes.

Source: BGR, *The Nonprofit Margin: Addressing the Costs of the Nonprofit Exemption in New Orleans*, March 2011; *It's Time for Common Sense on Nonprofit Exemptions*, March 1, 2016; Letter from BGR to the Louisiana State Legislature, March 7, 2017. All BGR reports are available at www.bgr.org.

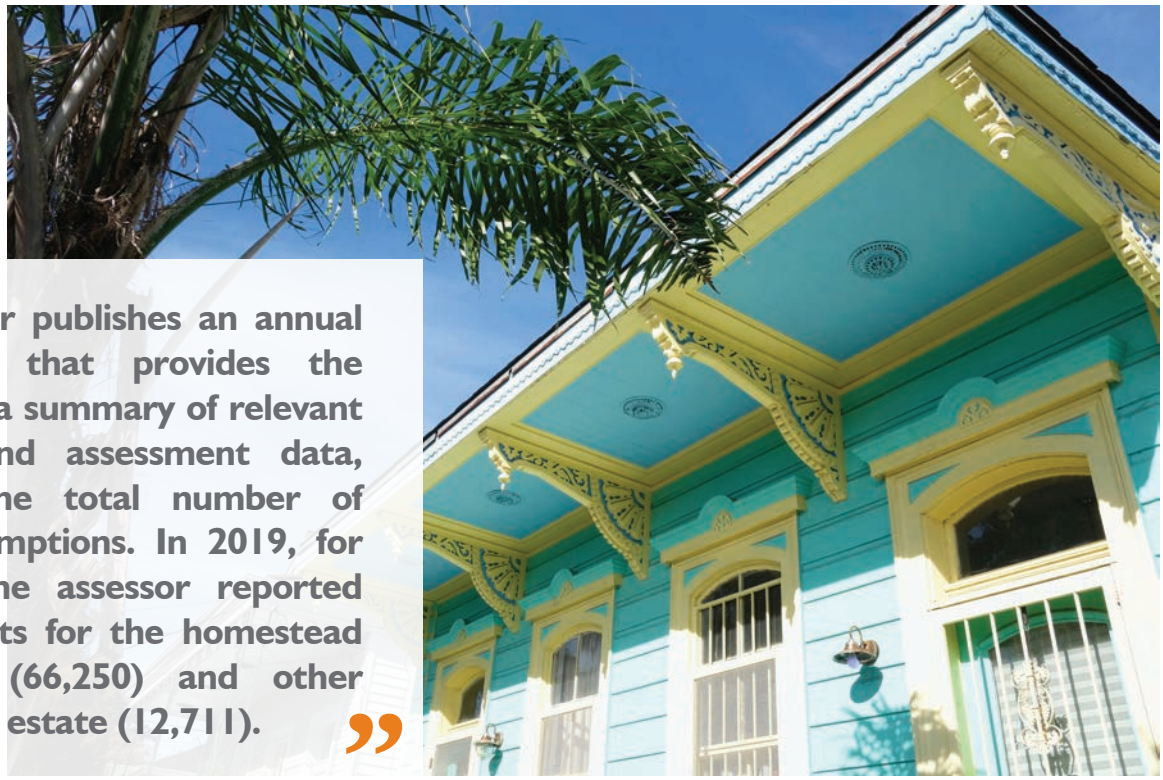
THE HOMESTEAD EXEMPTION

Parish assessors have the authority to grant a homestead exemption (i.e., a property tax exemption on the first $7,500 in assessed value on a property owner's primary residence).* To file for the exemption, the Orleans assessor requires property owners to show proof of identification, ownership (e.g., act of sale) and occupancy (e.g., electric or cable bill). The assessor says the office reviews each application before determining whether to approve the exemption.

