TAX YEAR 2024 QUADRENNIAL REAPPRAISAL

ORLEANS PARISH ASSESSOR

ECONOMIC ADVISORY SERVICES

Informational Report
December 22, 2023

LOUISIANA LEGISLATIVE AUDITOR

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LOUISIANA LEGISLATIVE AUDITOR

MICHAEL J. "MIKE" WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

December 22, 2023

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives

Dear Senator Cortez and Representative Schexnayder:

This informational report provides the results of our evaluation of the Orleans Parish Assessor's Office's tax year 2024 quadrennial reappraisal. This report is intended to provide timely information in response to the New Orleans City Council's resolution NO. R-23-342. I hope this report will benefit you in your legislative decision-making process.

As requested in the resolution, we consulted with the Louisiana Tax Commission on this project and incorporated its input in developing our methodology, conducting our analysis, and in writing the final report. A letter from the Louisiana Tax Commission is included on the next page.

We would like to express our appreciation to the Orleans Parish Assessor's Office and the Louisiana Tax Commission for their assistance during this audit.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/aa

ORLEANS ASSESSOR 2024 QUAD REAPPRAISAL

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Louisiana Tax Commission

State of Louisiana

JOHN BEL EDWARDS
GOVERNOR

LAWRENCE E. CHEHARDY
CHAIRMAN

Honorable J. P. Morrell
President, New Orleans City Council
1300 Perdido Street
Room 2W50
New Orleans, La. 70112

December 18, 2023

Dear President Morrell:

The Louisiana Tax Commission staff worked with the Louisiana Legislative Auditor's Office at the request of the New Orleans City Council's resolution, R-23-342, dated July 27, 2023.

Please find the attached report from the Louisiana Legislative Auditor regarding a review of the Orleans Parish Assessor's Office 2023 Quadrennial Reappraisal of property.

We hope this report provides the analysis that the Council requested.

Sincerely yours,

Lawrence E. Chehardy
Chairman

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Tax Year 2024 Quadrennial Reappraisal
Orleans Parish Assessor

December 2023

Audit Control # 42230002

Introduction

This report provides the results of our evaluation of the quadrennial reappraisal of all taxable real property in Orleans Parish for tax year 2024. On July 27, 2023, the New Orleans City Council adopted resolution NO. R-23-342 urging the Louisiana Legislative Auditor and the Louisiana Tax Commission (LTC) to review the Orleans Parish Assessor's Office's (OPAO) quadrennial reappraisal and determine if the assessor violated any LTC policies or Louisiana state laws, particularly whether or not the assessor engaged in the LTC-prohibited practice of sales chasing. LLA's 2020 performance audit[1] on OPAO determined that OPAO had engaged in sales chasing in preparing its tax year 2020 assessment rolls, and LTC identified sales chasing as an issue for OPAO in 2017.[2]

Overview. Under the Louisiana Constitution,[3] the 64 parish assessors are responsible for determining the fair market value of all property for ad valorem tax (property tax) purposes. While the

Fair market value is the price for which property would be agreed upon between a willing and informed seller under usual and ordinary circumstances.

Real property, also known as immovable property, refers to land and all things permanently affixed to the land, such as buildings.

Reappraisal is the process of estimating the fair market value for all properties for ad valorem tax purposes, required by state law to occur at least once every four years for real property.

Sales chasing is the practice of appraising an individual property based solely on its most recent sales price. This practice is prohibited by the Louisiana Tax Commission.

Tax Year 2024 assessments for Orleans Parish were first released July 17, 2023, and tax bills will be due January 31, 2024. Orleans Parish property taxes are due 11 months before those in all other parishes.

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[1] "Orleans Parish Assessor - Analysis of Residential and Commercial Property Appraisals in Orleans Parish for Tax Year 2020," issued March 27, 2020. URL: https://app.lla.state.la.us/go.nsf/get?OpenAgent&arlkey=40190022APPP-BN4LH9

[2] At that time, LTC identified 28 parishes that utilized sales chasing as part of their appraisal methodology.

[3] Louisiana Constitution Art. VII § 18(D). The exceptions to this requirement are agricultural and timber properties, which are valued at use value by the assessors, and public service properties, which are valued at fair market value by LTC.

assessor determines fair market values, the rates of taxation (millages) are generally determined by tax recipient bodies, such as parish and municipal governing boards, school boards, and sheriffs. Some millages require an election to obtain voter approval, while other millages are provided for in state law.

Orleans Property Tax Base. For tax year 2024, OPAO's appraised fair market value of all taxable real property in Orleans Parish was $51.5 billion for 153,628 taxable parcels, equating to $335,315 in fair market value per parcel. Most of this value, $40.6 billion (78.8%), was residential property, consisting of single-family homes, duplexes, condominiums, large apartment buildings, and other residential parcels. The remaining $10.9 billion (21.2%) was commercial or industrial real property, consisting chiefly of hotels, mixed-use commercial and residential buildings, multi-story office buildings, warehouses, and other commercial or industrial properties.[4] We estimate that taxes on real property in Orleans Parish will generate $628.6 million to support the city, school board, and other taxing bodies in the parish, with $448.4 million (71.3%) of this amount coming from residential real property.[5] Exhibit 1 lists the four largest property types for each category and their characteristics.

[4] Businesses are generally also required to pay property tax on their personal property, such as inventories, machinery and equipment, furniture and fixtures, and similar items. However, assessments for personal property are generally more formulaic and are outside the scope of this report.
[5] This estimate is based on anticipated tax year 2024 millages provided by OPAO and does not account for phase-ins under La. Const. Art. VII §18(F)(2) or special taxing district or security district fees.

Exhibit 1 Overview of Orleans Parish Taxable Real Property by Type Tax Year 2024				
Property Type	**Appraised Fair Market Value**	**Number of Parcels**	**Average Value Per Parcel**	**Estimated Taxes***
Residential Real Property				
Single-family dwelling	$24.2 B	76,882	$315,398	$254.5 M
Two-family dwelling	8.0 B	26,198	304,742	90.3 M
Condominium	3.7 B	9,995	363,848	44.6 M
Apartments, 40 or more rental units	1.0 B	140	7,461,284	12.7 M
All Other Residential	3.7 B	31,176	120,036	46.3 M
Total Residential	**$40.6 B**	**144,391**	**$281,566**	**$448.4 M**
Commercial and Industrial Real Property				
Hotels	$3.3 B	220	$14,979,285	$53.5 M
Mix use residential/commercial	1.2 B	1,335	934,016	18.5 M
Office building, 3 or more stories	0.9 B	145	6,447,769	17.1 M
Commercial warehouses	0.7 B	1,019	717,052	12.3 M
All Other Commercial and Industrial	4.8 B	6,518	713,456	78.8 M
Total Commercial and Industrial	**$10.9 B**	**9,237**	**$1,175,518**	**$180.2 M**
Total Taxable Real Property	**$51.5 B**	**153,628**	**$335,315**	**$628.6 M**

* Taxes are estimated based on anticipated millages for tax year 2024 provided by OPAO.
Note: Homestead-exempt residential property is included in appraised fair market value, but excluded from the calculation of estimated taxes where applicable.
Source: Prepared by legislative auditor's staff using information from OPAO.

Reappraisal. The Louisiana Constitution and LTC regulations require all property to be reappraised and valued at intervals of not more than four years (quadrennial reappraisal cycle).[6] During tax years 2020 through 2023, LTC's mandatory quadrennial reappraisal cycle required that all real property be appraised based on what it would have been worth on January 1, 2019, for the entire four-year cycle.[7] Tax year 2024 is a reappraisal year, which means that the valuation date advances to January 1, 2023, for the next four-year cycle. As seen in Exhibit 2, overall appraised values did not grow significantly between tax years

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[6] La. Const. Art. VII § 18(F) and LAC 61:V.303(D).
[7] Assessors can update the assessment rolls every year to reflect transfers of ownership and physical changes in the property associated with each parcel (such as construction, demolition, deterioration, or remodeling) per LAC 61:V.303(B). However, the property is still valued based on what it would have been worth on the valuation date for that quadrennium, which would be January 1, 2019 for tax years 2020 through 2023 or January 1, 2023 for tax years 2024 through 2027.

2020 and 2023[8] while the valuation date was January 1, 2019, but appraised values grew more rapidly in tax year 2024, when the valuation date advanced to January 1, 2023. This is because appraised values had to catch up with four years of growth in market prices. As shown in the exhibit, the growth in OPAO's appraised values between tax years 2020 and 2024 generally followed the growth in real estate market values.

