

Bradley Beach 2022 Reassessment Report

11/1/21



[Reassessment FAQ](#)

[Understanding Property Taxes Presentation \(September 2020\)](#)

Prior Year (2021) Assessment Accuracy Reflection

Expectations

Each October, the NJ Division of Taxation conducts statistical studies which measure the accuracy of current year assessments. These studies could be considered the “assessor’s gradebook” for that year’s assessments and resulting tax distribution. Nevertheless, recognition must be made that the assessments are produced the prior year based on past sales, and the study is done the subsequent year based on future sales. Appreciating markets would likely result in a ratio under 100%, while depreciating markets would likely result in a ratio over 100%.

2021 has been an exceptional year for real estate. The post COVID world has caused incredible price appreciation and volatility throughout the entire market. As anticipated, the dynamic and volatile market has affected assessment accuracy/market predictability statewide and beyond. It should be well understood that when markets are more volatile (up or down), coefficients will statistically be higher. Market participants tend to make decisions more erratically and emotionally. Low supply causes bidding wars where a home could end up transacting at a price that is not supported by other data. Most importantly, when markets move so rapidly, the dataset of sales within the 1/1-6/30 sampling period will contain sales from various points in time when the market was dramatically different (i.e. June 2021 sales are significantly higher than January 2021 sales). Since the sampling period extends the entire timeframe (not accounting for market changes) the COD measurements are expected to be higher.

While CODs will be higher in both; reassessment and non-reassessment districts, the fact remains that the reassessment districts are better suited to deal with this higher level of volatility. Coefficients in stagnant assessment districts will continue to deteriorate each year that maintenance is ignored. On the other hand, reassessment districts can adjust assessments accordingly with the changing market. Not surprisingly, reassessment districts have weathered the volatility storm better than the non-reassessment districts have. Moreover, the prognosis for non-reassessment districts is very concerning. Without ability to make appropriate changes, the tax distribution accuracy will progressively get worse as years go on. The post COVID market share shake up should be addressed statewide (*see exhibit A*).

Director’s Ratio

Bradley Beach’s 2021 Director’s Ratio was 96.24%. While the “Director’s Ratio” is a complex calculation, this measurement is intended to express the typical relationship between assessments and sale prices in a given municipality. The sampling period used for the Director’s Ratio contains sales that took place between January and June. It is then blended with the Director’s Ratio from the prior year to stabilize shared levy impacts. With assessments being set during the pre-tax year (based on sales that took place during the prior two-year period), it is expected that ratios will be lower than 100% when markets are appreciating. The opposite would hold true for declining markets. Typically, real estate markets do not appreciate significant amounts year over year, so little emphasis was put on this topic in prior reassessment reports. However, the recent market changes have been exceptional so the calculation is worth noting in this report to provide context to the declining ratio.

General Coefficient of Deviation (COD)

The General Coefficient of Deviation is widely held as the best indicator in determining proper tax distribution. It is a way to measure how tightly clustered individual assessment ratios are in relation to the average ratio. A lower COD means more accurate and fair tax distribution. The COD normalizes ratios to show accuracy within a municipality regardless of what the Director's Ratio is in any given year.

The more homogeneous the properties in a municipality are, the lower the COD should be. For example, a municipality that is comprised of mostly townhouses would be expected to yield better assessment accuracy than a municipality that is comprised of a complex range of property types and values (like Bradley Beach). Through annual reassessments, Monmouth and Somerset Counties are showing much lower CODs compared to historical or statewide data.

Despite the complexity of the Borough, Bradley Beach's COD is more accurate than the norms in the rest of the state, meaning that the assessments and resulting tax distribution are more fair. Bradley is also trending to be meaningfully more accurate than historical coefficients. The 2020 COD was **9.84** which was the second lowest COD on record for Bradley (in at least the past 30 years). While a historical comparison is an important measurement, the COD must continue to be analyzed over time as coefficients will inevitably be higher during years that the underlying market is more volatile or suffers from lack of supply or demand (like 2021). Despite the market volatility this year, the 2021 COD was still lower than the historical average in Bradley Beach.

Below is a summary of Bradley Beach's general COD for the past 6 years (*see figure 1*). Bradley's average COD prior to implementation of annual reassessments (years 1991-2013) was 14.80.