Once the assessor approves a homestead exemption, it becomes permanent. It is up to the assessor to monitor the exemption and determine whether the property no longer qualifies for it.**

Across the state, homestead exemption fraud is a growing problem. It occurs when a property owner benefits from more than one exemption. The assessor says the office aggressively investigates homestead exemption fraud and typically cancels 500 or more fraudulent exemptions a year. The office has also established a fraud hotline that allows citizens to confidentially report properties that are improperly receiving the exemption. In addition, State and City officials have taken steps toward establishing an investigation program that would identify property owners improperly receiving the exemption.***

* La. Const. Art. 7, Sec. 20.
** La. R.S. 47:1703.1.
*** La. Act 385, Reg. Sess. of 2019 and New Orleans City Council, Res. No. 18-252, adopted June 21, 2018.



> **“The assessor publishes an annual fact sheet that provides the public with a summary of relevant property and assessment data, including the total number of various exemptions. In 2019, for example, the assessor reported parcel counts for the homestead exemption (66,250) and other exempt real estate (12,711).”**

exempt property should be revalued.[94] Nonetheless, a regular revaluation of all exempt property (e.g., nonprofits, schools, churches, charitable organizations) would help the assessor accurately inform the public and policymakers about the true impact exemptions have on the local tax base. This is particularly relevant in New Orleans, given the high number of tax-exempt properties that benefit from taxpayer-funded services, such as streets and drainage.

Share Exemption Information with the Public. BGR recommended that the assessor publish more information about property tax exemptions, including summary and organization-specific information on the number and value of exemptions.[95]

The assessor publishes an annual fact sheet that provides the public with a summary of relevant property and assessment data, including the total number of various exemptions. In 2019, for example, the assessor reported parcel counts for the homestead exemption (66,250) and other exempt real estate (12,711).[96] The assessor's report also includes a total value for exempt properties, although the office's estimates may not be accurate because it does not regularly revalue exempt property.

Further, the assessor has created an online, searchable database for exempt properties. The database allows the public to search for an exempt property owner, including nonprofit and government entities, and find all parcels owned by the exempt organization.

Transparency and Public Information Sharing

Under the former system, the seven assessors published little information on how their offices operated or how they valued property. While the assessors had a website, they used it primarily as a property database, not as an educational or information sharing tool for the public. The assessors also did not publish an annual report to keep the public updated on the status of the property tax base.

BGR recommended that the single assessor create a user-friendly website to increase transparency regarding the office's functions and operations. BGR called for the assessor's website to include an assessment timeline; explanation on how and why assessors value property; and information on property values, millage rates, property taxes, exemptions, and appeals.[97]

In addition, BGR recommended that the assessor publish an annual report on key data, such as the total number of parcels in the parish, the parish's total assessed value, the value of property tax exemptions, and a discussion of assessments by property classification and neighborhood. BGR also recommended that the annual report include

the number of assessment appeals and their outcomes, noting the impact successful appeals may have on the parish's property tax revenue.[98]

The assessor's annual publications contain some, but not all, of the data BGR recommended. The assessor's 2019 publications, for instance, report roughly 165,000 real property parcels located within the parish worth $3.2 billion in assessed value. The publications, however, do not include a breakdown of total assessments by neighborhood. Following the recent parishwide reassessment, the public could have benefited from reviewing a breakdown of property assessments by neighborhood.

State law mandates the annual reapplication for the nonprofit tax exemption, a way to ensure continued eligibility.

The assessor's publications also do not include the total number of assessment appeals, their outcomes, and their financial impact on the parish's property tax revenue. During a recent public presentation, the assessor reported that the office reviewed 9,200 informal appeals.[99] Nearly 5,900 appeals advanced to the City Council, as the local board of review, for a formal hearing. While the assessor publicly shared this information during a council meeting, the office could increase public awareness by sharing the data on its website.

Finally, as previously discussed, the assessor should publish the office's internal ratio studies in its annual reports and on the website. This would help to further improve the office's transparency and public information sharing.

