

MINUTES

2013 Board of Equalization and Review

May 23, 2013

Board Members Present: Jane Sparks, Chair
Jennifer Marsh
Karen Morrissette

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

Ms. Sparks called the Board to order at 2:04 p.m. on Thursday May 23, 2013.

Robert Lincoln

PIN # 9778790026.001

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Mr. Lincoln appeared before the Board to appeal the valuation of four properties located at the addresses below, along with the tax value assigned to the properties by Orange County:

- 101-A Sue Ann Court, \$163,549
- 101-B Sue Ann Court, \$162,225
- 101-C Sue Ann Court, \$185,524
- 101-D Sue Ann Court, \$184,200

The appellant referenced the documents that he submitted. He is providing another document for review, and it shows the living area that the County has in comparison to calculations from an architect. County staff explained why there would be a difference between the County's and the architect's calculations.

101-A: Mr. Lincoln stated that as of Dec 31, 2008 the unit was not remodeled. The appellant stated that it was likely compared to a similar property on Todd Street, where the value was 33% higher. Mr. Lincoln stated that there is a huge disparity between the County's value and what he sees as a true value. Mr. Lincoln asked that the County lower the value to \$111,000, which is a conservative number. The appellant is basing his estimate on interior and exterior conditions. He believes his assessment was based on a building on Todd Street, which is essentially similar to the subject building, but the Todd Street property was completely remodeled. Mr. Lincoln reiterated that the actual square footage of his units is smaller than what is shown on the website. On January 1, 2009, 101-A had electric baseboard heat (replaced in 2010), no central air conditioning, 2 bedrooms, 1 bathroom, and was in need of a new roof and painting. Also, the cabinets were broken (now repaired). The unit was remodeled in 2010, and it became a condominium. The other three properties had been renovated but this one had not been

renovated because it had been continually rented. Mr. Lincoln states that the comments on the appellant's documents are not reflective of the current condition of the property.

Board members explained how the value was determined for the property. The Board explained that because the building was converted from apartments into condominiums, the value has increased due in part to condominiums having different legal rights than apartments.

County staff presented the appellant with sales of similar condominiums from the relevant time frame preceding the revaluation. A Todd Street property sold in September of 2008 for \$190,000. The appellant feels that Board is comparing apples to oranges but concedes that he was not prepared correctly.

County staff recommended the Board request County staff to review the square footage of the units and inspect the property in order to determine accurate property characteristics and condition and adjust depreciation accordingly.

Ms. Sparks made a motion for a field review and to bring back findings for the Board review and ruling. Ms. Marsh seconded the motion and the motion carried.

Ayes: 3
Noes: 0

Jonna Walton

PIN # 9897338794

Ms. Walton appeared before the Board to appeal the valuation of her property located at 4050 HUNT ROAD, HILLSBOROUGH. The current tax value assigned to the property by Orange County is \$487,381. Ms. Walton would like the value lowered to \$400,000. Ms. Walton states that new construction was started in 2011, with a certificate of occupancy being granted in March 2013. The appellant is disputing the building value of \$324,800.

Ms. Walton states that the value per square foot is too high compared with the comparable sales from the recent appraisal, and even based on 2009 values, the value is still too high. Ms. Walton stated that the actual cost of construction without site improvement was \$265,900. The appellant understands that her costs are as of 2011 versus 2009, but the County's value is 22% higher than her appraisal. The property is located on Hunt Road near Rougemont. The appellant referenced a house in the area that was built in 2009 with 5000 square foot and a value of \$500,000.

Ms. Walton states that her best argument for her value is price per square foot based on homes that she can see, looking at other homes built by her builder. She also believes that her building value should be more in line with the comparables on her appraisal. She is satisfied with the value on her land; she has no argument with it.

County staff stated that there is about 300 square foot difference in living area between the County's record and Ms. Walton's appraisal. County staff recommended a field review to

measure the house and correct the square footage if needed. Also, County staff recommends changing the grade on the appellant's house to B+ 15 grade.