Year	General Coefficient of Deviation
2016	12.78
2017	10.73
2018	12.63
2019	14.11
2020	9.84
2021	11.82

(figure 1)

2022 Reassessment

Through the 2022 reassessment, changes to the global modeling were made to target market value. Adjustments were also made to all individual properties, neighborhoods and submarkets to refine assessment accuracy. The goal is to annually target 100% market value so that statistical measurements represent better assessment accuracy.

Inspections (data collection)

The Borough completed the first five-year inspection cycle in 2019. Unfortunately, the Division of Taxation recently established a regulation that requires all annual reassessment districts to inspect properties every five years (*see exhibit B*). Bradley Beach had planned on operating under a previously permissible eight-year inspection cycle which *would have been* less expensive and would have inconvenienced residents with inspections less frequently. The law allowing the eight-year cycle was put in place only a few years ago as a cost saving measure for municipalities. Recently, a new law was passed to allow virtual inspections (and established some other changes). In the new law, the language specifically allowing the eight-year cycle was removed and no longer specifies a timeframe. Division of Taxation's decision to regulate as a five-year cycle removes the Borough's ability to spread the cost over the eight-years. On the bright side, the Borough has been granted permission to deviate from the "20% per year" inspection routine and instead shall comply with the schedule below. The second cycle (2020-2024) will be done as a 50/50 split between 2022 and 2023 (*see figure 2*).

1308 Bradley Beach				
First Cycle (COMPLETE)	Year	Original Planned	Completed	Notes
	2015	20%	20%	5 yr cycle (2015-2019)
	2016	20%	20%	
	2017	20%	20%	
	2018	20%	20%	
	2019	20%	20%	Cycle complete in 2019
Approved Second Cycle (RFP in 2021)	Year	Approved Plan	Completed	Notes
	2020			
	2021	RFP		RFP'd in 2021 for 2022/2023. Contract Awarded
	2022	50%		5yr cycle (2020-2024)
	2023	50%		
	2024			
Planned Third Cycle (plan approved 8/19/21)	Year	Planned	Completed	Notes
	2025			
	2026	RFP		Plan to RFP in 2026 for 2027/2028
	2027	50%		5 year cycle (2025-2029)
	2028	50%		
	2029			

(figure 2)

General Comments on the Current Real Estate Market

The previous Reassessment Report (for 2021) was published one year ago (November 2020). That report touched on the market changes that were just beginning to be felt at that time. Assessments were cautiously changed from 2020 to 2021 as the data was incredibly new and changing quickly. It was important to be sure that the market changes were indeed going to be sustained before making drastic changes to the assessments.

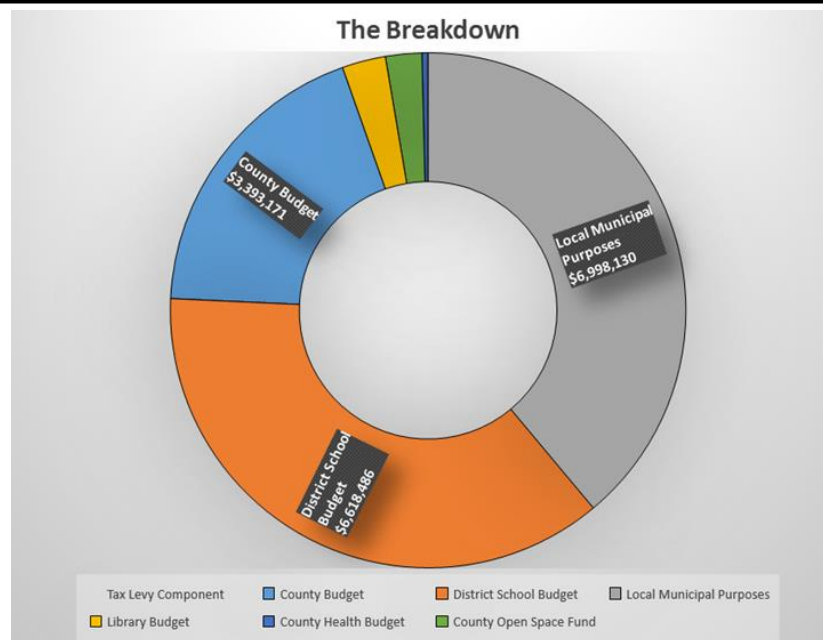
One year later, it is safe to say that the market has progressively accelerated. The flight from the city and low interest rate environment are certainly identifiable causes of these market dynamics. For the vast majority of properties, the market is driven by buyers interested in what their monthly payment will be. Availability of historically low interest rates makes all homes more affordable, so the higher real estate prices should not be much of a surprise.

