

MINUTES

2015 Board of Equalization and Review
May 20, 2015

Board Members Present: Jennifer Marsh, Chair
Patricia Roberts, Regular
Pamela Davis, Regular

Staff Members Present: Roger Gunn, Chief Appraiser
Steve Hensley, Appraiser
Scherri McCray, Recording Secretary
Mike Sutton, Commercial Appraiser

The meeting was called to order at 2:00PM on May 20, 2015 by Ms. Marsh.

TRI CITY INVESTMENTS

PIN# 9799692931

Mr. Michael Sutton, the commercial appraiser for the Orange County Tax Office, presented the appeal to the Board. The appellant is Lowe's Home Center located at 1801 FORDHAM BLVD, CHAPEL HILL. The current assessed value by Orange County is \$11,712,700. In a statement submitted by John Cocklereece, Jr, attorney for the appellant, the appellant contends that the property is overvalued based on appraisals conducted by Integra Realty Resources in Charlotte, NC to determine the fair market value of twelve Lowe's stores in Forsyth and Mecklenburg counties. The appellant's opinion of value is \$5,870,134.

Mr. Sutton informed the Board that the appellant is basing the appeal on appraisals that are dated subsequent to the County's reappraisal of January 1, 2009.

Ms. Marsh inquired as to what triggered this appeal at which Mr. Sutton replied that the appellant is appealing all their locations across the State of North Carolina. There are a couple cases pending at the Property Tax Commission which is scheduled to be heard sometime this year. The subject property is leased by Lowe's Home Center. The County is unaware of what the lease agreement contains, including the rent. Mr. Sutton conducted an income analysis based on rents of other Lowe's and the resulting data indicated \$8 per square foot market rent as of January 1, 2009. In the income approach, when considering a 5% vacancy rate and 10% for operating expenses, and utilizing a 7% capitalization rate plus the tax rate for 2009, the indicated value of the property is approximately \$12.5 million. The current assessment on this property is \$11,712,700.

Ms. Marsh inquired about the sales dates of the comparables in the appraisal furnished by the appellant. Mr. Sutton replied that the comparables' sales dates were from 2010, 2011 and 2012. Furthermore, the date of the appraisal used to value the subject January 1, 2013 which is the date of the reappraisal conducted in Forsyth County. The appraisal for Mecklenburg County was dated January 1, 2011.

Ms. Roberts questioned why the appellant submitted appraisals for Mecklenburg and Forsyth Counties to appeal an Orange County property. Mr. Sutton responded by stating that the appellant has submitted comparable sales that are based on sales of "dark stores" such as old, vacant Walmart stores and vacant Target stores. The appellant feels these sales reflect what the subject property would sell for. Additionally, the County has compared the subject Lowe's value to the Home Depot and Walmart stores in Hillsborough, Orange County. The Home Depot is valued at \$91.25 per square foot, including building and land. The Walmart is valued at \$81 per square foot, including building and land. The County feels that the appellant's property value is in line with these properties' values.

Mr. Sutton presented seven Lowe's comparable sales that occurred in 2006, 2007 and 2008. The median sales price for sales that occurred between 2006 and 2008 is \$107.51 per square foot. These comparable sales are from different states and North Carolina cities such as Arizona; Iowa; Concord, North Carolina; Charlotte, North Carolina; and Fayetteville, North Carolina.

Mr. Gunn informed the Board that an appraisal of this type of property would generally be a regional appraisal where you would have to search for similar sales within the entire state and neighboring states.

The County's opinion on the current value of this property is that it has been appraised in accordance with the schedule of values that were adopted for 2009. The value was adjusted at the informal appeals level from \$14,401,700 to the current \$ 11,712,700.

The Board reviewed all documents and information provided by the appellant and the County. After deliberation and review, Ms. Davis made a motion of no change to the current assessed value based on the lack of evidence provided by the appellant to prove that the assessed value is incorrect or assessed in error. The comparable sales that were submitted by the appellant were not relevant as they all occurred subsequent to January 1, 2009. Ms. Roberts seconded the motion and the motion carried.

Yes: 3
Noes: 0

REDSTONE FUNDING, INC

Multiple PINs

Mr. Sutton presented the Board an appeal from Bradley S. Salzer, president of Redstone Funding, Inc. The Company is appealing the assessed values of three vacant commercial lots located on HAMPTON POINT BLVD, HILLSBOROUGH. The appellant contends that the properties are overvalued, based on vacant land sales between 0.50 and 3.00 acres from January 1, 2007 to December 31, 2008. These properties are listed below:

PIN 9873599108 is currently assessed at \$356,900, (\$347,500 for the land and \$9,400 for the paving). The appellant's opinion of value is \$200,495.

PIN 9873597650 is currently assessed at \$761,904. The appellant's opinion of value is \$494,554.

PIN 9873594688 is currently assessed at \$772,200. The appellant's opinion of value is \$445,545.

A statement provided by the appellant indicates that the subject properties were purchased collectively for \$1,200,000 for 5.03 acres or \$238,600 per acre on March 11, 2014. Furthermore, the subject properties are currently being listed for sale with The Widewater Group at \$600,000 for PIN 9873599108, \$575,000 for PIN 9873597650, and \$575,000 for PIN 9873594688. PIN 9873597650 is currently under contract.

The County contends that the properties have been appraised at their true market values and have been appraised in accordance with the Schedule of Values, Standards and Rules adopted for the 2009 general reappraisal. The County further contends that the sales submitted by the appellant are not comparable sales to the subject parcels as the sales are for residential properties and the subject parcels are commercial properties.