Summary of Findings on Administrative Practices

Compared to the seven-assessor system, the single assessor has improved the effectiveness and efficiency of assessment administration in several respects. The assessor has strengthened the quality of assessment staff by adopting minimum education and professional development standards, although these should still be formally established in the office's personnel policies. The assessor has also created a standard appeal process and modernized it by enabling property owners to file their appeal online and increasing the timeframe of the open rolls period. In addition, the assessor has improved property tax exemption administration by strictly interpreting exemption criteria, inspecting exempt properties on a regular basis and sharing more information about exemptions and their impact on the tax base with the public. Further, the assessor has enhanced the office's website to educate the public on the office's basic functions and key assessment matters.

However, significant gaps remain in the area of exemption administration. The assessor does not require nonprofit owners to reapply for the exemption annually. State law mandates the annual reapplication and the practice would provide the assessor with a mechanism to ensure that properties owned by nonprofits continue to meet exemption eligibility requirements. In addition, because exempt properties do not generate tax revenue, the assessor does not regularly revalue them. While the assessor includes the cost of exemptions in his annual publications, these figures may be outdated. A regular revaluation of exempt properties would accurately inform policymakers and the public on the true cost of exemptions and the impact they have on the property tax base and tax revenue.

CONCLUSION AND RECOMMENDATIONS

Overall, the report's core finding is that the single assessor has put in place some of the necessary building blocks for a high-functioning assessment office but still falls short in crucial areas.

The assessor's improvements include: creating an in-house data collection and maintenance program, linking the office's property data to the City's mapping technology, creating a standard appeal process, tightening some exemption administration practices, enhancing the office's website and sharing more information with the public. The assessor's progress in these areas is an accomplishment given the disjointed system and practices he inherited from the former seven-assessor system.

However, the office's valuation practices and lack of transparency raise serious concerns about the uniformity and fairness of property valuations in New Orleans, as well as the sufficiency of the processes that are supposed to inform them. Ongoing weaknesses in exemption administration further underscore that the job of reforming assessments in New Orleans is not done. Fortunately, that path to a fair and transparent assessment system remains clear and achievable, as this report's recommendations indicate.

Recommendations

To improve property valuation processes, BGR recommends that the Orleans Parish Assessor:

- Completely abandon the practice of sales chasing as a method to value property.
- Consistently use computer-assisted mass appraisal technology to value property in assessment areas, in accordance with International Association of Assessing Officers (IAAO) standards on mass appraisal and automated valuation models.
- Provide the public with a comprehensive explanation of how the office values properties, including how it: uses various data sets; develops valuation models, rates and formulas; utilizes mass appraisal technology to produce property valuations in accordance with appraisal industry standards and best practices; and incorporates any other critical steps necessary to produce accurate and uniform property valuations.
- Publish an annual schedule of the neighborhoods or assessment areas to be reassessed so the public will be informed about the reassessment process and potential changes to property valuations, assessments and the calculation of property taxes.
- Conduct internal ratio studies annually, including documented methodologies that adhere to IAAO guidelines, to monitor the accuracy of the office's property valuations relative to market conditions. The ratio studies should include a sales chasing analysis to demonstrate to the public that the office is not using the practice to value sold property.
- Publish all internal ratio studies and sales chasing analyses to inform residents and policymakers about the office's appraisal performance, property valuations and market conditions.

To improve administrative practices, BGR recommends that the Orleans Parish Assessor:

- Incorporate minimum education and professional development standards relevant to employee positions into the office's written personnel policies, and encourage employee advancement in achieving professional training.
- Strengthen the informal assessment appeal process by requiring the review of two supervisors for more complicated appeals or appeals that would result in a significant decrease in property value.
- Regularly revalue exempt properties to accurately quantify their impact on the tax base and property tax revenue.
- Require nonprofit property owners to reapply for the exemption annually in compliance with State law and to ensure that nonprofit owners continue to meet exemption criteria.
- Develop an online process to streamline the annual reapplication for nonprofit exemptions.