The 2022 reassessment takes the most recent market changes into account. Sales from 2020 and 2021 were used in the reassessment modeling, giving greater weight to the more recent sales. The 2022 aggregate value of Bradley's assessments will increase by 14.4%. This 14.4% can be seen as the baseline of apportionment change. Any property increasing greater than 14.4% will pay a greater proportionate share of the tax levy. Conversely, any property increasing less than 14.4% (or decreasing) will pay a lesser proportionate share of the tax levy.

It is important to keep in mind that the shared County budget is apportioned to the 53 towns based on the respective net values. Should appreciation in Bradley outpace its 52 counterparts in the County, Bradley will be assigned to pay a higher proportionate share of the County Tax Levy (see figure 3). The way the market behaves is mainly out of our control, but it is important to keep a pulse on how other towns are assessing their properties. All towns should be on an equal playing field so that shared budgets get apportioned fairly.

Bradley Beach Tax Levy History

Tax Levy Component	2016 Tax Levy	2017 Tax Levy	2018 Tax Levy	2019 Tax Levy	2020 Tax Levy	2021 Tax Levy	Five Year Change
County Budget	\$ 2,980,193	\$ 3,039,067	\$ 3,043,579	\$ 3,226,389	\$ 3,374,052	\$ 3,393,171	14%
District School Budget	\$ 5,887,771	\$ 6,033,894	\$ 6,151,190	\$ 6,369,798	\$ 6,498,090	\$ 6,618,486	12%
Local Municipal Purposes	\$ 6,544,607	\$ 6,545,522	\$ 6,438,210	\$ 6,433,316	\$ 7,009,040	\$ 6,998,130	7%
Library Budget	\$ 377,733	\$ 394,588	\$ 406,777	\$ 446,864	\$ 472,734	\$ 492,236	30%
County Health Budget	\$ 60,057	\$ 61,316	\$ 60,391	\$ 64,975	\$ 69,583	\$ 69,596	16%
County Open Space Fund	\$ 171,210	\$ 178,531	\$ 337,541	\$ 372,329	\$ 394,022	\$ 408,593	139%
Excess for Rate Rounding	\$ 2,187	\$ 2,389	\$ 8,399	\$ 11,977	\$ 5,909	\$ 12,163	
Total Tax Levy	\$ 16,023,757	\$ 16,255,307	\$ 16,446,087	\$ 16,925,648	\$ 17,823,428	\$ 17,992,374	12%



(figure 3)

Total Change of Net Valuation Taxable

The net valuation of the Borough is increasing by 14.4% in 2022 (*see figure 4*). About 221M has been added to the Bradley Beach ratable base (partially related to new construction and partially related to market appreciation).

2021 Final Net Valuation	1,535,185,500
2022 Preliminary Net Valuation	1,756,328,800
Change	221,143,300
Change %	14.40%

(figure 4)

Property Class Breakdown (Year over Year)

