

AD HOC TAXATION/ASSESSMENT ADVISORY COMMITTEE MEETING

JANUARY 25, 2011, 9:00 A.M., COUNCIL CHAMBERS

Present: Committee Members Robert Manchester (chairman), Robert Dillon, Joel Hellmann, Joop Nagtegaal (secretary) and Donald Nessing

Also present: Peter DeAngelis, Town Manager, Michael Minardi, Tax Assessor

Guests: Richard Nagle, President, and Bob Battey, Project Manager, Appraisal Resource Revaluation Group

Meeting called to order at 9:03 A.M. by Bob Manchester

The minutes of the meeting of January 18 were approved without changes

Since the people from Appraisal Resource hadn't arrived yet, Bob Manchester handed out the proposed meeting schedule, which was approved. Joop Nagtegaal noted that he would be away February 14 and 22, and Bob Manchester said he would miss the February 28 meeting.

Richard Nagle and Bob Battey then joined the meeting. Richard gave an update on the status. Data conversion from the Vision Appraisal system to the Patriot system started around January 13, and data collection for properties with open building permits started this week. The data conversion is carried out by Patriot Properties personnel. Data collection for sold properties will start sometime next week, and data entry will start a

few weeks later. The project is on schedule. Joop distributed the schedule that was included in the proposal.

Richard then explained the basics of how a mass appraisal is carried out. A CAMA (Computer Assisted Mass Appraisal) model consisting of various tables and parameters is constructed, based on the sale prices and property data for the properties sold during 2009 and 2010. This model then makes it possible for the CAMA software to calculate a value for any (sold or unsold) property in town by entering the pertinent data for that property. The total value of each property consists of a value for the land and a value for the improvements.

Bob Manchester asked how improvement (building) values are determined. Bob Battey said they use the Marshall & Swift building cost index, augmented with local information obtained from home builders, to figure out the full replacement cost of a building, and then include various forms of depreciation. He added that the modern CAMA software allows a great amount of detail to be introduced.

A follow up question then asked about how land values are determined. Richard said that they primarily look at land sale data to do this. Michael Minardi mentioned that there were about a dozen land sales during 2009-2010. This results in a land table or a set of land tables, which is a critical component of the revaluation process. This also requires definition of neighborhoods. Richard said that because of the compressed schedule in this reval, work on neighborhood definition would take place while data collection for the sold properties is still in progress – normally this would wait till after completion of the sold property data collection.

Joel asked how distressed sales of various kinds will be taken into account. Richard Nagle that foreclosures and tax sales are never taken into account, but that subsequent bank sales may be taken into account if the bank wasn't forced to make a quick sale. Bob Manchester asked whether out of town sales will be considered if few sales in Barrington are available. Richard said they would try to avoid these, but in some cases it may provide some help. Joel pointed out that this may be tricky because Barrington tends to command higher prices because of the quality of the schools. Nevertheless, for high end and/or waterfront properties there may be few suitable sales in Barrington. In reply to a further question, Richard said that they can also look at asking prices for homes that were for sale on 12/31/2010. They do this rarely, but over the last few years this has been done sometimes and is now considered a legitimate part of the available tools.

Don asked how you know whether your model is correct. The model can be tested on unsold properties at various stages, but ultimately a full field review is used to make sure the model is correct. During the field review, a few experienced personnel drive around town and check whether the assessments produced by the model are correct. This can lead to further refinements of neighborhoods and other factors in the model.

Joop asked about land values, and in particular whether there could be big jumps in value between neighboring properties. Richard said that they try to make this smooth, but Bob Battey said that you can't avoid neighborhood boundaries and that hence some jumps in value can be expected going from neighborhood to another. Joop handed out the draft neighborhood map as was used by Vision Appraisal.

Bob also explained the use of an "influence code" that is used to take into account aspects of a specific property, such as wetlands or ledge. This is analogous to the C-factor used

by Vision Appraisal. Joel mentioned that the serious flooding during the spring of 2010 had affected certain properties in town, and asked whether that would be taken into account. Bob Battey said that they would take it into account if they got the information beforehand, but that it could otherwise be addressed during the informal hearings. Joop asked about the relation in value between waterfront and non waterfront property. Using a fixed factor for that could give misleading results. Bob Battey said this would be considered individually.

