

BY SANDRA PATTERSON

Court: Assessor was correct to conduct ratio study of high-end neighborhood

A Connecticut assessor who applied an adjustment factor to bring the assessments of an upscale neighborhood in line with other areas during a town-wide revaluation did not violate state law, the Connecticut Supreme Court ruled.

The court also held that the law did not prohibit the assessor from performing a preliminary neighborhood-wide ratio study to check assessment levels before conducting the statutorily required town-wide ratio study.

The court noted that not only did both procedures fall within state requirements, but also they were accepted practice according to assessment industry standards promulgated by IAAO and USPAP.

The class action litigation was brought by the residents of an oceanfront planned community after the town's 2011 revaluation. The homeowners objected to the 1.35 adjustment factor that had been applied to their assessments. They claimed that not only was the across-the-board adjustment factor illegal, but also was the method used to calculate it, a single-neighborhood ratio study.

They contended that because of the unique characteristics of the community's homes, only adjustments to individual properties should have been made. Unlike other neighborhoods in town, a home bought in this community comes with a host of high-end amenities including lifeguard-staffed beaches, boat docks, a restaurant, and private police and fire departments.

The court said the assessor had followed the proper procedures for the reappraisal. The taxpayers were wrong to expect that the assessments would be adjusted individually.

Connecticut statutes and their implementing regulations mandate that assessors apply quality control measures to check the accuracy of assessments, the court said. Ratio testing is one of the approved methods. If the results do not achieve the required levels of assessment



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or uniformity, then the assessor must further refine the data or rework the methods used until the quality standards are met.

Nothing in the regulations prohibits assessors from using ratio testing or applying adjustment factors to neighborhoods during the mass appraisal process, the court said. To hold that the regulations prohibit these practices would require the court to add language to the existing text.

Moreover, this approach is supported by USPAP, which Connecticut appraisers are obligated to follow, the court stated. USPAP prescribes the use of "recognized mass appraisal test procedures and techniques to ensure that standards of accuracy are maintained." The rule acknowledges that even with properly specified and calibrated mass appraisal models, some property values will lie outside the usual range. The assessor's professional responsibility, according to USPAP, is to ensure that "on an overall basis," the mass appraisal models produce accurate results.

Last, the assessor's procedures adhere to industry standards as outlined by the IAAO ratio study standard and mass appraisal text. These sources represent "a consensus in the assessment industry," the court said.

The standard promotes the ability of

ratio studies to measure the accuracy of mass appraisal results, the court stated. One of those measures is level of assessment. The standard suggests that stratification by neighborhood is an appropriate means to test for level of assessment. If the level of assessment for any neighborhood falls outside the recommended 90 to 110 percent range, application of an adjustment factor to that neighborhood alone is considered one of the appropriate remedies.

In this case, ratio studies for each of the 12 neighborhoods produced levels of assessment between 91 and 96 percent. For the oceanfront neighborhood, even adding an adjustment factor of 1.2, as had been done in the 2006 revaluation, did not bring the level above 90 percent. Only after applying an adjustment factor of 1.35 did the level of assessment reach 92.03, which was within the range of the other neighborhoods, the court said.

It should be noted that individual property factors had been considered in the initial stages of the revaluation. According to testimony, before the mass appraisal models were developed, each property was physically inspected. Property owners were then asked to verify the data and submit any needed corrections. Properties were then reinspected to confirm accuracy.

(Tuohy v Town of Groton, Supreme Court of Connecticut, SC20019, May 28, 2019)