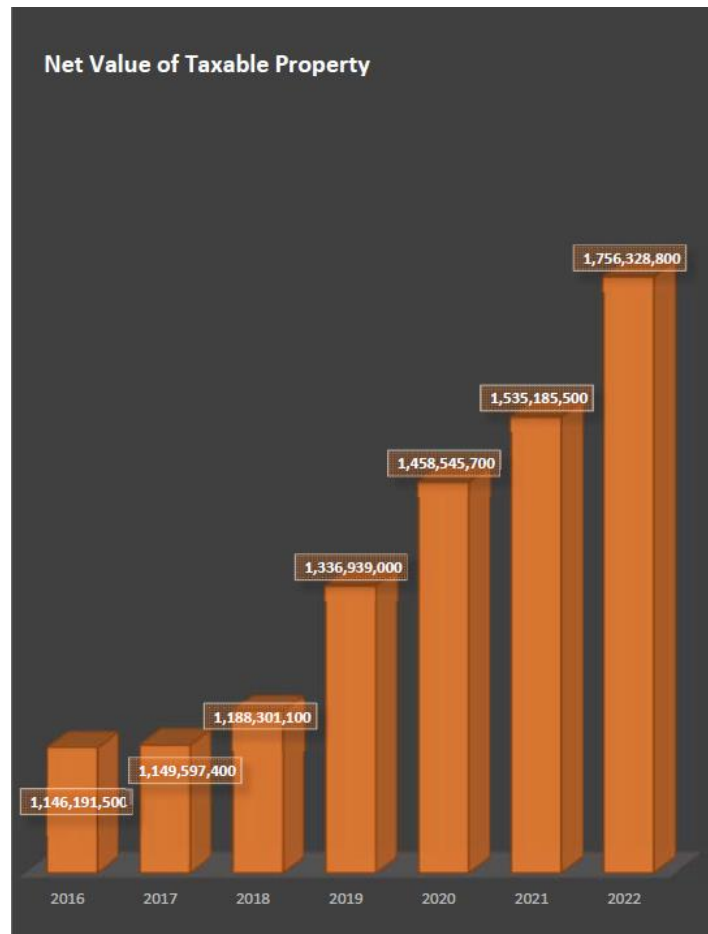
2021 Final Tax List					
Class	Property Type	Count	Value	Average	Share of Borough
1	Vacant Land	37	13,888,900	375,376	0.90%
2	Residential	1926	1,364,362,100	708,392	88.87%
4A	Commercial	92	65,782,800	715,030	4.29%
4B	Industrial	1	1,453,500	1,453,500	0.09%
4C	Apartment	32	89,698,200	2,803,069	5.84%

Net Valuation Taxable	1,535,185,500
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2022 Preliminary Tax List					
Class	Property Type	Count	Value	Average	Share of Borough
1	Vacant Land	29	11,126,900	383,686	0.63%
2	Residential	1934	1,571,395,700	812,511	89.47%
4A	Commercial	92	71,412,200	776,220	4.07%
4B	Industrial	1	1,513,500	1,513,500	0.09%
4C	Apartment	32	100,880,500	3,152,516	5.74%

Net Valuation Taxable	1,756,328,800
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(figure 5)



(figure 6)

2016 -2022 Tax Levy and Net Taxable Value			
Year	Tax Levy	Ratables	Tax Rate
2016	16,023,757	1,146,191,500	1.398%
2017	16,255,307	1,149,597,400	1.414%
2018	16,446,087	1,188,301,100	1.384%
2019	16,925,648	1,336,939,000	1.266%
2020	17,823,428	1,458,545,700	1.222%
2021	17,992,374	1,535,185,500	1.172%
2022	TBD	1,756,328,800	TBD

221,143,300	Ratable base change 2021 to 2022 (Prior to Appeals)
14.40%	Increase Prior to Appeals

(figure 7)

2021 Tax Rate Prediction

Year	Ratables	Tax Levy	Tax Rate
2021	1,535,185,500	17,992,374	1.172%
2022*	1,756,328,800	17,992,374	1.024%

*Rate if levy was the same year over year and no reductions from appeals

2022**	1,738,765,512	18,352,222	1.055%
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**Assumes a 1% reduction in ratables from appeals & 2% increase in Levy

Realistic 2022 Tax Rate Range 1.030%-1.070%

(figure 8)

