

Bradley Beach 2023 Reassessment Report

11/1/22



[Reassessment FAQ](#)

[Appeal FAQ](#)

[2022 Reassessment Report](#)

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

A Message from the Assessor

The past three years have been an exceptional period for real estate. Property values have increased steadily, and prices had not yet abated as of the valuation date for the 2023 Reassessment (10/1/2022). This is particularly true for shore towns. The Borough is required to reassess all properties annually in order to maintain fair tax distribution. The goal of the reassessment is to react to the market, rather than predict it. While the higher interest rate environment will likely have impacts on property values in the future, the assessments are still catching up to the recent period of historic appreciation. The continued market changes highlight the importance of the assessment function, which serves as the *distribution* mechanism of county, school, and municipal tax levies.

The New Jersey constitution requires annual tax levies to be distributed based on market value. Contrary to popular belief, property assessments do not generate taxes. They simply *distribute* them. Despite technological advances, many municipalities in the state still take a “portfolio snap-shot” at a given point in time and distribute their property taxes the way that picture looked for the subsequent 10 or 20 years (*see exhibit A*). By not implementing a proactive assessment maintenance approach, tax distribution becomes less accurate each year that passes. A static assessment model operates on the assumption that all property values within a municipal boundary appreciate or depreciate at the same rate over time. This assumption is not accurate since property values do not necessarily change in a uniform manner across all property types, price points, and sectors. Annual assessment maintenance is simply about tax distribution fairness (as defined by the NJ constitution).

Through the 2023 reassessment, changes to the global assessment modeling were made to target market value. Adjustments were also made to all individual properties, neighborhoods and submarkets to refine assessment accuracy. The goal of a reassessment is to annually target 100% market value so that statistical measurements represent better assessment accuracy. For the upcoming 2023 tax year, the total overall aggregate value of Bradley Beach will be 19.7% greater than it was in 2022. This does not mean your taxes will go up 19.7%.

It means that the overall value of properties in the Borough has increased. The aggregate value of Borough property and the tax rate have an inverse relationship. The higher property assessments will cause a lower tax rate. The 2023 tax rate will be lower than the 2022 tax rate due to the increase in property values (*see below rate estimate*).

Provided below is recent history of past tax rates and an ESTIMATED tax rate for 2023 based on the higher assessed values and various budgetary assumptions. It is important to reiterate that this is an ESTIMATED rate and the actual 2023 rate will not be known until mid-2023 when budgets are finalized. Contained in this report is more detail on the reassessment process and results.

Erick Aguiar, CTA



Assessor
Borough of Bradley Beach

Tax Rate History

2017- 1.414%
2018- 1.384%
2019- 1.266%
2020- 1.222%
2021- 1.172%
2022- 1.046%
***2023- 0.909%**

*Estimated assuming +3% increase to tax levy and
2023 preliminary net taxable value of Borough
(less 1% to account for appeals)

Prior Year (2022) Assessment Accuracy Reflection

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 an assessment:sale price ratio under 100%, while depreciating markets would likely result in a ratio over 100%.

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), assessment coefficients will statistically be higher. The incredible price appreciation experienced since COVID comes with volatility and an inherent level of difficulty for the market participants (buyers and sellers) to discover a tight range of “Fair Market Value (FMV)”. In such an environment, FMV understandably has a wider range, and it is expected for assessment coefficients to rise to some degree. Further, when markets move so rapidly (like the 1-2% per month appreciation we have seen in recent years), the dataset of sales within the sampling period will contain sales from various points in time when the market was different. Since the sampling period extends the entire timeframe, without accounting for market changes, the State’s Coefficient of Deviation (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 the assessment maintenance is ignored. On the other hand, reassessment districts can adjust assessments accordingly with the changing market. Municipalities that regularly reassess stand the best chance of providing their constituents the fairest level of tax distribution possible, even in the most difficult of times. It should be no surprise that municipalities that take proactive steps in maintaining fair tax distribution consistently outperform those that ignore such an initiative (*see exhibit A*).

For municipalities that do not take any proactive approach to maintaining fairness, the trajectory is ominous. The continued spike in interest rates will likely cause further volatility. Projected price depreciation, in this case, will not be equal across the board. All markets and price points will be affected differently. The opposite occurred on the way up, with a noticeable market compression (likely attributable to historically low interest rates as the monthly payment is a bigger market diving force on lower priced homes than it is on higher priced homes). Tax Distribution fairness in non-reassessment municipalities will be completely at the mercy of the volatile market changes. Proactive municipalities will continue to adapt annually, incorporating the various market changes into the subsequent year tax distribution.

Director’s Ratio

Bradley Beach’s 2022 Director’s Ratio was 92.19%. 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 tax 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. 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 Beach is also trending to be more accurate than historical coefficients. Prior to the COVID market volatility, the 2020 COD was **9.84**, which was the second lowest COD on record for Bradley Beach (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 (like the 2021 & 2022 market). While the 2022 COD was still lower than the historical average in Bradley Beach, market volatility has been a challenge. It will likely take a few years for volatility to subside and maintain a COD in closer to 10.

Below is a summary of Bradley Beach's general COD for the past 7 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
2022	12.78

(figure 1)

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) is being done as a 50/50 split between 2022 and 2023 (*see figure 2*). The 50% from 2022 was complete this year (North of Brinley Ave). The remaining properties will be inspected in 2023.