Further, BGR recommends that City and State policymakers:

- Review the assessor's current funding mechanism and, if it remains, consider requiring the assessor to refund excess revenue, over and above the amount necessary to maintain a reasonable reserve, to the City of New Orleans for distribution on a pro-rata basis to tax recipient bodies.
- Consider State legislation that would require sale price disclosure and up-front access for parish assessors to income and expense data for income-producing properties, to align Louisiana with the common practices nationally.
- Obtain copies of the annual ratio studies conducted by the Louisiana Tax Commission and any other studies conducted by the commission in that year to remain informed on the assessor's appraisal performance on an annual basis.
- Study the impact of the assessor's practice of revaluing a portion of the city's properties each year on taxable assessed value and constitutional requirements for millage rate adjustments.
- Work with the assessor to develop an online application to streamline the annual reapplication process for nonprofit property owners.

APPENDIX: PREPARING THE RATIO STUDY SAMPLE

For this report, BGR retained a Virginia-based assessment consultant with expertise in mass appraisal performance evaluation to conduct a sales ratio study of detached single-family residential properties. The study sought to evaluate the accuracy and uniformity of the assessor's property valuations for the 2020 assessment rolls.

To conduct the study, BGR created a sample of recently sold, detached single-family properties. In selecting the sales, BGR followed the general approach of the Louisiana Tax Commission. For a sales ratio study, the Tax Commission collects sales data for the six months before and after the most recent reappraisal date (i.e. the effective date by which all properties must be revalued in a given reassessment cycle).[100] Accordingly, BGR collected sales data from July 1, 2018 to June 30, 2019. This represents the one-year timeframe surrounding January 1, 2019, the most recent reappraisal date. BGR obtained its sales data from real estate transfers published by Deedfax, a Louisiana company.[101]

BGR then verified the sales data by following the standards set by the International Association of Assessing Officers (IAAO).[102] BGR screened all sales to ensure that the sample included only arm's length transactions – i.e., sales that occurred in the open market between two unrelated parties, each of whom is reasonably knowledgeable about market conditions and under no pressure to buy or sell. During the screening process, BGR excluded:

- Sales involving governmental entities, financial institutions, successions and estates, trusts, relatives, corporate entities and tax-exempt entities (e.g., charitable, religious or educational institutions).
- Sales with a nominal sale price as well as properties that sold more than once during the study's one-year timeframe.
- Sales of commercial, vacant and other residential properties that were not detached single-family homes (e.g., townhomes, condominiums and multi-family units).

For each sale in the sample, BGR matched the sales data, as published by Deedfax, to the property's corresponding assessment record, as found on the assessor's website as of August 15, 2019. BGR reviewed and compared the property owner, municipal address, sale date and sale price as published by Deedfax to the same data sets contained in the assessment record to confirm that the correct sale price and property valuation for each property would be used in the ratio study calculations. BGR further verified the sales data by comparing the sale price published by Deedfax to the sale price in the Act of Sale recorded in the Clerk of Civil District Court's Land Records Division for Orleans Parish. BGR conducted this exercise on a random selection of roughly 5% of the property sample.

BGR chose to independently collect and verify the sales data used in the sample. This allowed BGR to control these processes from the outset and ensure the objectivity and accuracy of the property sample. Prior to the removal of outlier ratios, the sample contained 1,509 detached, single-family properties.[103]

As discussed on page 28 in the report, BGR's consultant also analyzed a set of approximately 108,500 unsold residential properties. The analysis compared changes in property valuations between sold and unsold properties from 2019 to 2020. BGR identified the unsold properties by using a publicly available database of Orleans Parish real property parcel data compiled from the assessor's website as of August 7, 2019.[104] BGR checked a sample of properties in the database against assessment records to verify the accuracy of the 2019 and 2020 valuations it included.

ENDNOTES

1 BGR calculation. See BGR, *The $1 Billion Question Revisited*, April 2019.

2 La. Const. Art. 7, Sec. 18(D). The Louisiana Tax Commission is responsible for assessing public service property, such as property owned by electric utilities, telephone companies and railroads.

