BOARD OF EQUALIZATION
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Tuesday, June 16, 2015 at 5 PM
Municipal Building – Assembly Chambers

I. Call to Order

Paul Nowlin called the meeting to order at 5 p.m.

II. Roll Call

BOE Panel Present: Paul Nowlin, Barbara Sheinberg, Pat Watt.

Other BOE Members Present: David Epstein.

Staff Present: Jane Sebens, Deputy Attorney; Laurie Sica, Municipal Clerk; Bob Bartholomew, Finance Director; Robin Potter, Assessor; John Sahnow, Appraiser III, Donna Walker, Appraiser II; Dora Prince, Appraiser II.

III. Approval of Minutes
Board of Equalization meeting, May 14, 2015

MOTION by Sheinberg, to approve the minutes of the BOE meeting on May 14, 2015.
Hearing no objection, the minutes were adopted.

IV. CBJ Attorney Memos/Board Questions

Ms. Sebens provided procedural guidelines for conducting a Board of Equalization hearing and a sample guide for handling late files in the Board's meeting packet.

V. Property Appeals

The following 2015 property appeals were brought before the Board of Equalization for a final value determination. The Appellant and the Assessor were unable to reach a value agreement for the parcel values. The Board's meeting packet included the following:

- Appellant's Appeal
- Appellant's Documentation at the time of Appeal
- Board of Equalization Presentation

CBJ Appeal Tracking #	2015-0063		
Subject Property			
CBJ Parcel #	5B2401430010		
Physical Location	4501/4503 Trafalgar Avenue		
Appellant Name	Neil L. Atkinson		
2015 Preliminary Assessed Value			
Land	$ 106,500	Improvements	$ 267,700
Exemptions	$ -		
TOTAL TAXABLE			**$ 374,200**
Owner's Estimated Value			
Land	$ 85,000	Improvements	$ 267,700
Exemptions	$ -		
TOTAL TAXABLE			**$ 352,700**
CBJ Assessors Office Recommendation			
Land	$ 97,000	Improvements	$ 267,300
Exemptions	$ -		
TOTAL TAXABLE			**$ 364,300**

The appellant, Mr. Neil Atkinson, said he owned several properties and had appealed the value of this property last year. This duplex is located on Trafalgar and another that he owns is in a better neighborhood and was assessed at a lower price. When he started the appeal last year he was asked that if he didn't want a property with that value in that neighborhood, why did he build a duplex. When he built the duplex in 1983, it was surrounded by 15 – 30 year old trailers, and he thought that they would be gone by now, but with the exception of one, they were all still there. One across the street, property and trailer, just sold for $100,000. He said he had this property at 4501 Trafalgar and another vacant lot at4505 Trafalgar. On Trafalgar, there are 28 lots that are all the same size, 13, 503 square feet, and valued at $85,000 when vacant. He was told by the Assessor that lots were valued differently due to the structure that was upon them, from $94,600 with a structure up to $144,752. He said he was in the building trade and did not understand how adding a structure to the lot changed the value of the land. Both of his parcels had trailers on them in 1975 when he bought the lots. In 1983, he removed the trailer on the lot in question and built the duplex, there was $1000 difference in the value of the land between his two lots. Today it was $20,000 higher. He was told that 4505 was undeveloped. The sewer and water are still there, it did have a trailer, which he removed. The lot values should be the same at $85,000. The neighbor across the street from my vacant lot has a lot value of $121,258, and I would be screaming if I was him. The value of the lots should not change when they are all the same size.

Ms. Pat Watt asked if the duplex at 4501 – 4503 was on a double lot. Mr. Atkinson said no, it was a single lot with a duplex. The vacant lot is 4505 next door. Ms. Watt said she requested a spreadsheet of the values of the lots in the neighborhood, which the Assessor's distributed at the meeting.