Exhibit 2
Appraised Values and Sales Prices in Orleans Parish
Tax Years 2020 through 2024

Tax Year	Reappraisal Year	Residential 1-2 Family Properties		
		OPAO's Appraisals		Market Data from Multiple Listing Service
		Total Appraised Fair Market Value	Average Appraised Fair Market Value Per Parcel	Weighted Average Sales Price Per Parcel*
2020	Yes	$26.2 B**	$258,453**	$323,768
2021	No	$26.5 B	$260,041	$330,818
2022	No	$26.1 B	$254,737	$375,904
2023	No	$27.4 B	$266,643	$372,215
2024	Yes	$32.2 B	$312,690	$374,459
% Growth from 2020 Reappraisal to 2024 Reappraisal		**23.2%**	**21.0%**	**15.7%**

***** This column shows sales of single or two-family residential properties occurring during the twelve-month period before OPAO finalized the tax rolls for each tax year. For tax year 2024, this includes sales from September 16, 2022 to September 15, 2023. Sales were weighted as described in Appendix B so that the average would be representative of all properties, even if certain types of properties (e.g., larger or higher quality properties) were more likely to sell in certain years.
** For properties that OPAO did not reappraise in tax year 2020, we used tax year 2021 appraised values to better reflect growth in appraised values since the last quadrennial reappraisal. In our March 2020 performance audit on OPAO, we noted that OPAO had not reappraised all properties as required (pp. 5-9).
Source: Prepared by legislative auditor's staff using information from OPAO and the Gulf South Real Estate Information Network (GSREIN) multiple listing service.

During a reappraisal year, the Louisiana Constitution provides for an automatic decrease, or "roll back," in each millage if assessed values increase as a result of a quadrennial reappraisal, so that the total amount of property tax generated by each millage remains the same.[9] However, each tax recipient body may, by two-thirds vote in a properly noticed public meeting, "roll forward" their millages from the previous year so that additional revenue is generated. According

[8] OPAO's records indicate that reductions were applied in tax year 2021 to account for COVID, and again in tax year 2022 for Hurricane Ida. Only 3% of these reductions were continued into 2023.
[9] La. Const. Art. VII § 23. This section also provides for an automatic increase in millages if assessed values decrease.

to OPAO, millages in Orleans Parish are expected to decrease from 147 mills for tax year 2023 to 132 mills for tax year 2024.

Prior Audit Findings. This report follows up on a previous report that we issued in March 2020 on OPAO's quadrennial reappraisal[10] for tax year 2020. In that report, we noted that Orleans Parish properties did not appear to be overvalued for property tax purposes, but that not all properties had been reappraised in tax year 2020 as required by law. Furthermore, we presented evidence that OPAO had engaged in sales chasing, which is prohibited by LTC regulations[11] and does not conform to model property tax policy espoused by the International Association of Assessing Officers (IAAO). Our 2020 report contained seven recommendations, including recommendations that the assessor reappraise all properties in line with the quadrennial reappraisal schedule, update its appraisal system to account for more factors (such as year of construction), and discontinue sales chasing per LTC regulations. The assessor agreed with three of our recommendations and disagreed with the remaining four, particularly the finding regarding sales chasing. A summary of the recommendations from our prior report and their current implementation status is presented in Appendix C.

In response to the City Council's request, we obtained the assessment rolls from OPAO for tax years 2020 through 2024. For market information, we obtained a list of qualified sales used by OPAO for appraisal purposes, as well as an export of sales in Orleans Parish reported to the multiple listing service operated by the Gulf South Real Estate Information Network. We also met with the Louisiana Tax Commission, provided them with updates on our results, and sought their input throughout the project. The objective of this report was:

To evaluate the Orleans Parish Assessor's Office's 2024 quadrennial reappraisal for compliance with state law and International Association of Assessing Officers standards.

Our results are summarized on the next page and discussed in detail throughout the remainder of the report. Appendix A contains responses from OPAO and LTC management, Appendix B contains our scope and methodology, Appendix C contains a summary of the findings from our 2020 performance audit on the Orleans Assessor and their current status, Appendix D provides definitions and illustrations of ratio study terminology and concepts, and Appendix E contains the statistical results of our analysis of sales ratios.

Informational reports are intended to provide more timely information than standards-based performance audits. While these informational reports do not follow *Governmental Auditing Standards*, we conduct quality assurance activities to ensure the information presented is accurate. We incorporated OPAO and LTC's feedback throughout this informational report.

[10] "Orleans Parish Assessor – Analysis of Residential and Commercial Property Appraisals in Orleans Parish for Tax Year 2020." ACN # 40190022, issued March 27, 2020.
[11] LAC 61:V.213(D).

Objective: To evaluate the Orleans Parish Assessor's Office's 2024 quadrennial reappraisal for compliance with state law and International Association of Assessing Officers standards

Overall, we found that OPAO's assessments for tax year 2024 satisfied key requirements for overall accuracy, but there were still some problems with how the assessor valued recently sold properties. Specifically, we found the following:

- **OPAO's assessments are within acceptable ranges for the three key measurements used by LTC and IAAO to evaluate appraisal accuracy and uniformity. This means that, although some individual properties may have been overvalued or undervalued, OPAO's appraised values met IAAO and LTC standards for overall accuracy.** In addition, OPAO changed its policy so that all parcels would be reappraised for tax year 2024, resolving a finding from our 2020 performance audit that not all parcels had been reappraised as required by LTC regulations.

- **While OPAO did not over- or under-value properties in the aggregate, we found that OPAO likely used the LTC-prohibited practice of sales chasing for tax year 2024, which caused recently sold properties to be overvalued relative to properties that were not recently sold. For the owners of the 3,803 single-family and two-family houses that were potentially sales chased, this meant that their assessed values were 13.3% higher than those of similar properties without recent sales, equating to $611 in extra taxes per house.** Sales chasing is the practice of appraising a property solely based on its most recent sales price, and it can result in people who have recently bought a home paying disproportionately more in property taxes than owners of similar properties who have owned them for multiple years. OPAO should continue working on its appraisal methodology to find a way to account for character changes in properties without needing to utilize an individual property's sales price to avoid placing a disproportionate share of the overall tax burden on recent purchasers.

In addition, we identified an area for further study concerning assessment practices for short-term rental property, described in further detail on page 18. The following pages provide further explanation of our results and recommendations.

OPAO's assessments are within acceptable ranges for the three key measurements used by LTC and IAAO to evaluate appraisal accuracy and uniformity. This means that, although some individual properties may have been overvalued or undervalued, OPAO's appraised values met IAAO and LTC standards for overall accuracy.

LTC and other property tax oversight agencies across the country use ratio studies to determine if local assessment performance is satisfactory and within established ranges for accuracy and uniformity. According to the IAAO, a ratio study is a study of the relationship between appraised or assessed values and market values.[12] An appraisal is, by definition,[13] an opinion of value, so an assessor's appraised values do not need to be exactly the same as market value for all properties, but they need to be reasonably close. How close is reasonably close is defined in statistical terms using the concepts of appraisal level, variability, and vertical equity, as shown in the blue box on this page. A more detailed illustration of each of these concepts and how they are reflected in the distribution of sales ratios is provided in Appendix D.

Appraisal level. The overall ratio of appraised values to market values. The ideal appraisal level is 100%.

Variability (or dispersion). The extent to which a set of numbers are spread out, typically around a measure of central tendency (i.e., the median). In general, low variability is desirable for property assessments, because it means that the sales ratios are clustered close to the median.

Vertical equity. Distributing tax burdens fairly across different property values. In other words, vertical equity means that low-value and high-value properties have the same appraisal level.

OPAO's appraisal statistics for real property for tax year 2024 were within the allowable ranges contained in state law and IAAO standards for three key indicators. We found that the statistics for OPAO's assessments for tax year 2024 were, on the whole, within acceptable ranges for appraisal level, variability, and vertical equity. In other words, OPAO's assessments were not in the aggregate too high or too low, nor were they excessively inaccurate or systematically biased for or against high-value or low-value homes. Exhibit 3 summarizes the results of our analysis, and Appendix E provides a more detailed table of results.