Ms. Morrissette motioned that County staff conduct a review of property to obtain correct measurements & make necessary corrections. She stated that no other change in value be made except for adjustments arising from the property review and grade change. Mrs. Marsh seconded the motion, and the motion carried.

Ayes: 3
Noes: 0

Karla Greene

PIN # 9825538972

Ms. Greene elected not to appear before the Board and requested to allow the appeal form and all supporting documentation to serve as her appeal. Her property is located at 102 BOBWHITE WAY, MEBANE. The current tax value assigned to the property by Orange County is \$187,558. She is requesting that the value be reduced to \$ 172,080 claiming that this value was the Orange County property tax value as of September 1, 2008. The appellant submitted a hand written letter from a listing agent that stated that this property was purchased by the appellant on September 2007 for \$ 200,500 and has subsequently been listed for sale by the listing agent in November 2012 for \$ 165,500. Furthermore, this listing agent stated that the price had to be reduced to \$ 150,000 in January 2013 after getting the property appraised at \$144,000.

After reviewing all the documents presented by the appellant and the County, Mrs. Morrissette made a motion that no change be made to the value based upon the lack of evidence to support a change based on January 2009 market conditions. Ms. Sparks seconded the motion and the motion carried.

Ayes: 3
Noes: 0

Collins Investment Properties 2 LLC

PIN # 9864839586

Don Collins appeared before the Board along with his daughter to appeal the valuation of a commercial property located at 125 JOHN EARL STREET, HILLSBOROUGH. The current tax value assigned to the property by Orange County is \$950,200.

The assessed value on January 1, 2013 was \$1,048,114. After informal review, the value was lowered to \$950,200. Mr. Collins presented an appraisal as of March 16, 2009 performed by Paul Snow, MAI, which indicated that the value of the property was \$630,000. Mr. Collins indicated that the client for the appraisal was a bank and the appraisal was used as the basis for a loan. Mr. Collins asked if the property was appraised at \$630,000 in March 2009, how the County justified the \$950,200 assessed value as of January 2009?

The appellant stated that the property was a former restaurant that has recently been up fitted for a preschool. The building is now rented for \$4000 a month for 5 years. The appellant states that the value should be no more than \$750,000 with the current up fit. Mr. Collins stated that the property would still be vacant today if he had not made it affordable for the tenant, and if the County's value could be supported he would sell the property and owner finance it. He owns a lot of property and feels this property is not valued properly.

Mr. Collins daughter stated that her father is a lifelong resident of this county. He took a building that had failed, and rather than have someone else fail, made it possible to create a day care to serve county residents. She also stated that part of the parking lot was converted into a playground showing that during this difficult economy, he is trying to help the community.

Roger Gunn explained to the Board that there was no disagreement with any of the analyses, opinions, and conclusions in the taxpayer's appraisal. Mr. Gunn noted, however, that the value estimate was based upon the leased fee estate in the property, rather than the fee simple estate upon which NC counties base assessed valuations. Mr. Gunn referred the Board to various excerpts from the taxpayer's appraisal which addressed such items as contract rent versus market rent for the subject property, income and expense analyses, and capitalization rate selection. Using the taxpayer's appraisal as evidence, Mr. Gunn reconstructed the appraisal's Direct Capitalization Analysis using market rent as opposed to contract rent. Mr. Gunn then explained to the Board that when the subject's market derived net operating income (before property taxes) of \$90,938 is divided by the appropriate 9.478% capitalization rate (8% + 1.478% tax rate to account for property taxes); the indicated value is \$959,464, which supports the County's current assessment.

The Board stated that the Tax office and Board are bound by the NC General Statutes. There is no statutory provision that allows either party to adjust the value because the owner is helping the community.

Ms. Morrisette motioned that after considering the data from the taxpayer's appraisal and after having heard the County explain the basis of the assessment, that no change be made to the current assessment as no evidence was presented to show that the assessment is incorrect. Ms. Marsh seconded the motion and the motion carried.

