

# New Jersey

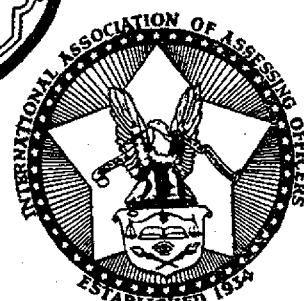


## Assessors

## Bulletin



AFFILIATES



VOL. 8 No. 3

Association of Municipal Assessors of New Jersey

OCTOBER, 1969

## SPECIFIC STANDARDS FOR TESTING THE QUALITY OF AN ASSESSMENT LIST

By

Norman Harvey, Assessor, Englewood, N.J.

### DEFINITION OF TERMS

#### Specific Standards

Specific as used here means peculiarly suited rather than explicit, and the word "standard" means accepted as a model agreed possible of attainment most of the time rather than a rule imposed by authority.

#### Testing

Testing means examining or trying rather than judging or determining.

#### Quality

In the context of this discussion the term quality may mean equality, uniformity, fairness, impartiality, appraisal competence, all of them or any one of them. The more professional approach seems to call for uniformity with a reasonable relationship to current prices.

### THE USE OF STATISTICAL TECHNIQUES WITH SALES PRICE AS THE CRITERION

Attaining uniformity is the keystone of equality. The courts have emphasized this time and again. The most dramatic example is probably the **Glenwood** case in East Orange. In this instance the court conceded that side by side substantially similar properties would sell for different prices even in transactions involving equally informed investors, because of a low interest Government underwritten mortgage on one and not the other. It held that equality of tax treatment called for the appraisal in the economic approach to be based on the property potential without regard for advantageous financing. Thus, most probable sales price, the goal of fee appraisers, was discarded as a criterion for tax assessment purposes. Similar

concern for uniform treatment was expressed in the **National Shoe** case when the court, in an unprecedented discussion of the capitalization approach, upheld the use of economic rent as against contract rent. The Court opined, in valuation for tax purposes, consideration should not be given to the condition of one owner being more astute than another. It is evident that the principles of uniformity have been given more weight by the judiciary than sales price as a guide to fair assessment in the taxation of real property.

Uniform mass appraisal techniques, however accurately utilized, can not produce exact selling prices at some future time. Yet the goal of these techniques is to estimate relative value with the "market" as a standard. If the actions of buyers and sellers in the past are given appropriate consideration in estimating the level at which property should sell, and care is taken to find for all parcels the proper value relationship to each other according to some rational system, uniformly applied, the closest possible approximation of likely selling price in a willing-buyer, willing-seller, fully-informed transaction has been made. If this be done is it not then fair to say that prices different from assessments are unequal, rather than the assessments are unequal because they differ from prices? Probably—, but since prices, at least in the aggregate, are in fact the current market, justifiable or not, all this tells us is that "quality"

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## Specific Standards

(Continued from Page One)

in an assessment roll is a very ephemeral and nebulous characteristic.

It should be clear that any index developed from the data in a sales price-assessment comparison study may indicate the degree of difference or variation between prices and appraisal estimates but cannot effectually measure "quality," in terms of the magnitude of avoidable error in appraisal opinion, or the uncertain behavior of individuals involved in "bona fide" transactions.

We certainly cannot conclude that all the differences between prices and assessments are a fault of either one or the other, but we may reasonably infer that at the time of a sale both are responsible in some degrees for the deviation. With that reservation, the discreet use of statistical analysis can be useful.

### The Deviation Index

Sales ratio data can be manipulated to produce an index that, together with additional evidence of uniformity or the lack of it, provides a means of measuring the relative equalization of a tax list. The index is the now familiar coefficient of dispersion. It is computed by dividing the sum of the sales assessment ratios into the sum of the absolute deviations from the average ratio for any given sample. The lower the coefficient, the denser the cluster of ratios and the closer the approximations of individual sales prices to the average appraisal percentage.

The chief value of the technique lies in the comparison it affords. From it, one can, with some assurance, observe that one sample shows greater accuracy of prophecy than another. For example, if those samples were all the sales in a given district for each of two successive years it would indicate there may be comparatively less equalization in one year than another. The reason might be the development of certain trends in property value while assessments remain constant, or it might be that the market had remained stable but assessments were generally and substantially adjusted. The coefficient will merely give a basis for comparison without indicating either the cause of the difference or the remedy, if one seems necessary.