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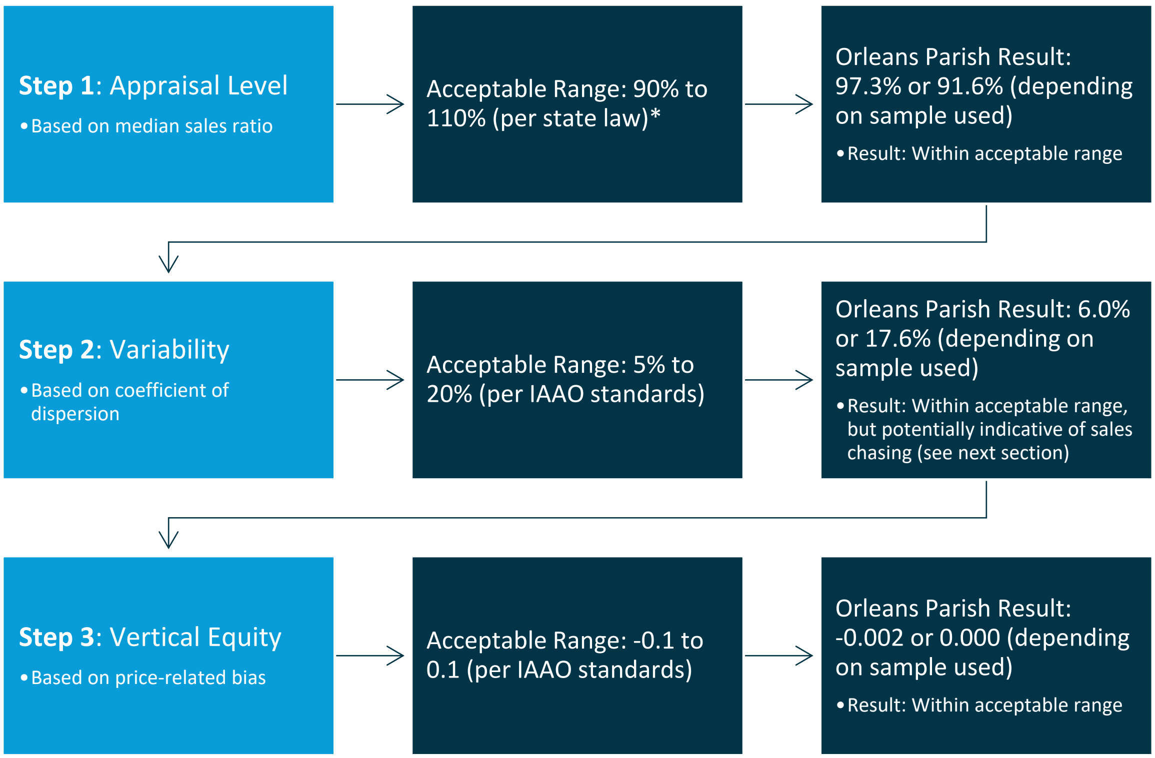
[12] Per IAAO, market values can be obtained from sales prices or from independent appraisals. LTC used sales for its 2017 ratio study and independent appraisals for its 2022 ratio study.
[13] IAAO, "Glossary for Property Appraisal and Assessment," Third Edition, p. 8. URL: https://www.iaao.org/media/pubs/IAAO-Glossary_3rd-Ed_final.pdf

Exhibit 3
Analysis of Sales Ratios
Single-Family and Two-Family Residential Properties
Tax Year 2024



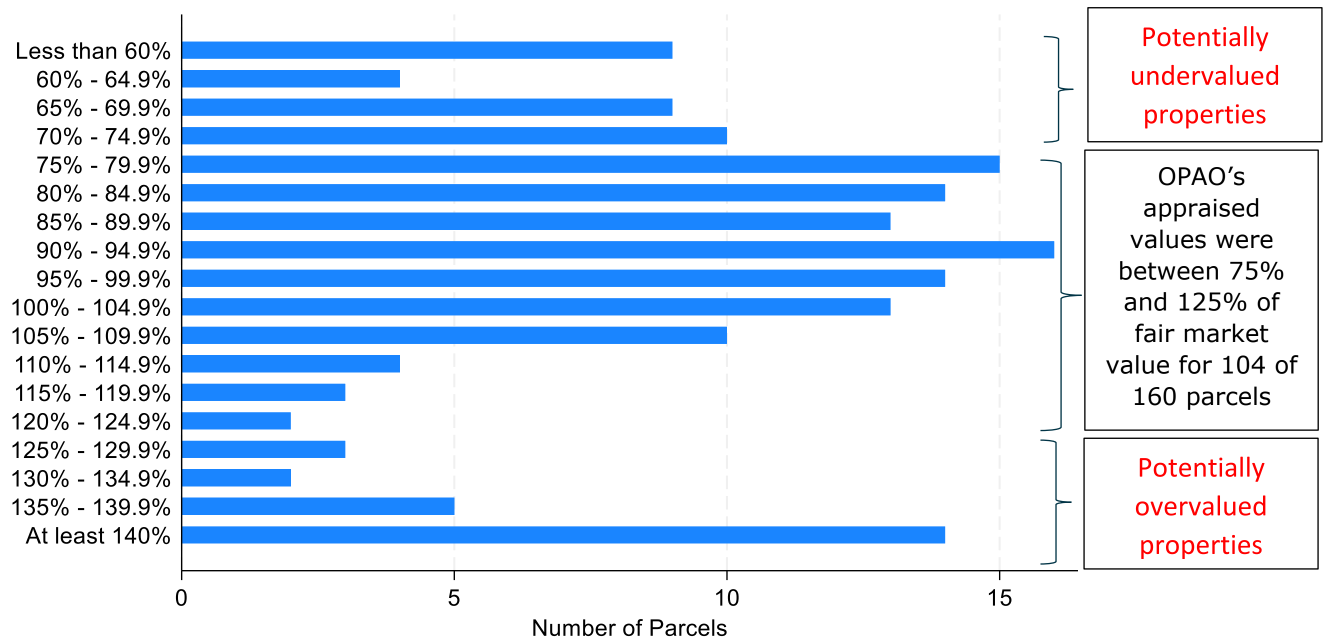
***** R.S. 47:1837(B)(1)
Note: Detailed ratio study statistics are provided in Appendix D.
Source: Prepared by legislative auditor's staff using information from OPAO, LTC, IAAO, and the Gulf South Real Estate Information Network multiple listing service.

Consistent with OPAO's meeting IAAO guidelines for appraisal level and variability, OPAO's appraised values mostly fall between 75% and 125% of fair market value. Exhibit 4 shows the distribution of sales ratios for Orleans Parish. The horizontal axis indicates how many properties had sales ratios in the range indicated on the vertical axis. The blue bars show the number of parcels that were sold between September 16, 2023, and October 18, 2023,[14] which would not have been known to the assessor during the preparation of the assessment rolls. As a result, these sales ratios are not affected by sales chasing, which is discussed in greater detail in the next section. The median sales ratio for this group is 91.6%, and the coefficient of dispersion is 17.6%. Both are within the allowable ranges specified by LTC in its ratio studies. Another way of visualizing this can be seen in the exhibit, which shows that most parcels (104 out of 160, or 65%)

[14] We utilized regression analysis to estimate adjustment factors needed to convert these sales to a January 1, 2023 valuation date.

had appraised values that were between 75% and 125% of fair market value, although the remaining 56 parcels (35%) were at least 25% above or below fair market value.

Exhibit 4
Appraised Values as a Percentage of Fair Market Value
Single-Family and Two-Family Residential Parcels
Parcels with Sales Closed after September 15, 2023
Tax Year 2024



Note: All sales occurring after September 15, 2023, that had been reported as of October 18, 2023, were included.
Source: Prepared by legislative auditor's staff using information from OPAO and GSREIN multiple listing service.

OPAO officials noted that another factor that adds to variability in assessments is that OPAO officials have no right of entry into a taxpayer's property, limiting their knowledge of a property's interior condition or quality and reducing their ability to accurately estimate value. Interior quality can have a significant impact on home value. For example, the *New York Times* reported in 2022 that the average full bathroom remodel cost $26,574 and added $15,944 to the home's value. While the assessor can review building permits to see that a property's interior has been worked on, these permits may not indicate if the remodeling is an upgrade as opposed to a repair of damages caused by storms, plumbing leaks, or other incidents. IAAO standards for mass appraisal note that interior inspections might be necessary in some cases, but only require a comprehensive exterior inspection as the minimum.[15] According to LTC, property

[15] IAAO Standard on Mass Appraisal of Real Property, Approved July 2017, p. 3. URL: https://www.iaao.org/media/standards/StandardOnMassAppraisal.pdf

owners may provide additional information or allow the assessor to inspect the interior, but the taxpayer has the discretion for whether to allow the assessor to do so.

OPAO resolved our prior-audit finding by updating its policy to reappraise all parcels for tax year 2024. Our March 2020 performance audit noted that OPAO did not reappraise 17.9% of the parish's residential and commercial properties for tax year 2020, as required by LTC regulations.[16] However, according to OPAO, its current practice is to reappraise all properties on the quadrennial reappraisal cycle prescribed by LTC. OPAO's assessment database indicated that 152,197 of 152,208 (99.99%) taxable, non-public service property parcels were reappraised for tax year 2024.

While OPAO did not over- or under-value properties in the aggregate, we found that OPAO likely used the LTC-prohibited practice of sales chasing for tax year 2024, which caused recently sold properties to be overvalued relative to properties that were not recently sold. For the owners of the 3,803 single-family and two-family houses that were potentially sales chased, this meant that their assessed values were 13.3% higher than those of similar properties without recent sales, equating to $611 in extra taxes per house.

> **Sales chasing** can result in people who have recently bought a home paying more in property taxes than owners of similar properties who have owned their homes for multiple years.

