

MINUTES
BOARD OF EQUALIZATION
THE CITY AND BOROUGH OF JUNEAU, ALASKA

Tuesday, August 13, 2013 at 5:30 PM
Municipal Building Conference Room #224

I. CALL TO ORDER: Chair Paul Nowlin called the meeting to order at 5:30 p.m.

II. ROLL CALL

Board Present: Paul Nowlin, Chair, John Gaguine and Pat Watt.

Staff Present: Beth McEwen, Deputy Municipal Clerk; Jane Sebens, Deputy City Attorney; John Sahnaw, Appraiser III; Donna Walker, Appraiser II; Dora Prince, Appraiser, Mary Grant

III. PROPERTY APPEALS

Chair Nowlin revised the order of business to hear Appeal #3 first, as the appellants were present.

Appeal #3 -

Subject Property: Parcel # 5B1401010201 - 5B1401010224

Location: Vista Del Sol Subdivision, Phase II, 7500 Blk Glacier Hwy

Appellant Name: Duran Construction

2013 Preliminary Assessed Value 24 Parcels:

Site: \$ 1,460,800	Improvements: \$ 125,400	Total: \$ 1,586,200
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Owner's Estimated Value:

Site: 600,000	Improvements: 121,600	Total: 721,600
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Assessor's Recommendation:

Site: \$ 1,460,800	Improvements: \$ 125,400	Total: \$ 1,586,200
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Mr. Sahnaw distributed a revised copy of the List of Parcels contained in the packet.

Mr. Marciano Duran said he was appealing the assessment on the vacant properties that were in the development stage at the time of the assessment. He disagreed with the values and referred to the spreadsheet that the Assessor distributed and said his estimation of value was shown highlighted in yellow. There were 24 lots in question within the subdivision. There were two homes under construction at the time of the assessment, and he accepted the Assessor's values of the buildings. He disagreed with the value of the land. Mr. Duran

explained that he determined the value based on the previous year's assessment, which he thought was fair and then divided it by 24 lots. Following the subdivision into separate parcels, CBJ assessed the property at a higher value. He said the land was not as valuable as the city had indicated because there were so many costs involved yet to be incurred to arrive at the city's new value. He outlined the development procedure for the Board, which included the excavation on every lot, the curb that was not installed, the sidewalk that was not installed, the sewer that was not completely constructed and the water lines to be installed, the electrical was not installed to any of the lots, street lights were not installed and paving was not done. There was a great deal of work to be done to arrive at the new value. He said the road had been pioneered in and a lift still needed to be installed.

Mr. Gaguine asked Mr. Duran if there should be some increased value for the work that had been done. Mr. Duran said that he would agree with that. Mr. Gaguine said in that case, Mr. Duran should provide what he thought was a reasonable increase. Mr. Gaguine asked if all the lots were the about the same. Mr. Duran said some were larger, but the larger ones at the top were more difficult to get to. He suggested that if he were to sell Lot 11 at \$69,300, it would cost \$300,000 to get the water and sewer to that lot, and no one would pay that for the lot.

Ms. Watt said she understood that on July 3, 2012, Mr. Duran filed a plat map for the lots and the reconveyance agreement was signed in which the CBJ agreed to put in the road, the sewer, and some improvements, and Mr. Duran committed to completing the improvements. Mr. Duran said the city did not do the work, and he had to put up a bond and do the work. They put up seven lots as a bond in lieu of a cash bond to show that the work would be done. Mr. Duran said until the work was done, he could not do anything with those seven lots, and the loss of the use of those lots should offset any additional valuation for the cost of pioneering the road. There was a detriment to the valuation of having to hold lots he could not sell.

Ms. Watt said that the land valuation methodology changed from last year and in most cases, the value of land increased.

Mr. Sahnaw said that in relation to this property, the subdivision didn't exist until last year, it was a single parcel of raw land. There were estimated values provided to the developer during the process – going back to 2010, and the assessments in 2013 were in total lower than the estimates made in 2011 of what the values would be upon subdivision.