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%	
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

Another extraordinary year for the real estate market in the books. The 2021 market experienced continued price appreciation driven by lower interest rates. This story continued during the winter months of 2022, with most Monmouth County markets seeing a steady 1-2% per month appreciation rate. As inflation shot up, the Federal Reserve began tightening money supply and has not yet stopped. Interest rates continue to ominously spike. The most extraordinary aspect of the 2022 market has been the muted reaction to the higher rates. Prices continued to increase until at least the summer of 2022, despite rates more than doubling YTD. In the most recent month or so, we are finally seeing signs suggesting that price appreciation has slowed to a crawl and may begin to stabilize or even decline in the general market.

30 Year Fixed Mortgage Rates

This page provides average 30 year fixed mortgage rates from several different surveys including Mortgage News Daily (daily index), Freddie Mac (weekly survey), Mortgage Bankers Association (weekly survey) and FHFA (monthly survey).

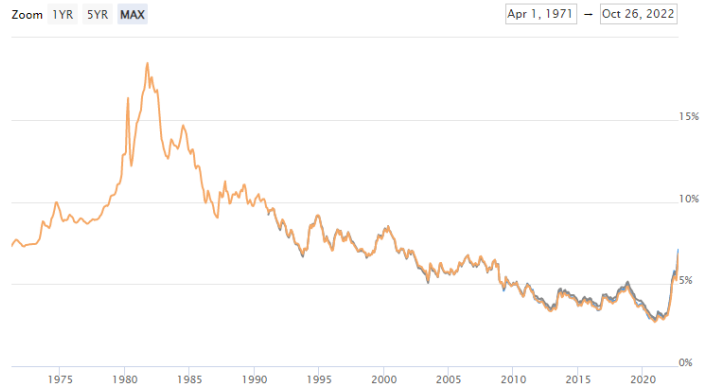
See also: [30 Year Fixed](#) | [15 Year Fixed](#) | [30 Year FHA](#) | [30 Year Jumbo](#) | [5/1 ARM](#) | [30 Year VA](#)



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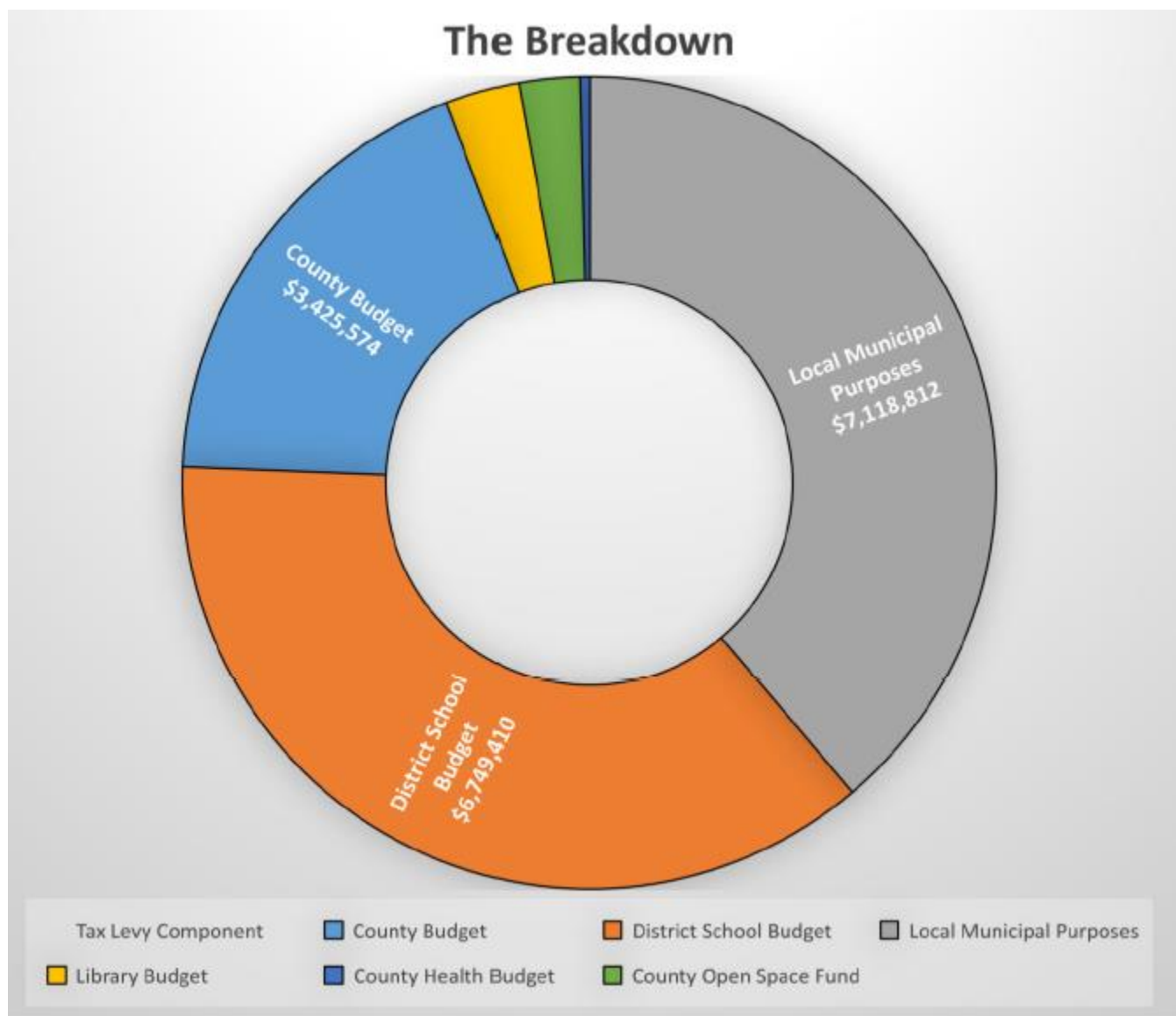


