Donna Conkling

From: Mayra Rodriguez Valladares <mrvassoc@yahoo.com>
Sent: Tuesday, March 27, 2018 12:19 PM
To: Mayor; Jane Veron; Marc Samwick; 'Seth Ross'; Matthew Callaghan; Carl Finger; Deborah Pekarek
Cc: Donna Conkling
Subject: Fair Property Assessments are Key to Scarsdale Schools and Scarsdale Village

March 27, 2018

Dear Mayor and Trustees,

Fair property assessments are key to Scarsdale Schools and Scarsdale Village. The March 16 edition of the Scarsdale Inquirer included an article by Valerie Abrahams titled ***Tax refunds drive budget growth since property reval***. It's a timely and informative article on a topic that demands additional consideration.

Ms. Abraham's very good piece explains how tax *certiorari* settlements create uncertainty about revenue streams, which in turn creates the need for larger budgets. If the Scarsdale school district knew exactly what its tax receipts would be the administration would not need to inflate the budget to create reserves for unpleasant surprises. What Ms. Abraham alludes to, but does not explicitly spell out, is that these surprises only go one way – in favor of over assessed property owners but against the village and school district coffers. Over $1 million of the 2018-2019 budget is due to the need to allow for tax certiorari settlements. I assume the uncertainly arising from the more quickly processed local grievance procedures is at least as significant.

We have given a lot of thought to how the 2014 and 2016 Scarsdale property revaluations have impacted residents and the village, but this hadn't occurred to us, and we are sure there are other instances where the uncertainties associated with unpredictable and volatile assessments impact individual residents and village and school district functions in ways we had not considered. Which is why we need to do better next time.

Performing residential real estate valuation on large samples of properties is challenging. Doing it in an area like Scarsdale, where property characteristics vary so significantly, it is always going to be a difficult and contentious. Unfortunately, recent tax changes have dramatically increased the stakes, as most of us are not paying 40% more in property taxes, since they are no longer deductible. In other words, it's not going to get less contentious.

But it doesn't have to be a disaster. Let's look at what worked, and what didn't, in the 2014 and 2016 revaluations.

Tyler Technologies Revaluation – 2014

- This was the first village wide revaluation in decades and was undertaken in part due to loud urging by Robert Berg.
- The Tyler process was reasonably transparent and proceeded in accordance with the descriptions provided by Tyler.
- Results were made available to residents well in advance of the tax roll being filed with NYS, and property owners were given the opportunity to discuss valuations prior to the roll being finalized.
- The Tyler revaluation resulted in a very large number of grievances and a not insignificant number of unhappy property owners. Many residents participated in the grievance process, but this is not at all unexpected for the first revaluation in decades.

- However, many owners of smaller and moderate homes saw their taxes reduced, due to large estates that had been dramatically under assessed for decades saw their valuations being brought more closely in line with market values.
- After the dust cleared, it seemed possible that the Tyler revaluation, coming after so many years of large estates being grossly undervalued, may have neglected to adequately allow for the impact of property tax increases on the most expensive properties. In other words, when a beautiful expensive home also comes with the perk of allowing the owner to under pay property taxes relative to other residents, then that property can commence a premium price. This is a reasonable theory, but not something that can be easily confirmed.

John F Ryan Revaluation – 2016

- This was the second village wide revaluation in two years and was presented as a fine tuning of the 2014 Tyler revaluation. Robert Berg objected loudly to the Ryan revaluations and begged trustees to call is off a month before it was finalized, without allowing residents to see results first.
- The Ryan process was not transparent. The description provides fails to list the software used, created the impression that a linear regression model had been developed when, in fact, Ryan simply guessed at the coefficients for different property characteristics, and a Ryan employee tasked with doing drive-by inspections of properties was in jail for part of the period he supposedly performed his duties.
- Ryan has still not provided an explanation of the process he used (other than admitting he used guessing and trial and error in a public forum)
- Results were not made available to residents prior to the tax roll being filed with NYS, and it was clearly not adequately reviewed by village personnel.
- The Ryan revaluation resulted in a very large number of grievances and a not insignificant number of unhappy property owners. This is not normal for a revaluation performed only two years after the prior one.
- Many owners of smaller and moderate homes saw their taxes increased, sometimes dramatically. Larger estates tended to see their assessments reduced.
- After the dust cleared, it seemed possible that by lucky coincidence the market moved in the direction of the Ryan revaluation. This doesn't correct for the residences that were dramatically mis-valued, but it could mitigate the impact of Ryan having systemically over assessed lower end properties. It also seems likely that the tax code changes may impact higher wend properties more significantly that more moderate homes. This are reasonable theories, but not things that can be easily confirmed.

In retrospect, it's easy to see that both revaluations could have been improved. But one was performed professionally and in good faith, and one was performed, in the words of trustee Matt Callaghan, by a **"flim flam man."**

This is not going to be easier next time, and there will be a next time. The stakes are now 40% higher and residents are highly sensitized to this issue.
It is imperative that you consider how you are going to address the hundreds of families who are over assessed and who continue to subsidize larger home owners. When are you going to have another reval? It has been two years since the Ryan reval disaster and no solution has been produced by two mayors and two sets of trustees. Please do not waste any more of our tax dollars on hiring consultants, like the recent ones, whose report did not shed any new light into the continuing problems at the assessor's office.

We look forward to hearing from you soon about how you will resolve the unresolved Ryan reval.

Best regards,
Jane Curley, Mayra Kirkendall-Rodríguez and Robert Selvaggio

Jane Curley is a quantitative specialist and model validator on Wall Street. Ms. Curley holds degrees in math and economics from UC Santa Cruz and UNC Charlotte and an MBA from the Stern School of Business of The New York University.

Mayra Kírkendall-Rodríguez holds an A.B from Harvard and Radcliffe Colleges, an MBA in Finance and Emerging Markets from The Wharton School, and an M.A in Eurasian Studies from The Lauder Institute of The University of Pennsylvania. She is a Raoul Wallenberg Fellow of Hebrew University.

Robert Selvaggio is a graduate of the University of Pennsylvania and holds a Ph.D. in Economics from Brown University where he was a University Fellow.

www.MRVAssociates.com
https://www.linkedin.com/in/mrvassociates
Twitter@MRVassoc

Tel: +1-212-491-9153