Assessment change of all residential properties

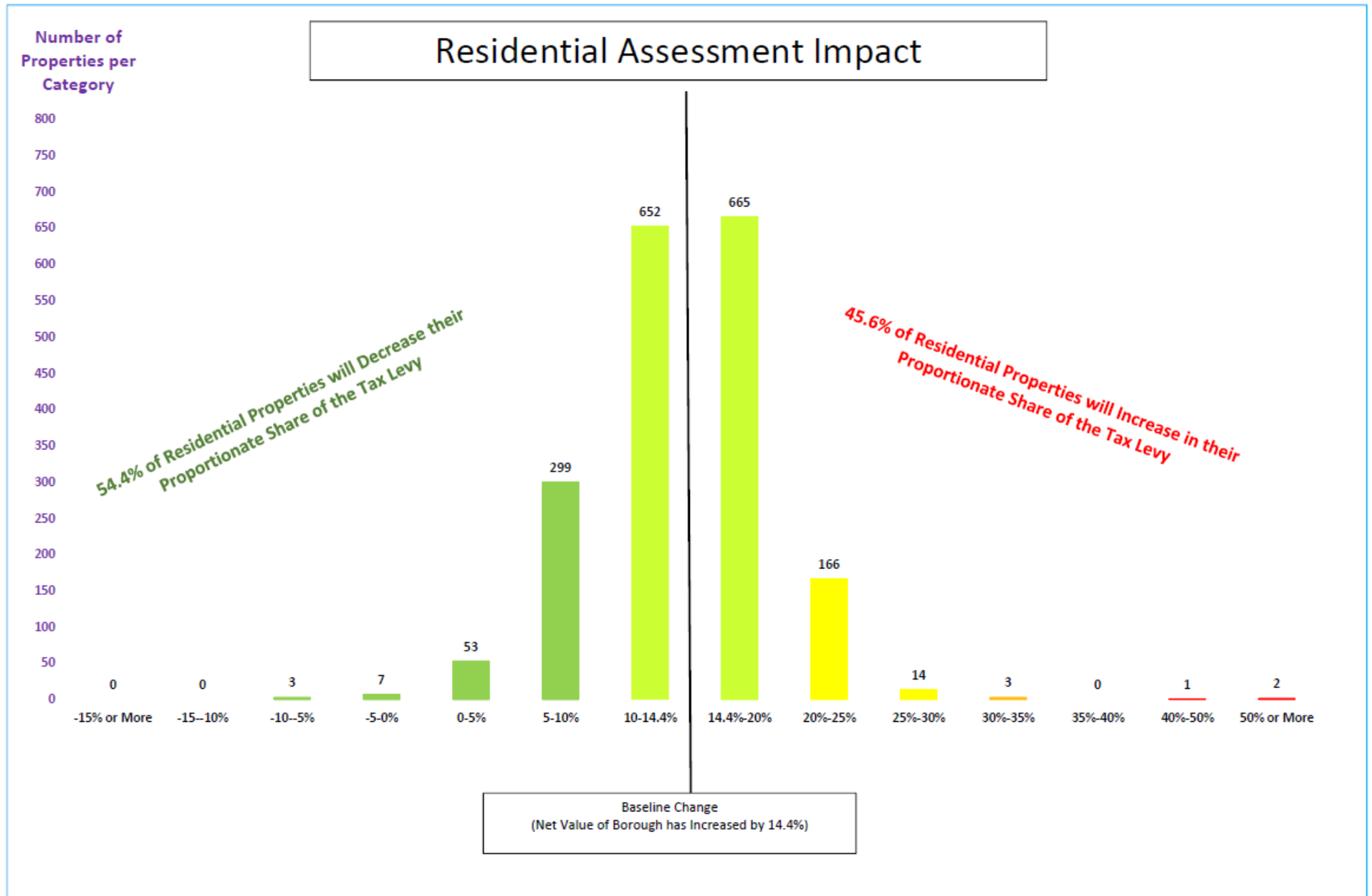
(excluding new construction and properties that had renovations)

	Residential Classified Properties		
	Assessment Change Category	Number of Properties In Change Category	% of Total
54.4% of Residential Properties will Decrease their Proportionate Share of the Tax Levy	-15% or More	0	0.00%
	-15--10%	0	0.00%
	-10--5%	3	0.16%
	-5-0%	7	0.38%
	0-5%	53	2.84%
	5-10%	299	16.03%
	10-14.4%	652	34.96%
45.6% of Residential Properties will Increase in their Proportionate Share of the Tax Levy	14.4%-20%	665	35.66%
	20%-25%	166	8.90%
	25%-30%	14	0.75%
	30%-35%	3	0.16%
	35%-40%	0	0.00%
	40%-50%	1	0.05%
	50% or More	2	0.11%
Total Properties In Group		1865	100.00%

*Net Value of Borough has Increased 14.4%

(figure 9)

Residential Change Report



(figure 10)