Mr. Gaguine asked if the Assessor's value indicated a fully developed subdivision's valuation. Mr. Sahnaw said yes if there was site prep, and this was not based on public utility installation.

Mr. Gaguine restated that Mr. Duran contended that the lots should not be assessed as if they were fully developed as the utilities were not installed. Mr. Duran said yes.

Mr. Gaguine asked for the Assessor's reasons for valuing the property as if the lots were fully developed. Mr. Sahnaw said that was the market value and it was how the lots were being marketed.

Ms. Josette Duran said that even though the lots were individually platted with a final plat, they could try to market and sell the individual lots, but a bank would not finance the lots and a mortgage was not available as the improvements were not completed. She said the only market would be an unlikely cash offer.

Ms. Watt said she understood that the Assessor reduced the value of the land by \$40,000 to take into account the improvements that still need to be done. Mr. Sahnaw said that was correct and that reduction of \$40,000 for each lot was based on the work needed to prepare each individual site, including the grading and preparation to install a building pad. It did not account for the public infrastructure required for the subdivision.

Mr. Gaguine asked if the intent was to sell the lots at approximately \$100,000 based on the market value indicated by the Assessor and an additional \$40,000. Mr. Duran said that was the intent and the values would be there when the paving was done. Mr. Duran accepted the \$40,000 value reduction for each lot for site preparation, but the major expense was the infrastructure.

Mr. Nowlin asked for an explanation of the estimates provided to Mr. Duran for subdivision. Mr. Sahnaw said he was not involved with the process but understood that the estimated assessments were given to the Community Development Department as part of the subdivision process. Mr. Duran said the estimates were made to determine the value upon completion of the subdivision.

Ms. Watt said the key question was with timing and what they were valued at now. She asked for the normal CBJ process for subdivisions.

Mr. Sahnaw said this valuation was reflective of the normal process. He understood that the lots could not be sold as they were, that the infrastructure was required by the city to be sold. Mr. Gaguine asked if that included a lot paid for with cash and Mr. Sahnaw said yes, that was the reason that a portion of the lots were put up as the bond.

Mr. Gaguine said in that case an argument could be made that the lots were worth nothing, but these were starting from the base of \$100,000 per lot of final value. Mr. Gaguine referred to the lot sales on Sunny Point that were used as

comparables. Mr. Sahnaw said those lots were improved and the value of the land was extracted from the improvements. The Board discussed the comparables with Mr. Sahnaw, who said that the system took the sales and attributed the sale price to land and buildings. It was a way to extract land values from sales of improved properties, making an estimate, and this set up a model for the rest of the neighborhood based on the most recent sales. They were looking at all of the parcels in a neighborhood, determining the median site, and calibrating the model off of that, so that the larger lots were generally priced at a lower per square foot rate and the smaller lots had a slightly higher rate, and there was a base amount that was in there that if there was a buildable lot, there would not be a lower value than the base amount.

Ms. Watt asked about the reconveyance agreement and if Mr. Duran was on schedule. He said he was working towards that and would be done.

Mr. Gaguine asked about the two lots with the site prep work done and if Mr. Duran agreed that there should be no credit for the \$40,000 per lot for those as the site work had been done. Mr. Duran said they were not worth \$92,800 or 93,900 either as there was not water or electrical to the houses.

The Board discussed with Mr. Duran the variance between his estimate and the Assessor's estimated value of the two lots with structures. Mr. Duran said his \$25,000 estimate on those two might be low, but it was not as high as the Assessor had determined.

Ms. Watt said the valuation was made at a point in time on January 1, 2013. Mr. Sahnaw said the previous year was one large parcel. Ms. Watt asked Mr. Sahnaw to explain the aspects of the changed methodology that would apply to this situation. Mr. Sahnaw said the overall value of the 24 lots, using the current methodology, was slightly lower than the estimate that was made in 2011, using the previous methodology.

Mr. Gaguine asked Mr. Sahnaw to commit that this was the method of CBJ assessment, that once the final plat was complete, with the commitment to do the work, the assessed value would be as if the work had been fully completed. Mr. Sahnaw said that was correct. Mr. Sahnaw said if the subdivision was made in the middle of the tax year, the previous value was apportioned so there was an aggregate no change in value, but as soon as the new year was started, it was so. In the case of this subdivision, it was the first valuation of the subdivided lots.

