

TOWN OF SUNAPEE

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2023 Property Revaluation: Frequently Asked Questions

About Revaluation

What is a property revaluation?

Simply put, revaluation is the process of updating new property values based on current market data. During a revaluation, a town works to align the value of each property in the town with that property's true market value. In other words, it's a municipal-wide appraisal that creates a fair distribution of the property taxes based on market value, as required to meet the needs of local schools, government and the county.

Why is revaluation important?

It's all about fairness! Market prices fluctuate regularly, but assessed property values don't change in real-time to reflect the new values. Basic fairness in property taxation requires that everyone pays based on the most current value of their property, and revaluation 'resets' all property to market value.

What is an equalization ratio, and what does it have to do with revaluation?

An equalization ratio, also known as an assessment ratio, is a percentage that describes the relationship between assessed property values and market values. For example, an equalization ratio of 0.9 means that the assessed value of a property is deemed to be 90% of its market value. To meet state standards the ratio should fall around 1.0 (100%) in the year of certification.

As of 7/07/23, the **median ratio for Sunapee is 0.58**, meaning that overall, property in the town is assessed at 58% of market value. By the end of revaluation, assessed values should align with the state mandated .90 and 1.10.

***Example:** Going into the 2020 revaluation, the median ratio for waterfront Sunapee properties was 73%. At the low end, a property assessed at \$719,600 was sold in 2018 for \$1,321,400. Thus, the sale ratio was 54% (assessment value ÷ sale price = ratio). On the high end, a property assessed at \$5,082,300 sold for \$4,700,000, with a ratio of 108%. Following the revaluation, the first property was reassessed at \$1,283,900 – 97% of market value. The second property lost value and was assessed at \$4,642,400 – 99% of market value. After the revaluation, the median ratio for waterfront properties was raised to 98%.*

When is it happening?

Under New Hampshire law (RSA 75:8-a), a municipality must perform a valuation every 5-years for all properties in its boundaries. Revaluation is currently underway in Sunapee and will be completed prior to final 2023 tax bills being distributed to residents.

How does revaluation affect your property?

A common misconception among property owners is that a revaluation will result in higher property taxes. Property taxes are determined proportionally.

What is “market value” and who determines my property value?

Market value is determined by the activity in the real estate market and the general economy. The value of your property is based on a statistical analysis of the market data (real estate transfers, etc.) for the year +/- prior to April 1, 2022. The market can generally be defined as (a) you, (b) the person who sold the property to you, and/or (c) the person willing to buy it from you. It is the appraiser’s job to research and analyze the values in any area or neighborhood. In effect, they do what you would do to determine the selling price when putting your property up for sale. Factors that are reviewed for each property would include location, size and quality of construction, age and condition of the improvements, site characteristics, zoning restrictions (if any), etc.

What are the benefits of revaluation?

Apart from ensuring a fair and equitable tax distribution, revaluation can have a number of benefits for homeowners, potential buyers, and the Town.

- **Financial Planning:** Revaluation provides homeowners with updated information about the value of their property. This information is valuable for financial planning purposes, such as determining the property's equity, estimating potential resale value, or making informed decisions about refinancing or home improvements.
- **Value Recognition:** For properties that were previously under-assessed, revaluation can recognize and reflect the change in value and boost the homeowner's net worth.
- **Market Awareness & Investment Potential:** Revaluation provides homeowners with updated information about the real estate market in their area. This provides insight into market trends, property values, and investment potential. This information can be useful for homeowners considering buying or selling property, refinancing, updating insurance coverage, or making decisions regarding their assets.
- **Stability in Property Taxes:** While property revaluation may lead to changes in assessed values and tax rates, it can also contribute to greater stability in property taxes over time. By regularly reassessing properties, municipalities can ensure that tax revenues keep pace with changing property values, which helps create a more predictable tax environment for homeowners.
- **Town Planning & Management:** Up-to-date property data can help town administration evaluate and prioritize funding needs for construction or maintenance of roads, parks, schools, utilities, and other public services. In future planning, it may also help the town maintain a balance between residential, commercial, and public spaces.

Why have property values gone up so much?