2021 Tax List Accuracy

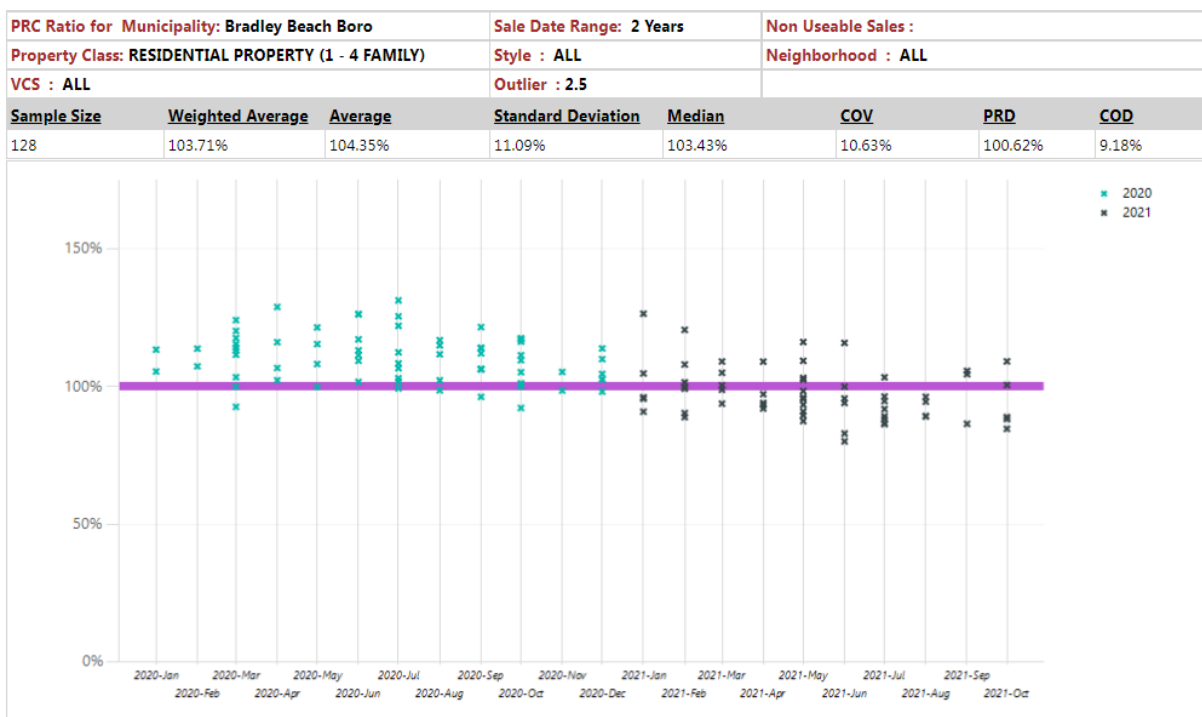
The primary driver of a reassessment is recent “arms-length market transactions”. Statutorily, properties are assessed for what they would have sold for on October 1st of the pretax year. The 2022 valuation date is October 1st, 2021.

Our Supreme Court has held “*value for purposes of taxation has some measure of permanence which renders it secure against general temporary inflation or deflation.*” (Hackensack Water Co. v. Division of Tax Appeals, 2 N.J. 157, 163 (1949)); and “*True value must be fairly constant and must be gauged by conditions, not temporary and extraordinary, but by those which over a period of time will be regarded as measurably stable.*” (Berkeley Arms Apartment Corp. v. City of Hackensack, 6 N.J. Tax 260, 286 (Tax 1983)).

These quotes are more important now than ever. While the local market has appreciated at significant rates, assessors must view sales data used in the study in its totality while mass modeling assessments. While more recent sales are certainly given more credibility in the analysis, older sales will still be a stabilizing factor with annual reassessments. Inevitably, older sales will pull the modeling in the direction that the market was in the past. With regard to the 2022 reassessment, current sales are much higher than 2020 and early 2021 sales. To some degree, the older sales data pulls the assessments lower than current sale prices actually are. Should this market appreciation continue through 2022, the Division of Taxation Director’s ratio will certainly be lower than the 100% target. We must recognize that the ratio study is being done with future sales, while the reassessment analysis is being done with past sales. The goal of the reassessment is to react to the market, not predict it.