Ayes: 3

Noes: 0

William R. Newell

PIN #9798345972.058

Mr. Newell appeared before the Board to appeal the valuation of his property located at 4412 ENVIRON WAY, CHAPEL HILL. The current tax value assigned to the property by Orange County is \$310,700. This property was purchased in September of 2012 for \$210,000. It is a condominium in East 54 with one bedroom and one bathroom. Mr. Newell states that it is a four year old unit that was never occupied or sold until he purchased the unit. Mr. Newell believes

that his case is open and shut and that there is no justification to support a value of \$310,700. Mr. Newell stated that even in 2009 the current assessed value was not an accurate value.

County staff pointed out that his appraisal was completed after 2009. Staff explained that the County cannot make adjustments between revaluations based on changes in economic conditions for a property.

Mr. Newell stated that he feels that it is worth \$210,000 and does not care what the Board has to say. He knows what a willing buyer and willing payer would pay for this property.

County staff provided comparable sales to show what properties in East 54 were selling and pre-selling for in 2008.

After analyzing the evidence presented by the appellant and The County, Ms. Marsh made a motion for no change in value due to lack of time relevant information to justify a change based on January 1, 2009 market conditions. Ms. Morrissette seconded the motion and the motion carried.

Ayes: 3

Noes: 0

Marci Loiselle

PIN #9875420263

Ms. Loiselle appeared before the Board to appeal the valuation of her property located at 402 NORTH ENGLISH HILL LANE, HILLSBOROUGH. The current tax value assigned to the property by Orange County is \$244,770. Ms. Loiselle stated that a correct value for this property should be \$230,000.

At the informal review, the appellant submitted some evidence and is confused as to why the value did not change. She states that one neighbor's tax value is \$20,000 less than her property. Ms. Loiselle presented comparables from her 2009 appraisal. The comparables value her property at \$230,000. She states that the best comparable is 305 North English, valued at \$224,000 with a building value of \$188,502. There is a small difference in square footage and land size. Ms. Loiselle stated that the neighbor with the lower value has a covered porch and deck just like on her house.

The County stated that appellant's comp has a deck that is valued at \$10,000 whereas Ms. Loiselle's property has a covered porch and also a larger porch. The construction grades for properties in the area are uniform, but some properties in the neighborhood have been remodeled. The deck on the appellant's property adds \$5,000 to the property's value compared to the \$14,000 stated cost by the appellant.

Ms. Morrissette stated that the appellant's comparables were time relevant and within the appropriate marketing area but were not condition relevant. Ms. Morrissette made a motion for

no change because the value does not reflect the addition in 2010 for the deck. Ms. Marsh seconded the motion and the motion carried.

Ayes: 3
Noes: 0

Chapel Hill Country Club Inc

PIN # 9798689751

9798471629

9798481052

Mr. Dave Pawlowski, NC attorney and tax representative for Chapel Hill Country Club, appeared before the Board to appeal the valuation of three properties located at the addresses below. Also shown is the tax value assigned to the property by Orange County:

- 116 LANCASTER DRIVE, CHAPEL HILL - \$10,203,634
- 1011 CLELAND ROAD, CHAPEL HILL - \$398,378
- SMALL PART OF LOT 16, THE OAKS - \$9,686

Mr. Pawlowski gave a Power Point presentation to support his contention that the combined valuation of the three real estate parcels should be \$3,734,470 instead of the current \$10,611,698. Mr. Pawlowski acknowledged conversations and correspondence with Roger Gunn in which Mr. Gunn conceded that based upon the financial information previously submitted by the tax representative, the current combined value of the three real estate parcels was overstated and that the County would propose to the Board a more realistic combined valuation of \$7,300,000.

However, Mr. Pawlowski still felt the \$7,300,000 was excessive as sales comparison data and income approach data indicated a smaller number. Mr. Pawlowski provided excerpts of seven golf course sales in North Carolina and South Carolina as well as 26 other golf course sales nationwide, including North Carolina. The majority of these sales occurred after the 2009 Orange County revaluation. Mr. Pawlowski used the excerpts to challenge the \$7,300,000 value as being too high due to the lower 10.54% capitalization rate espoused by Mr. Gunn. Mr. Pawlowski indicated that a 12.54% capitalization rate was more realistic as evidenced by the average of the sales previously displayed. Mr. Gunn challenged Mr. Pawlowski's capitalization rate selection by remarking that Mr. Pawlowski's rate was compiled from all types of golf courses, not private country clubs with tennis and swim clubs in addition to golf.