A coefficient of dispersion appears to be an excellent warning signal to indicate the need for further investigation. Ideally, continuing analysis would be made to identify the problem and recognize the source before any manifest inequities became intolerable. Hopefully, if there is a problem contributing to inequity the analysis would point the way to action designed to make the list more equitable and thus lower the succeeding coefficient. If the investigation disclosed no pattern or trend emerging to account for the deviations furthest from the average, which might suggest

uniform adjustments, no action would be better than arbitrary action. Certainly the coefficient itself could not prescribe a clear course of action.

In the absence of a continuing program of analysis, or if there is such a program but the observations are inconclusive, undertaking a general revision, just to be doing something without knowing why or what can be accomplished, will not improve the "quality" of an assessment roll except by accident—and then not for long.

### Tolerance Specifications

To promulgate a specific limit to a given physical property or dimension beyond which a product in manufacture is rejected, is to set a tolerance specification. Such tolerances are essential in machine manufacture but impractical in application to measurements of human behavior or matters of opinion. Public opinion polls are frequently wrong in predicting an election although the poll may deal with but one choice—who will be elected. Consider the chance of predicting the price agreed upon by each pair in a number of people involved in the sale or purchase of half as many heterogeneous parcels of real estate. No fixed tolerance, expressed as a coefficient, can be justified as being a standard that may be met routinely by the use of prescribed techniques of mass appraisal applied uniformly. It is that sort of attainable standard which is the practical quality control specified for machine parts made in mass production by operators of moderate skill. Should assessment tolerances be more rigorous? At what expense? Moreover such an index should not be the only test of uniformity or equality. Adopting any fixed limit beyond which extraordinary action is mandatory presumes that the crash program guarantees improved equality. It also implies that any index under the limit signifies the absence of inequity. Neither the presumption nor the implication is true.

If a limit is an indispensable convenience for use as an administrator's maximum tolerance, it should be in the order of a critical index rather than one suggesting merely average imperfection. If we can agree that having an above average coefficient in a group of taxing districts may be undesirable

(Continued on Page Four)

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The



Gazette

By Walter W. Salmon, S.M.A.

Last week my grandson asked me, "Grandpop, what goes up a rainspout down but won't go down a rainspout up?" . . . and do you know I could not for the life of me give him the answer. I blame it on these damnable new rules, regulations and directives that are keeping us all so busy we don't know which end is up. We're all having our share of problems and are probably looking for a few days of relaxation and fellowship. There's no better place to do it than at the Conference in Atlantic City, November 18-20. The annual S.M.A. luncheon, a good place to meet and eat, will be on Thursday, November 20th, 12:15 P.M. in the Navajo Room, Haddon Hall. Brush-up sessions will be on Tuesday the 18th at 1:30 P.M. and Wednesday the 19th at 9:00 A.M. in the Navajo Room, and Wednesday at 2:00 P.M. in the Viking Room. For those applicants who wish to take the written examinations, Part I will be given on Thursday at 9:00 A.M. and Part II on Friday at 9:00 A.M., both sessions in the Rowsley Room.

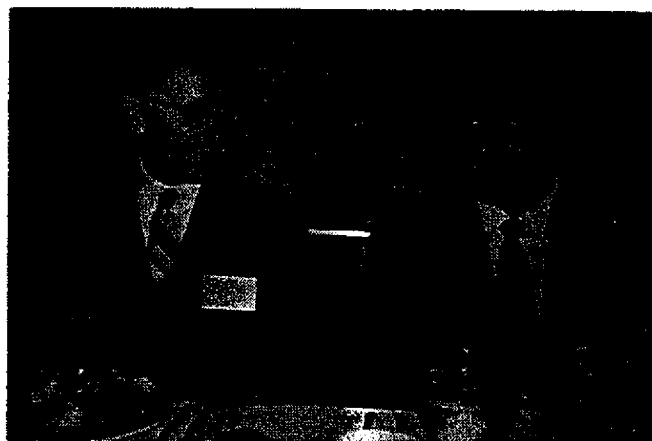
New applications must be sent to Harley Hesson, S.M.A., Chairman, Municipal Building, Glen Rock, N.J. 07452, no later than November 5th. Those of you who have completed the written tests, let's go, get your appraisals in pronto!

New Brunswick was the scene of written tests and produced new members who passed the examinations. Best wishes to Pat Webster of Waldwick, George (Lt.) Scimeca of Delran, Ackley Elmer of Ventnor, Bill Bailey of East Brunswick, Joe Zerbo of Cherry Hill and Dick Dann of Woodbury. You "sponsors" of these ambitious people should get out the prod and make sure they work on the appraisals. We all have the responsibility to make the S.M.A. the most recognized Assessors' group in the State.

We'll see you in Atlantic City!!

## Patronize Our Advertisers

The Advertisers listed herein are helping to produce the Bulletin. When the need for the services they render arises in your municipality, please keep them in mind. Also please mention the Bulletin when making your order.



