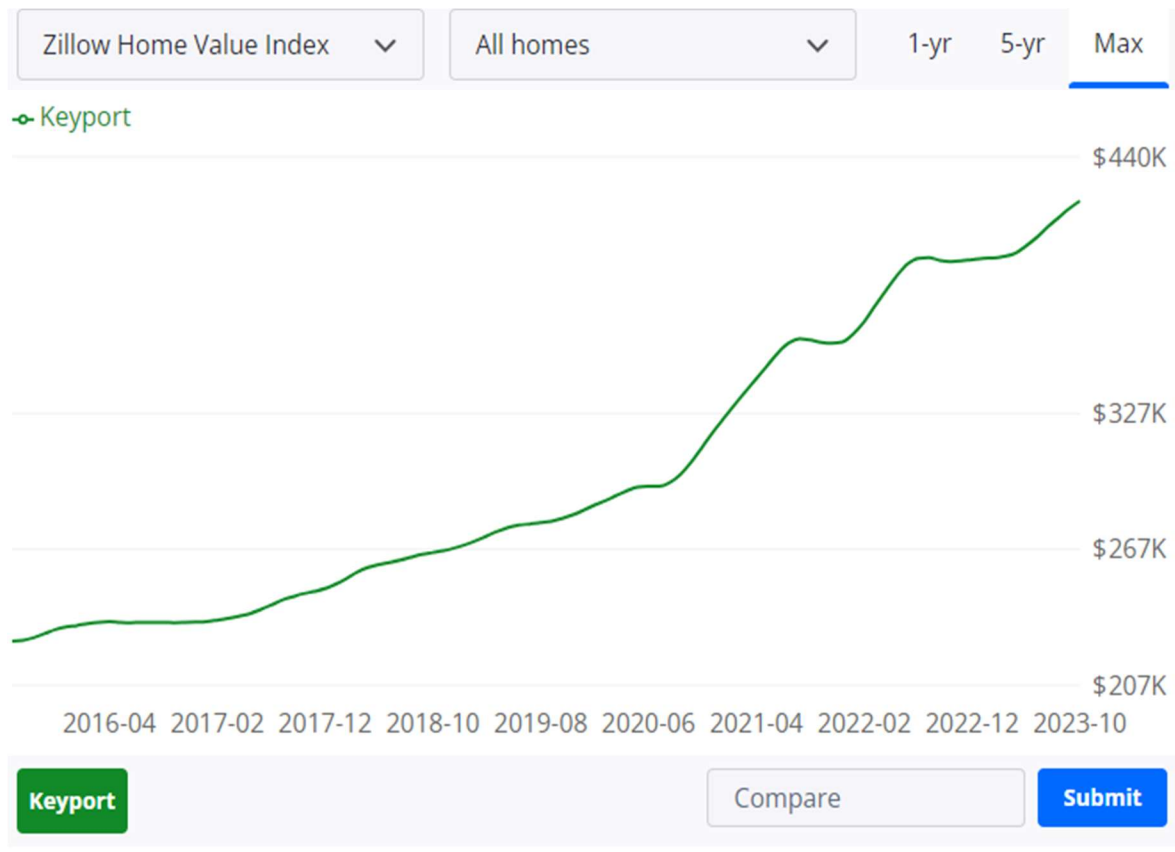


# BOROUGH OF KEYPORT

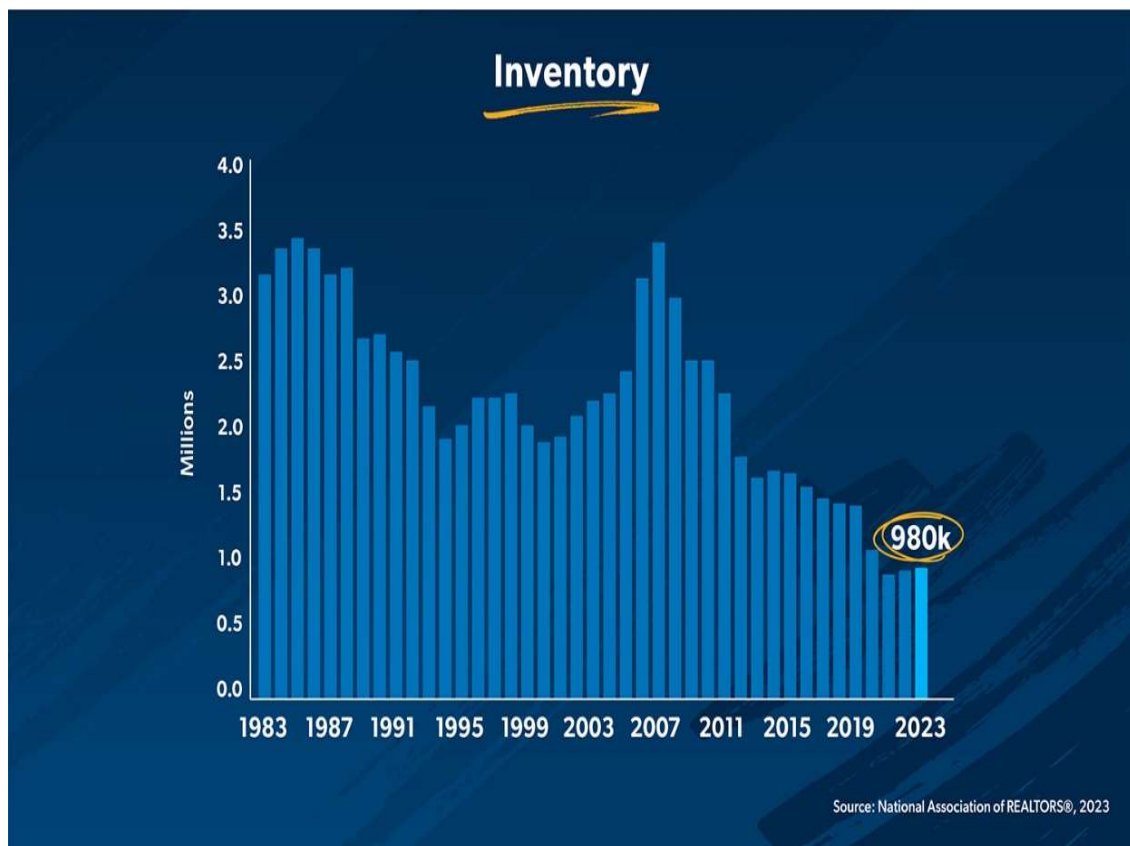
## 2024 REASSESSMENT REPORT

### Introduction

As we approach 2024 the real estate market continues to thrive despite sharp increases in mortgage rates. Limited housing stock has continued to reinforce home values. According to the Zillow home value index, the average home value for the Borough of Keyport is \$420,902. **Because the New Jersey constitution mandates the distribution of annual tax levies based on market value**, the importance of a reassessment is greatly magnified by market volatility. Reassessment districts will be able to keep up with the market and thus distribute the tax levy more fairly and proportionally through market value assessments, while the non-reassessment districts ability to accurately distribute the tax levy will be greatly compromised.