The 2023 Reassessment takes the market changes into account. Sales from 2021 and 2022 were used in the reassessment modeling, giving greater weight to the more recent sales. The 2023 aggregate value of Bradley Beach's assessments will increase by 19.7%. This 19.7% can be seen as the baseline for apportionment change. Any property increasing greater than 19.7% will pay a greater proportionate share of the tax levy. Conversely, any property increasing less than 19.7% (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 Beach outpace its 52 counterparts in the County, Bradley Beach 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	2022 Tax Levy	Six Year Change
County Budget	\$ 2,980,193	\$ 3,039,067	\$ 3,043,579	\$ 3,226,389	\$ 3,374,052	\$ 3,393,171	\$ 3,425,574	15%
District School Budget	\$ 5,887,771	\$ 6,033,894	\$ 6,151,190	\$ 6,369,798	\$ 6,498,090	\$ 6,618,486	\$ 6,749,410	15%
Local Municipal Purposes	\$ 6,544,607	\$ 6,545,522	\$ 6,438,210	\$ 6,433,316	\$ 7,009,040	\$ 6,998,130	\$ 7,118,812	9%
Library Budget	\$ 377,733	\$ 394,588	\$ 406,777	\$ 446,864	\$ 472,734	\$ 492,236	\$ 531,721	41%
County Health Budget	\$ 60,057	\$ 61,316	\$ 60,391	\$ 64,975	\$ 69,583	\$ 69,596	\$ 70,582	18%
County Open Space Fund	\$ 171,210	\$ 178,531	\$ 337,541	\$ 372,329	\$ 394,022	\$ 408,593	\$ 443,849	159%
Excess for Rate Rounding	\$ 2,187	\$ 2,389	\$ 8,399	\$ 11,977	\$ 5,909	\$ 12,163	\$ 5,918	
Total Tax Levy	\$ 16,023,757	\$ 16,255,307	\$ 16,446,087	\$ 16,925,648	\$ 17,823,428	\$ 17,992,374	\$ 18,345,865	14%



Total Change of Net Valuation Taxable

The net valuation of the Borough is increasing by 19.7% in 2023 (*see figure 4*). About 345M has been added to the Bradley Beach ratable base (partially related to new construction and partially related to market appreciation).

2022 Final Net Valuation	1,753,906,800
2023 Preliminary Net Valuation	2,099,374,600
Change	345,467,800
Change %	19.70%

(figure 4)

Property Class Breakdown (Year over Year)

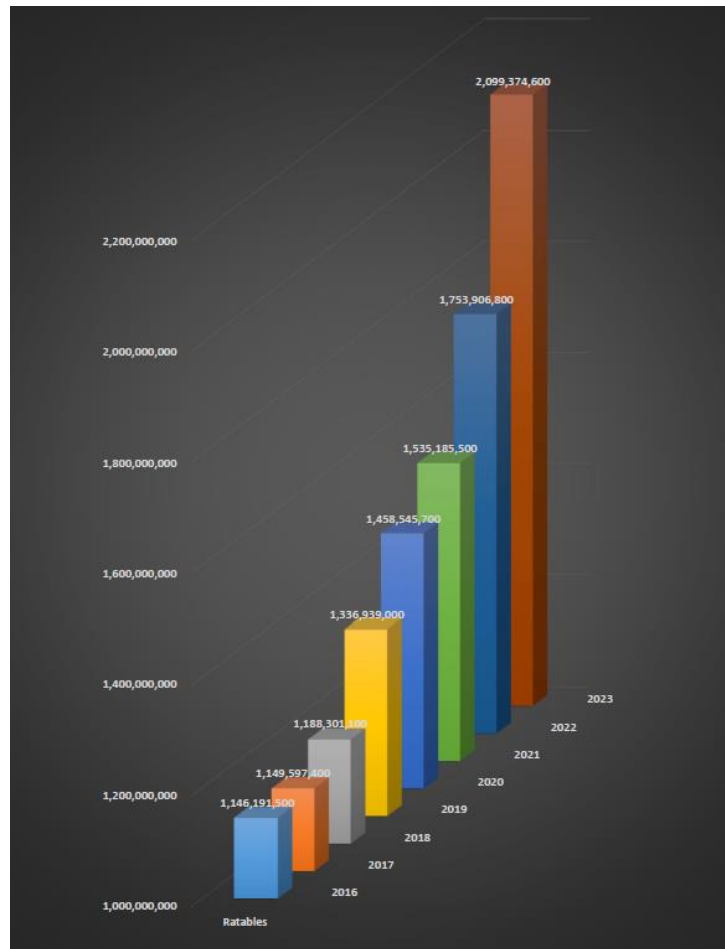
2022 Final Tax List					
Class	Property Type	Count	Value	Average	Share of Borough
1	Vacant Land	32	12,948,700	404,647	0.74%
2	Residential	1931	1,567,199,900	811,600	89.35%
4A	Commercial	92	71,364,200	775,698	4.07%
4B	Industrial	1	1,513,500	1,513,500	0.09%
4C	Apartment	32	100,880,500	3,152,516	5.75%