LTC regulations[17] prohibit the use of sales chasing, which LTC defines as "the procedure by which an individual property assessment is based solely upon the price the property sold for." According to LTC, sales chasing can cause sold properties to be appraised at a higher percentage of fair market value than unsold properties, causing recent purchasers to bear a disproportionately high share of the overall property tax burden. This can result in inequity if properties are being appraised strictly based on their sale or listing price, and may violate state laws requiring uniformity in valuations.[18] For example, if a property sold for $275,000 on March 1, 2023, and the assessor subsequently updated the fair market value for the property to $275,000 for tax

[16] LAC 61:V.303(D).
[17] LAC 61:V.213(D).
[18] La. Const. Art. VII § 18(A) and (D), and R.S. 47:2323.

year 2024, this could be an instance of sales chasing, particularly if the assessor assessed many other recently sold properties at their sales price or some consistent percentage thereof. In addition, the IAAO's 2020 Standard on Property Tax Policy discourages acquisition value-based assessments because such systems decrease mobility by requiring recent movers into an area to pay a larger share of property taxes and put new businesses at a competitive disadvantage because of substantially higher property taxes.[19]

Using all five sales-chasing detection techniques described by IAAO, we found evidence that OPAO employed sales chasing for its tax year 2024 reappraisal. The IAAO Standard on Ratio Studies provides five sales-chasing detection techniques. As noted previously, the problem with sales chasing is that it results in disparate treatment of sold versus unsold properties. Reflecting this concern, four of the IAAO's five sales-chasing detection techniques involve a statistical comparison of recently sold versus unsold properties to see if they were valued differently. The other technique (included below as technique 4) involves analyzing the distribution of sales ratios. Exhibit 5 below is a visual demonstration of technique 4, showing the number of single-family and two-family residential parcels appraised at different percentages of their most recent sales price, rounding to the nearest percentage point. There were 773 parcels appraised at 92% of their sales price, a result that would be unlikely to occur if sales ratios followed a normal distribution.[20] These 773 parcels constituted 31.8% of the 2,432 parcels in our sample of sales occurring between mid-September 2022 and 2023. This anomaly is more dramatic when sales ratios are rounded to the nearest tenth of a percent, as further explained below. All five techniques and a summary of the results we obtained are included in Exhibit 6.

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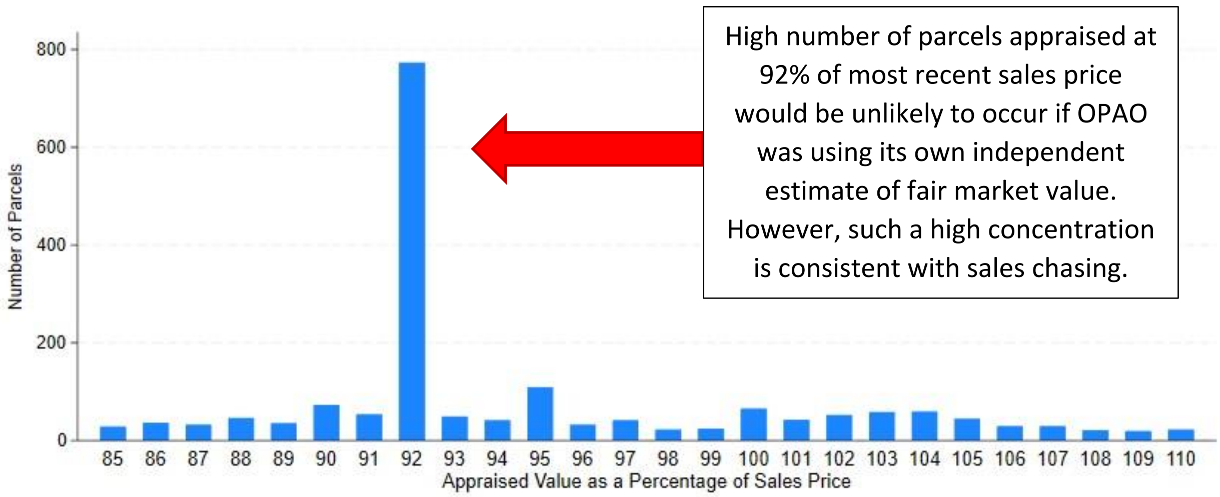
[19] IAAO Standard on Property Tax Policy, Approved January 2020, pp. 18-19 and 38. URL: https://www.iaao.org/media/standards/Standard_on_Property_Tax_Policy.pdf. The IAAO cites California's Proposition 13 as a prime example of this practice.

[20] A normal distribution with the same median (0.92) and standard deviation (0.07), excluding outliers using the IAAO's recommended interquartile method, would ordinarily be expected to have 132 parcels at 92% of the sales price. We estimate that the likelihood that a normal distribution would have so many appraisals at 92% of the sales price is less than 1 in 10,000.

Exhibit 5
Parcel Count by Sales Ratio
Single-Family and Two-Family Residential Properties
Tax Year 2024



Note: This exhibit shows sales ratios between 85% and 110% based on sales occurring between mid-September 2022 and 2023.
Source: Prepared by legislative auditor's staff using data from OPAO and GSREIN multiple listing service.

We identified 3,803 potentially sales-chased parcels with sales since the last quadrennial reappraisal for tax year 2020, and these parcels were appraised 13.3% more per square foot on average than comparable unsold properties, translating to an extra $611 in additional property taxes for each house. Specifically, we identified unusually high concentrations of single-family and two-family residential parcels with sales ratios in the following ranges:

- 89.95% to 90.04%, accounting for 2,725 parcels.
- 91.95% to 92.04%, accounting for 796 parcels.
- 94.95% to 95.04%, accounting for 216 parcels.
- 99.95% to 100.04%, accounting for 66 parcels.

A normal (i.e., bell curve) distribution of 23,525 sales ratios with the same median (0.92) and standard deviation (0.07) would be expected to have a total of only 276 sales in these four narrow ranges. As a result, we identified these 3,803 parcels as potentially having been sales chased by OPAO. We used regression analysis to determine if these parcels were appraised at a higher value per square foot than comparable unsold properties, controlling for building area, land area, condition, grade, and neighborhood. This analysis indicated that the potentially sales-chased properties were appraised at a higher value per square foot than comparable unsold properties for tax year 2024, equating to a 13.3% increase in appraised values per square foot of building area, and an extra $611 in additional property taxes for the average sales-chased parcel. As a result, we estimate that owners of potentially sales-chased properties will on average pay more in property taxes for tax year 2024 than owners of similar, unsold properties. We found that recently sold commercial properties were also appraised at a higher value per square foot than similarly situated unsold properties, but the percentage impact on appraised values was harder to estimate because our sales data contained fewer commercial than residential property sales since September 15, 2022.

OPAO staff responsible for reviewing sales also analyze the sales transaction for signs that the property has undergone a character change, such as remodeling, an addition, or demolition. For arms-length transactions in which the sales price exceeds the appraised fair market value generated by OPAO's appraisal system, OPAO considers this to be evidence of a potential character change and reappraises the property based on the new sales price.

Exhibit 6
Results of IAAO's Sales Chasing Detection Techniques
Single-Family and Two-Family Residential Properties
Tax Year 2024

Technique 1: Comparison of average value changes

- Test: Did appraised values for recently sold properties increase by a larger percentage than for unsold properties?
- Result: Average four-year growth rate of parcel appraised value was 30.5% if unsold, 42.2% if sold, controlling for other property characteristics.
- **Conclusion: Yes, indicative of sales chasing by OPAO.**

Technique 2: Comparison of average unit values

- Test: Are appraised values per square foot higher for recently sold properties than for unsold properties?
- Result: Average parcel appraised value was $134/sqft. if unsold, $145/sqft. if sold, controlling for other property characteristics.
- **Conclusion: Yes, indicative of sales chasing by OPAO.**

Technique 3: Split sample technique

- Test: Perform two ratio studies, one using sales that occurred before the appraisals were completed, and the other from sales occurring afterwards. Does the first study using pre-appraisal sales have consistently better results than the second study?
- Result: Coefficient of dispersion was 6.0% using sales occurring through September 15, 2023, 17.6% using sales occurring after September 15.
- **Conclusion: Yes, indicative of sales chasing by OPAO.**

Technique 4: Comparison of observed versus expected distribution of ratios

- Test: Are there high concentrations of sales ratios around the mean, or around modes in multimodal samples?
- Result: There were 3,803 properties with sales ratios of 90.0%, 92.0%, 95.0%, or 100.0% (rounded to the nearest tenth of a percent), while only 276 properties would be expected to have these values if sales ratios followed a normal (bell curve) distribution.
- **Conclusion: Yes, indicative of sales chasing by OPAO.**

Technique 5: Mass appraisal techniques

- Test: Develop a mass appraisal model and conduct an appraisal ratio study. Are appraisal levels higher using the pre-dated sales ratio study than using the appraisal ratio study?
- Result: The median appraisal level indicated using our appraisal ratio study was 89.3%, compared to 97.3% using pre-dated sales.
- **Conclusion: Yes, indicative of sales chasing by OPAO.**

Source: Prepared by legislative auditor's staff using data from OPAO, Gulf South Real Estate Information Network, and the IAAO's 2013 Standard on Ratio Studies, Appendix E.