Having more buyers than sellers in the market has helped sustain strong pricing by creating competition over homes. With housing inventory at a historical scarcity, buyers in the market have very little leverage. It has become quite the norm to see multiple offers on a home inevitably drive the price up and over original list pricing. A more robust housing inventory would decrease that competition as buyers would simply move on to another available property instead of engaging in bidding wars. But as seen in the below graph from the National Association of Realtors, national housing stock remains depleted.

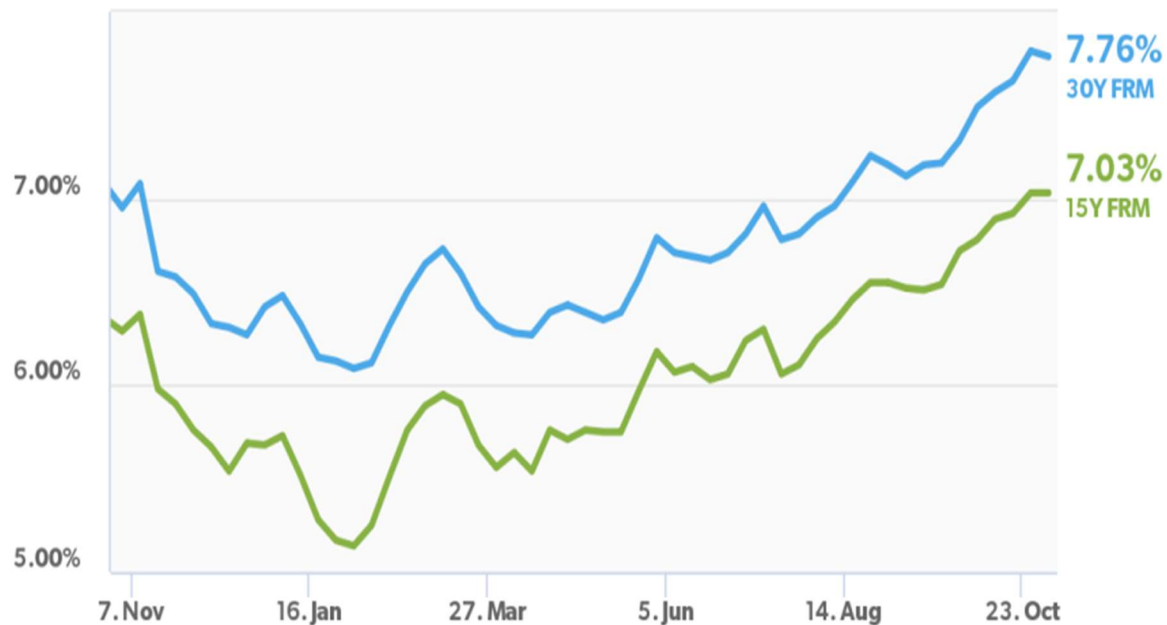


Early 2023 interest rates decreased marginally before steadily ascending throughout the remainder of the year. As noted previously, home prices have remained counterintuitively high despite the higher mortgage rates. According to the Freddie Mac mortgage survey, as of 11/2/2023 the average 30-year mortgage clocked in at 7.76%.



## Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 11/02/2023

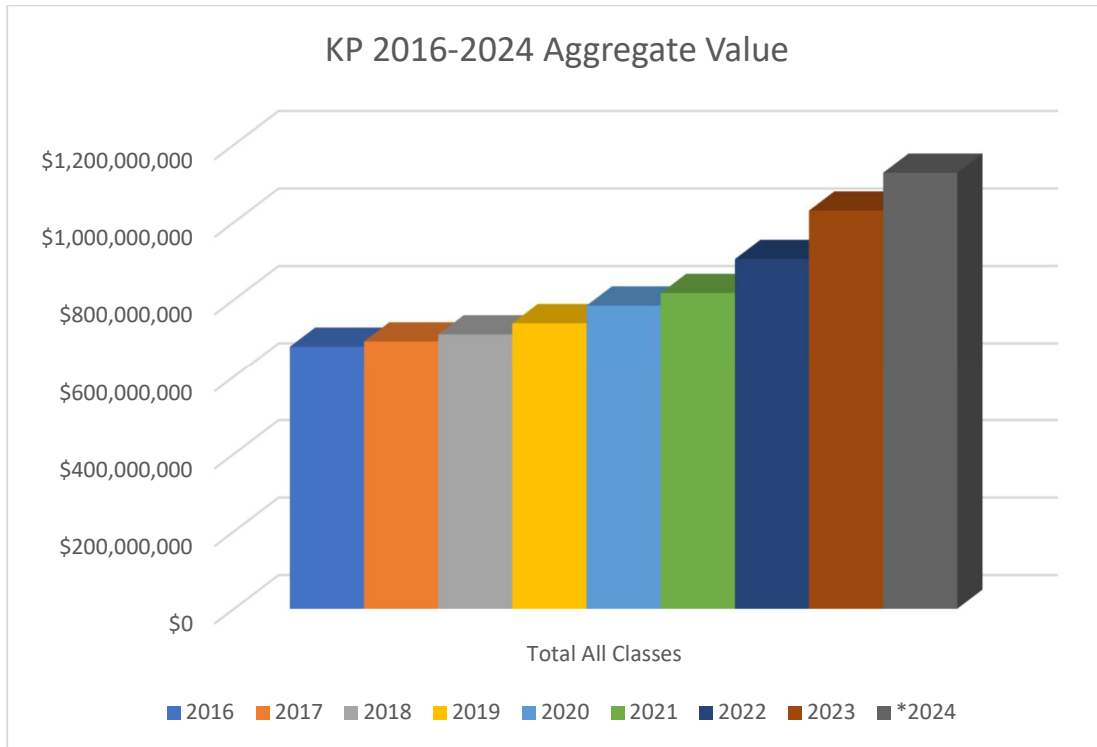


### Annual Reassessment

The New Jersey constitution requires annual tax levies to be distributed based on market value. Contrary to popular belief, property assessments do not generate taxes. They simply *distribute* them. The sum amount to be raised through taxation is called the total tax levy. The total tax levy is comprised of multiple components including the school, county, and municipal levies. The goal of the assessment function is to distribute the tax levy equitably among the taxpayers. Simply put, if a property is worth 1% of the aggregate municipal value then it should be responsible for paying 1% of the total tax levy.

Through the 2024 reassessment, changes to the global assessment modeling were made to target market value. Adjustments were also made to individual properties, neighborhoods and submarkets to refine assessment accuracy. By revising to 100% of market value through annual reassessment, statistical measurements are more accurate and reliable, which means that tax distribution is fair and equitable.

For 2024, the total aggregate value for the Borough of Keyport is **9.46%** higher than it was for 2023.



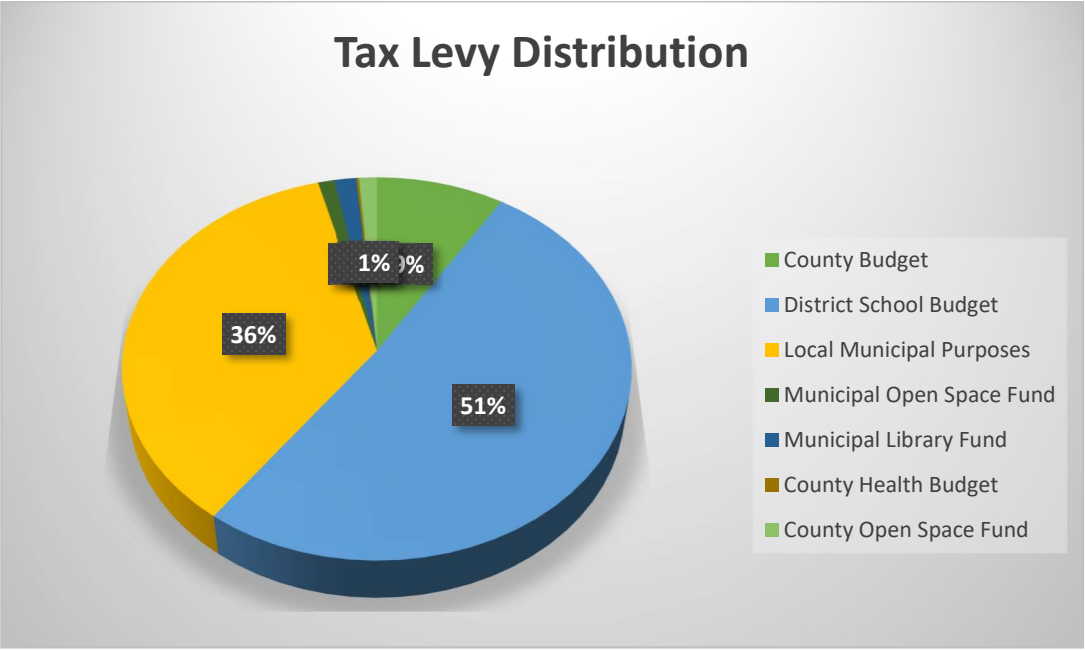
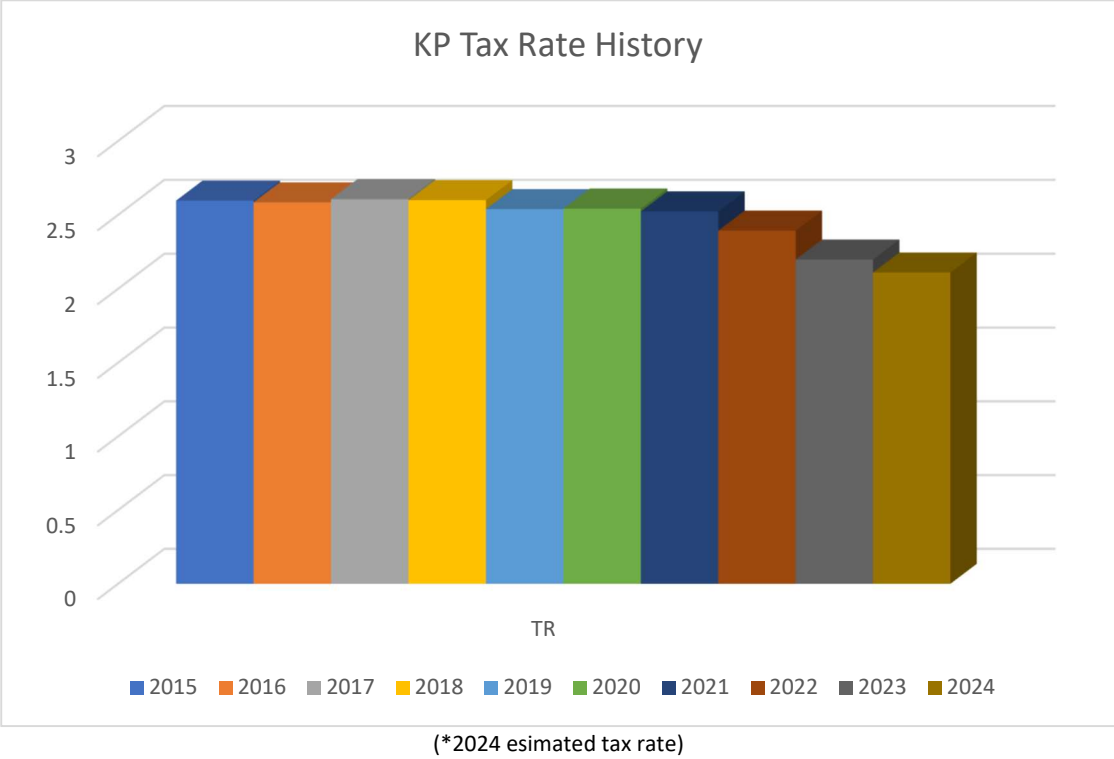
(\*2024 preliminary value)