Pictured above is Alfred J. Greene, on the right, and Thomas Vultee of N.J. Bell Telephone Co. while attending the 35th Annual Conference of the International Association of Assessing Officers in Denver, Colorado. Al, assessor of Clifton, N.J., was elected to the Executive Board of the I.A.A.O., a distinct honor, in recognition of his long time efforts for the advancement of assessment administration.

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## Specific Standards

(Continued from Page Two)

but does not call for extreme measures, how do we tell what critical coefficient **would** call for radical procedures? The following appears as the contribution of J. E. Rountrey, M.A.I. of Rountrey and Associates in his chapter of the Encyclopedia of Real Estate Appraising titled, "Appraisal for Tax Purposes":

"To ascertain the degree of inequality within a jurisdiction, it is necessary to compute the ratio of assessed to sales value of each parcel sold during the year in which the assessment was effective, and to measure its deviation from the average ratio. Then the average of these deviations expressed as a percentage of the assessment ratio (coefficient of dispersion) indicates the degree of equality achieved. This figure is generally referred to as an index of inequality and the lower this figure, the more equitable the assessment. An index of blow 20 indicates an exceptionally equitable assessment."

The statement regarding the index is positive and unequivocal. The quality below 20 is not only said to be equitable, but superlatively so. If it is held that this opinion of an accredited expert is obsolete, on the grounds that "assessing practice" has improved in recent years, and better results should be expected, the question is, "What of the real estate market?" Can the mass appraisal techniques in use today, improved as they may be, cope with the capricious behavior of buyers caught in an inflationary spiral any better than less sophisticated methods dealt with the less complex problems of the past? As a matter of fact, there is generally better assessing practice today, but as has been pointed out, the index is not a measure of standard practice alone; it also reflects the random behavior of the market. To the extent that it does, it is self defeating as a trigger for a radical mass revision which theoretically may not change the ordinal valuation array of properties. In this perspective, a coefficient of less than twenty should not be considered critical. Rountrey's statement is still valid in many taxing jurisdictions, including the best administered. His is one of the earliest opinions found; two very recent statements were published in professional journals:

In International Property Assessment Administration; Proceedings of the 34th Annual IAAO Conference on Assessment Administration, Oct. 13-16, 1968, St. Louis, Mo. there appears a paper entitled, "Why Revaluation Programs Are Needed" by Herbert K. Shay, C.A.E., Assessor of the Town of Fairfield, Conn. Mr. Shay has served as an instructor for the Connecticut school for assessors for 22 years and also served at other assessor's schools and seminars. Mr. Shay is a past president of IAAO and was named the association's Most Valuable Member in 1952, Etc . . .

Under subtitle "Determining the Need for

Revaluation" appears the following, on Page 184:

"It has further been suggested in assessing circles that if the coefficient of dispersion develops in a sales analysis study is around ten, a fairly acceptable degree of equality in the assessment base would be indicated. On the other hand if this coefficient exceeds 20 it would point toward a rather substantial degree of inequity in the assessment base. **If this is a reflection of a general pattern** over the entire assessment roll, it should demand a complete revaluation rather than spotty individual adjustments."

We may read as much into what Mr. Shay does not say as what he does say. He couples an index of 20 with its 'reflection of a general pattern over the entire roll' as the basis for need of complete revaluation. The analysis required to identify the pattern or lack of it is the ultimate determinant of the need for revaluation. The index shows the need to investigate and by itself is merely symptomatic. Also, since "spotty" adjustments are rejected above twenty, it would appear that a level below twenty but above ten is an area which would encourage individual, neighborhood or class revisions to the adjusted average whenever sales data supports such action. The latter measures, if recognized as good assessing practice by administrative supervisors, could go a long way to prevent an index

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reaching 20. However, if review boards and the courts are persuaded, on appeal, to break such statistically increased uniformity, under a charge of discrimination because all others were not adjusted at the same time, the only acceptable alternative will be frequent and complete revaluation. The only virtue of this option may be that it changes everything at once and the standard that brings it about would then be academic.

