

AD HOC TAXATION/ASSESSMENT ADVISORY COMMITTEE MEETING

MAY 6, 2011, 9AM, COUNCIL CHAMBERS

1. Call to order

Meeting called to order at 9:12 A.M. by Bob Manchester.

Present were Committee Members Robert Manchester (chairman), Robert Dillon, Joel Hellmann, Donald Nessing, and Joop Nagtegaal (secretary). Also present were Michael Minardi, Tax Assessor; Douglas Gablinske of AppraiseRI; Richard Nagle, Bob Battey, and John Hocking, Appraisal Resource.

2. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the meetings of April 25 and April 27 were approved unanimously with one amendment.

3. Public Comments

John Harker of 124 Adams Point Road said he wanted to add some additional perspective. He recited the RI state property tax code, and that no property should be assessed for more than its fair market value. He then added that 86% of the properties sold during the first half of 2009 sold for less than the assessment. He then handed out a document to the committee.

Ellen Ojeda of 332 Rumstick said that her property assessment is now back to the initial value from the 2008 revaluation, and not to the value that she obtained after the ABR hearings. She noted that there are still many areas in town where there are problems with the new assessments – she mentioned Rumstick Road, Adams Point Road, and Mathewson Road. She wondered whether she would have to go through the whole process of hearings again. Bob Manchester said that the purpose of this meeting is to discuss the assessments, so we will definitely have further discussions.

Alan Stanzler of 7 White Birch Lane said that the assessed values set by the ABR should be used as a starting point for the new assessments so that the homeowners don't need to start all over again with appraiser, lawyers, etc. We are now barely done with the 2008 assessments, and we already receive an increase again.

Mars Bishop of 121 Adams Point Road made the point that waterfront properties in Barrington are now so highly taxed that it is almost impossible to sell a house. He mentioned his fairly modest 3 bedroom house on a relatively small property with wetlands (certainly not an estate) for which the taxes run around \$30,000/year. This kind of house will typically not be bought by a family that is moving to Barrington because of the schools, so it does not enjoy that benefit. He says he feels stuck, with a property that is highly valued with high taxes but for which there are no buyers.

#### 4. Review December 31, 2010 Published Assessments

Bob Manchester gave an introduction to the assessments that were published. He said he had requested a full set of data from Appraisal Resource, but some essential information is still missing. He noted that a lot of properties have been assessed higher than the sales price, and said that would be particularly troublesome for owners of low valued properties, since it may force them to sell the property. He said that he had the impression that the assessments were generally better than for the 2008 revaluation, but that there were still significant problem areas that needed further examination.

Bob Battey then handed out copies of the report he had prepared for the tax assessor to the committee, and proceeded to provide a section by section explanation of the document. He noted that the total valuation for the town went down some 7%. Joop asked whether the old numbers included all the results of the ABR hearings, even those that were recently completed. After some discussion AR and the assessor agreed that all results were included.

Bob Battey reviewed the sales section in the report, and showed that statistically the assessments matched the sales. Bob Manchester said there were still many properties that were assessed well above or below the sales price. Bob Battey said that in a mass appraisal one cannot match every sale exactly; instead, the assessments have to come out of the uniform procedure that is followed by the CAMA system. One can only look at the overall picture and see that it makes sense. AR can make adjustments to the tables in the CAMA system to get a better match, but still get a representation of the full and fair market value. An individual sale does not necessarily represent the market value: it may be below or above market value, depending on the specific aspects of the sale.

Bob Manchester said he has still many concerns that people pay either too much or too little relative to the actual sale price. John Hocking pointed out that uniformity means that you apply the same mathematical formula to all properties, and don't make exceptions for specific properties to match the sale price. You try to choose the coefficients in your formulas such that the median assessed price matched the median sale price, and that the coefficient of dispersion, which measures how much variation there is between sale prices and assessed values, is small enough to give confidence that the formulas that was used properly represented the fair market values.

Joop said that sales prices vary because of the motivations of buyers and sellers. Homes are not a commodity; a buyer may want to pay a bit more for a particular home because he or she really likes it, or a seller may want to really sell a home and sell it for price a bit lower than perhaps would be justified. Hence, you will always have sales (well) above or below the assessments.