## **Tax Rate and Tax Levy**

In New Jersey, property taxes are collected to satisfy the tax levy. The overall levy itself is comprised of several individual levies including Municipal, County, and School components. The amount to be collected will equal the amount needed to satisfy each levy. There is no over collection or additional revenue created by the collection of property taxes. The tax rate is derived by dividing the total tax levy by the net taxable value of the municipality. Thus, the 2023 tax rate was derived as such:

$$\text{(Total Levy) } \$22,636,105 / \text{(Net Taxable Value) } \$1,029,850,098 = 2.198 \text{ (2023 Tax Rate)}$$

The net taxable value of a municipality and the tax rate have an inverse relationship so long as the percent increase to the municipal aggregate value is greater than the percent increase to the overall tax levy.



## 2023 Tax Rate Certification

The 2023 Tax Rate Certification can be seen below. The sum of each individualized levy equals the total tax levy. The total tax levy is then distributed as property taxes to be paid by the taxpayers of the municipality.

2023 Tax Levy	Amount	Rate	Percent
County Budget	\$2,008,229	0.195	8.87%
County Library Budget	\$0	0.000	0.00%
District School Budget	\$11,598,512	1.126	51.24%
Regional School Budget	\$0	0.000	0.00%
Local Municipal Purposes	\$8,103,719	0.787	35.80%
Municipal Open Space Fund	\$257,462	0.025	1.14%
Municipal Library Fund	\$342,540	0.033	1.51%
County Health Budget	\$39,999	0.004	0.18%
County Open Space Fund	\$284,516	0.028	1.26%
<b>Total Tax Levy Upon Which Tax Rate is Computed</b>	<b>\$22,634,977.79</b>	<b>2.198</b>	<b>100.00%</b>
Yield from 2.394	\$22,636,105		
Total to be Raised	\$22,634,978		
Excess	\$1,127		
<b>Net Valuation Taxable</b>	<b>\$1,029,850,098</b>		

## Tax Levy Comparison 2022-2023

The degree of year to year change to each levy will have an impact on the overall tax rate. If the overall levy increased by 5% and the aggregate value of the Borough increased by 5%, the tax rate would be expected to remain flat or relatively unchanged from the prior year.

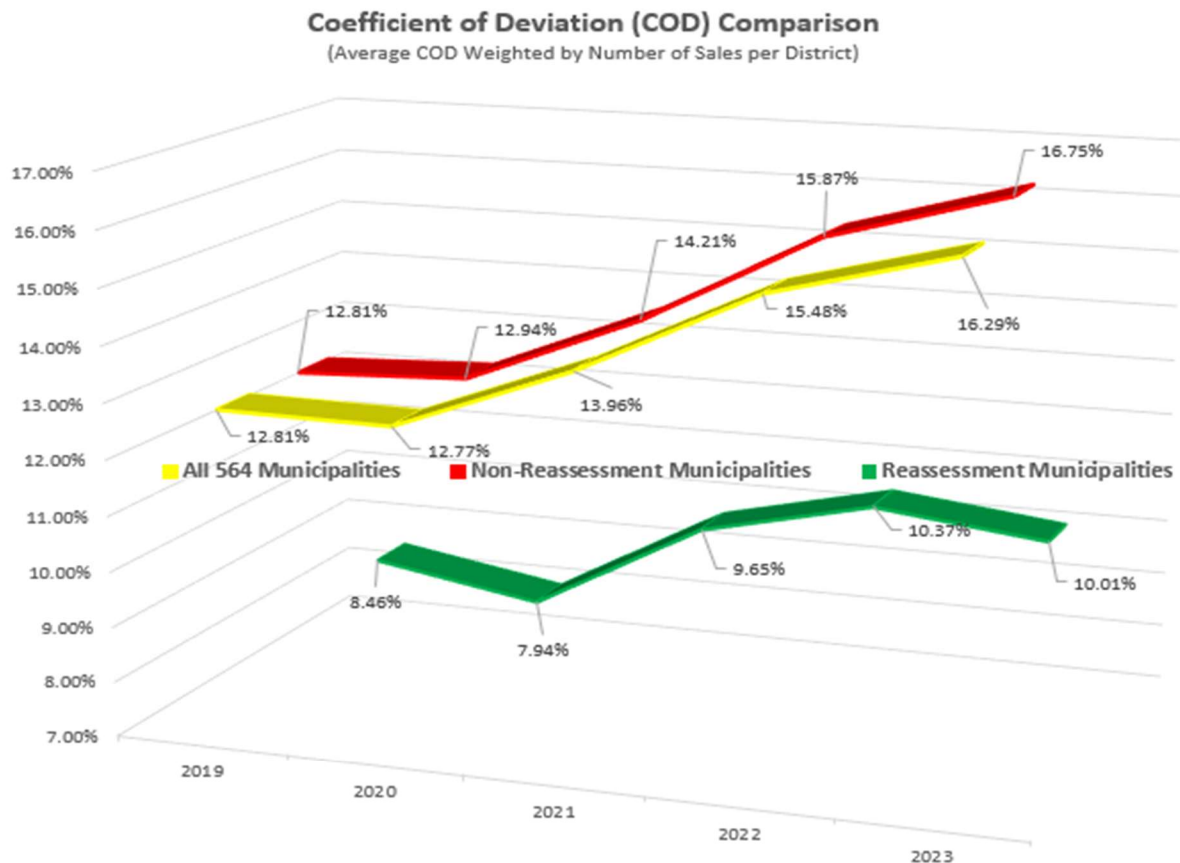
<b>Component</b>	<b>2022</b>	<b>2023</b>	<b>22-23 Diff</b>	<b>22-23 % Diff</b>
County Budget	\$1,891,902	\$2,008,229	\$116,326	6.15%
County Library	\$0	\$0	\$0	
County Health	\$38,979	\$39,999	\$1,020	2.62%
County Open Space	\$245,145	\$284,516	\$39,371	16.06%
Local Municipal Purposes	\$7,653,269	\$8,103,719	\$450,450	5.89%
Municipal Open Space	\$227,487	\$257,462	\$29,975	13.18%
Municipal Library	\$295,470	\$342,540	\$47,070	15.93%
District School	\$11,429,884	\$11,598,512	\$168,628	1.48%
Regional School	\$0	\$0	\$0	
<b>Total Tax Levy</b>	<b>\$21,782,137</b>	<b>\$22,634,978</b>	<b>\$852,841</b>	<b>3.92%</b>