Net Valuation Taxable	1,753,906,800
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2023 Preliminary Tax List					
Class	Property Type	Count	Value	Average	Share of Borough
1	Vacant Land	30	11,854,500	395,150	0.56%
2	Residential	1933	1,879,563,200	972,356	89.53%
4A	Commercial	92	76,836,100	835,175	3.66%
4B	Industrial	1	1,693,500	1,693,500	0.08%
4C	Apartment	33	129,427,300	3,922,039	6.17%

Net Valuation Taxable	2,099,374,600
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(figure 5)



(figure 6)

2016 -2023 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	18,345,865	1,753,906,800	1.046%
2023	TBD	2,099,374,600	TBD

345,467,800	Ratable base change 2022 to 2023
19.70%	Increase

(figure 7)

2023 Tax Rate Prediction

Year	Ratables	Tax Levy	Tax Rate
2022	1,753,906,800	18,345,865	1.046%
2023*	2,099,374,600	18,345,865	0.874%

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

2023**	2,078,380,854	18,896,241	0.909%
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**Assumes a 1% reduction in ratables from appeals & 3% increase in Levy

Realistic 2023 Tax Rate Range 0.875%-0.930%

(figure 8)

Apportionment Volatility Minimal

Volatility, in terms of 2023 tax apportionment change, is minimal (see figures 9 & 10).

- 84% of residential properties changed between 15% and 25% (baseline is 19.7%).
- 68.7% of residential properties will decrease their proportionate share of the tax levy in 2023
- 67% of the residential properties changed between 10% and 19.7% (marginally decreasing proportionate share)

Assessment change of all residential properties

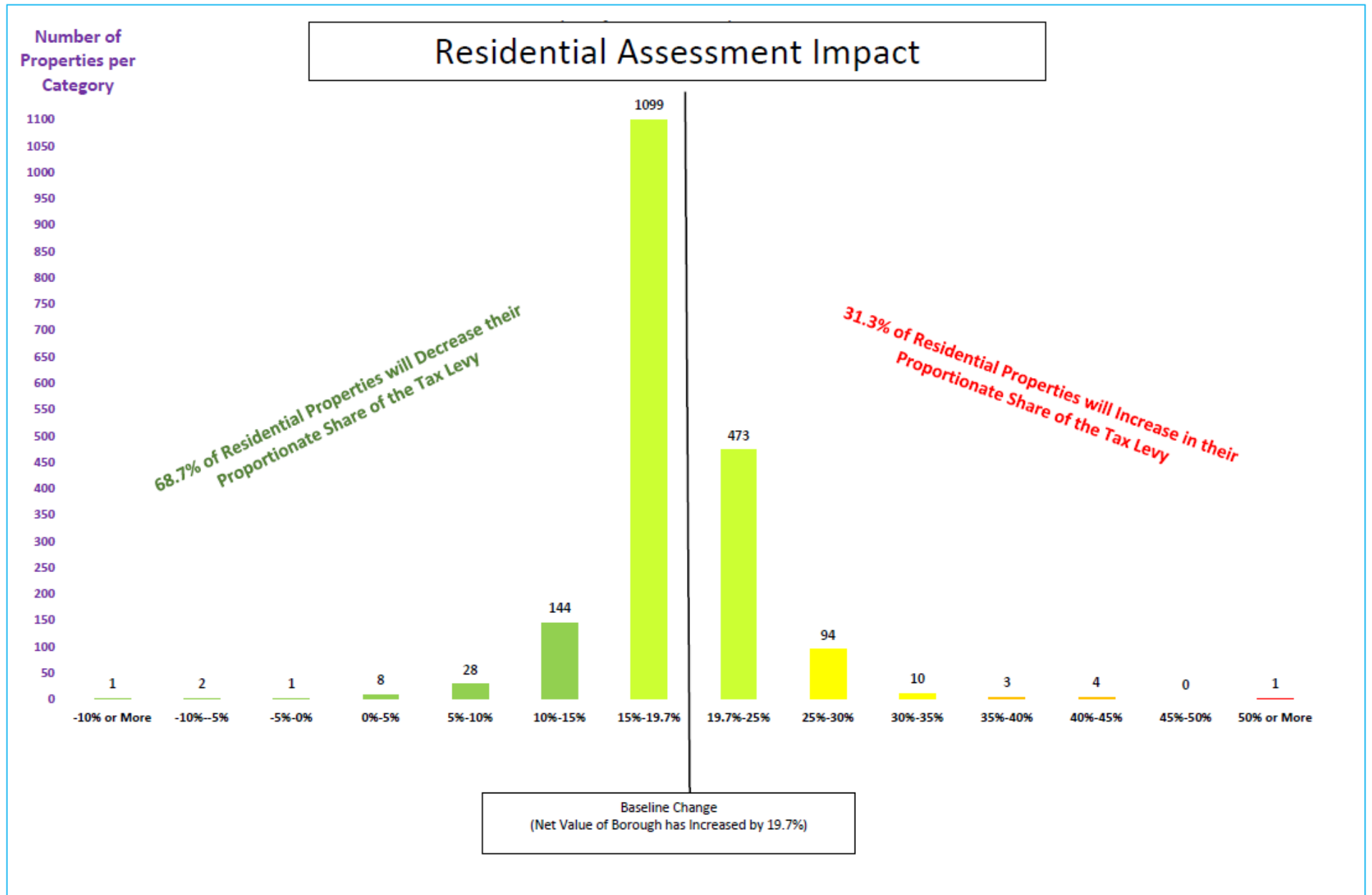
(excluding new construction and properties that had renovations)