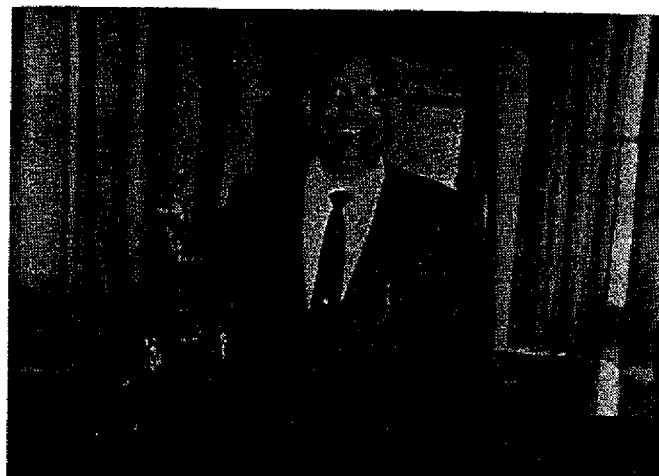
From "The Appraisal Journal," the publication of the American Institute of Real Estate Appraisers, October 1968 issue, in an article by Jack F. Eisenlauer, Chief of the Assessments Standard Division, California Board of Equalization, Sacramento, entitled, "Mass versus Individual Appraisals" (Page 533):

"One of the best accepted measures of a mass appraisal system's quality is the coefficient of dispersion of either sales or sample appraisals. There is no definitive number that can be stipulated as an ideal coefficient of dispersion, because of the diverse problems in different jurisdictions. However, I would guess that if an administrator could achieve a 20% coefficient of dispersion year after year he would be satisfied. Fifteen percent is recognized by many experts as excellent and 10% perhaps unattainable."

#### OTHER QUALITY TESTS

The future may provide the computer capability for the use of econometric models and multiple regression analysis in appraising property for tax assessment purposes. Theoretically more accurate and thorough processing of the available data will result in accurate predictions of sales prices. Meanwhile we must be content to do our best until the computers can do it faster — not necessarily better. For reasons already stated, systematic even-handed application of standard techniques to estimate relative value will produce a high order of uniformity but it will rarely if ever produce a selling price. In a good mass appraisal program substantially equivalent buildings in the same or equivalent location will bear the same estimated value. The chance of their being sold at the same price even on the same day, is remote. If neither of their prices matches the estimate, which of the three can we be sure is "right" for the purpose of judging the quality of the appraisal?

If a mass appraisal process based primarily on the replacement-less-depreciation-approach to value, is accepted as the best means of demonstrably providing the uniformity so essential to equality, the judgment of quality should rest on the precision with which the method is used. Provided we agree that a certain coefficient as a reflection of a general pattern of deviation represents an unsatisfactory condition, it remains to determine if the proficiency of the estimating procedure is at fault or some indeterminate market variable. The coefficient reflects both. The only means of weighing the effect of either is to re-



Salvatore Banca, Assessor of Lodi, holds the fishing trophy awarded for catching the largest fish. Sal, while bay fishing with Don Leodori, Charlie and Tom Picardi, landed a 'doormat' size fluke.

examine the work done in preparing the appraisal. In doing so it is necessary to confirm the recorded data used in calculating the replacement cost of the improvements, check the calculations, make an independent judgment of the allowable depreciation and see that the recorded opinion is within reason. If other approaches are used, they and their correlation should be checked. The unit value for land, being a uniform factor, should in itself be equitable. However, the computation of the land value should be checked. If all the elements in an appraisal can be approved it may be taken as valid and as equitable as foresight permitted.

Some of the difference between an appraisal and a selling price can be imputed to the passage of time between the estimate and the sale. But that part of the difference is substantially reconciled, since the coefficient relates an average deviation to an average ratio, not the intended ratio.

If all the properties in a sample are reviewed in this manner and errors in the execution of the appraisal process are found to be minimal, not serious enough to affect the coefficient if the corrections had been made prior to the sale, a high degree of quality is indicated, whatever the coefficient. In such an instance, market factors not able to be weighed in a mass appraisal estimate may be charged with the deviations. If "corrective" action is precipitously undertaken on account of reaching a predetermined index, the program should provide clear assurance that a lasting improvement can be expected. To stop short of an analysis of the market factors contributing to the deviations producing a high index and to arbitrarily assume that a high index means poor assessments, is to completely miss the significance of the coefficient.

An effectual program of property card auditing to test quality may be impractical for County or State supervisory agencies. Even a random sample review of appraisals on properties sold

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## Association of Municipal Assessors of New Jersey

### NEW JERSEY ASSESSORS BULLETIN

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Quarterly Publication

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#### STATE OF NEW JERSEY DEPARTMENT OF THE TREASURY DIVISION OF TAX APPEALS

CITY OF HACKENSACK,

Petitioner,

— against —

WOMAN'S CLUB OF  
HACKENSACK,  
Respondent.

OPINION

July 2, 1969

#### APPEARANCES:

For Petitioner: L. A. Garofalo, Esq.

For Respondent: Victor Harwood, Esq.

CARMINE F. SAVINO, JR.