### **Prior year (2023) Assessment Accuracy Reflection**

Each October, the NJ Division of Taxation conducts statistical studies which measure the accuracy of current year assessments. These studies could be considered the “assessor’s gradebook” for that year’s assessments and resulting tax distribution.

As anticipated, the dynamic and volatile market has affected assessment accuracy and market predictability statewide and beyond. It should be well understood that when markets are more volatile (up or down), assessment coefficients will statistically be higher.

While coefficients of deviation (CODs) will be higher in both; reassessment and non-reassessment districts, the fact remains that the reassessment districts are better suited to deal with this higher level of volatility. Coefficients in stagnant assessment districts will continue to deteriorate each year that assessment maintenance is ignored. On the other hand, reassessment districts can adjust assessments accordingly with the changing market. Municipalities that regularly reassess stand the best chance of providing their taxpayers the fairest level of tax distribution possible, even in the most difficult of times. It should be no surprise that municipalities that take proactive steps in maintaining fair tax distribution consistently outperform those that ignore taking such an initiative.



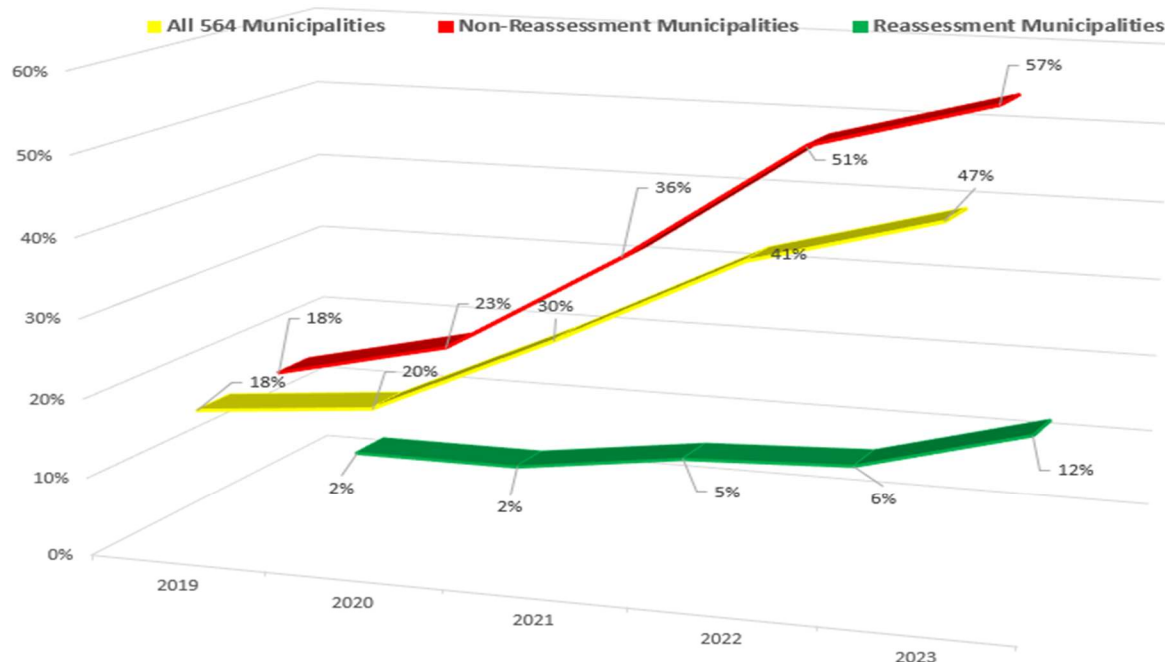
\*Reassessment Municipalities are the 83 districts that reassessed every year for the past five years

\*\*Non-Reassessment Municipalities are the 395 districts that have done no reassessments or revaluations in at least five years

For municipalities that do not take any proactive approach to maintaining tax distribution fairness, the trajectory is ominous. A coefficient of deviation above 15 signifies poor distribution of the tax levy. And a staggering 57% of non-reassessment municipalities sit above this critical threshold. Tax Distribution fairness in non-reassessment municipalities will be greatly compromised by the volatility of the market. Proactive municipalities are empowered to adapt annually to the market. And by doing so, they maintain a higher degree of accuracy in the subsequent assessments and tax bills.



