

Minutes
Board of Assessor's Workshop Meeting
May 1, 2012

Members Present: Eugene Reed and John McSorley

Member Excused: Jason Neuman

Guests: Stephan Hamilton-Director of NH Department of Revenue Property Appraisal Division,
Terry Bonser, Mary Bonser, Tom Duffy, Pam Kelly.

Others: Heidi Seaverns.

3:00PM Chairman Reed called the meeting to order.

While waiting for Mr. Hamilton to arrive, the Board addressed the signature file.

Motion: Reed, second McSorley to assess a Timber Tax Levy for 2011 tax year for Map 66 Lot 1 in the amount of \$ 1014.34.

Vote: 2-0 in favor. The Board signed the warrant for the levy.

Members signed an Intent to Cut for 2012 tax year for Map 66 Lot 1 & Map 61 Lot 4-taxes are current on both properties.

Upon arrival of Mr. Hamilton, introductions were made. Mr. Hamilton explained that he was at the meeting today as a result of a complaint that the Bonsers had filed with him about the Town's contracted assessor. He had spoken with both Ms. Martin & Mrs. Bonser on the phone in regard to the complaint and he was here to gather input from the Board of Assessors (BOA) on this matter. He went on to say that this complaint stemmed from the abatement & appeal process that the Bonsers are going through now. He does not believe there has been any unethical behavior on Ms. Martin's part. He explained that he would like to discuss the abatement appeal process and the valuation of property. He started out by saying the fact that the values were set by one assessor and now another assessor has to defend them further complicates matters. He stated that if a taxpayer believes that he/she is paying more than their fair share of taxes, they can file an abatement. The abatement should be about the whole value of the property, not just a portion of it. If there are errors on the tax card, this impacts value. The taxpayer has the burden of proof to show that they are paying more than their fair share by providing proof of market value of their property. He noted that even if there are errors in the methodology of calculating property values, while it may be interesting, it does not prove the taxpayer's case. He cited a court case which supports this statement-Porter et al v. Sanbornton. He added that commercial property appeals don't typically go quickly through the process and are very complicated. He went on to explain that the Board of Assessors has attempted to collect the information from the previous contractor and have received some information from him. Chair Reed asked Director Hamilton how one would go about determining the value of a commercial property. Director Hamilton then reviewed the 3 types of property valuation. The first is the sales comparison approach, where value is arrived at through the comparison of similar properties that have sold in the open market. This type of analysis is difficult to use for a commercial property since sales of commercial properties are not as common as residential properties. The second approach to value, which the CAMA system is based on, is the cost approach. The inventory of improvements and an estimate of the land value at its highest & best use are the basis for this approach. The third method of valuation is the income approach. Simply put, this is the value that an investor would pay for the future benefits of ownership. This value is derived from an analysis of historical operating expenses, income etc. Chair Reed then asked if someone could use all 3 methods to value a property. Director Hamilton stated it was not uncommon to use a combination of all three methods with a weighted average of each approach. As an example, an assessor could use 10% sales approach, 60% income approach and 30% cost approach to arrive