3 La. Const. Art. 7, Sec. 18(B).

4 La. Const. Art. 7, Sec. 18(F).

5 Orleans Parish Assessor, Presentation to the New Orleans City Council Budget, Audit and Board of Review Committee, September 27, 2019. See also Adelson, Jeff, "Own property in New Orleans? Expect higher taxes due to values shooting up over the last 4 years," *The Times-Picayune | The New Orleans Advocate*, July 26, 2019.

6 Orleans Parish Assessor, Presentation to the New Orleans City Council Budget, Audit and Board of Review Committee, September 27, 2019.

7 The 14% increase in property assessments reflects growth in both existing property values and new construction.

8 Adelson, Jeff, "Almost a quarter of New Orleans properties missed by citywide reassessment, at least for now," *The Times-Picayune | The New Orleans Advocate*, August 14, 2019.

9 The New Orleans City Council, which serves as the Board of Review for formal property tax appeals by property owners, decided a "historically high" 5,879 appeals this year and adopted its revised valuations on October 16. Property owners or the assessor can then appeal the council's decision to the Louisiana Tax Commission. New Orleans City Council, "New Orleans City Council to Hold Board of Review Meeting to Adopt Revised Property Valuations," press release, October 15, 2019.

10 See BGR reports entitled: *Assessment Practices In Metropolitan New Orleans*, August 1988; *Property Taxes in New Orleans: Who Pays? Who Doesn't? And Why?*, October 1996; *Property Tax Exemption and Assessment Administration*, December 1999; *Unfair Assessments, Excessive Exemptions: How New Orleans' Property Tax System Hurts Government and Taxpayers*, May 2005; *Why Consolidate Assessors*, March 22, 2006. BGR reports since 1996 are available at https://www.bgr.org/.

11 BGR, *In All Fairness*: *Building a Model Assessment System in New Orleans*, December 2009.

12 According to the assessor, he created a consolidated office within two years of taking office.

13 The assessor's office had 71 employees as of April 2019.

14 BGR, *In All Fairness*, p. 7.

15 Orleans Parish Assessor's Office, *Fact Sheet for Orleans Parish*, 2019.

16 La. R.S. 47:1925.8.

17 Orleans Parish Assessor's Office, *Orleans Parish Assessor's Office 2019 Budget Message.* The assessor's revenue for 2019 totaled $12.5 million, with $12 million generated by the 2% fee and $0.5 million from other funding sources.

18 Ibid. The following is a breakdown of the assessor's estimated 2019 expenditures: personnel services and related benefits ($3.9 million); fringe benefits ($2.4 million); professional services ($1.9 million); capital projects ($1.7 million); operating services ($0.4 million); materials and supplies ($0.2 million); and equipment ($0.1 million).

19 La. Const. Art. 7, Sec. 24.

20 See BGR, *The $1 Billion Question: Do Tax Dedications in New Orleans Make Sense?* November 2015, and *The $1 Billion Question Revisited*.

21 Orleans Parish Assessor's Office, *Orleans Parish Assessor's Office 2019 Budget Message.*

22 See BGR, *The $1 Billion Question Revisited*, p. 12.

23 BGR's 2009 report did not include a recommendation on the assessor's office space. However, given recent developments in State law and the assessor's restriction of a portion of the existing fund balance to pay for a new office, BGR included this discussion in the report.

24 La. R.S. 33:4713.

25 Orleans Parish Assessor, Presentation to the New Orleans City Council Budget, Audit and Board of Review Committee, September 27, 2019.

26 Adelson, Jeff, "City Hall in New Orleans is decrepit, and there are two costly options to fix that problem," *The Times-Picayune | The New Orleans Advocate*, November 2, 2019.

27 La. R.S. 47:1925.8.

28 See La. Atty. Gen. Op. Nos. 1987-328, 1998-156 and 2000-114.

29 La. Acts 2019, Reg. Sess., No. 266.

30 A designee must be a resident of the district and a qualified voter for the city of New Orleans. A designee must also have his or her principal place of business in the district or own property in the district.

31 International Association of Assessing Officers (IAAO), *Standard on Mass Appraisal of Real Property*, April 2013, pp. 5-8.