### Percent of Group with a Coefficient of Deviation (COD) Over 15%

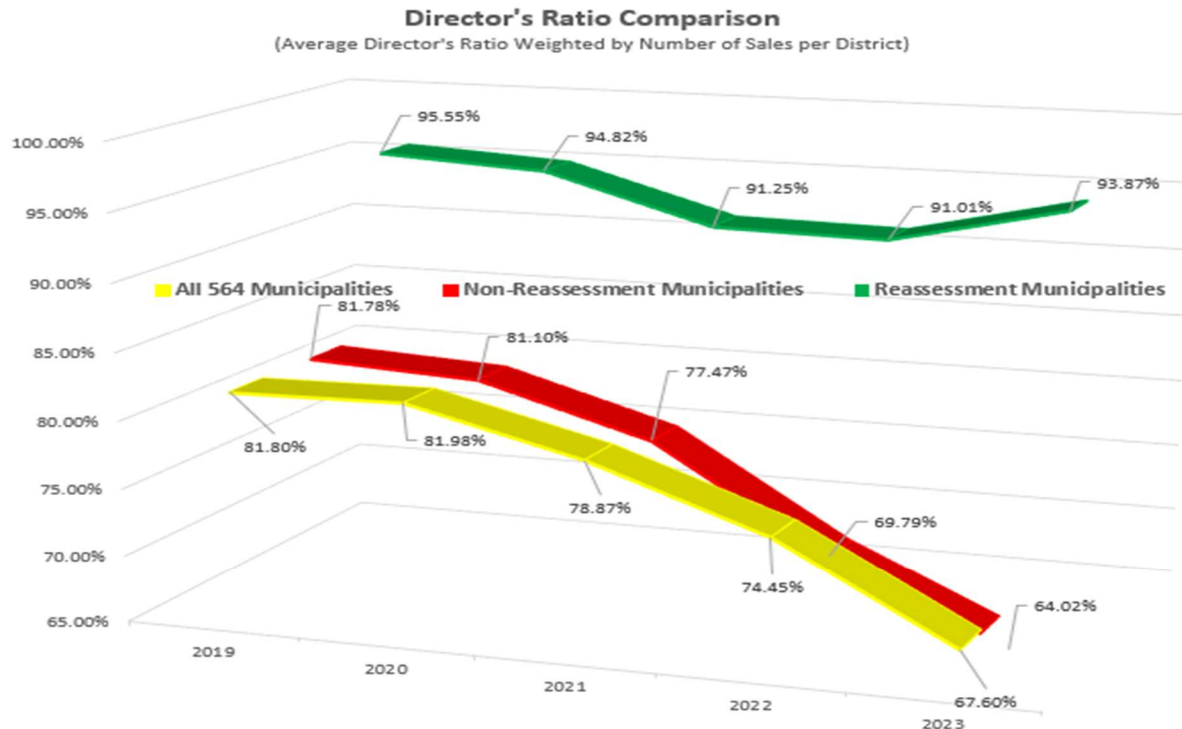


\*Reassessment Municipalities are the 83 districts that reassessed every year for the past five years

\*\*Non-Reassessment Municipalities are the 394 districts that have done no reassessments or revaluations in at least five years

## Director's Ratio

**The Borough of Keyport Director's Ratio for 2023 is 96.90%.** While the "Director's Ratio" is a complex calculation, this measurement is intended to express the typical relationship between assessments and sale prices in a given municipality. The sampling period used for the Director's Ratio contains sales that took place between January and June. It is then blended with the Director's Ratio from the prior year to stabilize shared levy impacts. With assessments being set during the pre-tax year (based on sales that took place during the prior two-year period), it is expected that ratios will be lower than 100% when markets are appreciating. The opposite would hold true for declining markets.



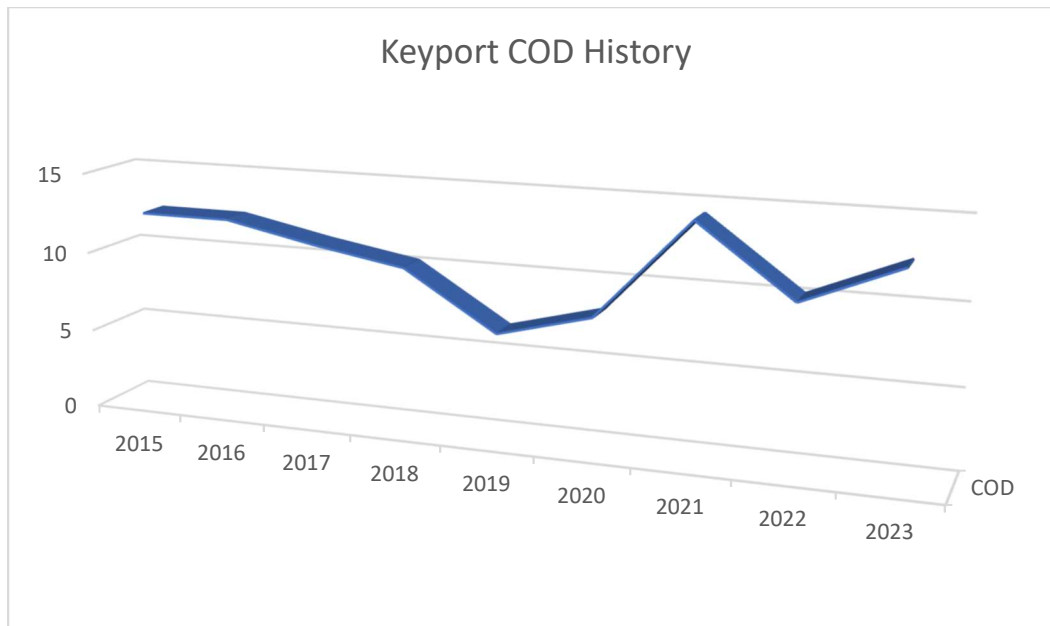
\*Reassessment Municipalities are the **83 districts that reassessed every year for the past five years**.

\*\*Non-Reassessment Municipalities are the **395 districts that have done no reassessments or revaluations in at least five years**

## **General Coefficient of Deviation (COD)**

The General Coefficient of Deviation is widely held as the best indicator in determining proper tax distribution. It is a way to measure how tightly clustered individual assessment ratios are in relation to the average ratio. A lower COD means more accurate tax distribution. The COD normalizes ratios to show accuracy within a municipality regardless of what the Director's Ratio is in any given year.

The more homogeneous the properties in a municipality are, the lower the COD should be. For example, a municipality that is comprised of mostly townhouses would be expected to yield better assessment accuracy than a municipality that is comprised of a complex range of property types. Through annual reassessments, Monmouth and Somerset Counties are showing much lower CODs compared to historical or statewide data.



### **General Comments on the Current Real Estate Market**

Real estate industry experts have found themselves in a state of perplexity. One year ago, the rate of local property appreciation appeared to be decelerating, a trend that persisted throughout the winter months of 2023. However, the spring and summer seasons witnessed an unanticipated surge in demand, driven by a scarcity of available listings. Consequently, residential properties listed on the market were swiftly acquired, often at prices exceeding the initial asking amounts due to intense bidding competition. Over the past two years, interest rates have experienced a consistent upward trajectory, with notable surges occurring in both the spring and fall of 2022. Presently, interest rates have reached their highest levels of the 21st century, yet housing prices have displayed resilience, showing no signs of decline. Low inventory levels persist, primarily due to homeowners with low-interest rate mortgages opting to retain their properties rather than list them for sale. The projected decline in property values, initially anticipated to coincide with the rise in interest rates, has been deferred, although there are observable indications of a gradual slowdown in appreciation.

