

---

# STATE OF INDIANA

---

DEPARTMENT OF LOCAL GOVERNMENT FINANCE  
PHONE (317) 232-3775  
FAX (317) 232-8779



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058 (B)  
INDIANAPOLIS, IN 46204

## RESOLUTION # 2008-01

### RESOLUTION DECLARING THE NEED TO REASSESS REAL PROPERTY IN LAPORTE COUNTY, INDIANA AS OF MARCH 1, 2006

WHEREAS, the Department of Local Government Finance (“Department”) is charged with maintaining a just and equitable valuation of real property throughout the state; and

WHEREAS, the Department finds the accurate assessment of real property to be an indispensable requirement for a fair and equitable system of property taxation; and

WHEREAS, the Department has adopted 50 IAC 21, an administrative rule that requires the annual adjustment of all property values in accordance with Ind. Code § 6-1.1-4-4.5 beginning with the March 1, 2006 assessment; and

WHEREAS, on March 16, 2007, the Department approved the sales-assessment ratio study submitted by LaPorte County (“County”) for the March 1, 2006 assessment date; and

WHEREAS, on September 6, 2007, the Department, based upon the evidence available at that time, informed the County it would not be subject to a reassessment order; and

WHEREAS, on October 19, 2007, the Department received a sales-assessment ratio study conducted by analyst Robert C. Denne entitled “Sales Chasing in LaPorte

County for Pay 2007 Assessments,” (“Denne study”) for LaPorte County property owner William H. Wendt; and

WHEREAS, on October 22, 2007, Commissioner Cheryl A. W. Musgrave met with Mr. Wendt and his attorney, Mr. Tom Atherton to discuss the Denne study; and

WHEREAS, on October 29, 2007, Mr. Atherton filed a formal complaint or request with the Department on behalf of Mr. Wendt asking that the Department order a reassessment of all property in LaPorte County based upon the results of the Denne study; and

WHEREAS, on November 7, 2007, the Department contacted LaPorte County Assessor Carol McDaniel to request that the County respond to the Denne study; and

WHEREAS, on November 28, 2007, the County through its vendor responded to the Denne study; and

WHEREAS, on December 4, 2007, the Department requested that Mr. Wendt provide the Department with more data used in the Denne study; and

WHEREAS, on December 21, 2007, the Department notified both the County and Mr. Wendt of the process the Department would use in conducting its analysis of the County’s ratio study and the Denne study; and

WHEREAS, on January 17, 2008, the Department sent letters to both the County and Mr. Wendt regarding non-compliant County data and data previously requested from the Denne study that had not yet been received by the Department; and

WHEREAS, on January 24, 2008, the Department received the requested data from the Denne study, which allowed the Department to study and analyze the data; and

WHEREAS, on February 25, 2008, the 2006-pay-2007 Auditor/tax billing data was deemed compliant with state standards by the Department and the Legislative Services Agency, which allowed the Department to study and analyze the data as promised in the December 21, 2007 letter to Mr. Wendt and the County; and

WHEREAS, on March 6, 2008, the Department conducted a public hearing in LaPorte, Indiana to discuss the accuracy, uniformity, and equity of the assessment of real property in LaPorte County for 2006-pay-2007; with a particular emphasis on the Denne study in accordance with the Department's authority under Ind. Code § 6-1.1-4-31 to periodically check the conduct of work required to be performed by local officials under 50 IAC 21 (i.e., annual adjustment, or "trending," administrative rule) and other property assessment activities in the county, as determined by the Department; and

WHEREAS, the March 6, 2008 public meeting lasted over three hours and nearly thirty (30) LaPorte County property taxpayers voiced concerns regarding assessments; and

WHEREAS, on April 10, 2008, the Department completed an independent evaluation of LaPorte County's 2006-pay-2007 ratio study by creating a new ratio study with the 2006-pay-2007 Auditor/tax billing data and through the use of a Mann-Whitney statistical test to determine whether there was horizontal equity between sold and unsold improved residential parcels in LaPorte County ("Department study"); and