The Board reviewed all documents and information provided by the appellant and the County. After deliberation and review, Ms. Marsh made a motion of no change to the current assessed value based on the lack of evidence provided by the appellant to prove that the current value is incorrect or assessed in error. Furthermore, the assessments of the subject properties were equitable with the values of the other commercial properties in the subject project. Ms. Davis opposed the motion stating that, in her opinion, the smaller parcel, PIN 9873599108, should be assessed at a higher value. Ms. Roberts seconded the motion and the motion carried.

Yes: 2
Noes: 1

BURKE

PIN # 0804003249

Gary & Susan Burke elected not to appear before the Board but have requested that their documentation serve as their appeal. They are appealing the value of the property located at 5531 JOMALI DRIVE, DURHAM. The current Orange County assessed value is \$447,986. The appellant states that the square footage of the property is incorrect.

The County reviewed the subject and determined that the County's square footage was indeed incorrect. The County recommends that the square footage be corrected to reflect that of the appellant's claim. This correction will adjust the value of the subject to \$428,000.

The Board reviewed all documents and information provided by the appellant and the County. After deliberation and review, Ms. Marsh made a motion to accept the recommendation made by the County to correct the appellant's square footage. Ms. Davis seconded the motion and the motion carried.

Yes: 3
Noes: 0

Mr. James Yu, an empowered employee of AKG North American Operation, Inc. elected not to appear before the Board. The appellant submitted a written statement to the Board requesting a compromise of listing penalties incurred as a result of an audit conducted by Mr. Philip Loseke of Tax Management Associates on behalf of the Orange County Tax Office. The appellant is requesting a compromise of penalties for the amounts on the following three bills:

Penalty portion and bill number:

\$ 28.65 0000997665-2015-2014-0000-00
\$ 48.53 0000997665-2015-2013-0000-00
\$ 420.43 0000997665-2015-2013-0000-00
\$ 497.61 Total

The appellant states that the discoveries were primarily due to not reporting supplies. This was an oversight and not intentional, and AKG remains in good standing with Orange County on all matters. Furthermore, Mr. Loseke has been advised of the proper method of reporting supplies and states that AKG has obliged to reporting their supplies on their 2015 listing and will continue to do so in the future.

The County stated that an audit discovery was created for AKG North American Operations, Inc. on February 26, 2015 by Tax Management Associates as follows:

| <u>Tax Year</u> | <u>Value</u> | <u>Tax</u> | <u>Penalty</u> | <u>Total Tax</u> | <u>Penalty</u> |
|-----------------|--------------|-------------------|-----------------|-------------------|----------------|
| 2015/2014 | \$32,635 | \$286.54 | \$28.65 | \$315.19 | 10% |
| 2015/2013 | \$28,282 | \$242.66 | \$48.53 | \$291.19 | 20% |
| 2015/2012 | \$163,339 | <u>\$1,401.45</u> | <u>\$420.43</u> | <u>\$1,821.88</u> | 30% |
| Total | | \$1,930.65 | \$497.61 | \$2,428.26 | |

The County reviewed the business personal property listing for the appellant for the years 2012 through 2014 and concluded that these listings were filed in a timely manner.

The total assessed value for each year filed timely:

| <u>Tax year</u> | <u>Total Assessed Value</u> |
|-----------------|-----------------------------|
| 2014 | 5,482,265 |
| 2013 | 5,537,536 |
| 2012 | 4,935,627 |

The Board reviewed all documents and information provided by the appellant and the County. After deliberation and review of all submitted information, Ms. Davis made a motion to waive 50% of the penalties. There was no second to the motion and the motion did not carry. Ms. Roberts made a motion to waive the entire amount of the penalties with the consideration that the appellant is an area employer who employs many Orange County residents and is in good standing with the County. Ms. Marsh seconded the motion and the motion carried.

Yes: 3
Noes: 0

Roger Gunn presented two present use applications for the Board's consideration of acceptance. The applications are considered untimely filed as they were received after the January 31, 2015 listing deadline. Mr. Gunn noted that the Board could approve the acceptance of the late applications for "just cause".

Ms. Marsh made a motion to accept the two late applications. Ms. Davis seconded the motion and the motion carried.

Yes: 3
Noes: 0

YOUNG

PIN # 9788164814.036

Mr. Geoffrey Young elected not to appear before the Board and requested that his supporting documentation serve as his appeal. The property under appeal is a residential condominium located at 400 W. ROSEMARY STREET-UNIT 406, CHAPEL HILL. The current Orange County assessed value of this property is \$377,534. The property is currently listed for sale at \$389,000 and the MLS indicates the total living area is 1,200 square feet.

The appellant contends that the property is undervalued, based on the square footage that the County has listed versus what the developer has listed. The appellant's opinion of value is \$398,000. This is based on 1,340 square feet and not the current square footage of 1,242 that the County reflects. The appellant states that he is not, "looking for a revaluation but would like a correction for these units to normalize our complex."

The County contends that the property has been appraised at its true market value in accordance with the Schedule of Values, Standards and Rules adopted for the 2009 general reappraisal. The County's calculation of finished square footage was derived from measurements from recorded plans, with the difference in the square footage from what the appellant purports being attributable to the stairs leading from the third story to the rooftop patio which is not included in the County's calculation of living area, since the stairs do not lead to a living area.

The Board reviewed all documents and information provided by the appellant and the County. After deliberation and review, Ms. Marsh made a motion that no change be made to the current assessed value. Ms. Davis seconded the motion and the motion carried.

Yes: 3
Noes: 0

Having heard all of the appeals scheduled on this date, Ms. Marsh made a motion to adjourn this meeting. Ms. Roberts seconded the motion and the meeting was adjourned at 4:47 PM.


Jennifer Marsh, Chair


Scherri McCray, Recording Secretary