	Residential Classified Properties		
	Assessment Change Category	Number of Properties In Change Category	% of Total
68.7% of Residential Properties will Decrease their Proportionate Share of the Tax Levy	-10% or More	1	0.05%
	-10%--5%	2	0.11%
	-5%-0%	1	0.05%
	0%-5%	8	0.43%
	5%-10%	28	1.50%
	10%-15%	144	7.71%
	15%-19.7%	1099	58.83%
31.3% of Residential Properties will Increase in their Proportionate Share of the Tax Levy	19.7%-25%	473	25.32%
	25%-30%	94	5.03%
	30%-35%	10	0.54%
	35%-40%	3	0.16%
	40%-45%	4	0.21%
	45%-50%	0	0.00%
	50% or More	1	0.05%
Total Properties In Group		1868	100.00%

*Net Value of Borough has Increased 19.7%

(figure 9)

Residential Change Report



(figure 10)

2023 Tax List Accuracy

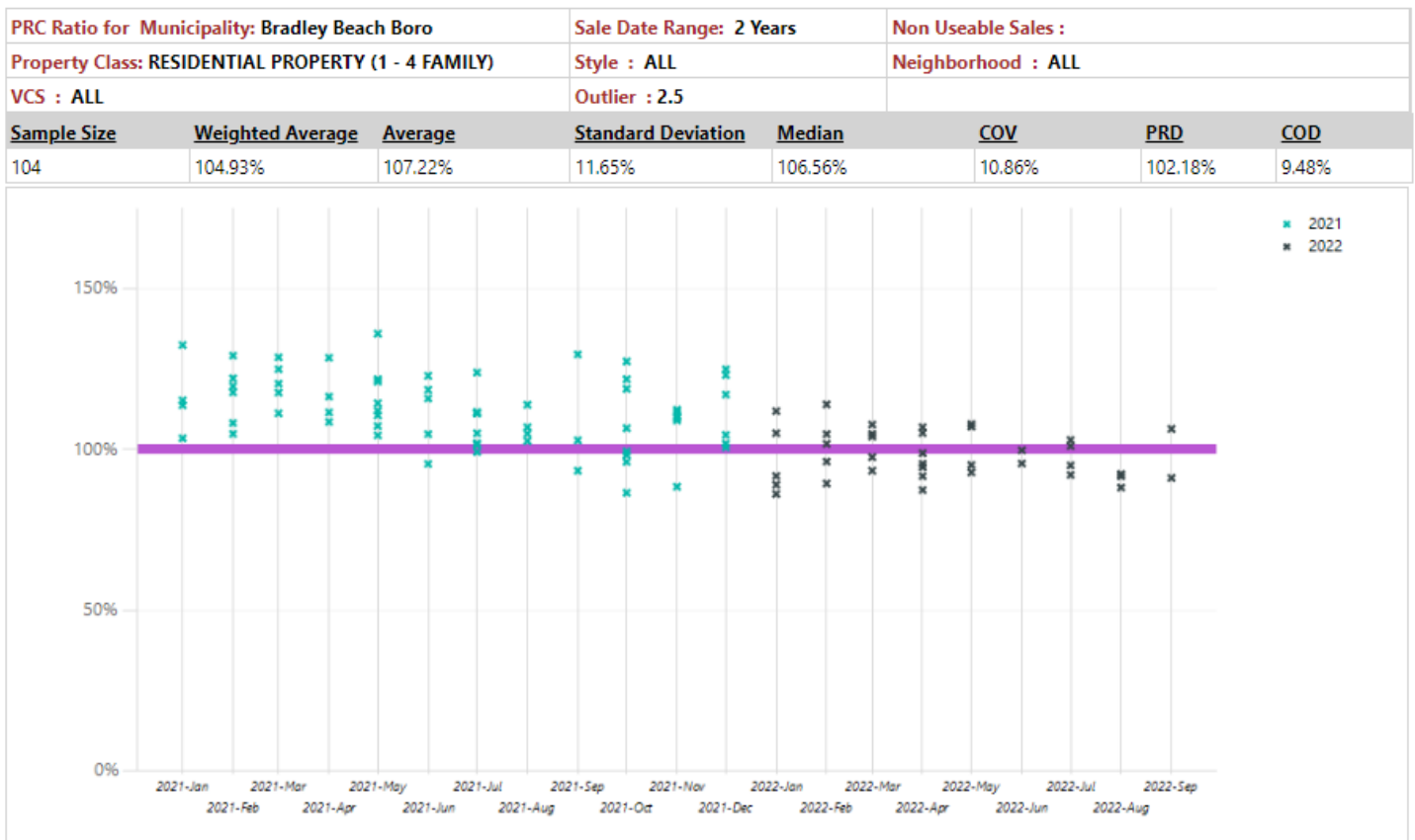
The primary driver of a reassessment is recent “arms-length market transactions”. Statutorily, properties are assessed for what they would have sold for on October 1st of the pretax year. The 2023 valuation date is October 1st, 2022.

