

Millburn Township Reassessment

Presented to The
Residents of Millburn
Township

February 28, 2006



What is Reassessment?

- An analysis which brings properties up to true market value based on sales and current real estate market trends.

Does Reassessment Raise My Taxes?

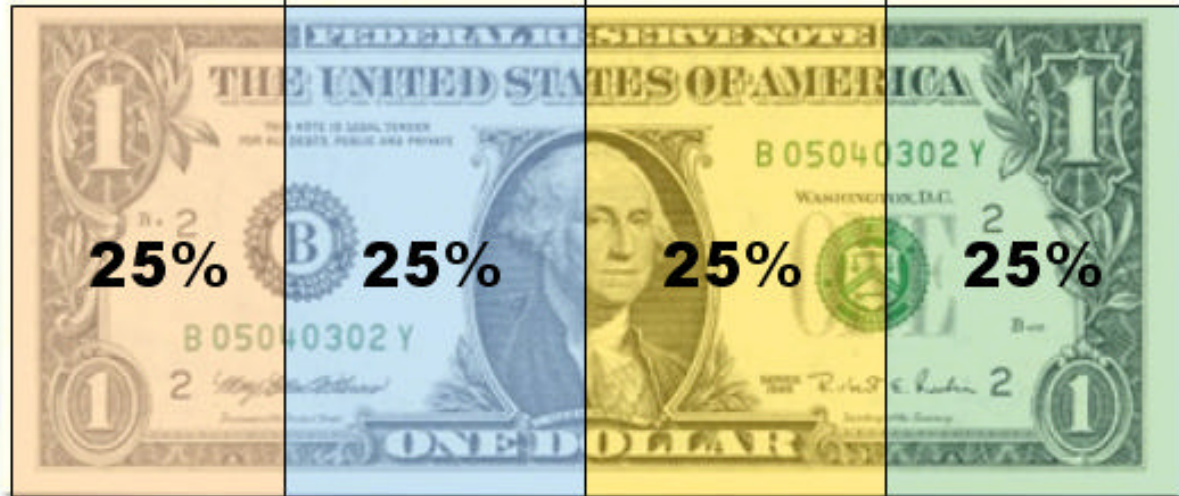
- Your property taxes could **decrease** with a reassessment if your property **decreases** value at a greater proportion than the other properties in the township. Your property taxes could also **decrease** if your property value increases at a lesser rate than other properties in town.
- Your property taxes could **increase** with a reassessment if your property **increases** value at a greater proportion than the other properties in the township.
- Your property taxes could increase due to School, County and Municipal Budgets increase with or without a reassessment.