The City of Hackensack appeals from a decision of the Bergen County Board of Taxation granting a tax exemption to the Woman's Club of Hackensack. The premises are known on the Tax Map as Lots 21, 1A, and 2A, in Block 415.

The City's Assessor valued the land at \$19,900 and the building at \$50,400 for a total of \$70,300. The Woman's Club secured an exemption from this assessment from the County Board of Taxation under N.J.S.A. 54:4-3.6. The Respondent offered testimony by a member of the Woman's Club, Hildegard Wynkooe. Mrs. Wynkooe, a dignified highly intelligent person, was a past president of the club this year. She testified as to the good works being accomplished by the club, which could not be refuted. The organization does philanthropic work and they spend a great deal of time promoting interest in literature and education in the fine arts, and to study and discuss topics of public interest. The club has organized classes to give Spanish lessons. They have offered the facilities of their club to the T.B. organization for a meeting place when they closed their place on Park Street. They offered the facilities of the building to worthy organizations without charge in many cases. They have worked and helped young people for the purpose of doing

charitable works such as helping in local hospitals. Therefore, without a doubt, the Hackensack Woman's Club is a fine organization and a credit to the community. However, Mrs. Wynkooe then testified as to the uses of the building. The top floors of the building are rented out to elderly ladies for as much as \$15.00 per month. The organization also pays to the City of Hackensack a \$50.00 annual fee for a rooming license. The rents helped to pay for the operation of the building.

The income from rents, as reported in an auditor's report for 1966 was \$9,900 and also \$7,300 from dues and so on. The report showed that only \$400 was listed for charity and that was for a Scholarship Fund. The rest of the money was used for upkeep and payment to help to run the building.

The City of Hackensack offered no testimony. A statement was offered by attorney, L. A. Garofalo, who argues that the Woman's Club was not entitled to an exemption under the law.

The question presented was essentially a factual one: Was the Woman's Club of Hackensack "actually and exclusively used—for the moral and mental improvement of men, women, and children; or for religious, charitable, and hospital purposes; or for one or more such purposes . . . ?"

It is difficult to decide that the Woman's Club fails to meet interpretation of N.J.S.A. 54:4-3.6. However, the organization uses the property for a commercial return. Regardless of how sympathetic we may be to its worthy efforts, it fails to meet the requirements of our law. Reference to *Atkinson v. Parsekian*, 37 N.J. 143, 149 (1962); *WHYY, Inc. v. Glassboro*, 50 N.J. 6, 221 A.2d 608; *Bloomfield v. Academy of Medicine*, 47 N.J. 358, 221 A.2d 15; *Pingry Corp. v. Hillside*, 46 N.J. 457, 217 A.2d 868; *Princeton Univ. Press v. Princeton*, 35 N.J. 209, 172 A.2d 420.

The Judgment of this Court is that the decision of the Bergen County Board of Taxation be reversed and the Hackensack Woman's Club be assessed in accordance with the terms of the City's Assessor.

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## CHANGE IN BY-LAWS

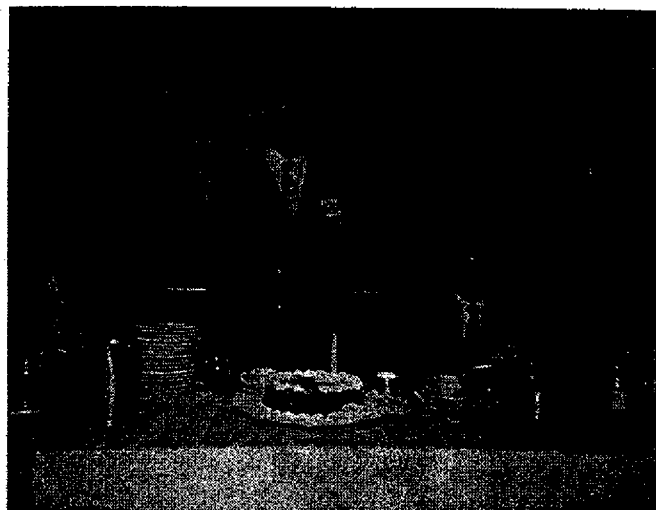
The following resolution will be presented to the members of the Association of Municipal Assessors of New Jersey at their Annual Meeting on Wednesday, November 19, 1969.

