

Middlesex Borough Revaluation for the 2021 Tax Year



March 12, 2019

Thomas Reilly, Borough Assessor

WHAT IS A REVALUATION?

A revaluation is a program undertaken by a municipality to appraise all real property within the taxing district according to its full and fair value market value.



WHAT IS MEANT BY FULL AND FAIR VALUE?

Full and fair value is the price at which the tax assessor believes a property would sell at a fair and bona fide sale by a private contract on October 1 of the pretax year..

WHY IS THERE A NEED FOR A REVALUATION?

A revaluation program seeks to spread the tax burden equitably within a municipality. Real property must be assessed at the same standard of value to ensure that every property owner is paying his or her fair share of the property tax. **1986 was the last revaluation in Middlesex.**

WILL MY PROPERTY BE INSPECTED?

Yes, both the **interior and exterior** of each property are physically inspected, and building dimensions are noted. In addition, recent sales of properties are studied and adjusted to estimate value. Commercial property typically purchased for investment purposes, is analyzed in terms of its income-producing capability. In short, all information that influences value will be gathered, reviewed and analyzed in order to make a proper assessment of each property's full and fair value.



Will my assessed value increase ?

Yes, Your assessment will represent the full and **fair market value** of your property in the 2021 tax year.

Will my taxes increase?

Although revaluation will result in an increase of nearly each individual assessment, **it does not mean that all property taxes will increase.**

Typically after a revaluation one third of the properties experience a tax increase, one third remain the same and one third see a reduction.



Revaluations result in the discovery of previously uncaptured improvements.

New Added Assessments are added to the ratable base.

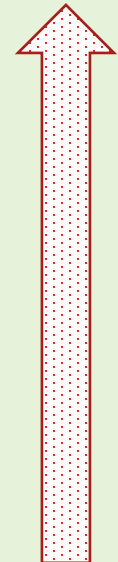
New rental incomes are capitalized at current market rates.

There is appreciation of the ratable base.

REAL ESTATE MARKET CONDITIONS AND INCREASE IN THE MIDDLESEX RATABLE BASE

MIDDLESEX BORO	2018	33.44	1,478,530,502
MIDDLESEX BORO	2017	34.16	1,450,485,948
MIDDLESEX BORO	2016	35.22	1,406,470,471
MIDDLESEX BORO	2015	35.47	1,399,386,806

True Value



\$78,000,000. Increase in True Value



ASSESSMENTS AND RESIDENTIAL VALUES

Data Source NJ Division of Taxation "Usable Sales"

* Non-Condo Conversions

2019 Assessment Ratio 31.78% FMV

In 2018 there were 23 residential appeals filed.

Upper
\$485,000 +
Median
346,000+

New building construction \$182 - \$203 / Sq. Ft (structure only)

* Average
\$300,000 +

	Class 2 Residential Property Assessment
2018	\$391,098,400
2017	\$390,555,500
2016	\$390,126,100



Added Assessments...October 1, 2018 → \$1,265,058
New Tax Revenue... \$111,968. (outside of the existing budget)
Added assessments are due in November

Class 4 Property: Assessed Valuation

	Class 4A Commercial	Class 4B Industrial	Class 4C Apartment
2018	\$33,801,000	\$54,542,800	\$9,851,200
2017	\$33,927,000	\$55,601,700	\$9,851,200
2016	\$33,895,600	\$55,790,200	\$9,851,200
2015	\$34,104,600	\$55,893,000	\$9,851,200

Ongoing recovery in ratable base through annual added assessments and redevelopment projects

3 Approaches to Value

- **Sales / Market Approach....Comparable property sales adjusted to the subject.**
- **Replacement Cost.... Replacement cost of improvement, less depreciation + land value.....(typical example : Spray Tec.) single purpose design or limited use building.**
- **Income Approach Net operating income / capitalization rate.**

In determining fair market value the assessor is to consider the three approaches to value and use the most applicable methodology to arrive at a final assessment

Class 4A: Commercial Properties and Class 4C: Apartments



**Ch 91: Income & Expense Reporting Requirements.
Failure to file and or fraud = dismissal of appeal.**

Hampton Gardens \$1,390
Middlesex Village \$1,400
Pine Brook \$1,545

- Net Operating Income is capitalized into "fair market value"
- Market driven using stabilized income and expense.