Taxpayer #1

Taxpayer #2

Taxpayer #3

Taxpayer #4



Taxpayer #1

Taxpayer #2

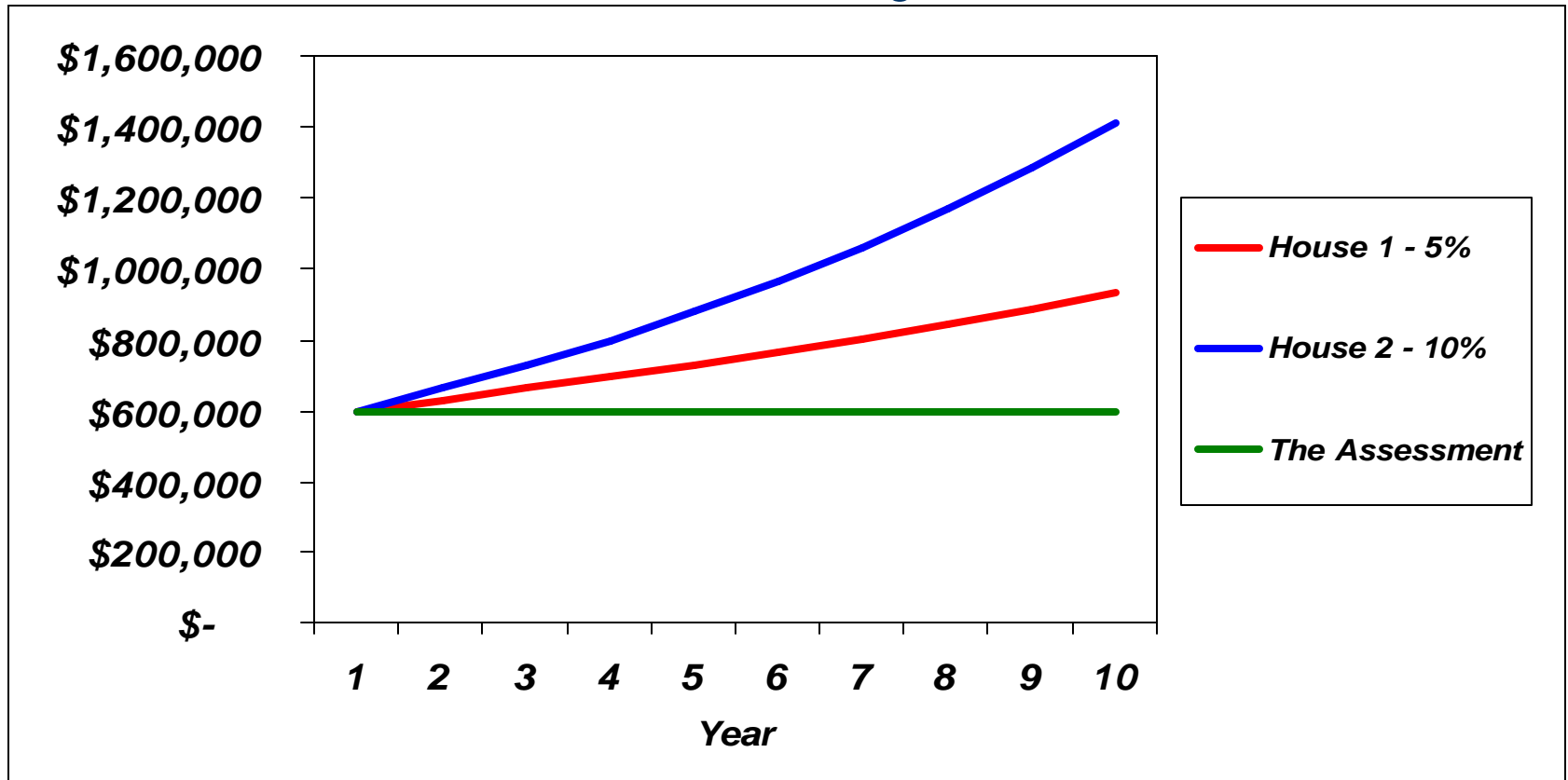
Taxpayer #3

Taxpayer #4



Explain “The Gap” and how does it impact on me?

- Two \$600,000 homes in different neighborhoods




Explain the ratio and its impact on implied value

● Year	Ratio	Assume Market value of \$1,000,000: Assessment Equals	Assume Assessment of \$1,000,000: Implied Value Equals
● 2002	100%	\$1,000,000	\$1,000,000
● 2003	99%	\$990,000	\$1,010,101
● 2004	92%	\$920,000	\$1,086,956
● 2005	85%	\$850,000	\$1,176,470
● 2006	78%	\$780,000	\$1,282,051
● How Ratio is Compiled			
– Sales Studies			
– Classification and Weighting			

Explain the Corridor

- Plus or Minus 15% Protection
 - Acknowledges Lack of Mathematical Precision

- Example

- Ratio 78% 

Assessment: \$1,000,000

	$\div 89.70\%$	= \$1,114,827 (Value below this for taxpayer relief)
Corridor	$\div 78\%$	= \$1,282,051 (Implied Value)
	$\div 66.30\%$	= \$1,508,295 (value above this for Municipality relief)

