



## **Town of Lunenburg, Massachusetts**

### **Waterfront Properties**

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**May 2023**



### **Purpose of This Report**

The Town of Lunenburg has contracted with Municipal Finance Services, LLC (MFS) to assist with the large volume of abatement applications that were received from waterfront property owners. The FY23 actual bills (Q3 & Q4) showed an approximate increase of 135% on land values based on a sales analysis performed by the town assessor. The Q3/Q4 bills reflect the actual FY2023 values based on sales that occurred in calendar year 2021.

As part of this analysis, MFS is performing physical interior and exterior inspections of all taxpayer properties that filed for a tax abatement that are located in Site Index 1. Site Index 1 (SI1) is a factor in the VGSI CAMA system that is applied to waterfront properties.

In addition to physically inspecting properties, MFS has reviewed sales in MLSPIN from that time frame, and interviewed many of the real estate agents/brokers that have had waterfront sales in Lunenburg since calendar year 2020. Finally, for sales that occurred in calendar year 2021, each deed was reviewed in order to help determine whether or not the sale was arms-length. An arms-length transaction is defined as a sale between a willing buyer and a willing seller with no unusual circumstances involved in the sale. It is important for assessors to determine whether a sale is arms-length because non-arms-length sales (NAL) are most often not reflective of the market. Information on land use and NAL codes as well as descriptions can be found on the Division of Local Services (DOR) website: [mass.gov/dls](https://mass.gov/dls).



### **ASR Study**

Assessment to Sale Ratio (ASR) is a calculation to determine the level of assessment. The ASR is calculated by dividing the assessed value by the sale price of a property.

In Massachusetts, assessed values are adjusted annually, and required to be at 100% of market value. The Department of Revenue allows a range of 90-110% of market value. Most communities statewide run a median assessment ratio near 95%. Reason being, if the median assessment level was 100%, half of the houses in the community would be assessed over market value. In doing this calculation, a consistent ratio of less than 90% would indicate the need to raise values. Ratios consistently above 110% would indicate assessed values are too high and need to be lowered.

### **Coefficient of Dispersion (COD)**

In addition to the ASR study, Assessors must conform to another statistical measure call the Coefficient of Dispersion (COD) The coefficient of dispersion measures how far away the median of a data point is. Single Family homes should have a COD of less than 10.

### **Some Background on Waterfront Land Valuation in Lunenburg**

In assessing, land values and building values are determined independently, and then combined to form a total assessed value. In performing these inspections, MFS found that the data on the buildings themselves was very accurate, more accurate than many communities we work with. In the process of inspecting properties, we knew quickly that the issue was specific to the land valuation. Each lake has attributes that are attractive to different pools of buyers. Hickory Hills is a private lake, with mandatory dues, there are horsepower restrictions, an 18' length restriction on boats and so on. Lake Shirley is a "fully recreational" lake with none of these restrictions. Lake Whalom is also fully recreational, but smaller.



In the past, each lake had its own land schedule. Some time ago, due to a lack of a statistically significant sales data, the Department of Revenue requested that the three waterfront land schedules be condensed to one, and the town complied. MFS agrees with the DOR's recommendation of consolidating the land schedules based on the work we have performed. In speaking with former personnel involved with the Lunenburg assessor's office, we learned that there were other factors applied to the land to account for topography issues, lake access, rights of way and others. It seems some of these adjustments are no longer in place and should be addressed. These suggestions are listed at the end of this report. It is very likely that the adjustments that once existed were lost as a result of the multiple CAMA system conversions that have occurred in town over the past few years.

### **What Happened?**

In analyzing waterfront sales to determine assessed values for FY23, the assessor found that two-thirds of the sales that occurred in calendar year 2021 had an ASR of .40, indicating that a major adjustment was needed in order to bring values in line with DOR guidelines (.90-1.10). This was done, which created an increase in land values in some cases of around 135%. MFS was able to re-create the scenario that the assessor used to justify the increase, and we can honestly say that had we not inspected almost every waterfront parcel in the town we could have very easily made the same assumptions.