WHEREAS, the data for the Department study was obtained from three sources:

(a) the approved ratio study of LaPorte County, which included 2005 as well as 2006 assessed values for sold properties; and

(b) two datasets from the Department listing the assessed value for 2005 and 2006 of all unsold properties in LaPorte County; and

(c) the 2006-pay-2007 county auditor/tax billing data; and

WHEREAS, per the International Association of Assessing Officers' (IAAO) *Mass Appraisal of Real Property* and the 1999 IAAO Standard on Ratio Studies, Standard 10.3, a Mann-Whitney statistical test was conducted on sold and unsold properties in each township to determine whether horizontal equity had been violated by the County for 2006-pay-2007 assessments; and

WHEREAS, the Department's Mann-Whitney study compared the percentage change in assessed value for two groups of parcels in LaPorte County: (1) those parcels used in the original ratio study, and (2) all other parcels in the county which had not been sold since January 1, 2004. The comparison was done on the township level, and properties which were newly constructed or had changed in property class during the comparison years were not included. For expediency, only improved residential parcels were studied; and

WHEREAS, the Department study revealed that in nine (9) out of nineteen (19) tested townships, sold residential-improved parcels were assessed differently than unsold residential-improved parcels; and

WHEREAS, the townships at issue are: Center, Galena, Hanna, Kankakee, Michigan, New Durham, Scipio, Springfield, and Washington; and

WHEREAS, with three exceptions, these results agreed with the findings of the Denne study; and

WHEREAS, the Department's Mann-Whitney test findings found a significant violation of the IAAO standard regarding horizontal equity in property assessment (1999 IAAO Standard on Ratio Studies, Standard 10); and thus, a violation of 50 IAC 21-3-1 by the County for 2006-pay-2007; and

WHEREAS, the findings of the Department's ratio study, which was created using the County's final 2006-pay-2007 ratio study matched with the LaPorte County Auditor's tax billing data file for 2006-pay-2007, found that the assessed values on several of the parcels the County used in their ratio study did not match the assessed values billed by the LaPorte County Auditor; and

WHEREAS, the Department's new ratio study found the following non-conforming medians, coefficient of dispersions (CODs), and price-related differentials (PRDs): Springfield (improved residential) outside COD range; Noble (improved residential) outside PRD range; Galena (vacant residential) outside PRD range; Hanna (vacant residential) outside PRD range; Hudson (vacant residential) outside median, COD, and PRD ranges; Noble (vacant residential) outside PRD range; Scipio (vacant residential) outside PRD range; Springfield (vacant residential) outside PRD range; Center (improved commercial) outside PRD range; Michigan (improved commercial) outside PRD range; and LaPorte County, as a whole, (vacant commercial) outside COD range; and

WHEREAS, the findings that sales chasing probably occurred in the Department's Mann-Whitney test were disputed by the County through its vendor on the basis of the six (6) year change in the valuation date from January 1, 1999 (for the March 1, 2005 assessment date) to January 1, 2005 (for the March 1, 2006 assessment date) and

what the vendor deemed as previous “reassessment activities” undertaken by the vendor in LaPorte County since 2004; and

WHEREAS, the County through its vendor disputed the results of the Department’s new ratio study and provided a separate analysis that indicated “possible 2006 assessment issues (outside of a sales chasing argument) in two areas: Hanna TWP and Hudson TWP vacant residential property,” but cleared the other townships of any non-conformity with 50 IAC 21 that were cited in the Department’s ratio study; and

WHEREAS, the County through its vendor suggested at the April 16, 2008 meeting at the Department that the final assessed value is the only important element of the assessment, not grade, condition or other elements, and that studies of changes in individual elements of assessed value (grade, condition, effective age, etc...), whether made intentionally or otherwise, are “irrelevant”; and