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.

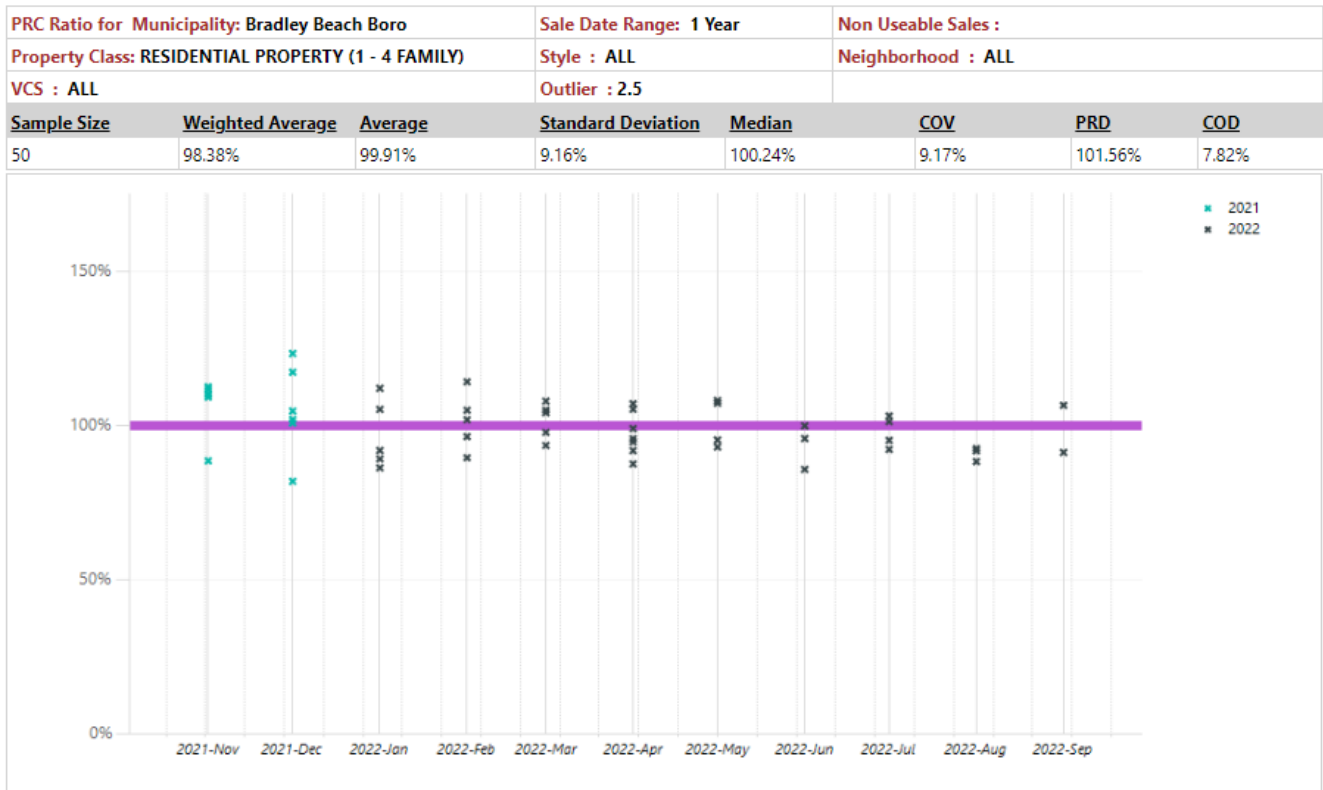
A reassessment generally measures sale prices from the past two years (giving more credibility to the more recent transactions.) The Monmouth County Tax Board has a standardized review process to measure new assessments against sale prices from the current and prior year (*see figures 11 & 12*).

Tax Board Assessment Data Analysis Module (ADAM360) Standardized Review:
All 2021/2022 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)