Mr. Gunn noted that for the capitalization rates presented, Mr. Gunn's selection of a 9% cap rate plus 1.54% added for the tax rate was equally defensible as the 11% cap rate plus the 1.54% tax rate suggested by Mr. Pawlowski, and Mr. Gunn supplied additional capitalization rate data for private golf courses. Mr. Gunn mentioned that the \$7,300,000 value was based on thirteen holes in Orange County whereas Mr. Pawlowski suggested there were fifteen holes. Mr. Hensley did a quick review on Orange County GIS and indicated that there appeared to be fourteen holes in Orange County. Mr. Pawlowski took further exception with the \$7,300,000 value in that no deduction for business personal property value was taken into account which would be considered double taxation. Mr. Gunn stated that \$1,057,000 in business personal property was

assessed for the taxpayer in 2009 and conceded that amount should be deducted from the \$7,300,000 he suggested.

Ms. Morrisette stated that it becomes problematic to try to rely on excerpts from sales of not necessarily similar properties, other properties' appraisals, valuation seminars, etc. in order to extract reliable income and expense data for the subject. She stated that based on the evidence presented, she found the \$7,300,000 value with a deduction of \$1,057,000 for business personal property most compelling. Ms. Marsh remarked that the \$7,300,000 number was based on thirteen holes and felt that \$7,400,000 was more realistic in light of new evidence that apparently fourteen holes exists in Orange County.

Ms. Marsh made a motion to adjust the combined value of the three parcels to \$6,343,000 (\$7,400,000 less \$1,057,000). Ms. Morrisette seconded the motion with the caveat that if investigation revealed a different amount than fourteen holes, the valuation should be corrected accordingly. The motion carried.

Ayes 3
Noes 0

Maya Jerath

PIN #9890005894

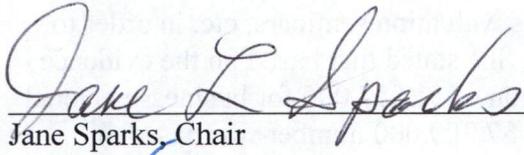
This appeal was brought back before the Board from the May 1, 2013 Board hearing. Mr. Hensley stated at the May 1st meeting that based on an exterior inspection, he felt like the quarter story on the property record did not exist but a 50% finished basement should be added. However, Mr. Hensley stated that an interior inspection was necessary to verify this data. Upon hearing this information, the Board instructed Orange County staff to secure an appointment with the property owner and perform an inspection of the property in order to obtain an accurate description and calculation of the home's living area.

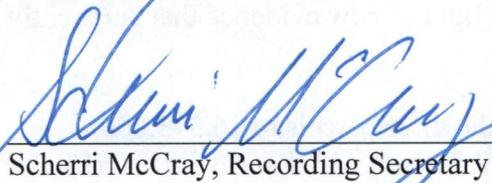
At this May 23rd meeting, Mr. Hensley remarked to the Board that he left several phone messages with Ms. Jerath to try and schedule an appointment, but Ms. Jerath never returned any of his phone calls. Therefore, Mr. Hensley was not able to gain access to the home in order to verify any interior property data. Ms. Sparks motioned that in light of Ms. Jerath's apparent unwillingness to cooperate with County staff regarding setting an appointment, no change will be made to the value of the property. Ms. Marsh seconded the motion and the motion carried.

Ayes 3
Noes 0

After having heard all of the appeals scheduled for this day, Ms. Sparks made a motion to adjourn the Board from the taking of appeals for the 2013 tax year. Ms. Marsh seconded the motion and the meeting adjourned at 5:50 pm.

Ayes 3


Jane Sparks, Chair


Scherri McCray, Recording Secretary