32 Ibid., pp. 7-8.

33 Ibid., p. 5.

34 IAAO, *Standard on Automated Valuation Models*, July 2018.

35 BGR, *In All Fairness*, p. 2.

36 IAAO, *Standard on Ratio Studies*, January 2014, p. 11.

37 Ibid., pp. 8, 10.

38 Ibid., p. 10.

39 BGR, *In All Fairness*, p. 11. The assessors paid $9.8 million to the assessment services firm, consisting of $8.9 million to update property data on every parcel in Orleans Parish and $0.9 million for commercial and industrial revaluations.

40 Ibid.

41 Information provided by the New Orleans Department of Safety and Permits and the Orleans Parish Assessor's Office.

42 Information provided by the Clerk of Civil District Court.

43 In the absence of permission from a property owner, assessors cannot enter a property to conduct an interior inspection.

44 IAAO, *Standard on Mass Appraisal of Real Property*, p. 12.

45 The aerial imagery flyover is a shared expense between the Assessor's Office, the City's 911 Communication District and the Sewerage & Water Board. The parties negotiate the allocation of the total price annually. Allocations vary from year to year depending on the need and available funding from each party.

46 For more information, visit www.nolaassessor.com.

47 The assessor told BGR that the office has mailed questionnaires to approximately 126,000 property owners. The questionnaire gave owners notice of the square footage on file with the assessor's office and asked them to contact the assessor if the information was incorrect.

48 For example, see Thompson, Richard, "High-end Canal Place shopping mall in New Orleans sold to New York firm, who calls sale 'rare opportunity,'" *The New Orleans Advocate*, March 12, 2016. See also Sayre, Katherine, "Plaza Tower sells to local developer, price undisclosed," *Nola.com | The Times-Picayune*, February 26, 2016.

49 Journal of Property Tax Assessment & Administration Vol. 12, Issue 1, p. 76. See also, Journal of Property Tax Assessment & Administration Vol. 9, Issue 1, p. 47.

50 IAAO, *Standard on Mass Appraisal of Real Property*, p. 8.

51 See Louisiana Tax Commission, Form LAT-4, Louisiana Administrative Code (LAC), Title 61, Part V, Sec. 305.

52 BGR, *In All Fairness*, p. 13. See also Article of Agreement for Assessment Administration, Personal Property, and Computer Assisted Mass Appraisal, between the Orleans Parish Board of Assessors and Cole, Layer, Trumble Company, September 24, 2003.

53 BGR, *In All Fairness*, p. 13.

54 The Tax Commission evaluated a property's assessed value (i.e., a property's value after the assessment percentage required by State law has been applied), rather than its appraised value.

55 The Tax Commission's 2009 study, for example, compared the seven assessors' 2009 property valuations on the 2010 rolls to sale prices for properties that sold between July 1, 2008 and June 30, 2009. The results indicated significant post-sale adjustment of the property valuation to the sale price. In six districts, the study sample showed the assessors' valuations matching the sale price between 72% and 100% of the selected properties. In the 3rd district, the valuations matched the sale price for 38% of properties and 90% of sale price for another 34% of properties.

56 BGR, *In All Fairness*, p. 12.

57 Ibid. See also IAAO, *Standard on Mass Appraisal of Real Property*, p. 14.

58 BGR, *In All Fairness*, p. 12.

59 Information provided by the Orleans Parish Assessor's Office.

60 Orleans Parish Assessor's Office, *The Mass Appraisal Process: What It Is and Why It Is Being Used by Your Orleans Parish Assessor's Office*. For more information, see www.nolaassessor.com.

61 The assessor's fair market value includes a value for the property's land and improvements. Information provided by the Orleans Parish Assessor's Office to the City Council of New Orleans Budget Committee, September 26, 2019.