Sales chasing can result in recently-sold houses being appraised at significantly higher values than other, unsold houses in the same neighborhood with similar characteristics. Exhibit 7 shows an example of seven otherwise-similar properties, all located in the same neighborhood in New Orleans, with the same building area, lot size, and general design, except that the properties on the top row had been sold since the 2020 quadrennial reappraisal, while those on the bottom row had not. We identified the properties numbered 1 and 2 in the exhibit (highlighted with red rectangles) as potentially having been sales-chased because they were appraised at 90.0% of their last sale price. These two properties have the highest appraised values and estimated taxes of all the properties in the group.

Exhibit 7
Comparison of Sold and Unsold Properties
Appraised Values and Estimated Taxes for Tax Year 2024

Group 1: Properties With Sales Since 2020 Quadrennial Reappraisal

Property #1

- Last Sale: $265,000 in 2022
- OPAO Appraisal: $238,600 (90.0% of last sale price)
- Estimated Taxes: $2,236

Property #2

- Last Sale: $220,000 in 2021
- OPAO Appraisal: $198,000 (90.0% of last sale price)
- Estimated Taxes: $1,698

Group 2: Properties Without Sales Since 2020 Quadrennial Reappraisal

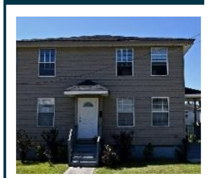
Property #3

- Last Sale: $169,000 in 2018
- OPAO Appraisal: $181,400
- Estimated Taxes: $1,478

Property #4

- Last Sale: not available
- OPAO Appraisal: $181,500
- Estimated Taxes: $1,480

Property #5



- Last Sale: $55,000 in 2009
- OPAO Appraisal: $182,200
- Estimated Taxes: $1,489

Property #6

- Last Sale: $16,000 in 1982
- OPAO Appraisal: $173,500
- Estimated Taxes: $1,374

Property #7

- Last Sale: $73,000 in 2006
- OPAO Appraisal: $173,500
- Estimated Taxes: $1,374

Note: Estimated taxes use anticipated 2024 millages with a homestead exemption.
Source: Prepared by legislative auditor's staff using information from OPAO.

Prior reviews of assessment rolls in Orleans and other parishes throughout the state have found evidence of sales chasing. In 2017, LTC cited assessors in 28 parishes,[21] including Orleans, for sales chasing. Our 2020 performance audit on OPAO noted that the majority of recently sold properties had been appraised at 90% or 100% of their sales price. In addition, we estimated that sold properties were appraised 14.9% higher than comparable unsold properties. The New Orleans-based Bureau of Governmental Research also presented evidence that OPAO had used sales chasing in two reports issued in 2019 and 2020 on assessments in Orleans Parish.[22]

Sales chasing is a long-standing, national issue and has resulted in assessments being successfully challenged at the level of U.S. Supreme Court. Historically, some jurisdictions in other states have utilized sales chasing in ways that resulted in gross disparities between sold and unsold properties that were otherwise similar. Appraised values for unsold properties were not increased enough to keep up with increased property values until they were sold, at which point the appraised value would be updated based on the sales price and could increase significantly as a result. For example, a 1989 ruling by the U.S. Supreme Court noted that the use of this practice in a West Virginia county had caused one taxpayer's property to be assessed "at roughly 8 to 35 times more than the comparable neighboring property, and [that] these discrepancies . . . continued for more than 10 years with little change."[23] In that case, the Court held that the assessments violated the Equal Protection Clause of the U.S. Constitution. This practice of imposing high assessments on new purchasers of property was known as the "welcome stranger" rule, so-called because a "stranger" purchasing a property in an arms-length transaction would pay disproportionately high taxes and would thus be "welcomed" by the established residents.[24]

OPAO's newly implemented mass appraisal system can meet LTC's standards for accuracy without using sales chasing. Our analysis of sales ratios in Orleans Parish indicates that OPAO's mass appraisal system is capable of producing appraised fair market values within the acceptable ranges for appraisal level, variability, and vertical equity. This was true using sales that occurred before OPAO finalized the tax rolls, as well as using sales that occurred after September 15. Thus, while using sales prices may arguably help OPAO to more accurately appraise recently sold properties, OPAO's current mass appraisal system is accurate enough that it should not be necessary to use an individual property's sales price as a source of value. This is a marked improvement from our 2020 audit, at which time we noted that OPAO's system appeared to exceed IAAO's acceptable range for

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[21] The parishes cited were Acadia, Allen, Bossier, Caldwell, Concordia, DeSoto, East Baton Rouge, East Feliciana, Evangeline, Franklin, Grant, Iberville, Jefferson, Jefferson Davis, Lafayette, Natchitoches, Orleans, Rapides, Red River, Richland, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Landry, St. Mary, Vernon, and Winn.
[22] Bureau of Governmental Research, *Assessing the Assessor: Progress on Property Assessment Reform in New Orleans*, November 19, 2019. "Assessor Must Act to Ensure Fair Property Valuations," July 9, 2020.
[23] *Allegheny-Pittsburgh Coal Co. v. County Comm'n*, 488 U.S. 336 (1989).
[24] Handler, Michael (1990). "Goodbye to the Welcome Stranger Rule," *4. Prob. & Prop. 13*.

variability using a post-dated sample of sales. More importantly, even if sales chasing results in more accurate values for sold properties, the practice violates LTC regulations and results in disparate treatment of recent purchasers versus existing owners.

> **Recommendation 1:** The Orleans Parish Assessor's Office should refrain from sales chasing or using the sales price of an individual property as the sole basis for an appraisal of the property's fair market value.
>
> **Summary of Management Response:** OPAO disagrees with this recommendation. According to OPAO, there is no better indicator of fair market value than a verified, arm's-length transaction. The higher value of properties recently in commerce is corroborated by the extensive work done by OPAO's sales validation department and is a necessary adjustment to ensure fairness, accuracy, and to help account for changes in a property's character. This addresses the impact of gentrification and provides a layer of insulation to protect our culture and community members. In no instance is the sales price of a property the sole variable used to determine a property's fair market value. See Appendix A for the complete response.
>
> **LLA Additional Comments**: LTC rules prohibit the use of sales chasing. As a result, changes to LTC rules (and potentially other areas of state law) would be necessary to permit the assessor to use sales chasing.

AREA FOR FURTHER STUDY: SHORT-TERM RENTAL PROPERTIES

We estimate that single or two-family residential properties with short-term rental permits generally sell for 19.0% more than comparable, long-term rentals or owner-occupied houses, but LTC does not require assessors to account for short-term rental status, and OPAO does not value properties with short-term rental permits higher than comparable properties without such permits. LTC has not promulgated rules for assessors to use in assessing short-term rental properties, such as those listed through services like Airbnb, but LTC did issue a statewide advisory in July 2023 seeking proposals and recommendations for rulemaking on this topic.[25] An important question is whether short-term rentals should be classified as commercial property, which would have two important results, both of which would increase their property tax burden:

- Commercial buildings are assessed at 15% of fair market value, instead of the 10% assessment level used for residential buildings.
- Personal property[26] used in short-term rentals, such as furniture and appliances, could also become taxable in short-term rental units classified as commercial property assessed at 15% of fair market value.

Additional guidance on assessment practices for short-term rentals could help ensure that owners of short-term rentals, long-term rentals, and owner-occupied housing are assessed uniformly and pay their fair share of property taxes. OPAO's assessments for tax year 2024 do not separately assess single-family or two-family residential properties used for short-term rentals versus those used for owner-occupancy or long-term rentals. Furthermore, OPAO does not exclude sales of short-term rental properties from consideration in its mass appraisal model for residential properties. According to LTC, this is allowed and within OPAO's discretion under current LTC rules. LTC officials agreed that further study of and rulemaking on short-term rental assessment practices could be beneficial. LTC plans to conduct public hearings in 2024 regarding short-term rentals to provide guidance to assessors regarding the proper valuation and assessment of these properties, both movable and immovable.

[25] LTC Statewide Advisory 01-2023, "Re: Assessment of Properties used as Short-Term Rentals." URL: https://www.latax.state.la.us/Menu_Legal/StateAdvFiles/571123125734LTC%20Advisory%2001-2023%20re%20Short-Term%20Rentals.pdf

[26] Personal property in this context refers to movable property not permanently affixed to land, as opposed to property owned by an individual for his or her personal use. See R.S. 47:2322(E).