Obsolete Industrial & Distressed Properties

Value Reductions

Multi Year Tax Appeals.....Risk Mitigation



Industrials represent 11% of the Borough's total ratable base.

$$11\% \times 25\% = .0275 \text{ or } 3\% \text{ loss}$$



- ✓ Land Valuation
- ✓ Demolition Costs
- ✓ Remediation Costs

Solutions.....Long Term Re-Development



PILOTS

Environmental Investigation/Clean Up
In Progress At This Location

FOR FURTHER INFORMATION, CONTACT:

Air Products and Chemicals, Inc.
24-Hour Assistance Line – 610-481-7955, Press '0'

Payments in Lieu of Taxes

PILOTS and the Redevelopment of Distressed Properties

- Provides increased revenue on vacant and under utilized properties.
- A service fee locks in the developer to pay a set percentage of gross income to the municipality.
- There are built in cost escalators in the service fee to reflect a local tax rate increases.
- Provides an incentive for private industry to invest capital in real property.
- Removes the litigation costs to a municipality associated with tax appeals.
- Owner cannot file a tax appeal to reduce payments as it is not a tax.

150 Lincoln Blvd. Now Operational

- Annual Service Fee Rate 12.5%
- Taxes 2018 Undeveloped Land = \$ 26,666
- *Estimated Revenue 2019 = 277,000. (less 5% to County)
- Plus annual \$10,000 Administration fee to Borough



220-232 Lincoln Blvd. Under Construction

- Annual Service Fee Rate 13.0%
- Taxes 2018 Undeveloped Land = \$ 22,033.
- *Estimated Revenue when complete = \$ 543,000. (less 5% to County)
- Plus annual \$10,000 Administration fee to Borough



Cost of the Revaluation \$379,800.

\$ 74.00* per (x 4993 line items) : \$369,500

Tax Map updates 3 year shared costs with County

Hardware updates : \$5,500

Computer Assisted CAMA application \$4,800

Areas where cost savings can be made.

- 1. *Per line item cost reduction via contract negotiation.***
- 2. *In house tax map to assessment updating. (In progress)***
- 3. *In house Income & Expense C91 data collection***
- 4. *In house project management & supervision***

***Average costs per line item
New Jersey Division of Taxation**

Getting Started...

Up-dated Tax Map

Up-dated Zoning Map to Tax Map

Sales data – Class 1-4

Ch 91- Income and expense data

**Identify and set
VCS parameters**

Value Control Sectors

- Geographic/ natural
- Zoning/Use/Type
- Neighborhood
- Front foot values
- Building class



PROJECT MANAGEMENT

- ✓ Updating of Tax Map / Corrections to MOD IV data - Assessor
- ✓ Map submission to Division Of Taxation for approval – Assessor & Civil Solutions
- ✓ Mod IV Tax List zoning changes – Assessor
- ✓ Draft RFP “ Request for Proposals” – Assessor & Borough Attorney
- ✓ Review and award contract – Administration & Assessor
- ✓ Identify VCS “Value Control Sectors”- Assessor & Vendor
- ✓ Certified requests of Ch 91, Income & Expense requests for commercial properties (2019 & 2020) - Assessor
- ✓ Analyze sales and income data by property class and VCS – Assessor & Vendor
- ✓ Measure, Inspect, photograph all properties, sketch using CAMA programs –Vendor
- ✓ Quality control – Statistical sampling of properties for accuracy in descriptive and valuation - Assessor
- ✓ Public relations, news releases, taxpayer meetings, appeals - Vendor & Assessor
- ✓ Certification of the 2021 Tax List - Assessor

Deductions, Exemptions, and Abatements

New Jersey offers several property tax deductions, exemptions and abatements. Tax deductions, exemption, and deferment programs include:

- \$250 Property Tax Deduction for Senior Citizens and Disabled Persons;
- \$250 Veteran Property Tax Deduction;
- 100% Disabled Veteran Property Tax Exemption; and
- Active Military Service Property Tax Deferment.

- Five Year Exemption and Abatement;
- Renewal Energy System Property Tax Exemption
- NJ Senior Freeze





Taxpayer Conference Meetings: Wednesdays 10:00am – 2:00 pm

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