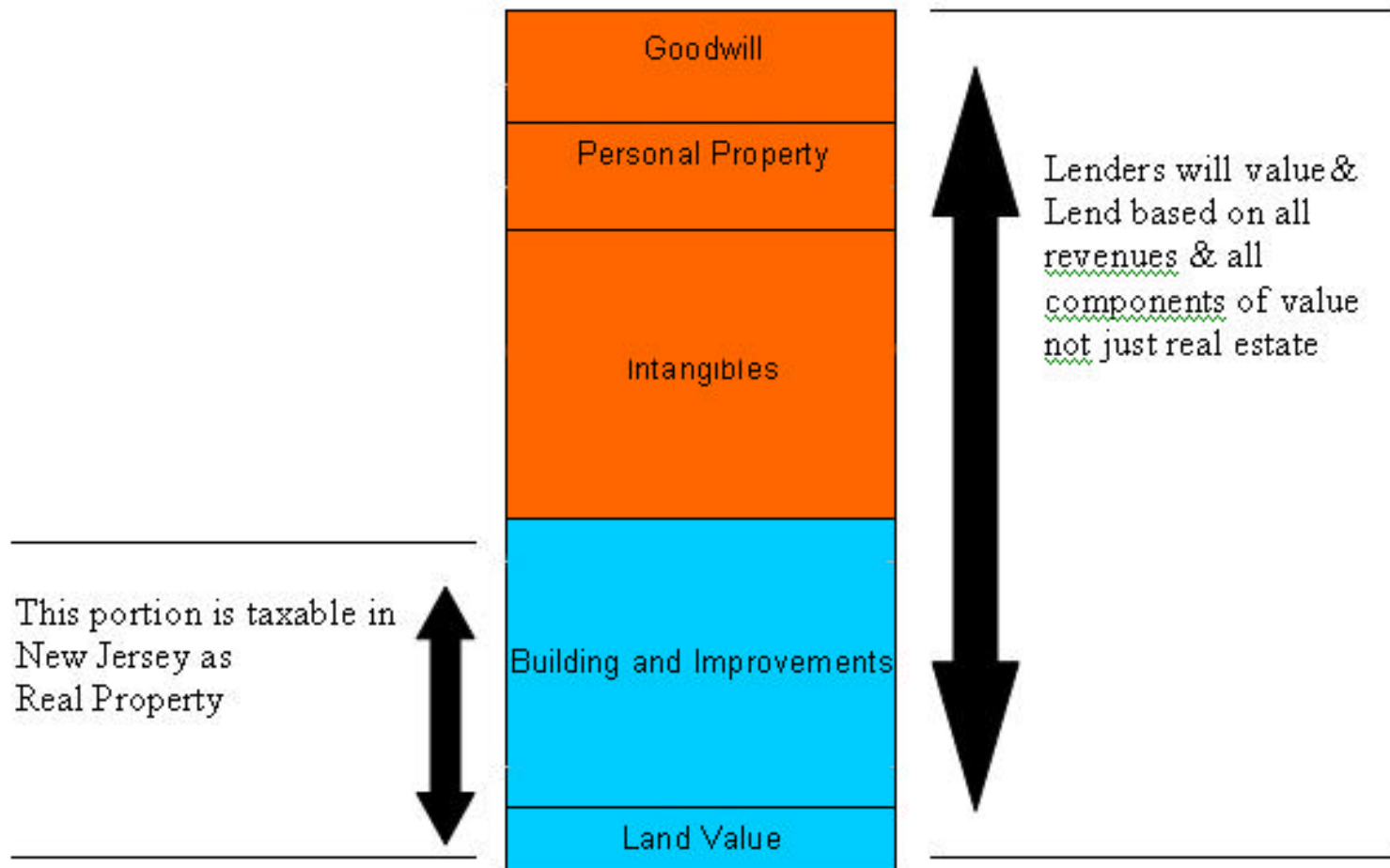
Explain the Appeal Process

- Determination of the Market Value
 - Approaches (Income, Sales, Cost)
- Analysis And Application of Chapter 123
- Settlement Dynamics

What are the elements that the NJ Tax Court use in deciding tax appeals

- Same Standard of Value
 - True Value
 - Market Value
- Three Approaches To Value
 - Income
 - Sales/ Market
 - Cost
- After Finding Value, Court Applies Analysis Required Under Chapter 123
 - Average Ratio
 - Protective Corridor

Explain the Taubman's Business Value approach to property valuation



Why did the Township feel they had to settle a four-year tax case reducing the assessment of 489 million to the new amount of \$445 million?

- – Signal sent by Judge
 - If Business Value Argument accepted – Value Found By Court Would Have Been Well Below Where We Settled
 - If Court Reduced 2002 Value By only 5%, following would have Occurred:
 - 2002,2003,2004 Assessments would have been \$464,550,000
 - 2005 assessment (Because out of Corridor) would have been \$394,867,500
 - Refund (including Interest) would have been just under \$3,500,000. Instead of \$2,900,000 per settlement
 - 2006 Assessment was not agreed to and was being worked on when information on mortgage became known

Is it true that the value recently agreed to in the settlement for the Short Hills Mall is considerably less than their new current mortgage of \$540 million

- The value placed on the Mall as a result of the settlement was \$523,037,150 for 2005. As a result of the 85% ratio, the assessed value for 2005 was \$445 million. The Township was and still is not privy to the analysis done by Met Life in granting the \$540 million dollar mortgage.