The assessor was new to the community. Not being 100% familiar with the lakes and not having the time to do the necessary due diligence that was required due to being a two-person office where virtually all of the work is performed in-house, did not realize that the sales that occurred in 2021 were not a representative sample of many of the lake front homes in town.

Two-person assessor's offices are tough to operate. 100% of the staff is dealing with MV excise abatements, statutory exemptions, phone calls, e-mails, covering each other for breaks, sick days, vacations, paternity leaves.... and so on and so



forth. When the valuation portion is performed in-house, which is very rare, but this is the case in Lunenburg, it leaves very little time for the assessor to perform the valuation portion of the job. This not only includes analyzing sales and making necessary market adjustments, but performing physical inspections, whether they are cyclical, sale reviews, building permits, abatement applications...the job is nearly impossible to complete without significant help from outside contractors or utilizing technology that automates certain parts of the job(s)

Adding to this, the board of assessors appears inexperienced, whether through a lack of training, a lack of willingness to learn or being a brand-new member. Most people, no matter what the position, can benefit from a second (or more) set of eyes reviewing your work. In property valuation, it is very common practice to have someone review your work prior to submission. This is one of the key elements of having a board of assessors- review the assessors work and sign off on it.

In short, this happened because of a lack of time, lack of experience, lack of support and lack of resources. These are all common characteristics of many city/town offices statewide over the past few years, certainly not just assessor's offices.

### **Why are our numbers different?**

In performing our own sales analysis, we disqualified some sales that were initially qualified and qualified some sales that were initially disqualified. We also expanded the time frame, looking at 2020, 2021 & 2022, then 2020 & 2021, then half of 2020, all of 2021 and half of 2022. In short- we used different data and different time frames.

### **Findings**

During the "COVID-Era", the real estate market experienced unprecedented increases in values. Extremely low interest rates allowed buyers to afford



significantly higher valued homes. The ability to work from home created a migration from urban environments to suburbs and rural areas that allowed more space and comfort in an unsure time.

As of the writing of this report, there are 455 101 class (Single Family) properties located in Site Index 1, which indicates waterfront. Of these 455 properties, forty-one (41) sold during calendar year 2021. In researching these sales, we found that six (6) site Index 1 (SI1) sales were valid in calendar 2021; the rest being disqualified as arms-length. To be considered statistically significant, a sample size of at least 2% is needed. In this case, 2% would require nine (9) sales. In the event that the sample size is not large enough, assessors must consider two years' worth of sales. This can be done by either including the full prior calendar year (2020), or the second half of the prior year and the first half of the following year (2022). In calendar year 2020, there were seven (7) valid sales in SI1 and in calendar year 2022 there were eight (8) valid sales. Between calendar 2020 and calendar 2021, there were thirteen (13) valid sales in SI1. Using calendar 2021 and combining it with the last half of calendar 2020 and the first half of calendar 2022, there were fourteen (14) valid sales. Prior year's sales data was not available. It is the understanding of MFS that the town went from the now defunct State CAMA, to Tyler, to VGSI since 2019. As such, MFS is unable to analyze any value changes that occurred between calendar years 2019 to 2020. It is our understanding that the assessor used sales from 2020 and 2021 in their sales analysis to determine the FY23 assessed values

In the course of performing physical inspections, speaking to taxpayers, brokers and our own observations, it is clear that not every waterfront property can be treated the same. During our inspections, we began to categorize what we thought of the land:

1. **Good Waterfront:** Waterfront properties have a nice flat lawn leading to the water with expansive views of the lake and a beach or a dock (or often both). There is no view tax in Massachusetts, but there is certainly a premium paid for land that has great views.



2. **Average Waterfront:** These properties offer good water access, but may have steep topography or stairs to access the water, and may or may not have the expansive views.
3. **Below Average Waterfront:** These properties are usually set deep into a cove, probably have steep topography, have shallow water or sometimes no water at all (mud, swamp) and are not always accessible by power boat.