Mr. Gaguine said this did not seem like a reasonable method and he asked if this was the standard in the country. Mr. Sahnaw said as far as he knew, it was.

Mr. Duran said this was one of the reasons for the lack of housing in the community, and in the bigger picture something needed to be changed.

Mr. Nowlin said he agreed, but the BOE was limited to determining if the property was assessed equally and fairly according to other properties.

Mr. Gaguine asked what improvements had been done to date that he was obligated to do. Mr. Duran said he was working on the water and sewer lines and as of today, the water and sewer were in but not tested. This was not the case on January 1. The road was still to be constructed and paved and curb and gutter installed, and the electrical was still needed.

Mr. Nowlin asked if the assessed value would increase once the sidewalk and gutters went in. Mr. Sahnaw said no, the lots were being marketed as if it was all done and he referred to the sales flyer found in the packet.

Ms. Watt asked a question to the Assessor on the methodology in the past. Mr. Sahnaw said it was characterized as, “a site is a site is a site” and the sites would have the same assessed value even though there were variations in topography and size. This was a relatively stable method, but the market was not stable and there were quantifiable differences in the lots. We had concerns from the public about that methodology and so the new methodology was adopted. This subdivision shows slightly different values in the lots based on size.

Mr. Gaguine asked Ms. Sebens how much leeway the board had if it was to determine that the lots were overvalued, could the board determine new amounts?

Ms. Sebens said the law stated the appellant had the burden of proof and the grounds for adjustment were proof that the facts at the hearing established that the assessments were unequal, excessive, improper or under valuation. The code provided that the panel must make a determination that an error in valuation occurred, and following that determination, the panel could alter an assessment only if there was sufficient evidence of value in the record. Lacking sufficient evidence in the record, the case could be remanded to the Assessor.

Mr. Gaguine said if the Board were to decide that the method was not reasonable, then it could be returned. Mr. Nowlin said that everyone in the city was being assessed in that way, so it was equal. Mr. Gaguine discussed excessive.

Mr. Sahnaw was not aware of another subdivision in the same situation. Ms. Watt asked if the Board asked the Assessor to revalue the lots with the infrastructure that was in place on January 1, would that be possible.

Mr. Gaguine asked if it was Mr. Duran's burden to show how the city had treated past subdivisions. Ms. Sebens said it was the appellant's burden all the way through and the court's deference to the taxing authority was clear.

Mr. Watt said the issue for her was whether or not it was correct to value the lots as if the entire infrastructure was in place on January 1, 2013.

Ms. Sebens said it was not clear which basis of the law was being appealed, (excessive, unequal, or what). Assuming it was a wrong principle, then the burden of proof would be to prove that this was a fundamentally wrong method.

Mr. Gaguine said he would feel better to see what the Assessor had done for other subdivisions in the city and how this issue was handled across the state, but if this was the way it was done generally, then that was the way.

Mr. Nowlin said that he did not disagree with the points made, but Mr. Duran had the burden of proof to bring forward that argument.

Ms. Watt asked Mr. Duran if he had any quarrel with the increase in the assessment with the assessment based on the individual lot sizes. Mr. Duran said he agreed that there was a difference in values based on lot size.

MOTION, by Gaguine, to grant the appeal, and recommended a no vote, based on the assumption that this method is standard in the Assessing practice and the burden of proof was upon Mr. Duran to show otherwise and there were no grounds to reverse. All members voted no, and the appeal was denied.

Mr. Duran disagreed and discussed his concerns with the board. Ms. Duran asked about the appeal process and Mr. Gaguine said the appeal was to Superior Court.