### **Sales Activity and the 2024 Reassessment**

The central objective of a reassessment is to uniformly produce property assessments that represent fair market value. Accurate assessments ensure fair distribution of the tax levy. The intent is for the property owner to pay taxes based off of their proportionate share of the total municipal value. If a home is valued at 1% of the overall municipal value, that homeowner will be responsible for paying 1% of the total tax levy. Fair and equal distribution of the tax levy is

achieved year over year by maintaining accurate property values through the function of annual reassessment.

### **2022-2023 Sales Mapping**



*Colored dot correlates with sales ratio: Red >105%, Blue 95%-105%, Green <95%*

The primary driver of a reassessment is recent “arms-length transactions”. Statutorily, properties are assessed for what they would have sold for on October 1<sup>st</sup> of the pretax year. The 2024 valuation date is October 1, 2023. There were approximately 130 “usable” sales in the 2022-2023 market analysis.

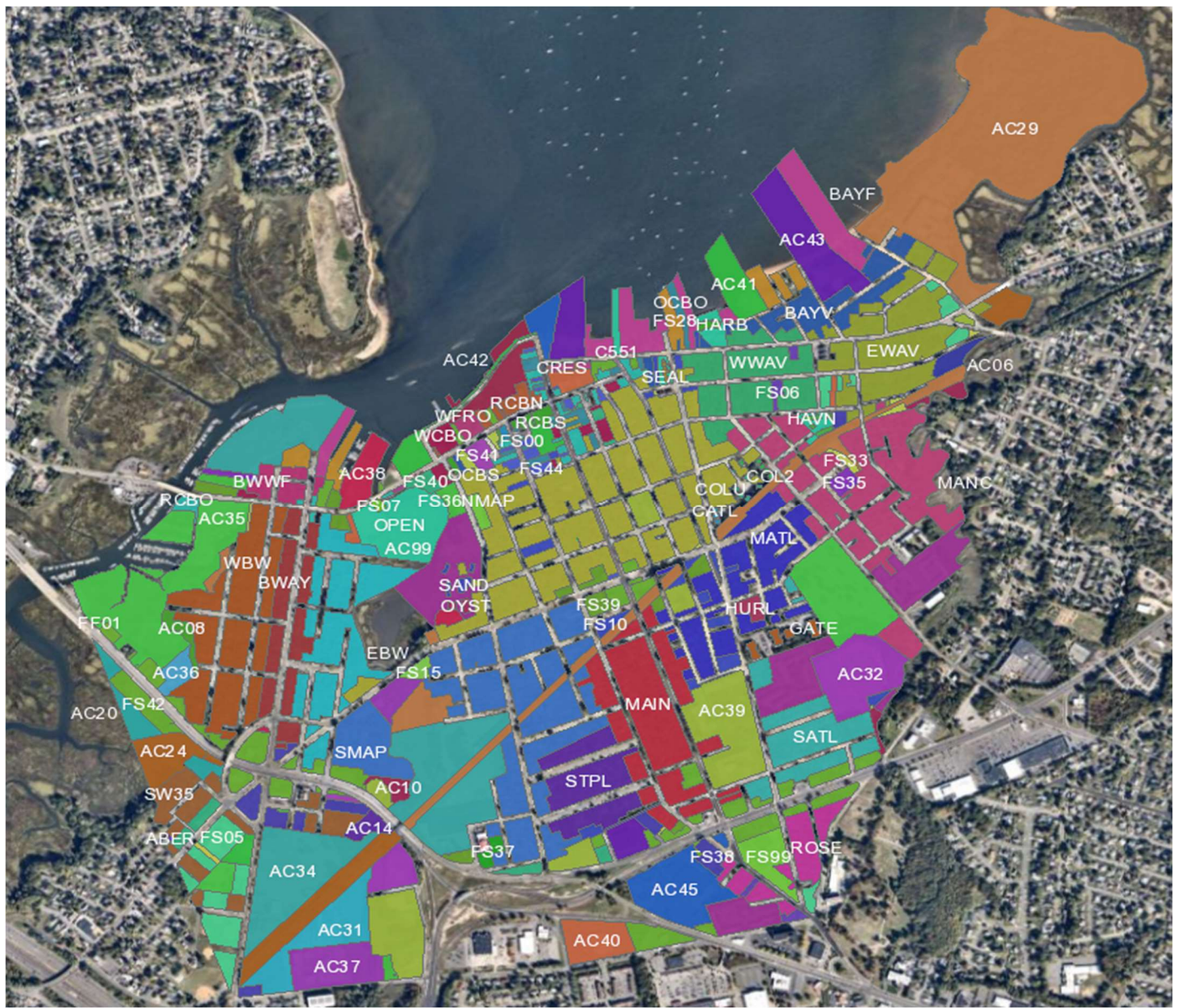
### **VCS neighborhood stratification mapping**

VCS, or Value Control Sectors, help differentiate local markets and neighborhoods from one another. The central business district, the bay front, and the various neighborhoods within the Borough may all have different influences that affect property value. Some of the characteristics of any individual VCS may include the average size of the lots, year built of the



homes, proximity to schools, highways, or landmarks, or just about any factor, tangible or intangible, that might affect the buyers and sellers in the market.

### **VCS neighborhood stratification mapping**



The 2024 Reassessment takes the market changes into account. Sales from 2022 and 2023 were used in the reassessment modeling, giving greater weight to the more recent sales. The aggregate value for the Borough of Keyport has increased by approximately 9.46% from 2023. The below chart illustrates the percent change for Borough properties.