Joop asked some questions about the land valuation curves, particular for the excess land, which is the land over the property size defined by zoning. John said the excess land starts at the value indicated in the report, and then follows a curve that flattens out as the land increases. Joop said he couldn't check the curves; one problem is that many of the larger properties are waterfront have separate factors influencing the values, and these values have not (yet) been made available to the committee. John gave an indication what these factors were along the waterfront, which led to some further discussion between John Hocking and Joop Nagtegaal about specific properties in various locations.

In particular there was an extensive discussion about 375 Rumstick Road and the factors used to get the value for that property. John said that some of these factors came from factors that were set in a previous revaluation. The question was raised whether the survey data for the property was entered on the field cards. Some specific properties were discussed, and John indicated that the data was carried over.

Joop then showed a series of graphs that indicated that in most neighborhoods, the lower assessed properties tended to be assessed over the sales price and the higher assessed properties tended to be assessed under the sales price. This can be seen by eye, and linear regression analysis also shows this characteristic with a non-negligible correlation. John said that he calculated the PRD (Price Related Differential) for each neighborhood, and

that this measurement was well within the acceptable range. Joop said that the PRD may not be as sensitive as the regression analysis. Joel said that he still sees the tendencies, and it is a concern to him, even if the statistical measures are OK. Don said that linear regression has its limitations, and sometimes is not helpful.

Joel said he still believes there is a trend. He also agreed that this is an imperfect process, so it will never satisfy everyone. He further said that the committee brought forward several issues, and that the committee made many unanimous recommendations. When he saw that the sale of 285 Rumstick was not included, he was very dismayed. He said that when he and Joop were asked to provide comments on the preliminary sales analysis, they were thanked for their input but the recommendations were not followed. He said this may have been due to miscommunication, but it doesn't leave a good feeling.

He continued to say that his goal continues to be to make the assessment fair, so that we would not have a major problem in town again. He still has the feeling that the committee wasn't listened to sufficiently. Moreover, he feels that there are some unique aspects to Barrington that were not sufficiently taken into account. Don said that AR cannot deviate from their industry standards, even if we have a unique situation in Barrington. John said that AR listened to the Board, and mentioned the neighborhood map as an example.

Bob Manchester said that people really have to look at the property record card to get all the data, and then it is not easy to fully understand everything. Rich said that there is a trend to make more information available online, and he said part of the problem is that the taxes have been increasing relative to other taxes. A further discussion followed regarding the fact that the sale of 285 Rumstick wasn't included in the initial analysis. John Hocking said he was sorry that wasn't communicated to him, and that he put the sale back in. Clearly, this threw off the statistical parameters, so for him this made it clear that the sale was an "outlier" and does not represent fair market value.

Joop stated that we started off on the wrong footing. In the initial analysis, a land sale was included on Adams Point Road (lot 26-341), and that one was used to set the base land value. That sale was later disqualified because it was an abutter sale, but the land value was not adjusted significantly. The only other qualified sale that didn't have a waterfront factor was 11 Stone Tower Lane, which is still assessed significantly higher than the sale price: \$748,200 vs. \$680,000. Joop also mentioned that from lot 26-341 you

can look diagonally at the water over undeveloped lot 26-340. This view is similar to the view from lot 10-098 over undeveloped lot 10-105, and that lot was given an increase of 25% because of this view. Hence, there is an inconsistency there. Moreover, lot 11-001 also has a diagonal view over lot 10-105, but that lot was not given a view factor. So, probably the best course of action would be not to use a view factor for any of these lots. Lot 10-098 is in fact 285 Rumstick Road, which was sold in 2010 for \$800,000.

The committee had voted during the meeting on 4/11/2011 to include this sale in the analysis, but that wasn't done. In fact, with the 25% view factor this sale looks like an off the charts outlier, but without the view factor and some discount for the state of the house the sale price does not look as exceptionally low. That it is in fact confirmed by the 12/31/2010 list price of several other non waterfront properties: 181 Rumstick Road for \$895,000 (assessed for \$1,105,300), 340 Rumstick Road for \$895,000 (assessed for \$1,096,100), and 6 Apple Tree Lane for \$859,000 (assessed for \$1,318,700). The property is listed for this price since 2/1/2011 – the property was listed during the first half of 2010 for \$929,000 and was then rented out. Finally, Joop mentioned the recent sale of 8 Holly Lane, sold on 2/1/2011 for \$2,125,000 and assessed for more than \$3M, and the two lots for sale on Adams Point (26-356 and 26-357), which are both for sale for much less than the assessed value.