Ms. Dora Prince distributed a corrected page 5 of the packet material. Ms. Prince said the neighborhood that the subject lot was in was a mix of single family, duplex and mobile homes of varying ages and qualities in the Golden Nugget Subdivision, bordered by Trafalgar, Gladstone, Garnet and Threadneedle Streets. It was the policy of the Assessor's Office to consider typical site preparation or the lack thereof in the valuation of vacant land. A typical vacant, unimproved lot would reasonably be expected to require some amount of clearing, excavation, grading or other work to prep it for construction of a structure. Lots marketed and sold with site prep already in place generally sold for more than "raw" land without any site prep. Ms. Prince said that through the appeal, it was discovered that Mr. Atkinson's lot was originally assessed at $106,500, but was being recommended now to be assessed a value of $97,000. Most of the lots in the neighborhood were similar in size, topography, and shape, but some lots had less site prep and had large boulders making site prep more difficult.

Ms. Sheinberg asked if there were any lots at this site value other than Mr. Atkinson's at 85,000. Ms. Prince said the last green lot on the map on Trafalgar was dropped in the 2015 assessment cycle to $85,000 based on an appeal to the assessor due to site prep difficulties.

Ms. Watt said the lot was not on the spreadsheet and Mr. Sahnow said it was $85,000. Mr. Sahnow said it was a screen shot of developed properties and 4505 was vacant and that omission was an oversight.

Ms. Sheinberg asked why there are three different general values for the site in the same neighborhood for the same sized property.

Mr. Sahnow said the neighborhood was defined differently this year than when the land study was done in 2013 and as a result of the change when there was significant change throughout the borough, they ended up looking at the lots on Trafalgar that were improved with mobile homes and generally speaking the amount of site prep or alteration done to the raw land to put a single wide in was considerably less than what was done for a typical single family home or duplex. In response to this appeal there is no disputing there is inequity and there are three different values and we are proposing to take Mr. Atkinson's lot to the lower group

at $97,000. It is not the lowest value because it is a superior flat lot with a duplex on it, fewer rocks and terrain in general. In mass appraisal, it is an error that we have three different values for the same sized lots, but we are not doing individual lot assessments, and we are looking at them as a group.

Ms. Watt asked if all lots had houses on them and Mr. Sahnow said he thought Mr. Atkinson's adjoining lot was the only vacant lot. Mr. Atkinson said there are two lots that were vacant, his and one other at $85,000.

Ms. Sheinberg asked the appeal was the assessed value of the developed lot with a duplex on it.

Ms. Watt said to grant the appeal, the Board needed to find that Mr. Atkinson had proved that the assessment was unequal, excessive, improper or under valuation.

Mr. Atkinson said the policy the Assessor's Office was improper, unequal and faulty. The building value, including site prep, should go into the building, not the site. The foundation was part of the building, but it appears it was going into the land.

Mr. Nowlin said the site value included removal of trees, drainage, and driveway.

Mr. Atkinson said that he bought both lots at the same time with the trailers, and the lots were identical. The lot at 4505 still had sewer and water just like 4501 and 4503.

Mr. Nowlin said that the BOE had no control over the Assessor's policies, and could only determine if the assessment was done equitably and properly. Ms. Potter said that Mr. Atkinson's concerns could be addressed to the State Assessor.

<u>MOTION</u>, by Ms. Watt, to grant the appeal and asked for a no vote based on the reasons provided by the Assessor.

Ms. Sheinberg said she did not believe it was unreasonable that site prep would add value to the site. Presumably additional site work was done to accommodate the duplex. It was troubling that there were different values for similar sized lots but I understand the explanation, however, the range is $94,600, which was the lowest value, not $97,000. Ms. Prince said $97,000 was the original offer made to Mr. Atkinson and they could not change it after that.

Ms. Watt withdrew her motion.

MOTION by Ms. Watt, to grant the appeal and to change the site value to $94,600, based on the assessment of similar lots in the neighborhood. Hearing no objection, it was so ordered.