## Assessment Change Review

PRC Ratio for Municipality: Keyport Boro	Property Class: VACANT LAND, RESIDENTIAL PROPERTY (1 - 4 FAMILY), FARM (HOUSE), FARM (QUALIFIED), COMMERCIAL, INDUSTRIAL, APARTMENT	Judgments Removed
VCS : ALL	Style : ALL	Neighborhood : ALL
Added Assessments : Removed	0 IMP Last year & PRC IMP > 1: Removed	

Change Bucket	# Properties	% Change
A. Decrease: 15% and Over	7	0.30%
B. Decrease: 10-15%	2	0.09%
C. Decrease 5-10%	6	0.26%
D. Decrease: 2-5%	10	0.43%
E. Decrease: 0-2%	5	0.22%
F. No Change	33	1.43%
G. Increase 0-2%	38	1.65%
H. Increase: 2-5%	120	5.22%
I. Increase: 5-10%	1694	73.62%
J. Increase: 10-15%	236	10.26%
K. Increase 15%+	131	5.69%
#DIV/0!	19	0.83%
<b>Grand Total</b>	<b>2301</b>	<b>100.00%</b>

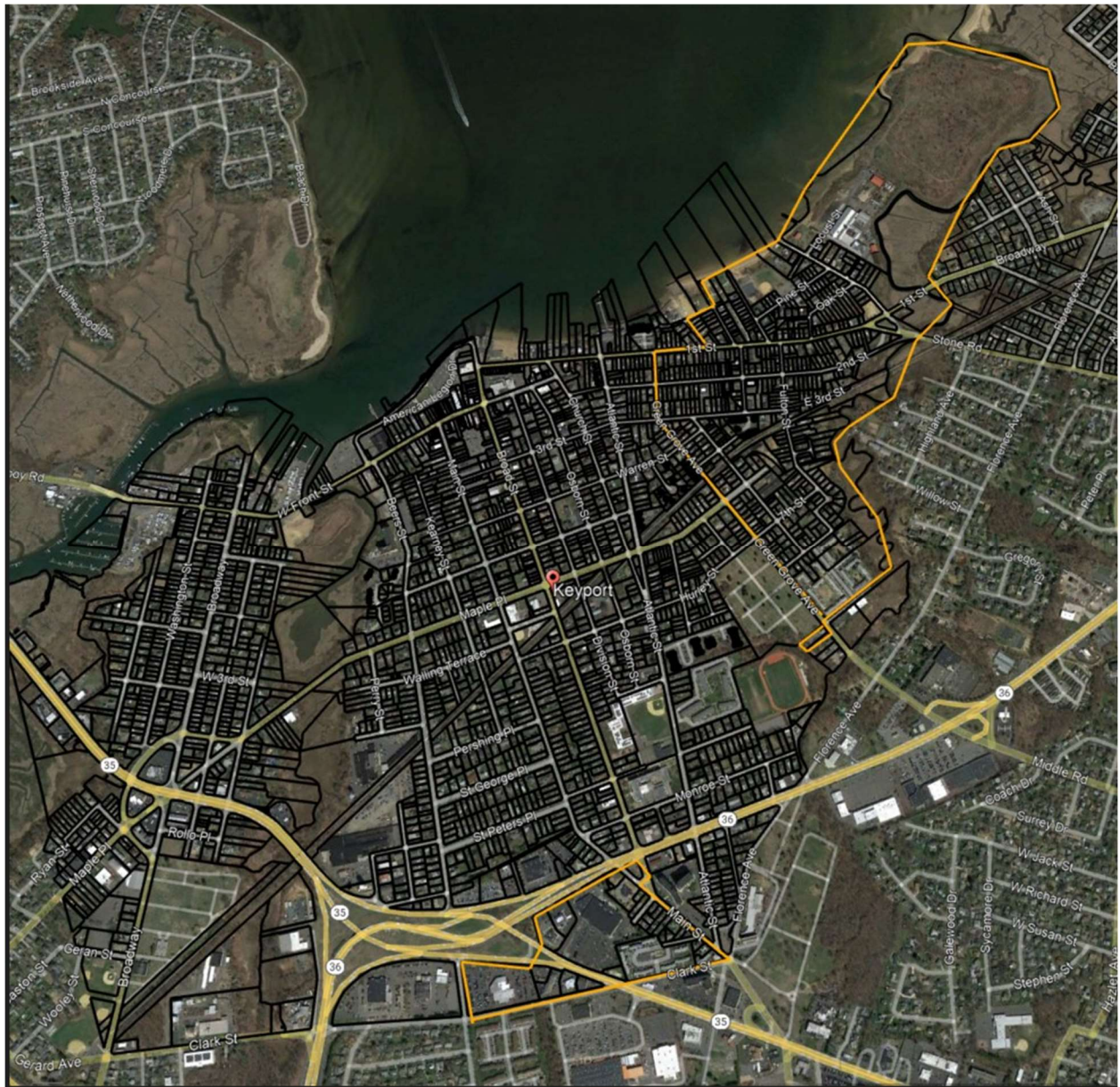
### Inspection & Data Collection

The Borough of Keyport completed its first five-year inspection cycle in 2019. An RFP for inspection services was posted for January 1, 2020 and contracted with the same vendor as the previous cycle. The current cycle will entail 20 percent of the Borough to be inspected annually from 2020 through 2024. Accurate data collection aids in maintaining accurate property assessment records year over year.

Borough of Keyport Inspection Schedule		
	Year	Completed
First Cycle Complete	2015	20%
	2016	20%
	2017	20%
	2018	20%
	2019	20%
Second Cycle Ongoing	2020	20%
	2021	20%
	2022	20%
	2023	20%
	2024	Pending



## Keyport 2024 Inspection Area



(properties within the orange border are within the 2024 inspection zone)



## Final Words

In closing, it's difficult to look back at the past couple of years without recognizing and appreciating how quickly markets can change. Market volatility can not only compromise the integrity of tax distribution on the local municipal level, but also on County and State levels. And while the data shows that drastic changes in the market will impact ALL municipalities, it is the reassessment districts that were able to maintain significantly stronger ratio and COD metrics. Being afforded the benefit to adapt annually through reassessment is a proven methodology which ensures fairer tax levy distribution amongst the tax payers in the municipality.

**For questions and more information please contact the Borough Assessor Michael Del Re:**

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**Office-732-739-5134**

**(Monday 3:30-5:30)**