APPENDIX A: MANAGEMENT'S RESPONSE

ORLEANS PARISH ASSESSOR'S OFFICE
ERROLL G. WILLIAMS, ASSESSOR

1300 Perdido Street | City Hall-Room 4E01 | New Orleans, Louisiana 70112

December 19, 2023

Mr. Michael Waguespack, CPA
Legislative Auditor
Louisiana Legislative Auditor's Office
P.O. Box 94397
Baton Rouge, La. 70804-9397

RE: Response to the LLA Informational Report on the Orleans Parish Assessor's Office

Dear Mr. Waguespack:

We appreciate the diligence and thoroughness with which the Louisiana Legislative Auditor has conducted the recent assessment review. Your commitment to ensuring transparency and fairness in the assessment process is commendable and in line with our mission.

Upon review of the report, the significant findings can be summarized as follows:

1. Overall, the assessments determined by the Orleans Parish Assessor's Office are accurate pass all measures for accuracy and consistency established by the International Association of Assessing Officers and the Louisiana Tax Commission.
2. Assessments in aggregate are lower than market values.
3. In general, properties owned by long-term residents are assessed at lower levels than those of new homebuyers.

We do not dispute these findings and maintain our position that recently sold properties tend to be more valuable than those that did not. This is corroborated by the auditor's own finding that the Orleans Parish Assessor's Office appraisals are 16.5 percent lower than the average sales price.

The premium placed on recently sold properties is a necessary adjustment to ensure fairness, accuracy, and to help account for changes in a property's character. Incidentally, this not only reflects the buyers' willingness and ability to pay a higher price, but it also serves as a measure to mitigate market volatility for long-term residents. By recognizing the true value of recently sold properties, our model addresses the impact of gentrification on the real estate market while providing a layer of insulation to protect our culture and community members.

Sales data provides a wealth of information on the subject property we often would not otherwise have: interior photographs, updated square footage, and a clearer picture of make

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and condition. These factors all contribute to a more accurate determination of value, and we would be foolish not to take all available information into account.
The higher value of properties recently in commerce is further corroborated by the extensive work done by our sales validation department, whose primary objective is to quantify the market's effect on newly bought properties and the extent to which renovations and additions contributed to their increased value. This is a critical aspect that we have considered in our assessment methodology versus property which has not sold in a respective neighborhood.

Moreover, we recognize the importance of transparency and accountability to the residents of New Orleans. For 12 years we have listed the sales prices of each property on our website. We are one of if not the only office if the state to do so. This has been and continues to be an important step toward disclosing to the public relevant information and ensuring that our assessment process is accountable and open to scrutiny. We are committed to fostering trust through transparency and welcome any feedback from the public regarding our practices.

Thank you for your attention to this matter.

Sincerely,

Erroll G. Williams

Erroll G. Williams, Assessor
Parish of Orleans

EGW:wn

MICHAEL J. "MIKE" WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

Agency: Orleans Parish Assessor's Office

Audit Title: Tax Year 2024 Quadrennial Reappraisal

Audit Report Number: 42230002

Instructions to Audited Agency: Please fill in the information below for each recommendation. A summary of your response for each recommendation will be included in the body of the report. The entire text of your response will be included as an appendix to the audit report.

Finding 2: While OPAO did not over- or under-value properties in the aggregate, we found that OPAO likely used the LTC-prohibited practice of sales chasing for tax year 2024, which causes recently sold properties to be overvalued relative to properties that were not recently sold. For the owners of the 3,803 single-family and two-family houses that were likely sales chased, this meant that their assessed values were 13.3% higher than those of similar properties without recent sales, equating to $593 in extra taxes per house.
Recommendation 1: The Orleans Parish Assessor's Office should refrain from sales chasing or using the sales price of an individual property as the sole basis for an appraisal of the property's fair market value.
Does Agency Agree with Recommendation? ☐ Agree ☒ Disagree
Agency Contact Responsible for Recommendation:
Name/Title: Erroll G. Williams
Address: 1300 Perdido Street, Room 4E01
City, State, Zip: New Orleans, LA 70112
Phone Number: (504)754-8811
Email: opba3md@bellsouth.net

The Orleans Parish Assessor's Office primary responsibility is to determine the fair market value of taxable property in our jurisdiction.

There is no better indicator of fair market value than a verified, arm's length transaction. We use this verified sales data as the cornerstone of our Computer Assisted Mass Appraisal system to develop a model to accurately and equitably establish assessed values in geographically defined areas. When sales information is obtained, it is given the proper weight and consideration along with the other variables used to determine estimated fair market values in a respective neighborhood.

In no instance is the sales price of a property the sole variable used to determine a property's estimated fair market value. Assessment practices can be misconstrued as sales chasing depending on how data is presented and for what purpose. However, as assessor I must always be cognizant that state law requires all residential property to be valued uniformly at 10 percent of its estimated fair market value.

APPENDIX B: SCOPE AND METHODOLOGY

This report provides information based on our review of assessments of real property prepared by the Orleans Parish Assessor's Office (OPAO) for tax year 2024. We conducted this review in response to the New Orleans City Council's resolution R. 23-342. Our objective was:

To evaluate the Orleans Parish Assessor's Office's 2024 quadrennial reappraisal for compliance with state law and International Association of Assessing Officers standards.

Informational reports are intended to provide more timely information than standards-based performance audits. While these informational reports do not follow *Government Auditing Standards*, we conduct quality assurance activities to ensure the information presented is accurate.

To answer our objective, we performed the following steps:

- Obtained information on best practices in mass appraisal, property assessment, and conducting ratio studies from the website of the International Association of Assessing Officers (IAAO).

- Researched relevant provisions in the Louisiana Constitution, Revised Statutes, and Administrative Code pertaining to ad valorem tax.

- Obtained a copy of OPAO's assessment rolls for tax years 2020 through 2024, along with validated sales used in the development of the mass appraisal model and codebooks for various codes assigned to each property, and a cadastral map of all parcel boundaries in a geographic information systems shapefile format.

    - In consultation with the Louisiana Tax Commission (LTC), we focused our analysis on specific classes of properties that would be reasonably homogeneous. For residential properties, we focused on detached single-family and two-family residences. For commercial properties, we focused on retail establishments, restaurants and bars, and office buildings with one or two stories. We also analyzed vacant land to follow up on the findings of our previous performance audit.

- Obtained data on sales prices and dates for parcels in Orleans Parish from validated sales provided by OPAO and from the multiple listing service (MLS) provided by the Gulf South Real Estate Information Network.

- OPAO's sales data were joined to the tax roll data based on unique parcel identifiers provided by OPAO in both datasets. MLS sales were merged to the tax roll by using street addresses. For two-family homes with two street addresses, imagery and legal descriptions were used to manually verify matches if the assessment roll used the address for one side and the MLS listing used the address for the other side. MLS sales were excluded if the property in the listing included multiple parcels, or in cases of condominiums that were described differently in MLS versus on the tax roll. Overall, for residential properties in MLS, we included 5,286 of 5,325 sales (99.3%) that closed from January 2022 through June 2023, and 790 of 805 sales (98.1%) that closed from July through October of 2023.
    - To validate this matching methodology and test the sensitivity of our results to matching on additional fields in the data, we also performed another iteration of the ratio study on a subset of the address-matched properties, specifically those that also had a discrepancy of less than 5% between the building area in OPAO's tax roll and the approximate living area in the MLS data. This did not impact our overall conclusions. Specifically, we obtained the following results for one or two-family residential properties in the 2024 tax rolls, using the interquartile method described below to trim outliers from the coefficient of dispersion calculation:
        - September 16, 2022 through September 15, 2023: Median appraisal ratio 97.3% based on 1,550 sales; coefficient of dispersion 6.0% based on 1,347 sales.
        - September 16, 2023 through October 18, 2023: Median appraisal ratio 92.9% based on 101 sales; coefficient of dispersion 16.2% based on 95 sales.
- Sales for less than $10,000 were excluded out of concern that they were not representative of typical properties and may reflect extremely damaged properties, related-party transactions, or instances in which the full sales price was not disclosed.
- Mortgage points paid by sellers were subtracted from the close price to obtain an adjusted sales price if the points were included as a dollar amount. When the points paid by seller amount in MLS was less than 10, we assumed that these were expressed as percentages of the loan amount and excluded

those sales because our data did not include the loan amount.

- Obtained short-term rental permit data from the City of New Orleans data portal, data.nola.gov. Short-term rentals were included if they had statuses of “Issued” or “Expired.” We merged short-term rentals to OPAO’s assessment rolls using the OPAO’s parcel shapefile and the latitude and longitude data included in the short-term rental permit data.

- Analyzed sales, appraised values, and sales ratios by calculating means, medians, coefficients of dispersion, and price-related biases.