Taking these attributes into consideration, we performed our own sales analysis that included calendar years 2020, 2021 and 2022. We determined which of the sales should be considered arms-length and which were not. We then calculated the ASR's of each of these properties (three full years) which looked like this:

SDATE	st_num	st_name	ASR
7/20/2021	255	PROSPECT ST	0.77
7/19/2021	615	RESERVOIR RD	0.49
8/9/2021	20	JOHNSON ST	0.44
8/12/2021	207	FIRE RD 16	1.00
11/18/2021	154	PENINSULA DR	0.43
12/3/2021	42	PEARL ST	0.28
11/4/2020	189	HEMLOCK DR	0.91
7/28/2020	160	HEMLOCK DR	0.98
7/10/2020	1	CROCKER AVE	1.45
6/23/2020	25	MAY ST	1.03
7/10/2020	647	RESERVOIR RD	0.98
8/27/2020	717	RESERVOIR RD	1.00
10/2/2020	20	FIRE RD 19	0.46
5/31/2022	451	TOWNSEND HARBOR RD	0.86
6/24/2022	26	BROOKVIEW TERRACE	0.89
9/8/2022	32	BROOKVIEW TERRACE	1.08
9/29/2022	37	SPRING ST	1.02
10/7/2022	39	ISLAND RD	1.62
10/14/2022	406	SUNSET LANE	1.21
11/21/2022	45	PARMENTER RD	0.91
12/16/2022	147	HEMLOCK DR	1.25



After calculating the ASR's, we reviewed our notes on these properties to see how we rated the desirability of the waterfront, which looked like this:

SDATE	st_num	st_name	ASR	Waterfront Rating
7/20/2021	255	PROSPECT ST	0.77	Average
7/19/2021	615	RESERVOIR RD	0.49	Good
8/9/2021	20	JOHNSON ST	0.44	Good
8/12/2021	207	FIRE RD 16	1.00	Average
11/18/2021	154	PENINSULA DR	0.43	Good
12/3/2021	42	PEARL ST	0.28	Good
11/4/2020	189	HEMLOCK DR	0.91	Average
7/28/2020	160	HEMLOCK DR	0.98	Average
7/10/2020	1	CROCKER AVE	1.45	Good
6/23/2020	25	MAY ST	1.03	Average
7/10/2020	647	RESERVOIR RD	0.98	Good
8/27/2020	717	RESERVOIR RD	1.00	Average
10/2/2020	20	FIRE RD 19	0.46	Good
5/31/2022	451	TOWNSEND HARBOR RD	0.86	Average
6/24/2022	26	BROOKVIEW TERRACE	0.89	Average
9/8/2022	32	BROOKVIEW TERRACE	1.08	Good
9/29/2022	37	SPRING ST	1.02	Good
10/7/2022	39	ISLAND RD	1.62	N/A
10/14/2022	406	SUNSET LANE	1.21	Good
11/21/2022	45	PARMENTER RD	0.91	Average
12/16/2022	147	HEMLOCK DR	1.25	Below Average

As you can see, most of the ASR's on properties that we considered to be "good waterfront" were very low and indicated the need for a significant increase. It should be noted that MFS did disqualify some of the sales that the assessor used,





but also qualified some sales that were initially disqualified. Still, in the calendar years surveyed, two thirds of the valid sales in 2021 were considered “good waterfront”, and half of the 21 sales over the course of all three years were “good waterfront”, with 9 being average, and 1 being below average. Since FY2023 values are based on sales that occurred in 2021, we can clearly see how the assessor’s office concluded that a large adjustment was needed. Unfortunately, many of the properties on all three lakes are average as opposed to good, and some are below average. The increase in value did not account for this.

With regards to the accuracy of the data on the buildings themselves, we found the data to be very accurate overall, making only minor changes, such as adding a central air system/mini split, a shed here and there or maybe a deck measurement was off by a foot or two. There were very few instances where we found that the house itself needed value correction, whether positive or negative. The issue was clearly specific to land valuation.