BE IT RESOLVED that the by-laws be amended to reflect the following changes in structure:

1. Officers shall consist of:
  - President
  - 7 Vice-Presidents
  - Secretary
  - Treasurer
  - Sgt. at Arms
2. The Executive Committee shall consist of:
  - (a) All the Officers
  - (b) 21 Presidents or elected delegates of County Associations under State Association charter
  - (c) All active Past Presidents of State Association
3. The Board of Governors (new) shall consist of:
  - (a) All current officers
  - (b) All active Past Presidents

The Executive Committee shall be the decision making body acting for the membership between annual meetings. The Board of Governors shall act in an advisory capacity serving the Executive Committee.
4. Term of Office:
  - (a) The year by which the term of office shall be determined shall begin at the last Assessors' Session at the League Conference in November and run to the last session at the Conference the following year.
  - (b) The terms of the President and Vice-President shall be two years, except that in the year 1969, three of the Vice-Presidents shall be elected for a one year term and four for the two year term in order to provide staggered terms and continuity in office.
  - (c) The terms of the Secretary and Treasurer

(Continued on Page Ten)



Joseph Rubenstein, a former long time assessor in North Bergen Twp., New Jersey and President of Realty Appraisal Co., is pictured above being honored on his 78th birthday while attending the 35th I.A.A.O. Conference in Denver, Colorado. Also in the picture are Robert C. Von Sothen of N.J. Bell Telephone Co. and James Pierson of the Local Tax Bureau.

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# League Conference Program For Assessors

The Program Committee of the Association of Municipal Assessors of New Jersey announces their program for the annual League of Municipalities Conference to be held in Atlantic City from November 18 through November 21.

**TUESDAY, November 18, 1969 — 1:30 P.M.**  
Navajo Room — Haddon Hall  
"S.M.A. BRUSH-UP"

**WEDNESDAY, November 19, 1969 — 9:00 A.M.**  
"S.M.A. BRUSH-UP"

**WEDNESDAY, November 19, 1969 — 2:00 P.M.**  
Viking Room — Tower Floor — Haddon Hall  
Chairman Daniel P. Kiely, S.M.A.  
Business Meeting      Committee Reports  
Special Reports      Election of Officers

**THURSDAY, November 20, 1969 — 9:00 A.M.**  
Rowsley Room — Haddon Hall  
"S.M.A. EXAMINATION"

**THURSDAY, November 20, 1969 — 10:00 A.M.**  
Viking Room — Tower Floor — Haddon Hall  
Chairman: Daniel P. Kiely, S.M.A.  
Presentation: Al Weiler Award  
Presentation: Sounding Board Award  
Presentation: S.M.A. Award  
Guest Speaker:  
Sidney Glaser, Acting Director, Division of Taxation  
Topic:  
"The Division of Taxation And The Real Estate Tax."

**THURSDAY, November 20, 1969 — 12:15 P.M.**  
Navajo Room — Haddon Hall  
"S.M.A. LUNCHEON"

**THURSDAY, November 20, 1969 — 2:00 P.M.**  
Viking Room — Tower Floor — Haddon Hall  
Chairman: Clarence Delgado, S.M.A.  
Guest Speaker:  
Richard Eppstein, Director, American Society of Appraisers  
Topic:  
"What The A.S.A. Has To Offer"  
Guest Speaker:  
Sanders A. Kahn, Ph.D.  
Topic:  
"The Use of The Three Approaches In Valuation."

**FRIDAY, November 21, 1969 — 9:00 A.M.**  
Rowsley Room — Haddon Hall  
"S.M.A. EXAMINATION"

**FRIDAY, November 21, 1969 — 10:00 A.M.**  
Rutland Room — First Floor — Haddon Hall

## "ROUND TABLE DISCUSSIONS"

Subjects	Moderators
Sales Ratio	John Accardi
Public Relations	John Murray, SMA
Data Processing	H. Randolph Brokaw
S.M.A.	Noel Haywood
Maintenance of Assessments	Harley Hesson, SMA
Exemptions	Claire M. Young, SMA
Garden Apartments	Russel Wilson, SMA
Pipelines	Ackley O. Elmer
Veterans & Senior Citizens	Leland Harbourt, Jr.
I.A.A.O. (CAE)	Angela Szymanski
	James Goumas
	Edward McKenna, SMA

## Specific Standards

(Continued from Page Five)

with some not sold may involve expense beyond jurisdiction, assuming personnel qualified to make such reviews could be found. Under these conditions, the use of the coefficient of dispersion as a standard of quality is expedient.

When the expedient is fortified with the challenge of manifest value trends, visible but not utilized to make revisions, or of indefensible deficiencies in the record cards, orders to take specific corrective action, up to and including a complete reappraisal would be justified. Action so prescribed and with close supervision would almost certainly improve the quality of the roll. Without such evidence, however, the option for procedure ought to be left with the local assessor.