    - Outliers were trimmed using the interquartile range method described by Tomberlin in “Trimming Outlier Ratios in Small Samples,” *Assessment Journal*, Vol. 8, No. 4 (2001), and in the IAAO’s Standard on Ratio Studies (2013 Edition), Appendix B.

    - Sales prices were adjusted to January 1 of the appropriate quadrennial valuation date using a regression analysis with the log sales price per square foot as the dependent variable and indicator variables for each calendar quarter, controlling for building area and land area and including fixed effects for building condition, building grade, and neighborhood. Specifically, sales prices were multiplied by the coefficients shown in Exhibit B.1 below to adjust them to January 1, 2023.

- Obtained residential property tax appeals counts by parish from LTC for tax years 2019 through 2022 (2020 through 2023 in Orleans Parish). Orleans Parish accounted for 1,505 of the 1,538 residential appeals (98%) handled by LTC statewide for the past four tax years, despite accounting for only 8% of the state’s population. OPAO officials noted that they encourage taxpayers to file appeals if they disagree with their assessment.

- Obtained anticipated millage rates for tax year 2024 from the OPAO. Anticipated rates were 132.42 mills for the East Bank, and 132.43 mills on the West Bank. Of this total, 9.29 mills to support police and fire were not subject to the homestead exemption and would apply to the full assessed value of owner-occupied property. OPAO anticipated that the Orleans Parish School Board would vote for a roll-forward at its January 18, 2024 meeting.

Exhibit B.1 Sales Adjustment Factors to Adjust to January 1, 2023			
Calendar Year	**Quarter**	**Residential, 1-2 Family Detached Housing**	**Commercial, Restaurants, Bars, 1-2 Story Offices, Retail**
2022	3	0.958	1
2022	4	0.986	1
2023	1	1.000	1
2023	2	0.946	1
2023	3	0.960	1
2023	4	0.988	n.a.

Note: Sales prices occurring during the year and quarter specified above are multiplied by the factor indicated to adjust the sale to the January 1, 2023 valuation date. Because there were fewer commercial sales, we did not estimate quarterly adjustment factors for commercial sales.
Source: Prepared by legislative auditor's staff using information from OPAO and the Gulf South Real Estate Information Network multiple listing service.

- For Exhibit 2, the weighted average sales price was computed using inverse-probability weights to adjust for composition effects that would occur if different types of properties sell in different years so that the weighted average sales price would be representative of the overall trend in property values parish-wide. Specifically, we used a logistic regression to estimate the probability that each property in the parish would sell, using building area, land area, and neighborhood, along with condition and grade if available, as regressors. Separate regressions were used for each property class and year. These logistic regressions were then used to estimate the probability that each parcel would sell, and the weights were calculated as the multiplicative inverse of these probabilities.

- Tested for sales chasing using the five sales chasing detection techniques provided in Appendix E of the IAAO's 2013 Standard on Ratio Studies. The results of each technique are shown in Exhibit 6. Based on this, we identified unusually high concentrations of parcels appraised at 90.0%, 92.0%, 95.0%, or 100.0% of the sales price when rounded the nearest tenth of a percent, and we also noted that appraised values were higher per unit of building area and had larger increases for sold properties than for comparable unsold properties, all likely indications of sales chasing.

- Met with the LTC to obtain feedback on our proposed methodology and results and incorporated their feedback throughout this report.

APPENDIX C: FOLLOW UP TO 2020 PERFORMANCE AUDIT

Exhibit C.1 contains a summary of each of the recommendations contained in our March 2020 performance audit titled "Analysis of Residential and Commercial Property Appraisals in Orleans Parish for Tax Year 2020," audit control number 40190022. The left column contains each of the original recommendations, and the right column includes our observations based on our current review of OPAO's assessments.

Exhibit C.1 Status of Recommendations in March 2020 Performance Audit	
Original Recommendation	**Current Status As of December 2023**
Recommendation 1: The Orleans Assessor should reappraise all properties in Orleans Parish according to LTC's quadrennial reappraisal rule unless and until the rule is invalidated by legislation or a court ruling that would apply to the Orleans Assessor.	**Implemented.** OPAO's system indicates that 99.99% of taxable properties were reappraised during the tax year 2024 reassessment.
Recommendation 2: The Orleans Assessor should ensure its mass appraisal system for valuing all properties in the parish is accurate and reliable.	**Implemented.** Tax year 2024 is the first year that OPAO has used its new mass appraisal system parish-wide, and appraisals now appear to be more accurate. We noted that overall appraisal levels, variability, and vertical equity were within LTC and IAAO guidelines for the 2024 tax year.
Recommendation 3: The Orleans Assessor should continue to update its appraisal system to produce appraisal levels in line with the real estate market in Orleans Parish.	**Implemented.** As noted previously, overall appraisal levels, variability, and vertical equity were within LTC and IAAO guidelines for the 2024 tax year.

Recommendation 4: The Orleans Assessor should consider accounting for additional factors in its mass appraisal system such as accounting for construction year to obtain more accurate appraisals.	**Implementation in progress.** OPAO showed us that their mass appraisal system does capture additional data points for some properties. However, OPAO's new mass appraisal system is more accurate and now meets LTC standards for accuracy, which reduces the need for capturing additional data points about each property.
Recommendation 5: The Orleans Assessor should ensure its mass appraisal system's COD [coefficient of dispersion] for sales ratios in Orleans Parish is less than 15[%], as recommended by IAAO. This would help ensure the variability level of residential appraisals is fair and accurate for all property owners.	**Implementation in progress.** Our analysis of sales ratios for tax year 2024 shows a COD of 6.0% using the pre-dated sample, or 17.6% using the post-dated sample. Both samples were less than the COD of 20% identified in our 2020 report, and less than LTC's threshold of 20%. As a result, we determined that OPAO had addressed this finding, although further efforts by OPAO to refine its appraisal model could still be beneficial.
Recommendation 6: The Orleans Assessor should work with LTC to determine the most accurate methodology for appraising vacant land so owners of properties with structures do not pay disproportionately more in taxes than vacant land owners, and vice-versa.	**Implementation in progress.** OPAO's median sales ratio for residential vacant land significantly increased from 37.6% in tax year 2020 to 83.4% in tax year 2024. This ratio is 8.3 percentage points less than the ratio for single-family and two-family residential parcels, but the difference in mean appraisal ratios for the two groups (excluding outliers using the interquartile method) was not statistically significant. As a result, we determined that the assessor had partially addressed this prior-year finding. There were not enough sales of vacant commercial parcels for us to evaluate commercial vacant land appraisals.

Recommendation 7: The Orleans Assessor should avoid using sales prices to appraise individual properties, as recommended by IAAO standards and required by LTC regulations.	**Not Implemented.** Our analysis indicates that OPAO continues to utilize sales chasing.
Source: Prepared by legislative auditor's staff.	

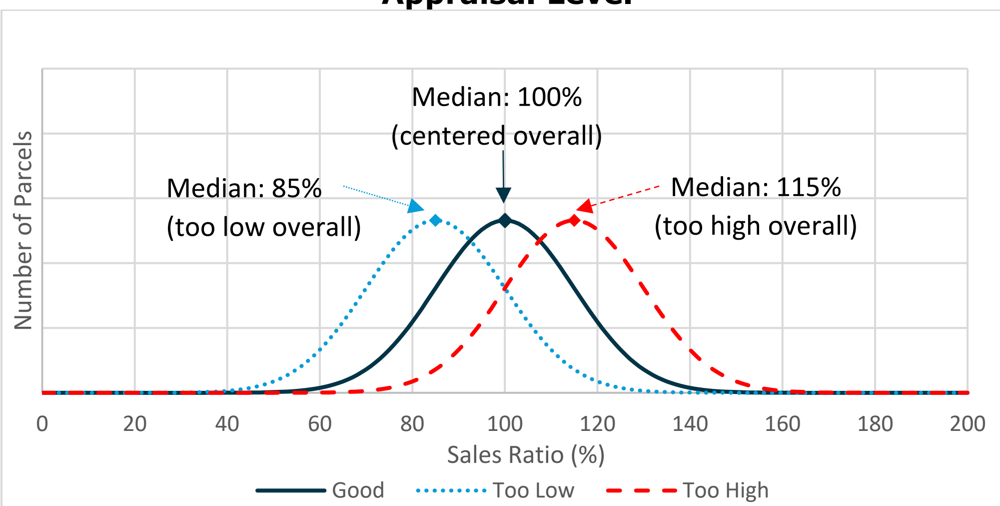
APPENDIX D: RATIO STUDY CONCEPTS

Overview. This appendix gives a description of the three key concepts tested in ratio studies as recommended by IAAO.

Appraisal level. This indicates whether the assessor's appraisals are too high or too low overall, or whether the distribution is generally centered on the independent estimates of fair market value.