62 The Articles of Agreement governing the CAMA system state that the Orleans Parish Board of Assessors (OPBA) "understands that the software provided under this Agreement contains trade secrets and proprietary information belong to Company. OPBA agrees to hold the software in trust and confidence and will safeguard the software to the same extent that OPBA safeguards other trade secret information related to its uses. OPBA agrees not to disclose, provide or otherwise make available the software to any person other than OPBA's employees or agents or Company's employees without prior written consent of Company. OPBA further agrees not to sell, assign, lease, license or in any manner encumber, pledge, convey or transfer the Cole, Layer, Trumble Software or any interest therein."

63 Adelson, Jeff, "Almost a quarter of New Orleans properties missed by citywide reassessment, at least for now," *The Times-Picayune | The New Orleans Advocate*, August 14, 2019.

64 Public Statement by Assessor Erroll G. Williams, August 26, 2019.

65 Almy, Gloudemans, Jacobs & Denne, *Review of Ratio Studies and Assessment Oversight Processes*, prepared for the Louisiana Tax Commission, August 17, 2007, p. 3.

66 BGR analyzed sales in only those neighborhoods that were subject to the parishwide reassessment. Any sales that occurred in neighborhoods missed by the assessor and not reassessed in 2019 for the 2020 assessment rolls were not included in the analysis.

67 According to information published on the assessor's website, assessment notices are mailed to property owners from July 9 to July 15.

68 Since 1991, the commission had allowed assessors to reappraise property during an interim year in the cycle, but only if the reappraisal applied to a geographical area and not on a

parcel-by-parcel basis. It also allowed property transfers as a reason to conduct interim-year reappraisals. Louisiana Tax Commission Rule, LAC Title 61, Part V, Sec.303, published in Louisiana Register, Vol. 17, No. 6 (June 20, 1991), p. 611. In 2017, the commission added an express prohibition against sales chasing and eliminated the provision allowing property transfers to trigger reappraisal. Louisiana Tax Commission Rule, LAC Title 61, Part V, Sec. 213(D), published in La Register, Vol. 43, No. 4 (April 20, 2017), p. 649. The rule defines sales chasing differently than the IAAO does. The commission defines it as "the procedure by which an individual property assessment is based upon the price the property sold for."

69 Information provided by the Louisiana Tax Commission.

70 BGR, *In All Fairness*, pp. 15, 19.

71 Information provided by the Orleans Parish Assessor's Office, July 18, 2017. The assessor provided BGR with a ratio study summary conducted in the following neighborhoods as classified by the assessor: Mid-City; Jefferson Davis/Banks; South Carrollton/Cemeteries; Bayou St. John; Orleans; Carrollton Park; Toulouse Annex; Bienville; Bywater Railroad Corridor; Faubourg Marigny 8; Marigny Triangle; and Dublin Corridor.

72 IAAO, *Standard on Public Relations*, July 2011, p. 8.

73 BGR, *On the Ballot*, November 6, 2018. The four-year phase-in process applies only to residential properties subject to the homestead exemption that increase in assessed value by more than 50% because of a reappraisal. During the phase-in process, homeowners would pay taxes based on the assessed value prior to reappraisal, plus a portion of the increase in assessed value. That portion would begin at 25% in Year 1 and increase to 50% in Year 2, 75% in Year 3 and the full assessed value in Year 4.

74 BGR, *In All Fairness*, pp. 19-20.

75 IAAO, *Standard on Professional Development*, January 2013.

76 Ibid., p. 6.

77 Ibid.

78 Ibid., p. 8. See also La. R.S. 37:3391, et seq.

79 La. Const. Art. 7, Sec. 18(E). The IAAO recommends that a local appeal system consist of an informal appeal at the administrative level, one or more levels of formal appeal, such as a state tax tribunal, and finally a court of law. See IAAO, *Standard on Assessment Appeal*, January 2014, pp. 5-6.

80 BGR, *In All Fairness*, p. 16.

81 All appraisers assigned to handle assessment appeals are IAAO certified.

82 Information provided by the Orleans Parish Assessor's Office.

83 Ibid.

84 La. R.S. 47:1992(F)-(G).

85 For more information, see www.nolaassessor.com.

86 Adelson, Jeff, "In New Orleans, thousands hit City Hall to fight assessments on final day: 'This is chaos,'" *The Times-Picayune | The New Orleans Advocate*, August 19, 2019.