Joop concluded by saying that all the above data indicates that there is something seriously wrong with the assessment in neighborhood 10, and that this neighborhood should be re-analyzed. Bob Manchester said that there are also issues of under-assessment in the beach area. John said he agreed with that, but without sales to evidence this it is hard to justify an arbitrary increase. There was some further discussion about whether this area has been given a different code on the draft map made by the realtors, but that was apparently not done. Joop also pointed out that a property on Payne Road that is assessed for a little over \$1.5M was just put up for sale for \$3.1M,

There was further discussion about neighborhood 10. John Hocking pointed out that if you look at all properties for sale in this area, the sum of the assessments is about 70% of the sum of the list prices, so it appears that the assessments are low. Joop countered that anyone can put up a property for a high price and hope it sells. John said that he then cannot use the list price of the Payne Road property either. Joop then said that shortly

after the first neighborhood map was created, he highlighted the beach area as one that should get some attention because it was felt that these home received unusually favorable treatment. He added some historical sales data for these properties. However, it doesn't appear that anything was done about it, which gave him the feeling that the recommendations of the committee were largely ignored.

Joop commented that what one really has to look at is the properties that people are seriously trying to sell, not at all properties that are on the market. John said that if people are trying hard to sell their properties, these could be categorized as distressed sales. Most people seemed to disagree with that, particularly if the property had been on the market for the same price for a long time. Further discussion followed, without a clear conclusion being reached other than that the beachfront properties would be examined further. Bob Manchester said that yes, if you put a home up for sale for a fairly high price and wait long enough you may get lucky, but is that fair? Should a fair market value not be determined on basis of a finite sale period?

Bob then asked the question why none of the sales along Mathewson Road was included in the analysis. This lead to a long discussion about the inclusion of a property (in this case 173 Mathewson Road) that had been (extensively) remodeled after the sale. There was agreement that it would be confusing to include the sale in the final report, since the property at the time of the revaluation is not the same as the property at the time of the sale. It is a bit easier if the sale is a land sale, and a house is constructed on it afterwards. In that case the land value at the time of the revaluation can be compared with the sale. Nevertheless, Bob Manchester and Joop Nagtegaal, supported by Doug Gablinske, said it would be worthwhile to check the hypothetical assessment of the property at the time of the sale against the sale price. One should certainly make sure that the assessed land value does not significantly exceed the sale price. In the case of 173 Mathewson Road, the \$700,000 sale price of lots 25-062 and 25-059 (waterfront across the road) is significantly less than the \$812,100 assessment of these lots. Hence, it begs the question whether the land is assessment is on the high side

A discussion followed about "outliers", which Doug defined as a sale of a property for a price that is clearly different from typical sale prices of similar properties. Joop said that in that sense the \$800,000 sale of 285 Rumstick Road is not so much an outlier if you

take away the water view factor for that property; both 181 Rumstick Road and 340 Rumstick Road have been for sale for \$895,000 for a considerable amount of time, and certainly the improvements are comparable to 285 Rumstick. Further discussion followed about the sale of 136 Adams Point Road. In many respects, that could be considered an outlier as well. The committee had discussed this in an earlier meeting, but in the end agreed to include both sales. A remark was made that the sale of 136 Adams Point Road was used by the assessor to deny an appeal for the 2008 revaluation, and hence should not be used again for the 2010 revaluation. Joel Hellman then clarified that although the letter of the assessor mentioned the 2009 sale, the comparable that was used in the letter was the 3/23/2007 sale of the property for \$1,947,000, which the assessor considered to be a land sale, since the house was torn down after the sale. Whether that teardown decision was justified is not relevant for the 2010 revaluation.