at a property's value. Chair Reed asked Director Hamilton what he had done for work prior to his appointment to DRA. Director Hamilton stated he had been a review appraiser at BTLA for 4 years before his 5 years as the Commercial Assessor in Manchester before accepting his appointment at DRA. Chair Reed asked Mr. McSorley if he had any questions or any additional input. Mr. McSorley stated that he has been in assessing field for many years as Director Hamilton has been. The general population has misconceptions about market value and how properties are valued. He explained that the sales approach to value typically uses the top 3 comparable sales to arrive at a value of a property. This is typically the method used when valuing a single property. Mass appraisal deals with valuing hundreds or thousands of properties at one time. It is impractical and too costly to look at each property individually so a hybrid method was developed. This method uses the replacement cost new less depreciation for improvements and then land value is determined by the extraction method. In valuing any property, you must be sure all components of the value are correct. If they are not, it leaves doubt on the overall result. He went on to say that the BOA is concerned that since such a long time has lapsed since the property in question has been reviewed that there may be errors that are affecting value. Ms. Bonser stated that she has no issues with her building values. Director Hamilton stated that he is not going to resolve this value dispute. Chair Reed stated that it is important to remember that the whole property value must be appealed not a component of it. Ms. Bonser again stated she had no problems with their building values. She then asked Director Hamilton if standards could be put into place so issues like this don't happen again (one contractor values and then another has to defend the values). She would like to see the subjectivity taken out of the valuation process. Director Hamilton stated that assessors have to make subjective estimates made against objective standards by using value of sale property, extracting it & then applying to sold & unsold properties. A special purpose property, such as the Bonselers, is difficult to value since there are not a lot of sales of these types of properties to use in the valuation of it. He went on to explain that as a result of 2007 legislation, Towns are now required to "memorialize" their revaluation through a manual developed by the assessor doing the revaluation. This manual, developed under USPAP Standards 6, is supposed to allow an individual the ability to understand how their value was developed through land tables, building costs, outbuilding value, and other factors such as views or waterfront. Having said that, Director Hamilton then stated that valuation of special use properties may not be identified in the manual. Pam Kelly then asked if Director Hamilton was familiar with the revaluation done in Nottingham in 2007 on the waterfront properties. Ms. Kelley went on to say although she personally was not aggrieved, there were many taxpayers that had issues with the values and as a result, the assessor's contract was not renewed. Director Hamilton replied that he was very familiar with that revaluation. His department was in the middle of a review of it when he came to the department. Ms. Seaverns stated that the review was done as a response to an anonymous letter sent to the Governor complaining about the revaluation. Director Hamilton outlined the steps taken by his department in the review. The conclusion of the DRA review was that there were no inconsistencies. Ms. Kelly questioned the fact that once values were established and the informal hearings were held, some of the adjustments were removed so didn't that mean there were errors. Director Hamilton explained that perfection is never a standard in mass appraisal. It would cost more than you could collect in taxes. A good appraisal attributes value factors and applies them to each neighborhood. If after the informal hearings changes are made, it is most likely because through discussions with taxpayers that the uniqueness of properties are realized and the value changes accordingly. He went on to say that not all property changes at the same rate. He said that he owns waterfront property so he is well aware of the issues taxpayers face. Valuations typically arrange around a 90-110% market value ratio. This works 90% of the time on 90% of the properties. Mr. Bonser then asked if assessor can use a different method for valuation after an abatement has been denied. Director Hamilton then gave the example of a 500K property, who

appeals their value. After an inspection of the property, it is determined that the property is worth 600K. The Town cannot go back and collect the balance of taxes for that year. Ms. Bonser then asked why taxpayer input was not taken during the DRA's review of the 2007 revaluation. Director Hamilton stated that subjectivity runs both ways-assessor & taxpayer. Ms. Bonser expressed her concern about the burden to taxpayers in the abatement/appeal process. Mr. Bonser added that taxpayer has to hit a moving target as assessor can change method of valuation after denial. Chair Reed stated that this issue would have to be changed through legislation. Director Hamilton stated that the Assessing Standards Board (ASB) has done a lot of work to open this process up to review-among the items addressed were better reporting standards and communication. He also mentioned that Mr. Reed had been very involved in this work. He also made the observation that the only exposure to government that most people get is paying property taxes. Mr. Duffy thanked Director Hamilton for coming to the meeting, and stated that he did not know that this meeting was going to be a Board of Assessors meeting. He had been told it was going to be a meeting with citizens. He then asked if it was an accepted practice to use a listed property in the valuation of a property. Both Director Hamilton & Mr. McSorley stated that they can be used but it is usually as a secondary or tertiary source. Mr. Duffy asked if there was a definition of market value. Chair Reed stated that the RSA's have a definition of market value but it may be an antiquated one. Director Hamilton stated that there is a definition in the USPAP standards. Mr. Duffy then asked if Nottingham had a designated person from DRA to perform reviews. Ms. Seaverns stated Lionel MacEachern was Nottingham's monitor. Ms. Kelly asked what DRA does during a revaluation. Director Hamilton explained that DRA has a random sample of property cards. They send postcards out to the property owners indicating when the Monitor will be visiting their property. There is a phone number on the card that the property owner can call if they do not want them to visit the property. The Monitor then goes to each property measures buildings and outbuildings, review topography, water frontage and views (if applicable). Mr. Duffy then asked if Director Hamilton had seen the Krajewski report on the 2007 revaluation. Chair Reed stated that this report would not be discussed at this meeting. Chair Reed asked if there were any more comments or questions. The BOA thanked Director Hamilton for his time. Audience members thanked him as well.

Having no further business,

4:25 PM **Motion:** McSorley, second Reed to adjourn.

Vote: 2-0 in favor.

Respectfully Submitted,
Heidi Seaverns

Approved as amended
5/14/12