Appeal #1 -

Subject Property: Parcel # 6D0701000011, Location: 4770 N Douglas Hwy

Appellant Name: Peter Dukowitz

2013 Preliminary Assessed Value:

Site: \$ 175,100	Improvements: \$ 100,300	Total: \$ 275,400
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Owner's Estimated Value:

Site: N/A	Improvements: N/A	Total: N/A
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Assessor's Recommendation:

Site: \$87,600	Improvements: \$93,600	Total: \$181,200
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Appeal #2 -

Subject Property: Parcel # 6D0701000012, Location: 4750 N Douglas Hwy

Appellant Name: Peter Dukowitz

2013 Preliminary Assessed Value:

Site: \$ 181,700 Improvements: \$ 197,000 Total: \$ 378,700

Owner's Estimated Value:

Site: N/A Improvements: N/A Total: N/A

Assessor's Recommendation:

Site: \$63,600 Improvements: \$49,200 Total: \$112,800

Mr. Sahnaw said he would be more comfortable if Assessor Potter was available but she had a family medical emergency to address.

The appellant, Mr. Dukowitz, was contacted telephonically during the meeting. He was told that the panel consisted of a replacement board member from his last appearance at the Board of Equalization. Ms. Sebens said that even though this is a continuation, she suggested that Mr. Dukowitz should present his entire case due to the substitution.

Mr. Dukowitz requested a continuation of this hearing. Ms. Sebens said that this was the date that was set upon his recommendation. He said he was originally planning to be in town and attend the meeting but he had a last minute notification and he would prefer a new date. He had not been able to submit any additional materials. It was his understanding that the Assessor and he were to meet to discuss additional items and there had been no contact between the two. If nothing had changed, he felt his property was not marketable in the traditional sense.

Mr. Gaguine said he had read the minutes but if Mr. Dukowitz believed his case would be better presented in person that he was entitled to a new date. Mr. Nowlin agreed to serve. Ms. Watt agreed with the proviso that Mr. Dukowitz meet with the Assessor to discuss the facts, as that was the reason for the deferral. Mr. Nowlin said it was delayed because the Assessor was not aware that the lots were required to be sold together. Mr. Sahnaw said that was correct and the question was if that changed his opinion, and he said it did not. Ms. Sebens urged Mr. Dukowitz to take the lead to meet with the Assessor as it was his burden of proof.

Mr. Dukowitz and Mr. Sahnaw agreed to meet on August 26 at 8:30 a.m.

Ms. Sebens suggested the BOE would only reschedule Mr. Dukowitz's appeal one more time, and he agreed that if he had to leave town, he would prepare materials and have someone present the facts for him. All parties and the Board agreed to waive the ten-day prior notice period.

Hearing no objections, all agreed to a new BOE meeting date of Thursday, September 12, at 5 pm in the Assembly Chambers.

IV. LATE FILED APPEALS

Appealed Property	Parcel Number	Appellant (Last Name, First Name)
5115 THANE RD	1B0201010080	CHAMPAGNE, LOUISE

Mr. Nowlin brought forward the first request for a late filed appeal from Ms. Champagne, who was not present. Ms. Watt noted that Ms. Champagne lived in Texas and the property was a vacant lot.

Mr. Nowlin said that the appellant requested to file a late filed appeal based on medical reasons, and said he believed the appellant had demonstrated her inability to file in a timely manner based on her written submission.

Mr. Gaguine agreed and referred to a similar ruling by the BOE, but said Ms. Champagne's evidence was compelling.

MOTION, by Watt, that the Assessor be allowed to hear the appeal, based upon the reasons provided by the Appellant, and requested a vote in the affirmative. All members voted yes and the request to file a late file appeal was granted.

Appealed Property	Parcel Number	Appellant (Last Name, First Name)
AMALGA HBR ISLAND	3B4001040090	WALLEN, LYNN
AMALGA HBR ISLAND	3B4001040100	WALLEN, LYNN

Mr. Gaguine said Lynn Wallen was a friend but there was no reason he could not rule on this matter.

MOTION, by Watt, to grant the request to file late appeals for the two properties, and requested a No vote because the appellant did not prove that she could not comply with the filing deadline. All members voted No and the request to file a late file appeal was denied.

V. ADJOURNMENT – 6:42 p.m.

Submitted by
Laurie Sica, Municipal Clerk