CBJ Appeal Tracking #	2015-0201		
Subject Property			
CBJ Parcel #	5B2101230020		
Physical Location	3466 Richards Dr		
Appellant Name	Carl M. Ferlauto		
2015 Preliminary Assessed Value			
Land	$ 103,800	Improvements	$ 303,600
Exemptions	$ -		
TOTAL TAXABLE			**$ 407,400**
Owner's Estimated Value			
Land	$ 98,610	Improvements	$ 277,818
Exemptions	$ -		
TOTAL TAXABLE			**$ 376,428**
CBJ Assessors Office Recommendation			
Land	$ 103,800	Improvements	$ 291,200
Exemptions	$ -		
TOTAL TAXABLE			**$ 395,000**

Mr. Carl Ferlauto referred to the city packet and distributed his own packet at the meeting. He thought there were significant issues with the policies of the Assessor, whether the BOE could rule on them or not, and he wanted to put those on the record. He said that a comparable sale method of valuation was valid, but he asked the Board to look at the information he provided. He drafted a brief based on case law, and said he was asking for a bottom line assessment of $388,400. His property value increased by $66,000 in less than a year since he bought the property. He went to the assessor's office and asked for the basis. They provided his Exhibit 2 – a cost report that ties to the number from the assessor for an improvement value of $303,600. The original one in the assessor's file that I printed out before I bought the house included the same number for improvements from the cost report. He said that Ms. Prince was helpful, visited the site and determined there were items that were beyond cosmetic and the repair costs should arrive at a depreciation factor of 15%, and provided him with number in exhibit 5, for an improvement value of $284,600, which was what he was asking for. He said there were clear errors in the first report, then gave me a report of $388,400, but they had a discussion of the Marshall and Swift valuation. I asked for the basis for her number. Exhibit 9 said that Ms. Prince's supervisor would contact Mr.

Ferlauto. Mr. Ferlauto said that Mr. Sahnow told him he would not deal with a cost estimation basis, and provided Exhibit 10, which was a comparable sales table. Mr. Ferlauto said that method was completely subjective, so he rejected their offer and came to the Board. He said Exhibit 13 was a side by side comparison of the old cost basis and what I got. He said that August 2, 2011 was the last time anyone from the assessor's office was at the site, yet the quality grade was increased from 3 to 4 (average to good) and the depreciation was reduced from 15% to 4%. Ms. Prince confirmed that and visited the site and offered to put the depreciation back to 15%. This shows an error. The case law is clear and I am not citing fraud, but there was a thing called constructive fraud. I don't think there is an intent to commit fraud, but he said this error is not proper. He had an agreement with Ms. Prince which was thrown out by Mr. Sahnow. You can't change the quality score without going to the site. He said this was a non-disclosure state and he did not provide information regarding the purchase price and he did not believe the seller did either. This is a clear departure from a principle value issue. Through the process he does not believe he was dealt with straight or fairly. I can't challenge comp sales but the Deputy Assessor has not stepped foot on my property or the other property. Mr. Sahnow said he had not. Ms. Watt said the Assessor assessed property and did not appraise it.

Mr. Sahnow said statutorily, the property has to be valued at market value. The sale price is the best indicator we have of market value. The state doesn't require us to value at a depreciated cost. It is a non-disclosure state. We get 300 – 500 reported sale prices a year and we look at any other source – we track listings, the Recorder's Office for warrantee deed information, which includes mortgage amounts, which are not prices, but they relate to prices. List prices are not sale prices but in general, we have a guideline when a property is professionally marketed there is a reasonable expectation that the sale prices will be within a certain percentage of the last list price. That is no always the case and that is what the appeal process is for. We look at all the sales that occur and determine if the information we have is sufficient to be determined to be a qualified sale and look at where the sale price differs from the assessed value in an amount greater or less than 5%, to see where we are off. We are looking at market value, but the cost basis is the method for valuation in a nondisclosure state and it is a sales adjusted cost approach. We look for a market change. In this go round, there were a number of sales in the valley in which the sale price was 20% higher than the assessment, but we have not applied that across the board. We are revaluating the houses sold in the last year, putting them in the system and revaluing them. Mr. Ferlauto has cost sheets from two completely different systems, which is not an excuse but an explanation of the variation. The new system derives a new number