How do the elements differ in the valuation of property versus a commercial loan?

- Within Income Approach:
 - Direct Capitalization
 - Discounted Cash Flows (DCF)
 - Capitalization Rates
- Loans to Value Ratios
 - \$540,000,000
 - 60 % \$900,000,000
 - 65 % \$830,769,200
 - 70 % \$771,428,000
 - 75 % \$720,000,000
 - 80 % \$675,000,000

The Short Hills Mall Time Line

- December 2004 – February 2005 Trial
- Early March Settlement on Terms
- March 15, 2005 Closed Session to discuss settlement
- June 2005 – 2005 budget adopted which included reserve for tax appeal
- Funding for mall appeals were not available before August 2005 (the first collection period after adoption of the budget)
- October work out allocations with mall's attorney
- November 11, 2005 Stipulation of settlement
 - Signed and submitted to Tax court for Processing
- December 9, 2005 2005 Judgment Issued

Time Line Continued

- December 16, 2005 2002,2003 ,and 2004 Judgments Issued
- December 22, 2005 JRL became aware of recent refinance of mortgage
- December 27, 2005 Letter from Mall Attorney to Assessor regarding 2006 assessment
- January 2006 Further research into mortgage - Decision to delay reassessment

If the Mall tax settlement was agreed to in principle in March of 2005, why did it take until January 6, 2006 to announce it publicly?

- Although the settlement was agreed upon in principle the details of the settlement had to be worked out and needed to be approved by the Court.
- See Time Line

How does interest impact on settlement and budget?

- The settlement judgment stipulated that no cumulative interest be paid for refunds for the tax years 2002 through 2005 if paid in accordance with the judgment
- The interest is valued at approximately \$236,866 for the above years

How does the new Short Hills Mall tax appeal settlement issue affect not going forward with the town-wide reassessment?

- There will be a \$44 million dollar reduction in current year assessments to be redistributed amongst the entire tax base

Current Settlement Agreement

ORIGINAL ASSESSMENT	TAX RATE				TAXES PAID				Total Refund
	2002	2003	2004	2005	2002	2003	2004	2005	
\$489,009,900.00	\$1.68	\$1.86	\$1.96	\$2.05	\$ 8,215,366.32	\$ 9,095,584.14	\$ 9,584,594.04	\$ 10,024,702.95	
\$452,500,000.00	\$1.68	\$1.86	\$1.96	\$2.05	\$ 7,602,000.00	\$ 8,416,500.00	\$ 8,869,000.00		
PROJECTED REFUND					\$ 613,366.32	\$ 679,084.14	\$ 715,594.04		\$ 2,008,044.50
\$445,000,000.00	\$1.68	\$1.86	\$1.96	\$2.05				\$ 9,122,500.00	
								\$ 902,202.95	
									\$ 902,202.95
									\$ 2,910,247.45

Budgeting for Refund

1 YEAR PAYOUT PER JUDGMENT			
Budget Reserve for		Estimated Tax Point Impact	
Tax Appeal	JUDGMENT	1 Tax Point	# of Points
	\$ 2,910,247.45	\$ 593,815.00	4.90
Refund 1	\$ 727,561.86		
Refund 2	\$ 727,561.86		
Refund 3	\$ 727,561.86		
Refund 4	\$ 727,561.86		
	\$ 2,910,247.45		

Budgeting for Refund Continued

BUDGET APPROPRIATION 2005/PLAN

Budget Reserve for Tax Appeal	Annual Appropriation	<u>Estimated Tax Point Impact</u>	
		1 Tax Point	# of Points
	\$ 1,188,000.00	\$ 593,815.00	2.00

BUDGET APPROPRIATION 2006/PLAN

Budget Reserve for Tax Appeal	Annual Appropriation	<u>Estimated Tax Point Impact</u>	
		1 Tax Point	# of Points
	\$ 1,722,247.45	\$ 593,815.00	2.90
Refund 1	\$ 727,561.86		
Refund 2	\$ 727,561.86		
Refund 3	\$ 727,561.86		
Refund 4	\$ 727,561.86		
	\$ 2,910,247.45		