After collecting all of this data, performing the ASR study and reviewing what we considered to be outliers, we calculated what we feel the land adjustments should have been. Keep in mind, the building values are not changing, these adjustments are specific to land:

<b>Type of Waterfront</b>	<b>New Land Change (Originally 135%)</b>	<b>Total Change Approx. From FY22-FY23</b>
Average	17%	11%
Below Average	N/A (Not Enough Data)	N/A (Not Enough Data)
Good	55% (Or 38% more than Average)	35% (or 24% above average waterfront)



It is very likely these adjustments will not match some of the high-end sales that have occurred over the past few years. We feel that due to extraordinary economic circumstances, that some of these sales should be considered outliers.

In addition to all of the work outlined on page one of this report, MFS also spoke to assessors in different communities that also have similar bodies of water. It was found that the indicated adjustments are in line with other communities, with the exception of Groton, which had less of an increase for FY2023, but a significant increase in FY2022. It is felt that Lost Lake in Groton is very similar to the lakes in Lunenburg, offering many similar attributes.

The next few pages include a 5-year report of all of the single-family property sales that have occurred in Lunenburg over the past as reported on MLS Property Information Network. This is inclusive of waterfront, non-waterfront and without regard as to whether the sales were arms-length. This data is different than what the assessors would use for their analysis, but works well as a “sanity check”, especially when significant value increases are anticipated. It should be noted that sale prices continued on their upward trend throughout calendar year 2022.



## Zip Code 01462, MA Area Market Review

2018 - 2022 As of December 31, 2022

Prepared by Nathaniel Cramer on Monday, April 03, 2023

### Single Family

<b>Listing Inventory on December 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Listing Units	25	25	9	7	15
Median Days on Market	81	88	29	61	115
Median List Price	\$399,900.00	\$449,000.00	\$494,900.00	\$619,900.00	\$640,000.00
Median List \$ / SqFt	\$176.85	\$205.06	\$205.26	\$262.93	\$286.79
Approximate Absorption Rate	47.67%	61.33%	155.56%	200.00%	77.78%
Approximate Months Supply of Inventory	2.10	1.63	0.64	0.50	1.29
<b>Listed (Year to Date)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Listing Units (Taken)	198	239	184	186	171
Median Original List Price	\$339,450.00	\$369,900.00	\$371,400.00	\$399,900.00	\$499,900.00
Median Original List \$ / SqFt	\$183.36	\$192.73	\$198.24	\$240.57	\$276.50
<b>Went Pending (Year to Date)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Listing Units (Went Pending)	147	205	180	173	150
Median List Price	\$309,900.00	\$339,900.00	\$369,900.00	\$395,000.00	\$465,000.00
Median List \$ / SqFt	\$175.14	\$187.65	\$198.07	\$232.49	\$269.26
Median Days to Offer	29	19	14	7	8
<b>Listed &amp; Price Changed (Year to Date)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Listing Units (Price Changed)	76	80	35	36	52
Median Original List Price	\$359,900.00	\$379,900.00	\$399,289.00	\$449,450.00	\$577,450.00
Median Original List \$ / SqFt	\$178.28	\$198.76	\$195.96	\$260.06	\$290.89
<b>Sold (Year to Date)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Closed Units (Sold)	143	184	165	166	140
Median Days on Market	39	32	26	19	20
Median Days to Offer	23	16	14	7	7
Median Sale Price	\$300,000.00	\$329,150.00	\$359,900.00	\$402,500.00	\$449,500.00
Median Sale \$ / SqFt	\$176.71	\$185.06	\$196.76	\$235.98	\$275.37
Median List Price	\$309,000.00	\$339,000.00	\$359,900.00	\$399,000.00	\$449,900.00
Median List \$ / SqFt	\$176.63	\$187.60	\$195.27	\$226.54	\$266.59
Median Original List Price	\$319,900.00	\$339,450.00	\$369,900.00	\$399,900.00	\$449,900.00
Median Original List \$ / SqFt	\$179.46	\$188.01	\$198.28	\$229.59	\$272.26
Median Sale Price as % of List Price	98.89%	100%	100%	102.32%	101.10%
Median Sale Price as % of Original List Price	97.78%	98.84%	100%	102.13%	100.56%
Sold Units - Short Sale	2	0	1	0	0
Sold Units - Lender-Owned	9	1	4	4	0
<b>12-Month Activity as of December 31</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Units Listed	198	239	184	187	171
Units Price Changed	76	80	35	36	52
Units Went Pending	147	206	180	173	150
Units Sold	143	184	168	168	140