- **Supply and Demand:** Too many interested buyers and too few available properties are pushing home prices higher. As demand continues to outpace supply, properties are selling quickly, with most homes listed for sale on the market for less than a month. In Sunapee, new listings for single-family homes have dropped 47% since June 2022, while the median sales price rose 2% from \$430k to \$439k (per New Hampshire REALTORS®).
- **Location, Location, Location:** Sunapee is a highly desirable area to own property due to its access to Lake Sunapee and the Mount Sunapee Ski Resort, year-round outdoor recreational opportunities, a thriving tourism industry, natural beauty, and picturesque small-town charm.

- **Limited Development Opportunities:** Sunapee has limited available land for new construction, particularly in desirable waterfront areas. The scarcity of land can drive up property values as demand outpaces supply.
- **Second Homes / Seasonal Properties:** Sunapee is a popular year-round vacation destination, which drives sales for second homes and vacation rental properties. As property values continue to rise, buyers are willing to pay a premium for properties in such a desirable location.

About the Assessors

What do assessors do during revaluation?

- **Data Collection & Valuation:** Assessors gather and analyze relevant data through site inspections, surveys, and information provided by property owners to determine the fair market value of each property. This involves examining property characteristics such as size, location, condition, improvements, and comparable sales data.
- **Revaluation Hearings:** Assessors handle property assessment appeals and participate in hearings to address concerns or disputes raised by property owners once new values are distributed. They review evidence and arguments presented by property owners and may adjust property values if necessary.
- **Statistical Analysis:** Before, during, and after a revaluation, assessors publish their statistical findings about property values, sales ratios, data by neighborhood, historical trends, etc.

How will I know if my final 2023 tax year assessment is equitable?

There are two very good methods of determining this. First, compare your property to similar properties that were sold in arms-length transactions (not short sales, foreclosures, auctions, etc.) in the previous year. Your value (after the revaluation results come out in mid-to-late summer of 2022) should be in line, within 10% or so, with these sale prices. Second, if no recent sales are available, compare your assessment to other similar properties in your area. This information is available in the Assessor's Office and on the Town website. Your value should be comparable; however, it seldom will be the same as those similar properties.

What if I don't agree with my assessment?

You may schedule an appointment with the assessors during the hearings period. Appointments will be conducted via phone and can be scheduled online [*a link will be made available as soon as possible*]. During this informal session you can learn how your assessed value was determined and the factors that were considered. If it is deemed appropriate, assessors may adjust values before the final tax bills are sent out in December.

About Tax Rates

Who sets the tax rate?

There is a common belief that the assessors and/or Town set the tax rate... this is **false**. The rate is determined by the NH Department of Revenue Administration (DRA) and based on the budget needs of the town **and** county to cover public services, infrastructure, education, public safety, and other essential functions.

How will revaluation change your taxes?

Although the value of your property affects your share of taxes, the actual amount you pay is determined by the budget needs of the schools, municipality, county, sewer district, etc. Once the respective Boards and Commissions approve the budgets, a tax rate is then set by the New Hampshire Department of Revenue Administration. Your property taxes are determined by taking your assessed value, dividing it by 1000, and multiplying by the tax rate. *(Assessed Value/ 1000) x Tax Rate = final Tax Bill value.*

Is the tax rate the same for everybody?

Yes. Assessed property values differ, but the tax rate (as set by the DRA) is the same.

Will rates go up again in the next revaluation?