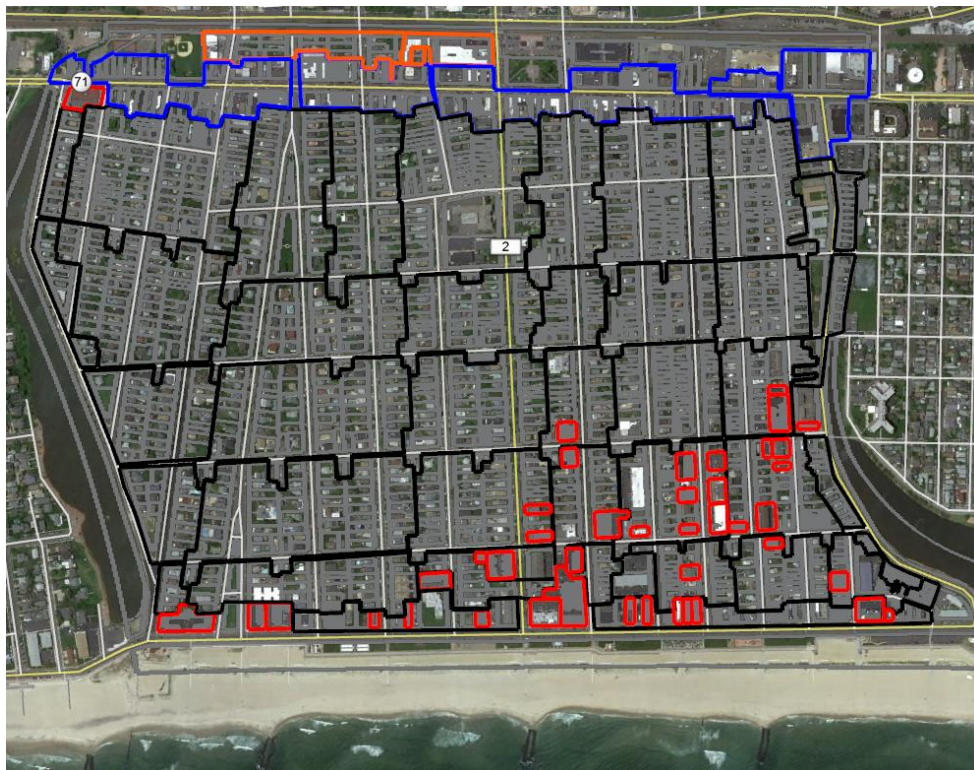
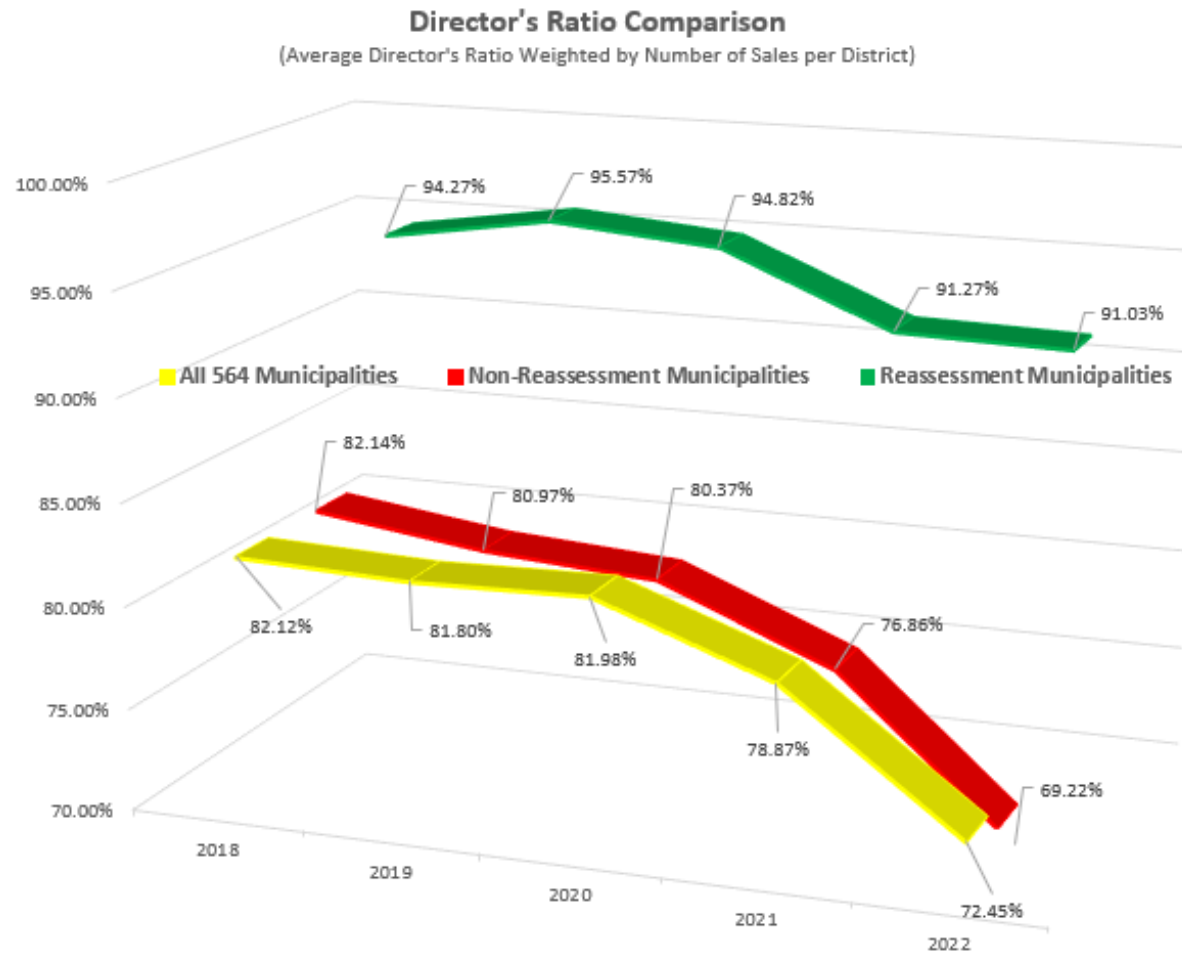


EXHIBIT A (1 of 2)

