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TESTIMONY ON HOUSE BILL 161
MOBILE HOME ASSESSMENT

PRESENTED TO THE
HOUSE LOCAL GOVERNMENT COMMITTEE

BY

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On behalf of the County Commissioners Association of Pennsylvania (CCAP), I want to thank Chairman Harper, Chairman Freeman, and members of the House Local Government Committee for the opportunity to speak to you today House Bill 161. The CCAP is a non-profit, non-partisan association providing legislative and regulatory representation, education, research, insurance, technology, and other services on behalf of all of the Commonwealth's 67 counties.

I want to begin by offering some background on the property assessment system to provide context for our comments on House Bill 161. Counties are responsible for maintaining assessed values of properties, and these assessment rolls form the basis of property taxation for the counties, municipalities and school districts. The county assessment office, typically managed by a chief assessor appointed by the commissioners, oversees the process of determining values, updating records, preparing reports, hearing appeals, administering homestead, Clean and Green and other preferential assessment programs, preparing tax duplicates for other political subdivisions and in many counties even preparing the subdivisions' tax bills.

Administration of the assessment system is complex and difficult, and can be expensive. And although property assessment is often viewed as a means for county, municipal and school revenue generation, the primary purpose and primary task of assessment administration is maintenance of fairness and equity. Also key to the assessment system is recognition that it is inextricably interwoven with the uniformity clause of the Pennsylvania Constitution, which requires in this context that all property owners must be taxed at uniform values relative to owners of other property within the same class. It is important to note that if uniformity were not sought in the assessment system, the result would be a system in which the burden of taxation not experienced by one property owner because of an inequitable assessment would necessarily shift onto other property owners.

Fairness and equity are not easily achieved in the current administrative system and the current statutory construct, and the property tax assessment system is in need of reform. Several important steps have been accomplished toward this goal, and several more are underway. Over the last several years CCAP and its affiliate, the Assessors' Association of Pennsylvania (AAP), participated in the work of the Local Government Commission to codify, combine and clarify the varying assessment laws into a single statute, achieved by Act 93 of 2010. Although simply a codification, and not a substantive change to assessment law or practice, Act 93 achieves the goal of making the law's application more uniform for property owners, county assessors and other practitioners. And while it is not assessment reform, its reduction of the multiple laws into a single statute is an important first step toward reform of the system, greatly facilitating future work on substantive changes.

CCAP has also endorsed the recommendations of the 2010 report of the Legislative Budget and Finance Committee, which cover assessor certification and training, contracting standards, reassessment funding, performance measures, public information and tools to determine the need for reassessment. We and AAP have also been members of House task forces convened to study and make recommendations on assessment practices and on changes in State Tax Equalization Board (STEB) methodology, both of which are among the LBFC recommendations. Separately, CCAP and AAP convened a work group to meet with STEB on enhancements to their operations and to develop more detailed best practices for assessment office operations.

House Bill 161, as drafted, would amend the County Consolidated Assessment Law to address the means by which mobile homes are assessed, specifically to require assessors to consider values in a national directory, the depreciation of a mobile home unit, and its ability to be transported, in determining the value of the mobile home. Many counties do currently reference the NADA guides, or “the Blue Book,” in which are published vehicle pricing and information for new and used cars, motorcycles, boats, manufactured homes and the like. However, CCAP opposes House Bill 161 as currently drafted for several reasons.

First and foremost, the bill as written is likely unconstitutional because it violates the principle of uniformity. Counties are prohibited from engaging in the practice of spot assessment – the reassessment of a property or properties by a county assessment office that is not conducted as part of a countywide revision of assessment and which creates, sustains or increases disproportionality among properties’ assessed values. That is, the county does not have the discretion to adjust the value of properties solely based on depreciation or appreciation, as House Bill 161 would require. Since NADA guide values are adjusted at least annually, and sometimes more often, since the bill is vague as written it could be interpreted that the county is to adjust the value of mobile homes in its records each time new values are published. Rather than improving the fairness and equity of the assessment system as a whole, such an action would perpetuate any disproportionality among properties as mobile homes would then have a consistent current year value, while all other properties would still be valued at the base year of the last reassessment.

Complicating this matter is that an assessment office would need a guide book containing values from the county’s base year to arrive at comparative property values. In some cases, depending on when the last reassessment was in the county, it could be difficult to obtain such a book. And if it could be obtained, an assessor would have difficulty finding a mobile home constructed after the base year in that book. For example, if the base year is 2003 in a given county and the mobile home is newly purchased in 2013, how would an assessor find the value for that 2013 mobile home in the 2003 book to assure it is uniformly valued compared to the other properties in the county?

Although the underlying bill notes that the book value is not necessarily controlling, it is to be prima facie evidence of value. This would create a statutory rebuttal to the existing provisions of the assessment law, in that the county’s value is prima facie valid – that is, current law requires the appellant to provide credible evidence to rebut the county’s value. House Bill 161 would allow the guide book value to rebut the presumption, so that any home in the guide book would be treated differently than other properties and the county (because other property owners would still bear the burden of obtaining appraisals to rebut the county’s value). Essentially, an appeal under House Bill 161 would begin with the county providing the assessment, and then the guide book value would shift the burden so that the county would have to rebut the guide book value, ostensibly by providing fee appraisals. Thus, counties will incur greater costs in undertaking appeals of these homes, and a class of properties would have a unique exception to a burden that exists for other properties, contrary to the principles of fairness and equity for all property owners.