as it requires a neighborhood adjustment for reliability. Originally Ms. Prince was involved, but then I got involved later and this is why we went to the straight sales comparison approach, because it is confusing to explain why the Govern system, which is based on Marshall and Swift, is not strictly a cost approach to value, but a sales approach to market value. I have a third cost sheet that shows the neighborhood adjustment that makes sense out the cost approach to value in the Mendenhall Valley. When it comes to me for calculation or explanation issues, I start over at square one. I don't have an appraisal, so I took sever in 2014, pulled comparable sales out of that and did the comparable sales approach. I also took all of the qualified sales in the valley from professional appraisals and used those to arrive at the neighborhood adjustment and this ties in to the sales comparison approach. It is widely understood and easy to see and arrived at a value of $395,000, which is lower than the reported sale price of $407,500.

Ms. Sheinberg said in the packet on page 6 there is discussion that every five years neighborhoods are re-canvassed and prices adjusted. In addition, information is received from building and demolition permits, sales, etc. in between the five year cycle; she asked if this information was routinely used. Mr. Sahnow said that subdivisions and building permits did cause a revaluation of property, but in general, unless there was a sale, it did not affect the broader neighborhood. The valuation of a neighborhood was based on sales every year.

Ms. Sheinberg asked about page 7 of the packet, there was a difference noticed of 20% in the sales prices in 2014, and was that one of factors that leads to the 2.1% neighborhood market increase in 2015. Mr. Sahnow said that was part of the process, and it would have been greater had we not revisited the properties outside of that change.

Ms. Sheinberg said she was used to seeing the sales comparison approach to value, but not familiar with the materials in Mr. Ferlauto' s packet and asked if that was a behind the scenes information we saw but if it was a completely different approach?

Mr. Sahnow said that three approaches were available to the assessor to value a piece of real estate. There was an income approach (capitalizing the net operating income), the sales comparison approach if there are sales, or a cost approach to value. In a perfect world, cost approach to value would only be used for new construction, which is the only time it makes sense. Here in Juneau there are only a few spec builders. Things here sell for more than they cost to produce and there are so few choices. Ideally we would not use a cost approach but because it is a

non-disclosure state, we struggle to come up with enough sales data and so we use a cost approach for a basis, and the sales ratio study to see the relationship between the cost approach and the sales comparison.

Ms. Watt said she understands the cost reports from Mr. Ferlauto are based on using two different systems, so it was not a fair comparison, it would be more appropriate to compare the cost reports for similar properties in the neighborhood. Mr. Sahnow said the neighborhood adjustment is done differently in the old and new system. Mr. Ferlauto said he understood but the inputs included depreciation and quality, which don't change and have to do with the condition of the property itself. When I pointed out math errors regarding the garage, the entire value was thrown out.

Ms. Watt said she could understand why the sales approach and she asked if the property sold for $407,500. Mr. Ferlauto said it did not, and the appeal requires the sale price, so I put it down, it is not optional. I am not asking for much, and two inputs were changed without stepping onto the property.

Ms. Watt said Mr. Ferlauto said he had not addressed the requested reduction of the site value. He said he had an elevated site, so he picked a 5% factor, but he was willing to yield. He asked that the depreciation factor be put back to 15% and he was willing to accept the quality as a 4, and then he was in line with the neighborhood, and now he is over assessed.

Mr. Nowlin asked about depreciation. Mr. Sahnow said part of the problem was that there was a little disconnect between the software that was doing the calculations to the assessed value and what you can get out of a piece of paper - we are having problems with reports. This is another reason to stop using the cost report and why the market value was more important.

<u>MOTION</u>, by Ms. Watt, to grant the appeal, and she requested a no vote, based on hearing both sides of argument.

Ms. Watt said the appellant's case that the Assessor made improper and inaccurate assessments was not true, and said that the Assessor had followed the normal procedures.

Mr. Nowlin and Ms. Sheinberg both voted no.

Mr. Nowlin said he did not believe there was proof of fraud.

VI. Late Filed Appeals – None.

VII. Adjournment - 6:15 p.m.

There being no further business to come before the BOE, the meeting adjourned at 6:15 p.m.

Submitted by Laurie Sica, Municipal Clerk