Statewide Comparison of Reassessment vs. Non-Reassessment Districts

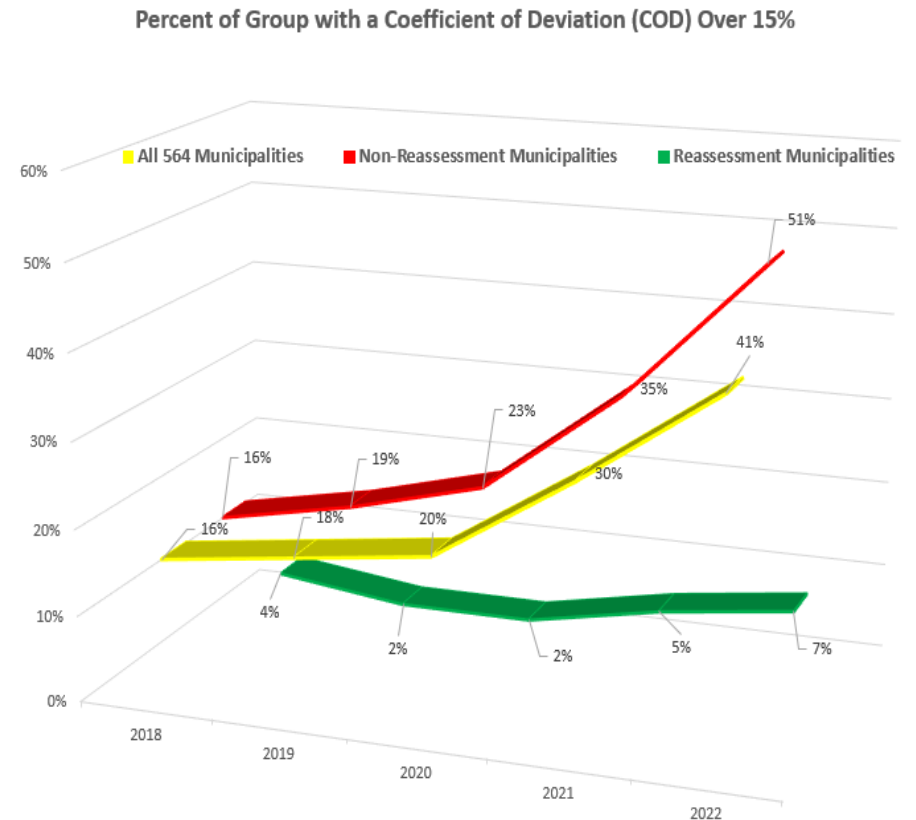
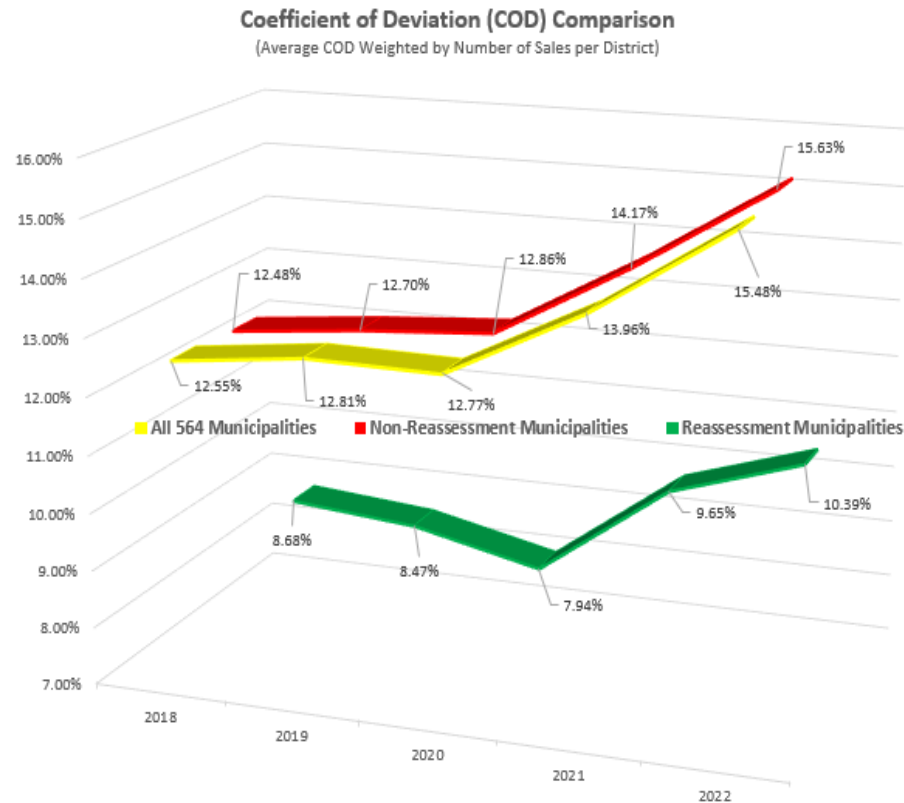


****Reassessment Municipalities are the 84 districts that reassessed every year for the past five years***

*****Non-Reassessment Municipalities are the 394 districts that have done no reassessments or revaluations in at least five years***

EXHIBIT A (2 of 2)

Statewide Comparison of Reassessment vs. Non-Reassessment Districts



****Reassessment Municipalities are the 84 districts that reassessed every year for the past five years***

*****Non-Reassessment Municipalities are the 394 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
P. O. BOX 251
TRENTON, NEW JERSEY 08695-0251

PHILIP D. MURPHY
Governor

ELIZABETH MAHER MUOIO
State Treasurer

SHEILA Y. OLIVER
Lt. Governor

JOHN J. FICARA
Acting Director

Telephone (609) 292-7974 / Facsimile (609) 292-9439

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