87 For more information on property tax exemptions, see the following BGR reports: *The Nonprofit Margin: Addressing the Costs of the Nonprofit Exemption in New Orleans*, March 2011, pp. 2-3; *Taxation in New Orleans, BGR Presentation to the Tax Fairness Commission*, February 2011; *Who's Behind the Tree? The Homestead Exemption and Taxpayers in the New Orleans Area*, March 2009; and *Property Tax Exemption and Assessment Administration in Orleans Parish*, December 1999. All reports can be found at www.bgr.org.

88 BGR, *In All Fairness*, p. 16.

89 BGR found several examples of litigation between the assessor and exempt property owners. In *Abundance Square Assocs., L.P. v. Williams*, 62 So.3d 261, 10-0324, La. App. 4 Cir. (03/23/11), the assessor assessed ad valorem property taxes on a public housing development owned by a private developer. The court found that the housing development, while owned by a private developer, was exempt from property taxes because it was used to provide low-income housing. See also *St. Bernard I, LLC v. Williams*, 112 So.3d 922, 12-0372, La. App. 4 Cir. (03/13/13). In *Bd. of Comm'rs of the Port of New Orleans v. City of New Orleans*, 186 So.3d 1282, 15-0768 (La. App. 4 Cir. 03/16/16), the assessor assessed ad valorem property taxes on improvements located on property owned by the Port of New Orleans and leased to two for-profit companies. The court found that the improvements should be exempt from property taxes because the tenants' activities, while commercial and profitable, furthered the Port's legislatively mandated mission.

90 BGR, *In All Fairness*, pp. 17-18.

91 La. R.S. 33:2828.

92 Information provided by the Orleans Parish Assessor's Office.

93 La. H.B. 94, Reg. Sess. of 2018.

94 La. R.S. 47:1951 *et* seq.; La. R.S. 47: 2323. Louisiana Tax Commission rules require that "all property within the state of Louisiana shall be assessed at fair market valuations and either placed on the regular tax rolls, exempt rolls, or adjudicated tax rolls." Louisiana Administrative Code, Title 61, Part V, Sec. 213(A).

95 BGR, *In All Fairness*, p. 18. BGR initially recommended that the assessor advise taxpayers of the net impact of exemptions on their annual tax bills. However, officials in the City's Department of Finance expressed concern about placing tax exemption information on property tax bills. They said this practice may confuse property owners because the information is not directly related to the calculation or payment of property taxes. The practice could also give property owners the impression that the City has reviewed and verified the accuracy of the assessor's exemption data. Further, the assessor has not pursued including the net impact of tax exemptions on property tax bills.

96 Orleans Parish Assessor's Office, *Facts & Stats*, 2019.

97 BGR, *In All Fairness*, p. 18.

98 Ibid., pp. 18-19.

99 Orleans Parish Assessor, Presentation to the New Orleans City Council Budget, Audit and Board of Review Committee, September 27, 2019.

100 Information provided by the Louisiana Tax Commission.

101 Deedfax publishes sales data on a monthly basis for Orleans and other neighboring parishes. While BGR used the June 2019 publication to prepare its ratio study sample, it is possible that some sales that occurred at the end of June were included in the July 2019 publication. As a result, any sales that occurred toward the end of June 2019 sales may not be included in BGR's sample.

102 IAAO, *Standard on Verification and Adjustment of Sales*, November 2010.

103 The sample does not include sales from neighborhoods not reassessed by the assessor during the recent parishwide reassessment (primarily the Uptown, University, Broadmoor and Carrollton areas). The valuations for properties located in these areas generally reflect determinations made by the assessor in a previous year. Because BGR's ratio study sought to evaluate the assessor's appraisal performance for the 2020 assessment rolls, the sample excludes sales in those areas.

104 BGR accessed the database files on https://github.com/bhelx/nola-assessor-data.

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