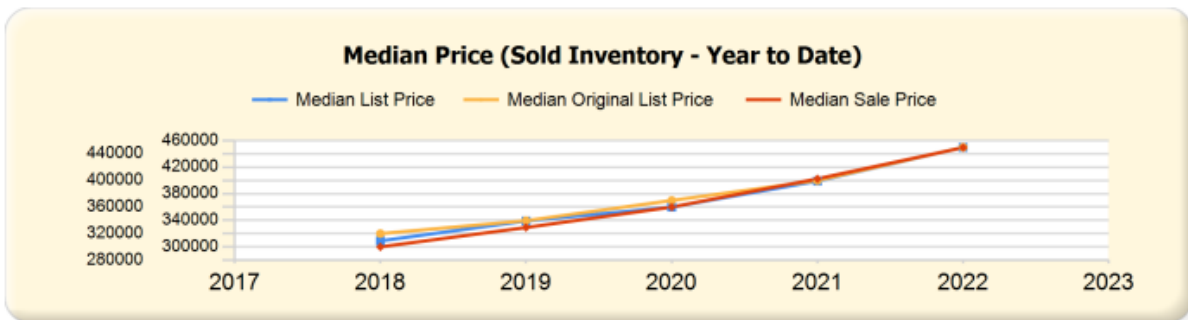


## Zip Code 01462, MA Area Market Review

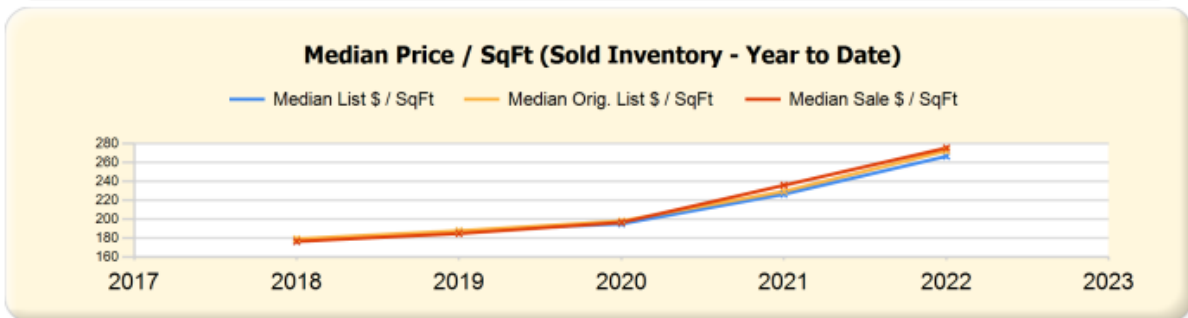
2018 - 2022 As of December 31, 2022

Prepared by Nathaniel Cramer on Monday, April 03, 2023

### Single Family



Solds / Year	2018	2019	2020	2021	2022
List Price	\$309,000.00	\$339,000.00	\$359,900.00	\$399,000.00	\$449,900.00
Original List Price	\$319,900.00	\$339,450.00	\$369,900.00	\$399,900.00	\$449,900.00
Sale Price	\$300,000.00	\$329,150.00	\$359,900.00	\$402,500.00	\$449,500.00