The assessor has the data at his disposal to develop the coefficient of dispersion. The same data can and should be evaluated in other ways. For his own edification he may elect to develop standard deviation, a function of average deviation which is calculated by taking the square root of the quotient of the average deviation squared divided by the number of deviations. For the whole district, over a number of time periods, standard deviation may provide a basis for comparison. It may also be used as a means of testing the extremes within the sample because of the distortion when squared. The technique becomes useful in a regressive procedure to eliminate the plus and minus extreme deviations in a sample, to the end that the remaining ratios provide more valid statistical data. The extremes, not being ignored, are then analyzed thoroughly for evidence of value factors likely to affect other property of similar situation or characteristic. The same investigations are indicated by an array of the ratios themselves. But the standard deviation sharpens the focus and provides a basis for validating the residual data as statistically significant.

Where provision is made, as in New Jersey law, for a taxable value to be assessed at a fixed percentage of true value, the simple weighted or unweighted average ratio becomes important. Efforts to obtain quality, equality, etc., through uniformity must be governed by the prevailing aver-



age ratio when it becomes substantially different from the chosen level. As property values generally rise in a chronically inflationary environment with an assist from increasing demand on a fixed supply, the average ratio will fall unless across the board adjustments are made to compensate. This decline does not in itself bring about a loss of quality in terms of a high coefficient as a reflection of aberrant ratios. The fair apportionment of the tax burden among taxpayers is not affected by a universal proportionate increase in prices, which might more aptly be described as a decline in the value of the currency used in exchange for property.

Nevertheless, violation of the legislative mandate will be the result if no counteraction is taken. Thus the deviation of the average ratio from the desired or intended ratio must be one of the criteria for judging quality in a tax roll. The remedy for this deficiency seems at first to be simple. Dividing all the figures in the list by the ratio expressed as a decimal would bring the ratio up to the desired level. In a district with a very high degree of equalization, with a coefficient of, say, 5% or less, representing nominal perfection, there would be little to hinder such action. Only the drudgery of recalculation and acceptance as a bona fide revision for interdistrict equalization would stand in the way.

But the question of an equal percentage change in land versus improvements would remain, even where the net valuation adjustment would be statistically warranted. In districts where the coefficient is high even a minor across the board adjustment might warp the results. For instance, if value influences more dominant than the decline in the value of the dollar were present in varying degrees it would be a mistake to apply a single factor. The results, although artificially correct, would distort existing deviations and suppress evidence of the real trends.

In order to test for the "general pattern over the entire roll" mentioned by Mr. Shay, the statistical techniques applied to the district at large may be usefully applied to the sales in predetermined groups according to sector, class, grade, size, type, etc. If these techniques indicate a high degree of consistency in both the level of average

ratio and coefficient of deviation within the groups, the pattern is general and a universal adjustment may safely be apportioned between land and improvements. On the other hand if there is inconsistency the magnitude of a common factor may be obscure.

In order to obtain a blend of the statistical criteria for intradistrict priority purposes, Philip W. Adams, Assessor of Columbia, South Carolina developed a "Blended Deviation Factor." After tabulating the sales data in his district by sector he computes the average ratio for each sector and squares the difference between each sector ratio and the desired ratio for the district. Then for each sector he computes the average deviation of sales ratios from the average ratio for the sector, subtracts 5, which he considers to be nominal perfection, and squares the results. The sum of the former added to the latter gives an index which is a blend of sector deviation and property deviation. As presented in his paper describing the technique before the IAAO Conference in Washington, D.C. Sept. 24-27, 1967 the purpose of the blending was to provide a guide to determine which sector should be equalized first. Mr. Adam's office was engaged in a continuing program permitting a reappraisal or adjustment each year in the section of the jurisdiction where it was needed most. Limitations on staff and facilities as well as recognition that some sectors might need only infrequent attention, led to the adoption of this method of determining priority. The overall quality of the roll was improved without spending time and expense on properties which were relatively satisfactory. No attempt was made in the presentation to recommend at what index level action should be taken. The basic theory was that if one or two of the sectors with the highest factors could be equalized at the desired ratio each year, the overall results would be an annual increase in quality over the previous year sufficient to retain a satisfactory level of district wide equalization. No specific standard is involved in the technique. None is necessary where there is a partial revaluation each year dealing with the properties shown to need adjustment more than the rest. Reducing the problem of equalizing a district by progressively deal-

(Continued on Page Ten)

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## Specific Standards

(Continued from Page Nine)

ing with tractable sectors might resolve the question of standards provided judicial approval can be obtained. It would certainly be more logical than revaluing a lot of properties that do not need it in order to reassess those that do.

