

# 2021 BEDFORD REVALUATION

## WHY A TWO-YEAR REVALUATION CYCLE ?

(Revised 8/23/2021)



A common question being raised in the 2021 revaluation is why Bedford conducts biennial revaluation updates, as opposed to the State of New Hampshire's constitutional minimum 5-year revaluation cycle (NH Constitution Part II, Article 6). These questions fairly reflect the concerns that some property owners are expressing about the reasoning behind Bedford's current biennial revaluation schedule. As some property owners are seeing assessment increases of 25% or more, and with an overall town increase of 17% over two years, would Bedford be better off going back to the 5-year revaluation cycle? Some claim the 2-year revaluation schedule in a rising market is simply a revenue grab, a maximizing of the aggressive market or an unnecessary exercise with values increasing in such big jumps anyway. The best way to begin decisively addressing these perceptions is by looking at the specific market data going back 5 years, to 2016, the time-frame in which most 2021 revaluations are comparing value changes. The following chart displays the changes since 2019 (*referencing 2020 for new construction and building permit growth*), with the 5-year comparison of 2016 to 2021 in the chart below it.

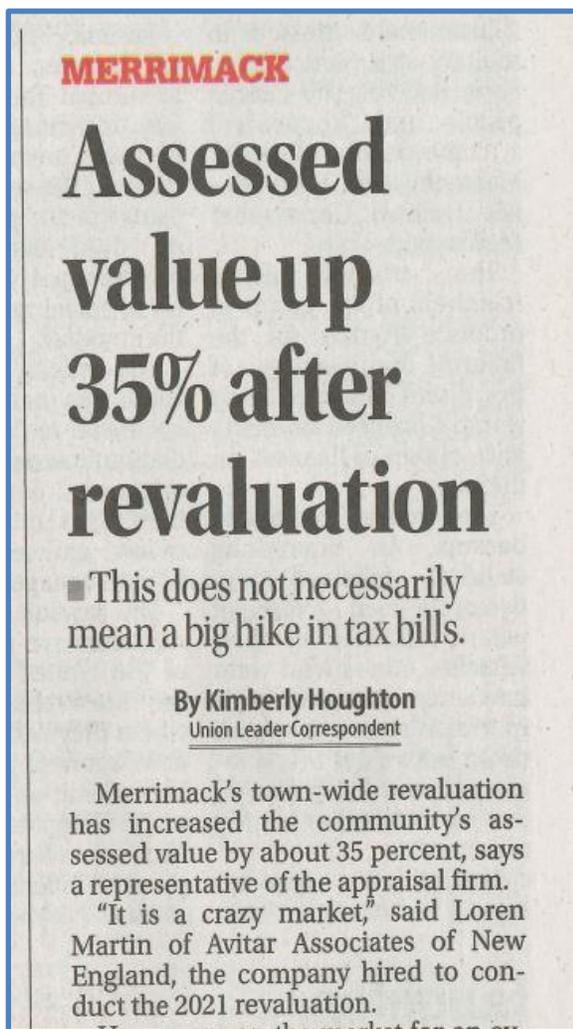
\*Note: assessment increases of the following percentages do NOT translate into tax increase of that amount (see more about property taxes on page 4).

<b>Total Assessed Values Bedford 2019-2021</b>			
<b>Old Grand Total 2020</b>	<b>New Grand Total 2021</b>	<b>Percent Change</b>	<b>Value Difference</b>
\$4,284,897,664	\$4,999,741,005	17%	\$714,843,341
<b>Total Residential Assessed Values</b>			
\$3,252,093,219	\$3,873,558,033	19%	\$621,464,814

<b>Total Assessed Values Bedford 2016-2021</b>			
<b>Old Grand Total 2016</b>	<b>New Grand Total 2021</b>	<b>Percent Increase</b>	<b>Value Difference</b>
\$3,435,342,423	\$4,999,741,005	46%	\$1,564,398,582
<b>Total Residential Assessed Values</b>			
\$2,539,440,899	\$3,854,876,387	52%	\$1,315,435,488.00

It's difficult to believe that in the span of 5 years, Bedford has experienced an overall **increase of 46%** or **\$1.56 Billion** in real estate value growth. That 46% increase represents the town on the whole. Residential property have seen a **52%** increase in 5 years. If a 25% assessment increase over 2 years is concerning, there are specific examples of property assessments that have increased by **90%** in 5 years, properties for which **no** value adjustments were made by this office, adjustments that commonly include improved condition, finished basements, the adding or remodeling of bathrooms, renovated kitchens or any other type of improvement. These assessment changes are purely market driven and squarely in line with sales data.

