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## Report Highlights

# Analysis of Residential and Commercial Property Appraisals in Orleans Parish for Tax Year 2020

### Orleans Parish Assessor

Audit Control # 40190022  
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## Why We Conducted This Audit

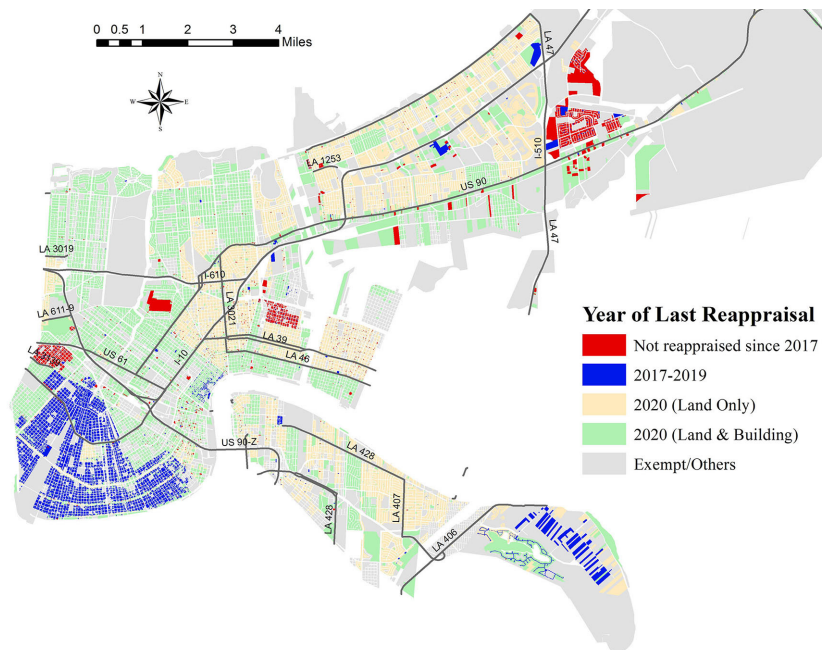
We conducted this audit in response to a legislative request that asked us to analyze residential and commercial property appraisals in Orleans Parish for tax year 2020 to determine why not all properties were reappraised, why property values increased significantly, and whether the Orleans Parish Assessor (Orleans Assessor) engaged in "sales chasing."

## What We Found

Overall, we found that the Orleans Assessor needs to strengthen its appraisal processes to ensure all properties are appraised every four years as required by state law, increase the accuracy of property appraisals, and avoid relying on an individual property's most recent sales price in determining its assessed value. Specifically, we found the following:

- According to Orleans Assessor officials, they did not reappraise 17.9% of residential and commercial properties for tax year 2020 because, in their opinion, reappraising 25% of properties each year during a four-year cycle, as opposed to appraising all properties in the first year, complied with the constitutional requirement of reappraising properties once every four years. Orleans Assessor officials further stated that they decided not to reappraise certain areas because they were not comfortable with the accuracy of values produced by their new mass appraisal model, which was undervaluing small houses and overvaluing large houses in certain neighborhoods. Specifically, we found that the Orleans Assessor did not reappraise 27,201 (17.9%) of the 152,254 residential and commercial properties that should have been reappraised in tax year 2020 in accordance with state regulations, and 7,076 (26.0%) of the 27,201 had not been reappraised in more than four years, as required by the Louisiana Constitution. In addition, 57,594 (37.8%) had land-only reappraisals, in which the land was reappraised but the buildings were not, which may indicate that the Orleans Assessor did not satisfy the requirements of LAC 61:V:303(D) that *all* properties be reappraised in tax year 2020.

Map of Properties Not Reappraised in Tax Year 2020



Source: Prepared by legislative auditor's staff using GIS and Orleans Assessor tax roll data.

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*Orleans Parish Assessor*

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## What We Found (Cont.)

- **Orleans Parish residential property values increased for tax year 2020 because this was a reappraisal year, during which assessors are required by state law to revalue properties to account for changes in real estate prices over the past four years.** Specifically, appraised values increased sharply in tax year 2020 because Orleans Parish residential property real estate prices increased by 22.3% over the past four years. Properties that were reappraised in tax year 2020 were not overvalued, on average. However, because the Orleans Assessor did not reappraise all residential properties for tax year 2020, the properties that were not reappraised did not receive an increase in their appraised values. As a result, the properties that were not reappraised may have been undervalued by 14.6% to 18.3%, and the owners of these properties may have paid less than their fair share of taxes.
- **The Orleans Assessor’s appraisals for tax year 2020 did not meet international appraisal guidelines for variability for each individual residential property, which affects the accuracy of appraisals. As a result, some property owners may have paid more than their fair share, while others may have paid less.** For example, if two houses are both worth \$200,000 but are appraised at \$150,000 and \$250,000, respectively, the overall appraisal level or average appraisal amount is accurate, but there is high variability among the properties.
- **The Orleans Assessor may be undervaluing vacant land. As a result, owners of properties with structures (i.e., non-vacant land) may pay disproportionately more in taxes than vacant land owners.** According to Louisiana Tax Commission (LTC) officials, the assessor should value vacant land by looking at the sale of other vacant land with similar characteristics. From tax years 2016 through 2020, vacant land was appraised at approximately 37.6% of its fair market value based on sales ratios for vacant land parcels, indicating that vacant land may have been undervalued by 62.4%. As a result, owners of properties with structures (i.e., have a building on their land) pay disproportionately more in taxes than vacant land owners.
- **The Orleans Assessor engaged in “sales-chasing,” which means that it appraised individual residential and commercial properties that recently sold based on their sales price, which violates LTC rules and international best practices.** We estimated that sold properties were assessed 14.9% higher than unsold properties as a result of this practice. Using sales chasing resulted in an increase in property value by \$385.8 million and may have contributed to a lack of uniformity in property appraisals in Orleans Parish.