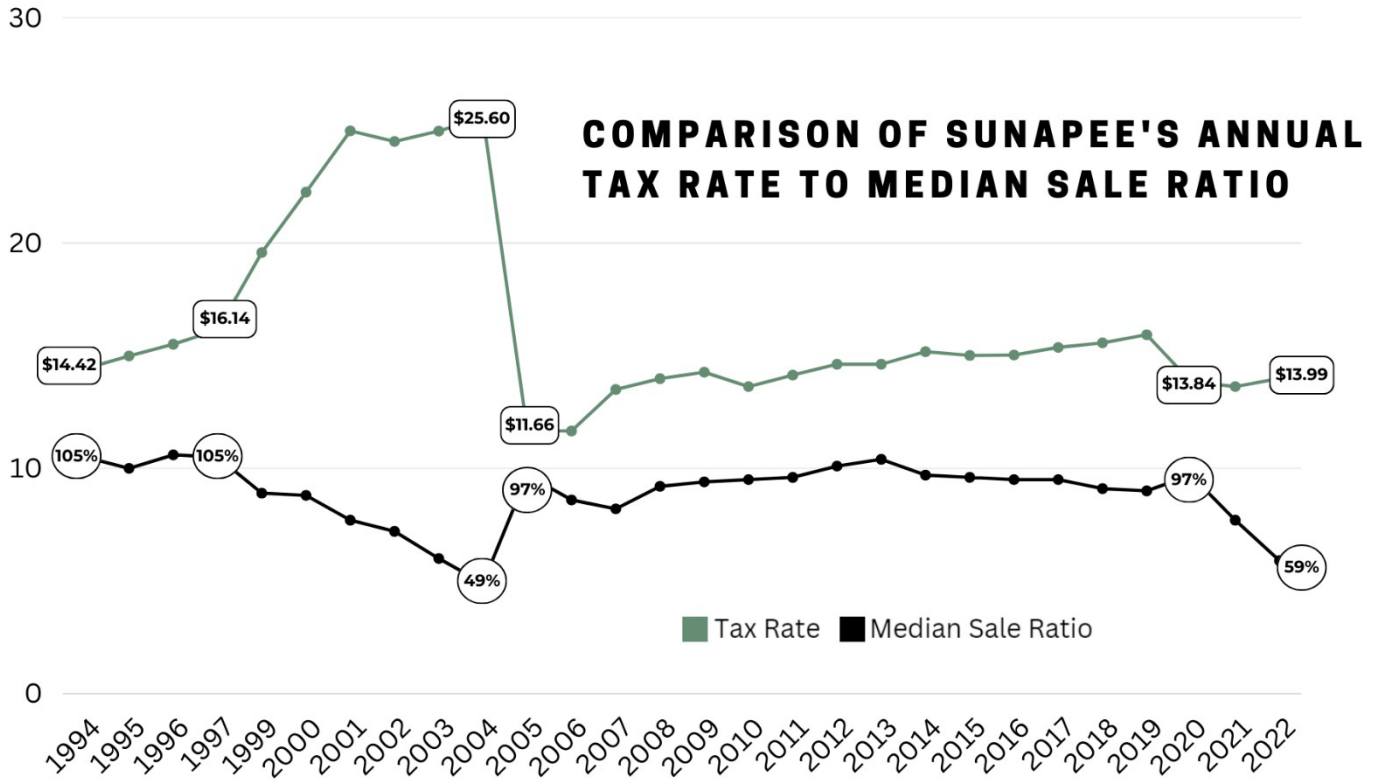
There is no way to determine if / how much tax rates could change in a future revaluation, as it is impossible to predict market trends for a given year, future sale values, budget requirements, etc.

Does my tax rate change if I own multiple homes?

No. Sunapee does not have a tax policy for second homes or rental properties.

What has occurred with the tax rate in prior Revaluation years?

Check out the graph below for a look into changes over time with both the tax rate and the median sale ratio. Notice that the two do **not** rise proportionally! Even if your property value doubles, you can't assume that the tax rate will too.



WHAT HAPPENED IN '04?!

- 2004 was a revaluation year. At the beginning of the reval process, the tax rate was at an all-time high (of \$25.60 per \$1,000 of value), while the median ratio was at an all-time low.
- After revaluation, the sales ratio was back in the target range at 97%. Later that year, the tax rate was set at \$11.66 - a 54% decrease from the previous rate.

2014-2015	
Median Sale Ratio maintained	96.5%
Tax Rate decreased by 1%	\$15.18 to \$15.01

2004 - 2005:	
Median Sale Ratio rose 98%	48.8% to 97%
Tax Rate decreased 54%	\$25.60 to \$11.66

2019 - 2020:	
Median Sale Ratio rose 8.5%	89.7% to 97.3%
Tax Rate decreased by 13%	\$15.93 to \$13.84

2009-2010	
Median Sale Ratio rose 1.6%	93.5% to 95%
Tax Rate decreased 4.5%	\$14.27 to \$13.63

2022 - 2023:	
Median Sale Ratio (July '22):	58.7%
Current Tax Rate:	\$13.99