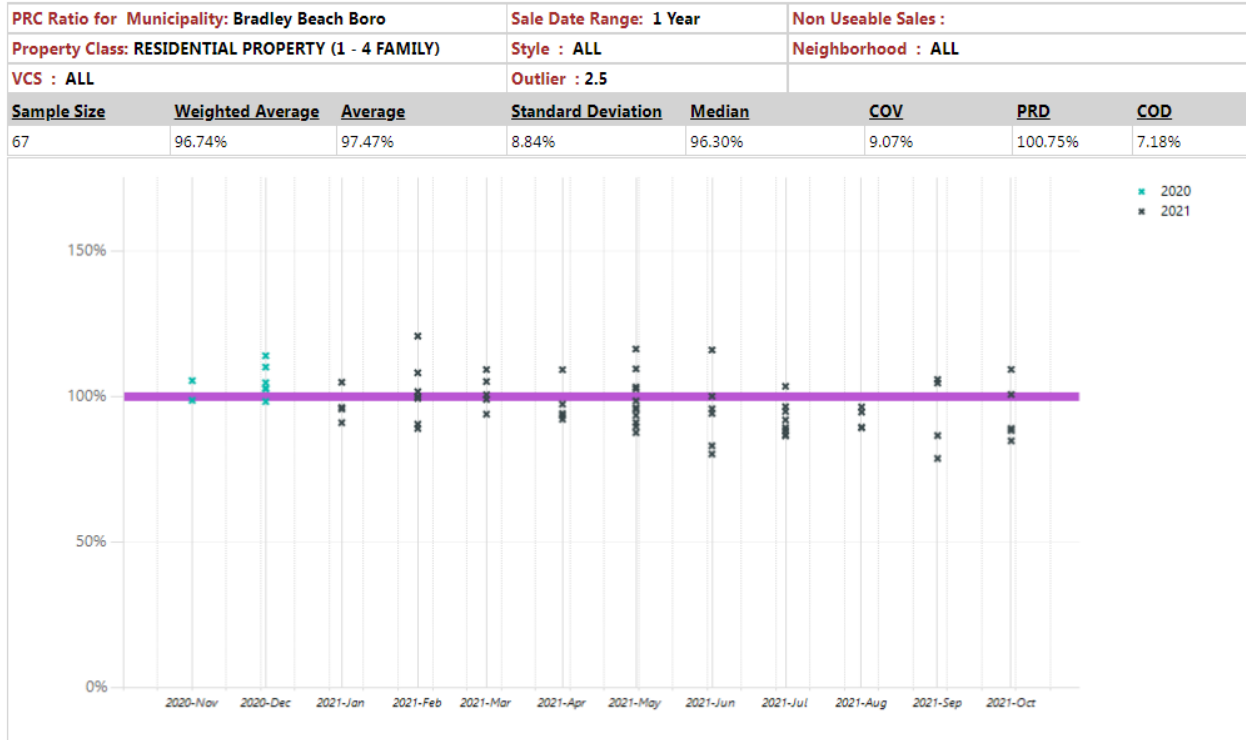
A reassessment generally measures sale prices from the past two years (giving more credibility to the more recent transactions.) The Monmouth County Tax Board has a standardized review process to measure new assessments against sale prices from the current and prior year (*see figures 11 & 12*).

Tax Board Assessment Data Analysis Module (ADAM360) Standardized Review:
All 2020/2021 residential usable sales
(removing top & bottom 2.5% outliers and properties that had renovations after the sale)
**Data addendum with sales attached*



(figure 11)

Tax Board Assessment Data Analysis Module (ADAM360) Standardized Review:
All residential usable sales during the past 1 year period
(removing top & bottom 2.5% outliers and properties that had renovations after the sale)
**Data addendum with sales attached*