Solds / Year	2018	2019	2020	2021	2022
List \$ / SqFt	\$176.63	\$187.60	\$195.27	\$226.54	\$266.59
Orig. List \$ / SqFt	\$179.46	\$188.01	\$198.28	\$229.59	\$272.26
Sale \$ / SqFt	\$176.71	\$185.06	\$196.76	\$235.98	\$275.37



## Recommendations

MFS feels the waterfront land tables should be brought back to FY22 levels. From there, an increase of around 17% should be applied. This adjustment will establish values for “waterfront average” which we feel includes the bulk of the waterfront properties in town. “Waterfront good” properties should then be adjusted upward around an additional 38%. “Waterfront below average” should receive a negative adjustment, however with so little data, is difficult to determine where this should fall. For the time being, MFS is suggesting a minimal 5-7% adjustment until there is market data to support something more significant. To be clear, these recommended adjustments are to be applied to land only, not to the overall assessment.

In addition to land table adjustments, MFS observed some other areas that may benefit from some additional factors. MFS is not suggesting any specific adjustments at this time, but the potential is there and the market should be monitored to identify trends moving forward

**Fire Roads:** Many of the roads surrounding all three bodies of water are “Fire Roads” Many of these roads are easily recognizable, with names like “Fire Road 16” or “Fire Road 7” There are other fire roads that a little more difficult to identify, such as Oak Ridge Road and Flynn Road. Residents have told us these roads are responsible for their own snowplowing and road maintenance at their own expense, and in many cases have to bring their trash out to the nearest main road.

**Rights of Way:** There are many rights of way around the lakes that provide non-lake front property owners access to the water. Some of these rights of way come within feet of a taxpayer’s home, and sometimes in excess of 20 different



households could have the right to use it. The towns GIS does not appear to show where all of these rights of way are located, but several of the deeds we reviewed do mention them. Properties with rights of way should be identified and sales monitored to determine if adjustments are warranted.

**Topography:** Some properties have very steep lots, not just at the water, but the whole site. We did observe there are some topography adjustments in place, but assessors should watch for sales of these properties to see if an additional adjustment is warranted. One example of such a lot is 735 Flat Hill Road.

**Seasonal Cottages:** There are quite a few seasonal cottages around the lake, the previously mentioned 735 Flat Hill Road being one of them, 23 Round Road is another. These properties have no heating systems and no insulation, but they are identified as “Cottage-Bungalow”. Many homes that are four-season homes are also identified this way, and assessors should investigate to see if a new “Seasonal” style should be created with a lower building price per square foot.

**Little Hickory-** Little Hickory is a small pond that does not have access to Hickory Hills. Little Hickory limited to trolling motors and paddle boats and should not be located in SI1.

**Traffic Adjustments-** Some roads around the lakes are busier than others. Sales should be monitored to see if an adjustment for traffic is warranted.

**Townsend Harbor Road-** There is a stretch along Townsend Harbor Road that has parcels on both sides of the road. The parcels with the home are not technically on the water, but are located SI1 (waterfront). The parcels on the other side of the road that are actually waterfront are not in SI1.

**Additional Staff-** The town should consider additional staff, even if it is one part-time position, MFS feels it would have a significant impact on the productivity and workflow in the office.



**Outside Contractor(s)**- The town should consider hiring a revaluation contractor, at least for, at minimum for the certification years and continue their practice of hiring out field inspection work.

**Training**- The education and training budget should include sufficient funds for board members to attend classes in order to gain the knowledge necessary to perform well in the position they were elected to do.

### **In Closing**

Working with the town of Lunenburg and its residents has been a pleasure. It was clear to us from the very beginning that both sides wanted what was best for the taxpayers. We feel that the recommended land adjustments more accurately reflect actual values fairly and equitably. We hope the town considers some of the additional recommendations we have outlined.

In the event that some folks may still not be happy with their assessed values, they do still have the option of filing an appeal at the ATB. It will likely take months before that hearing is scheduled, but in the meantime, the town can still work with those taxpayers to find a resolution, if there is one to be had.

Thank You!!

*Nate Cramer  
Owner  
MFS, LLC.  
natec@munifinserv.com*