Doug Gablinske inquired about the volume of calls for the hearings. Rich Nagle said it was light so far, only 144 calls were received. Up to this point, only one hearing officer has been employed, although it may well be that more will be needed later. Doug stated that this was a good sign, and he further stated that the town, Appraisal Resource, the consultants and the ad-hoc committee have all put in their best effort to make this revaluation as fair as possible, and he asked all present to go through the informal hearing process before judging the outcome of the process. He said that appraisals are estimates of value, regardless whether they are fee appraisals or mass appraisals, and hence they cannot predict with 100% certainty what a sale price will be. He made a final remark that in his opinion, docks were assessed at too low a value. You cannot build a decent dock for the typical value of \$4500 assigned to it.

Bob Manchester said that there were clearly some systematic problems, particularly in neighborhood 10, along the beach and perhaps along Mathewson Road. He asked Rich whether it is still possible to do something about this. Rich said that this was definitely possible, and he hoped to work with the committee during the coming weeks to deal with any issues that might surface, and make corrections were needed, not just on individual properties but also for factors that affect more than one property. Bob said that during the last revaluation there were definitely properties that were over-assessed, but another problem was that many properties that were under-assessed, as he had heard anecdotally.

Of course, people with under-assessed properties usually don't file an appeal. His goal, and the goal of the committee, has been to make this revaluation as accurate as possible.

Ellen Ojeda of 332 Rumstick Road stated that the previous assessment has been a real problem for people on Rumstick Road. In addition to herself, she said she is representing two other older owners on Rumstick Road that would like to sell their properties, but can't get a reasonable price for it because of the very high assessments. It is not an issue of the asking price being too high; the issue is that the assessments and hence the property taxes are too high. She stated that she is very worried that we are again in the same boat; just as her property was abated by the Board to a more reasonable value, now we see an assessment that brings the properties right back to the high value that was assigned during the previous revaluation. She urged the town and the appraisal company to address these systematic problems so we don't end up again with hundreds of appeals or lawsuits.

Richard Nagle made clear that during the informal appeal process, not only individual properties are considered but also trends examined, and if appropriate changes will be made to basic land values and land influence factors. These changes may be up or down, depending on what is observed. The whole process is about achieving consistency in the process, so that everyone is assessed fairly. Richard said again that the informal hearings are a fundamental part of the revaluation process, and that the assessments sent out so far are preliminary.

Lisa Browning of 359 Rumstick Road asked for some clarification whether the sale of 285 Rumstick was used or not. After some discussion, Richard stated that all arms length sales are considered, and used to a different degree. In the end, certain sales are disqualified and not used in the statistical calculations because they are outliers. It is true that John Hocking was not made aware of the recommendation of the committee that 285 Rumstick should be included, and in that sense it was not given weight. Adding the sale seems to suggest that it is an outlier, but that will be further examined during the informal review phase, when more information is becoming available.

Lisa then made a strong case for the fact that the property on 375 Rumstick should not be discounted for its odd shape and supposed wetlands. The property has a semi private driveway, giving it more privacy than most other properties, offers one of the best views

in Barrington, and borders on a beautiful conservation area. Hence, according to Lisa, it should have a higher influence factor, not a lower influence factor. Several other realtors in the audience indicated their agreement with Lisa. Finally, Lisa made the point that the sale of 8 Holly Lane, though closed on February 1, 2011, should not be ignored for that reason.

#### 5. Assessing Board of Review

Joel said that two candidates were interviewed for the Assessing Board of Review at the most recent Town Council Meeting. He proposed that the Town Council should not appoint new members until the committee has time to review the whole ABR process. He moved that the committee send a letter to that effect to the TC. Bob Dillon seconded, and the motion was approved unanimously. Bob Manchester said he would write the letter.

#### 6. Date of next meeting

The next meeting was scheduled for Friday, May 13 at noon.

#### 7. Agenda for next meeting

The same points will be on the next agenda as on the May 6 agenda, with the addition of a discussion about tax-exempt properties.

#### 8. Adjourn

Upon a motion duly made and seconded, it was voted unanimously that the meeting be adjourned at 12:47PM.

Respectfully submitted,

Joop Nagtegaal, Secretary