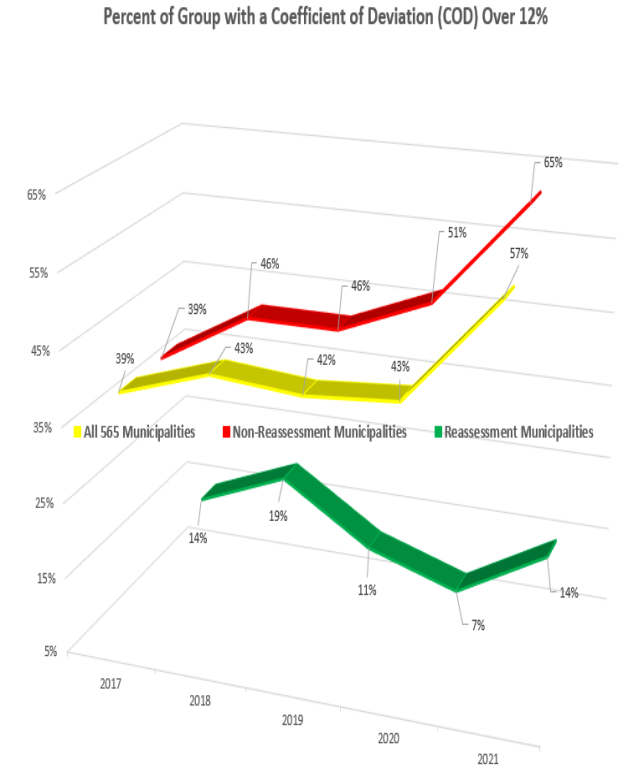
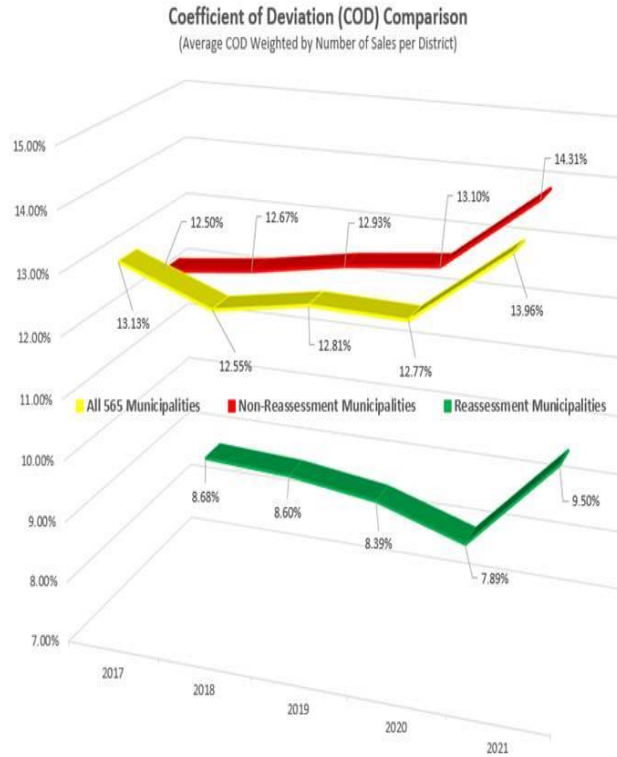


(figure 12)



EXHIBIT A

Statewide Comparison of Reassessment vs. Non-Reassessment Districts



***Reassessment Municipalities are the 72 districts that reassessed every year for the past five years**

****Non-Reassessment Municipalities are the 380 districts that have done no reassessments or revaluations in at least five years**

EXHIBIT B

Division of Taxation removed ability to spread inspections over 8-Year period



State of New Jersey

DEPARTMENT OF THE TREASURY

DIVISION OF TAXATION

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MEMORANDUM

TO: Municipal & County Assessors, County Tax Board Administrators & Commissioners

FROM: Shelly Reilly, Assistant Director, Property Administration

DATE: August 18, 2021

SUBJECT: Interior Inspection Cycles for Annual Reassessments

This memorandum is in regard to the inspection cycles for annual reassessments and supersedes the memorandum of August 10, 2018. Pursuant to Chapter 136, Laws of 2021, N.J.S.A. 54:4-23b was amended to remove the language permitting interior inspection cycles to occur over an eight-year period. Now, the statute allows for "an ongoing inspection cycle," with no specified time period in the law.

Since the statute no longer specifies a particular length of interior inspection cycle, the provisions of N.J.A.C. 18:12A-1.14(i) now govern. The maximum permissible length of an interior inspection cycle for annual reassessment is five years. This will be applied prospectively to ensure uniformity amongst the properties within each county.

The Division of Taxation will contact the assessors and county tax administrators for municipalities currently in the midst of eight-year interior inspection cycles on how to proceed with the law's amendment based on the particular facts and circumstances of that municipality.

It remains the policy of the Division of Taxation to have the percentage of inspections equally distributed throughout the inspection cycle. That is, the assessor should inspect 20% of line items each year over the five-year period. If an assessor wishes to deviate from this policy, he or she must provide a written request and justification of the circumstances in the particular municipality to the County Tax Administrator and the Division of Taxation.

If you have any questions, contact the Division of Taxation at (609) 292-7974 or (609) 292-7975.

SR: KB