- Statistic: Median sales ratio.
- Acceptable range: 90% to 110%, per R.S. 47:1837(B).

Exhibit D.1
Appraisal Level



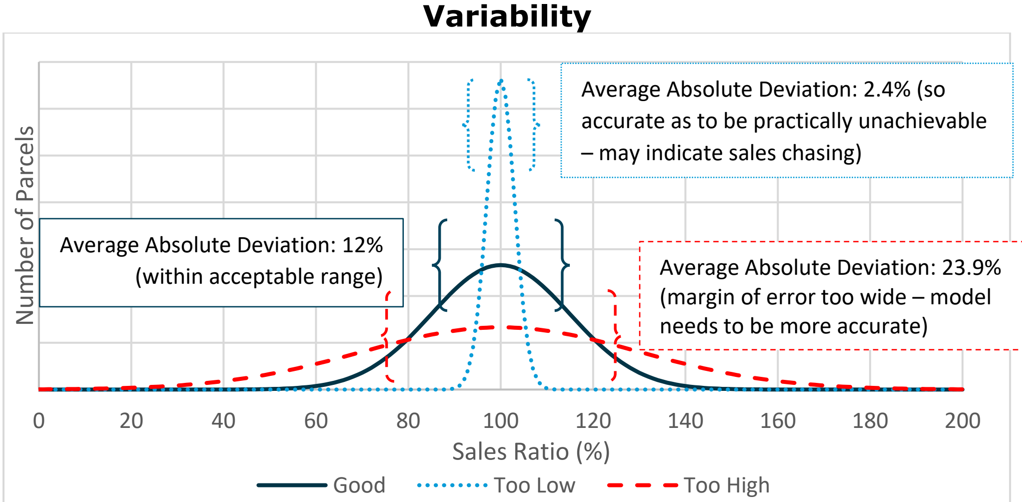
Source: Prepared by legislative auditor's staff based on formulas described by IAAO and simulated data for illustrative purposes.

Variability. This indicates whether the assessor's appraisals are consistently close to the same percentage of the independent estimates of fair market value. For example, if the vast majority of appraisals were between 95% and 105% of the independent estimates of fair market value, this would indicate low variability. However, it is possible to have low variability even if the appraisal level is too high or too low overall, as long as appraised values are consistently near the same percentage of fair market value. In other words, low variability could also be achieved if the vast majority of appraisals were between 105% and 115% of fair market value. In general, lower variability is desirable.

- Statistic: Coefficient of dispersion of the sales ratios. This calculation has two steps. The first is to calculate the average absolute deviation of each sales ratio from the median sales ratio, excluding outliers. The next step is to divide the average absolute deviation by the median sales ratio. This quotient is the coefficient of dispersion.

- Acceptable Range: Per IAAO, this depends on the jurisdiction and class of property. For improved residential properties, IAAO recommends the following:
    - Jurisdictions that are very large, are densely populated, have new properties, or have active markets: 10%.
    - Jurisdictions that are large to mid-sized, have older and newer properties, or have less active markets: 15%.
    - Jurisdictions that are rural or small, have older properties, or have depressed markets: 20%.
    - In addition, coefficients of 5% or less are seen by many appraisers as unachievable and may indicate sales chasing.

Exhibit D.2
Variability



Vertical equity. This indicates whether high-value properties and low-value properties are generally assessed at the same percentage of fair market value. For example, if an assessor overvalued high-value properties and undervalued low-value properties, this would result in progressivity. The opposite scenario would be regressivity. Louisiana law does not provide for progressivity or regressivity in determinations of fair market value,[27] and the IAAO[28] states that appraisals made for tax purposes should be neither regressive nor progressive.

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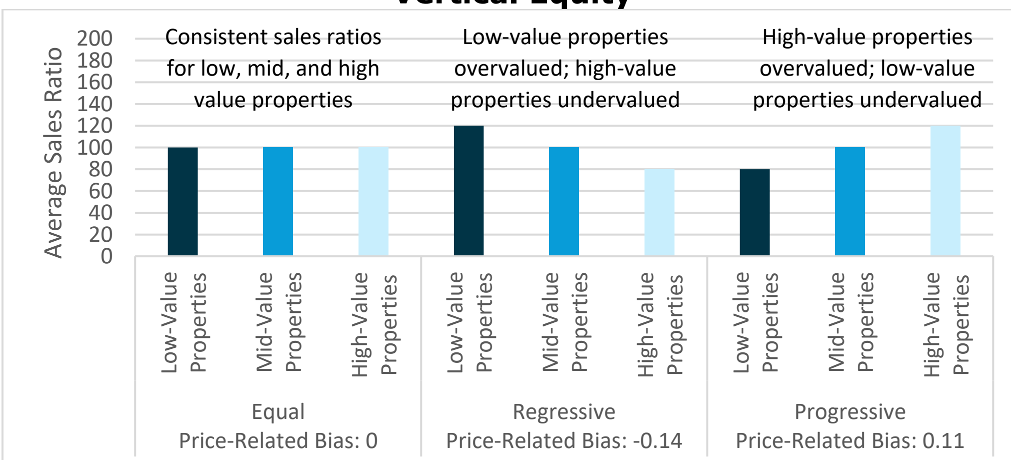
[27] Louisiana's property tax law does contain some provisions, such as the homestead exemption (La. Const. Art. VII § 20) or the income limit for the special assessment level (La. Const. Art. VII § 19(G)(1)(a)(2)), that have a progressive effect on the tax burden for homeowners. However, these provisions apply after the assessor has made an accurate determination of fair market value.
[28] International Association of Assessing Officers, *Standard on Ratio Studies*, approved April 2013, p. 14.

- Statistic: Price-related bias. This essentially measures the degree of correlation between sales ratios and property values. It is obtained by regressing normalized sales ratios on the natural logarithm of property values. The formula is described in detail in the IAAO's 2013 Standard on Ratio Studies, Appendix D.

- Acceptable Range: Between -0.1 and 0.1. Values statistically significantly below -0.1 (i.e., the upper bound on the 95% confidence interval is less than -0.1) indicate regressivity, while values statistically significantly above 0.1 indicate progressivity.

Exhibit D.3
Vertical Equity



APPENDIX E: RATIO STUDY RESULTS

The following exhibits summarize the results of our ratio study by class of property.

Exhibit E.1 Single-Family and Two-Family Residential Real Property					
Sample	**Measurement**	**IAAO Recommended Range**	**Statistic**	**No. Parcels**	**Result**
Pre-Dated Sample 9/16/22-9/15/23	Median Sales Ratio	90% to 110%	97.3%	2,432	Pass
	Coefficient of Dispersion	5% to 20%	6.0%	2,101	Pass
	Price-Related Bias	-0.10 to 0.10	-0.002	2,101	Pass
Pre-Dated Sample 9/16/22-9/15/23 (Excluding Potentially Sales-Chased Properties)	Median Sales Ratio	90% to 110%	98.7%	1,579	Pass
	Coefficient of Dispersion	5% to 20%	10.8%	1,395	Pass
	Price-Related Bias	-0.10 to 0.10	-0.010	1,395	Pass
Post-dated Sample 9/16/23-10/18/23	Median Sales Ratio	90% to 110%	91.6%	160	Pass
	Coefficient of Dispersion	5% to 20%	17.6%	148	Pass
	Price-Related Bias	-0.10 to 0.10	0.000	148	Pass
Note: All residential sales prices were adjusted to January 1, 2023 using the time-adjustment factors shown in Exhibit B.1. **Source:** Prepared by legislative auditor's staff using information from OPAO and the Gulf South Real Estate Information Network multiple listing service.					

Exhibit E.2 Commercial Property Retail, Restaurants, Bars, and 1-2 Story Office Buildings					
Sample	**Measurement**	**IAAO Recommended Range**	**Statistic**	**No. Parcels**	**Result**
Pre-Dated Sample 9/16/22-9/15/23	Median Sales Ratio	90% to 110%	92.0%	18	Pass
	Coefficient of Dispersion	5% to 20%	5.2%	15	Pass
	Price-Related Bias	-0.10 to 0.10	0.014	15	Pass
Pre-Dated Sample 9/16/22-9/15/23 (Excluding Potentially Sales-Chased Properties)	Median Sales Ratio	90% to 110%	103.0%	11	Pass
	Coefficient of Dispersion	5% to 20%	8.8%	9	Pass
	Price-Related Bias	-0.10 to 0.10	0.004	9	Pass
Post-dated Sample 9/16/23-10/18/23	Median Sales Ratio	90% to 110%	n.a.	2	Not enough sales
	Coefficient of Dispersion	5% to 20%	n.a.	2	Not enough sales
	Price-Related Bias	-0.10 to 0.10	n.a.	2	Not enough sales

Source: Prepared by legislative auditor's staff using information from OPAO and the Gulf South Real Estate Information Network multiple listing service.