If we had not conducted biennial revaluations since 2017 and instead maintained a 5 year cycle, we'd be dealing with an overall 52% increase to residential property in a single revaluation cycle looking for 2021.

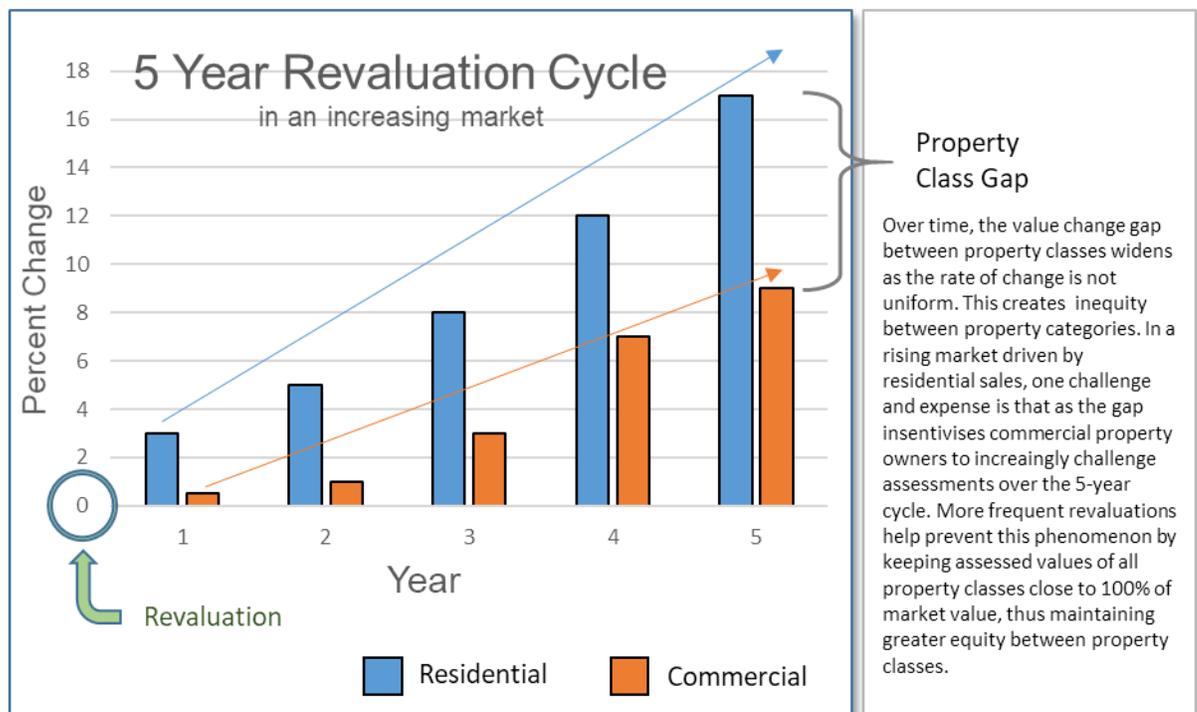


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## SUMMARIZING THE REASONING

- Smaller Adjustments:** More frequent revaluations mean smaller adjustments for each cycle. In a fast-growing (or falling) real estate market, a lot can change over 5 years. The sticker shock of big jumps in assessments, despite the fact that the tax liability may not change dramatically, still raises a lot of concern. In neighboring communities like Merrimack, Amherst and Manchester, all conducting revaluations in 2021, large increases are prevalent as headlines demonstrate. This Union Leader article clipping from July 29, 2021 on the front page of the State and Local section highlights the assessment changes for Merrimack over 5 years. Bedford with an overall 46% increase and a 52% overall residential increase over the same time period would have been well-publicized. If the concerns over 2-year assessment increases in Bedford are significant and making headlines, increases over a 5-year revaluation period for 2021 would be monumental.