On a more practical note, some owners may not have copies of their titles, without which it becomes more difficult to confirm the year of the unit so that values in a national directory can be used with certainty. Also, other additions or improvements, such as decks, porches or skirting, or the specific location of the mobile home, are not represented in the national directory. Therefore, relying on book values is not going to be accurate in all cases, since the book assumes that all mobile homes of the same make, model and year would have exactly the same value, even though we know that variances in location and amenities, for instance, can mean the same structure sells for a higher-than or lower-than book value.

Even the NADA website (www.nadaguides.com) recognizes that the values represented in their guides are intended to be used as a guideline only, noting, "The valuable information can be used to get a general idea of the value of your home based on its manufacturer, model, year, size, and features. Keep in mind that the local market dictates how much the manufactured, mobile, or modular home will sell for; it may actually sell for much higher or much lower. Only a certified/licensed appraiser can estimate what a specific home is worth by inspecting the home and its features and upgrades, and then making local market adjustments." Clearly, allowing the NADA guide value to dominate the valuation of mobile homes would create uniformity, fairness and equity issues across the assessment system by essentially creating a special class of mobile homes, in direct violation of the state constitution.

However, that is not to say that the NADA guide has no value as part of the overall process in determining a mobile home's value, and as we have pointed out, we know there are counties that reference the book as one measure of value. For that reason, CCAP has been working with committee staff and members of the Assessors' Association of Pennsylvania (AAP), an affiliate of CCAP, to suggest amendments to House Bill 161 that would reference the book value without creating uniformity problems. Committee members have before them a copy of the current draft of this amendment (A05852) which addresses some of the issues we have raised here today, and we believe it is an improvement on the underlying legislation.

For instance, the amendment clarifies that the book value is to be used as a basis for arriving at the actual value of a mobile home specifically during a reassessment or in the event of an appeal. This removes the vagueness as to when the NADA book value applies and alleviates our concern related to spot assessment. We also appreciate the addition of language clarifying that any improvements to the mobile home are to be considered, as well as the inclusion of comparable sales as a factor. Under the County Consolidated Assessment Law, counties are required to consider three approaches to value when valuing real property – the cost approach, the comparable sales approach and the income approach (section 8842(b)). As we have noted, there are many sales which counties see that are significantly higher, or even lower, than the NADA guide values, and the inclusion of comparable sales assures that counties will continue to have the same options they have now as to considering different approaches to value. The amendment also removes the language establishing the guide value as prima facie evidence, ensuring homes in the guide book are treated the same as all other counties.

With that said, there are several issues which remain to be resolved in the legislation. We had suggested that location be included as one of the factors by which an assessment value can be adjusted, which is not in amendment A05852). Although there may be a thought that since the

guide values take location into consideration, it is not needed in this legislation, the guide values are not nearly as specific in location as an assessor would examine – for example, the guide book typically differentiates values only by state, perhaps as narrow as zip code level in the computerized version, but cannot go further to look at individual neighborhoods. County assessment offices must be clearly permitted to adjust for location based on their own local analyses. For instance, if a county is currently assessing a mobile home, they are going to consider in what mobile home park the unit is currently located. If the park is full of newer mobile homes then the adjustment in the guide book may be accurate, but if the mobile home park is full of older mobile homes which cannot be moved because they are in poor condition, then the guide book adjustment would be fair to poor.

The language further needs to clarify that the income approach can be used in conjunction with the cost and comparable sales approaches, as for all other properties. This approach is particularly relevant in a park where park owner owns all the mobile homes and rents them out. In a hypothetical case, a mobile home's value in the NADA guide book could be \$4,000, but the park is getting \$100 per month for the pad and \$200 per month for the mobile home. This mobile home's value in a simple income approach would be \$20,000 (annual income divided by the cap rate - $\$2,400 / .12 = \$20,000$).

We are also concerned that the amendment language requires counties to use the values in a noncomputerized version of the national directory or valuation guide. However, there are now computerized and online versions of the guide that are readily available; while we agree that the legislation should stay away from requiring proprietary software or requiring a specific company, a county that chooses to use an electronic version should be allowed to do so. Using the software is helpful because the county does not need to have a hard copy of the book available to find the value. In addition, the software can make it easier to compare how the value of a newer mobile home might have changed since the base year, given the same make and model.

We understand that mobile home assessment has caused numerous concerns, not only for mobile home owners but also for assessors who must attempt to determine their value. However, while the amendment has significant improvements over the underlying bill, it still does not provide a wholly workable solution to the matter of mobile home assessment. CCAP will continue to work with the committee and AAP to discuss amendatory language, with a goal of ultimately assuring a fair, equitable and uniform assessment system for all property owners.