WHEREAS, the County through its vendor argued that its view on “bottom line values” is supported by decisions of the Indiana Tax Court, which in the *Eckerling v. Wayne Twp Assessor*, 841 N.E.2d 674 (Ind. Tax Ct. 2006) decision, ruled that “to the extent that an assessor may err in applying the regulations [2002 Real Property Assessment Manual, Guidelines, and 50 IAC 2.3] correctly, this will not necessarily invalidate the assessment so long as the assessment accurately reflects the property’s market value-in-use,” and that the current property assessment system, as opposed to the old assessment system, shifts the focus from mere methodology to determining whether the assessed value is actually correct; and

WHEREAS, the Department believes the alleged intentional manipulation of any assessment elements by the County through its vendor, if satisfactorily demonstrated by

the evidence, is clearly distinguishable from the unintentional assessing errors referred to in the Indiana Tax Court cases provided by the vendor to the Department; and

WHEREAS, on April 24, 2008, the County through its counsel offered proposals to avoid a county-wide reassessment for 2006-pay-2007; and

WHEREAS, upon review of all available data and information submitted to the Department by both parties, the Department hereby finds compelling evidence of the aforementioned assessment errors, including but not limited to: that sold and unsold improved residential parcels in LaPorte County may have been treated differently and that the County through its vendor may have intentionally changed assessment elements, such as effective age and land values, in order to reach a "bottom line value"; and

WHEREAS, the Department, for the aforementioned reasons, declares its belief that it is necessary to reassess all or a portion of the real property located within real property in LaPorte County, Indiana; and

WHEREAS, the Department shall hold a hearing concerning the necessity for the reassessment at the LaPorte County courthouse or its adjacent annex; and

WHEREAS, after the hearing, the Department may order any reassessment it deems necessary.

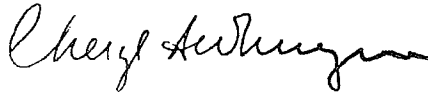
NOW THEREFORE, BE IT RESOLVED by the Department that there is sufficient cause to believe it necessary to reassess all or a portion of the real property in LaPorte County, Indiana for the March 1, 2006, assessment date in accordance with Ind. Code § 6-1.1-4-9.

BE IT FURTHER RESOLVED THAT a public hearing on this Resolution and the reassessment of LaPorte County, Indiana for the March 1, 2006, assessment date shall

be held on Thursday, May 15, 2008, at 5:00 p.m. (CDT) in the Assembly Rooms at the LaPorte County Complex, 809 State Street, LaPorte in compliance with Ind. Code § 6-1.1-4-9. Notice of the public hearing shall be published in accordance with Ind. Code § 6-1.1-4-10.

PASSED AND ADOPTED by the Department of Local Government of the State of Indiana on the 1st day of May, 2008.

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

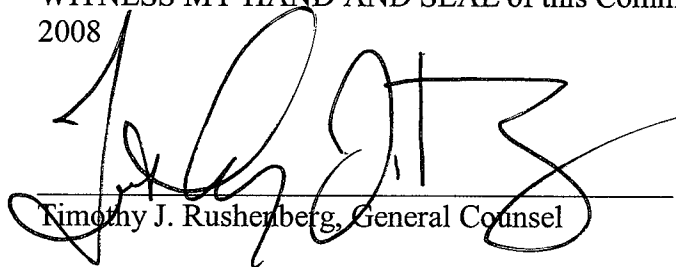
 *TJR  
5/1/08*

Cheryl A.W. Musgrave, Commissioner

STATE OF INDIANA  
DEPARTMENT OF LOCAL GOVERNMENT FINANCE

I, Timothy J. Rushenberg, General Counsel for the Department of Local Government Finance, hereby certify that the above is a passed and adopted resolution of the Commissioner of the Department of Local Government Finance made this date in the above-entitled matter and that the Commissioner has personally signed the same under her statutory authority.

WITNESS MY HAND AND SEAL of this Commissioner on this the 1<sup>st</sup> day of May, 2008



Timothy J. Rushenberg, General Counsel