- Reflecting Current Values in Rising OR Falling Market:** The practice of more frequent revaluations obviously captures the rise of market conditions, yet it also more quickly captures the drop in values should the market begins to decline. If the market peaks in a revaluation year, and begins a longer-term downward trend in a 5-year revaluation cycle, it will be years before assessments are readjusted to capture that movement in the Bedford real estate market. Assessed values based upon their statistical fair market value is a two-way street. In a quickly rising **or** falling market, it's important that all property assessments remain equitable in relation to one another.
- The Widening Gap Between Property Classes:** Revaluations are town-wide snapshots of market value. The longer the duration between revaluation "snap-shots" in a fast-changing market, the greater the potential disparity and inequity between major property classes (residential, commercial and industrial) when those property types don't change in a uniform manner. By returning all property classes to 100% market value through the revaluation process, this disparity is corrected by essentially hitting the valuation "reset button". The chart below is a general illustration of the Bedford market from 2016 to 2021, comparing the overall 5-year value changes between residential and commercial property.



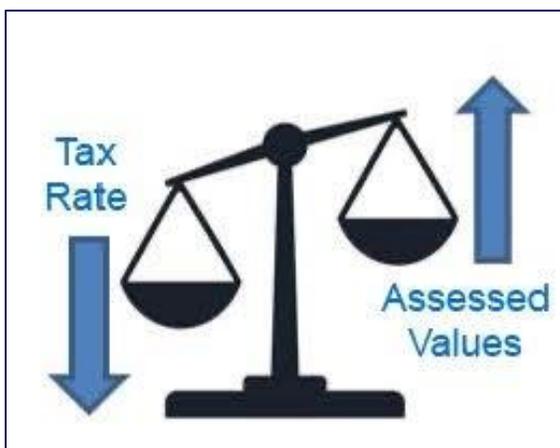
- Potential Abatements and Appeals:** Another reality with the 5-year revaluation in a fast growing market is the likely increase in abatements and appeals. As sale prices climb further away from assessed values each year, the statistical value increases in Bedford are driven primarily by residential property. As an example, commercial properties will have typically changed at noticeably lower rate than residential properties, and the overall annual difference between assessments and their sale prices town-wide (known as the annual Equalization Ratio) indicates that residential and commercial properties are not changing in a uniform manner. The result often triggers more abatements and appeals along with greater costs to the town and its tax payers.

## CONCLUSION

Bedford's biennial revaluation cycle, implemented in 2017, is utilized as a result of climbing current market conditions over that past several years. As the Bedford Assessors Office monitors sales on a daily basis, we will continue to evaluate this strategy over time. If market conditions slow or stagnate, we will analyze the most effective revaluation strategy going forward.

### The Tax Rate in a Revaluation Year

It's worth repeating that the Town's property tax rate will be readjusted downward as we experience an increase in property values. This is why it's important that property owners do NOT apply the current tax rate to new assessed values. The tax rate and assessed values during a reassessment work in opposition of each other, like weights on a scale. This is due to the fact that the annual budget is a fixed number, and only the exact amount of taxes needed to cover



the budget will be collected. While the scale analogy works on a general level, a reassessment is a completely separate process from the Town's budgetary process; revenue and expenditure levels can influence the amount by which the tax rate changes. By contrast, a reassessment year in which assessed values *drop* overall, the tax rate will *climb* in opposition to value reductions in order to meet the total budget amount.

The Bedford Assessor's Office thanks all property owners for their patience and cooperation with the 2021 revaluation process. Please visit the Assessing page of the Town of Bedford, NH website for more information: <https://bedfordnh.org/149/Assessing>

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