### DISTRICT REVALUATION AS A MEANS OF MEETING A SPECIFIC TOLERANCE

It is important to avoid the assumption that a total "professional" revaluation each year, as of Oct. 1st would strictly comply with the law in New Jersey or that the highest possible degree of equity would be attained. The statutes call for the Assessor to make each value judgment at the price in his opinion a property would sell for, and that becomes his assessment. If he has reached his conclusion after the examination and inquiry specified, he has complied with the law. In one sense, an important one, as we become more professional, it may be argued that the criterion implicit in the law,—an assessor's informed judgment of market value,—is the best hope of providing the keystone of uniformity for the ad valorem tax structure, and therefore is a standard per se. Testing the quality of the roll generally on this hypothesis requires a different approach than the mere correlation of the standard to prices in the market. Tangible evidence of examination and inquiry in the form of property record cards prepared by, or reviewed and accepted by the Assessor, after suitable training in accepted techniques should constitute the test.

When statistical standards are exceeded, additional analysis of the nature of the problem must be made before a total revaluation is undertaken even if the burden is placed on the assessor himself to review his own work. Requiring him to determine by analysis of the data the reason for his high coefficient and low ratio makes more sense than to expect that he docilely accept someone else's opinions and adopt them as his own whether he believes in them or not. Besides, he just might have done his job well enough to show precisely why his coefficient is high, which trends he is watching for conclusive indication, which "usable" sales are not economically significant but sheer speculation, which deals were more financially motivated than casual real estate transactions and finally whether a revaluation will help his district or would simply be an expedient personal cop out. The final responsibility for the implementation of a corrective program belongs with the assessor. Based on his more intimate knowledge of his district and the local market, his should be the choice (1) of concurring with an order to his governing body to assist him with a contract reappraisal program, (2) of electing to undertake an adjustment program short of complete revaluation but with adequate supporting data, or (3) of rejecting the order for good cause shown.

To conclude, with particular reference to the State of New Jersey with its devoted regard for Municipal home rule, it is inappropriate for the 21

County Tax Boards or the State Division of Taxation to adopt precise arbitrary standards or unproven tests by which the more than 850 municipal assessors would be regulated. If this dissertation has any validity, it has suggested at least a part of the overall scope of consideration which should precede any conclusion that contract revaluation must be undertaken. It also suggests, at best, "market value" may well be unfair to taxpayers and too expensive a standard to maintain for assessment purposes. Reproduction cost less measured depreciation and obsolescence, now but a pragmatic guide to "market value," needs to be seriously considered as the standard itself, being more equitable, more readily audited, and less expensive to update; with prices, now regarded as prima facie evidence of values, relegated to their proper place as a guide.

## Change In By-Laws

(Continued from Page Seven)

urer shall be for three years and the Sgt. at Arms, 2 years.

- (d) None of the officers except the Secretary and Treasurer shall be eligible for re-election to the same post upon expiration of their terms; however, in the case of the three Vice-Presidents elected initially for a one year term, they shall be eligible to succeed themselves for a full two year term.
  - (e) Total membership on the Executive Committee shall be 32 plus Past Presidents.
5. Meetings:  
There shall be at least one meeting of the general membership per year.  
The Executive Committee shall meet at least three times per year at the call of the President or a majority of the officers (6).  
The Board of Governors shall meet at least 6 times per year including meetings of the Executive Committee at the call of the President or five or more of its members.
  6. Qualifications:  
All officers of the Association and all County representatives on the Executive Committee must have been granted a New Jersey Tax Assessor's Certificate.
  7. Presidential Vacancy:  
"In the event that the office of the President becomes officially vacant, the Vice-Presidents shall elect a President-Pro-Tem from their numbers, and said elected President-Pro-Tem shall serve until such time as the vacancy is duly and properly filled."  
"The President may designate any one of the Vice-Presidents to serve in the capacity of the President should the occasion of the President's absence warrant such appointment, providing that the office of the President has not been declared vacant by any act of the Association."

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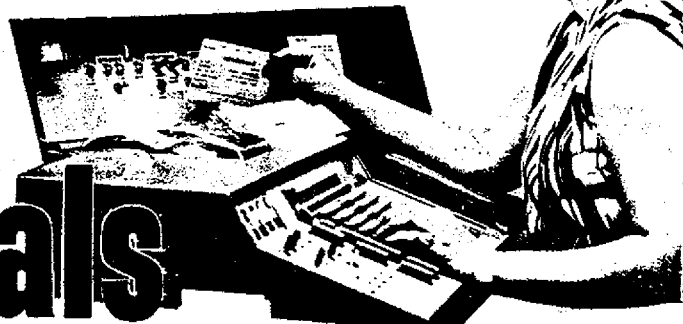
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