Bob Manchester stated that, according to RI law, the assessment for each property should come in no higher than the full and fair cash value . Richard Nagle and Bob Battey said that they indeed try to come out at a value that percentagewise is somewhere in the low nineties of the full value. Bob Manchester also asked whether the duration that the property has been on the market is taken into consideration. Richard confirmed that it is to some degree. He pointed out that the sales prices of properties that have been on the market for a long time are often quite accurate, since the seller often slowly lowered the asking price till the sale was made. The price of properties that sold quickly may be on the low side if the seller wanted to get rid of the property quickly and hence set a low asking price, or may be on the high side because the buyer was not price-sensitive. Joop asked whether Appraisal Resource tries to talk to the seller, the buyer, or a realtor to inquire about whether a sale price was high or low. The answer was that they may do that in some cases where a sale is critical for the development of the CAMA model and there is a question about the sale price.

Joop asked whether there are any specific standards that are used to determine the value of a property, such as the shape of a property. Richard Nagle and Bob Battey said that

very few of such standards exist. They pointed out that every piece of land is to some degree unique, and that is certainly the case in a town like Barrington. Bob Manchester asked whether there will be a revaluation procedures manual. There will be, and some standards for improvements (buildings) will be documented in the manual. Joop asked whether zoning plays a major influence in land valuation. Bob Battey said that they foremost look at the actual typical property sizes when defining neighborhoods. The zoning does not play a dominant role in the land evaluation itself.

Gary Morse of 2 Westwood Lane asked whether the land curve will have a “step” in it. He mentioned that Vision Appraisal used a smooth curve for land value if the actual property is smaller than the zoning requires, but uses a very different value for excess land (greater than required by zoning). Bob Battey said that a smooth curve would be used for land both below and above the zoning requirement. Lisa Browning of 359 Rumstick Road mentioned that she knows of a sale on Holly Lane where the purchase agreement was made in 2010 but the sale will close in this year. Would that sale be taken into consideration for the development of the CAMA model? Richard said that they would consider that sale, particularly if there is a shortage of sales data for a neighborhood. Michael Minardi said he has a list of sales that were pending per 12/31/2010 and that he would make that list available. Lisa also mentioned a property for which the sale closed in early 2009, but the purchase and sales agreement was signed in the summer of 2008, before the market crash. Bob Battey said he wasn't sure what they would do with this.

Joop said that some specific property data may have been lost when the 2005 data was converted to the Vision system, and asked whether Appraisal Resources would actually

look at the 2005 data. Richard said they may in certain cases, but not in general. Michael Minardi said that because of problems with the server, he wasn't sure the property data would be accessible.

Gary Morse brought up an issue with a home on Westwood Lane. He said the house was purchased in 2007, and the new owners completely redid the home. It is now under contract for a higher price than the 2007 price, and he worried that this might be seen as an indication that home prices in that neighborhood might have increased in spite of the recession. Richard said that if the property is used as a valid sale, they would only look at the property as it is now in relation to the current sale price. If the property would be treated as a "sold" property, it would also be physically inspected (if the owner grants permission).

Bob Manchester raised the question how the committee would communicate with Appraisal Resource; we want to have a regular update on the situation so we don't get the information when it is (too) late to make changes. The suggestion was made that we meet with Appraisal Resource perhaps every other week. We would also get copied on the weekly progress reports that will be submitted to the Town. Richard pointed out that Appraisal Resources has a Monday morning staff meeting that all senior managers must attend, so this is a problem with the committee's proposed meeting schedule. This needs to be looked at, and the committee may have to meet at a different time for the joint meeting with Appraisal Resources. There will be little activity to review for the first few weeks (until the data conversion to the Patriot system is done), so we have a bit of time to sort this out.

Lisa Browning, who is a realtor in town, offered to help “scrub” the sales data if needed.

Bob Manchester then thanked Richard Nagle and Bob Battey for their presence, and they left the meeting at 10:38AM.

Bob Manchester then moved to the next agenda item, which is a discussion of standards to be used for the revaluation. He mentioned that we touched upon this already, but that we need to get more information from Appraisal Resource before we can discuss this further.

Peter DeAngelis distributed a list of eight Rhode Island certified appraisers that had shown interest in the consultant job. He also handed out envelopes with the resumes of these appraisers. The discussion then turned on what the precise role of the consultant should be and how much time the consultant should spend. Should the consultant be paid on an hourly basis or should it be a fixed price? Peter suggested that this would come out in the interview process. Bob Manchester said that, as he sees it, the main role should be quality control.

Lisa Browning mentioned that Bill McGovern, a senior appraiser from Bristol who is not interested in this position, said that experience with running a reval would be the most desirable qualification. Joel Hellman said that it should preferably be someone who is not involved in the current appeals for the reval, but has experience with doing a reval in a suburban community in Rhode Island. It was agreed that we will invite Bill McGovern to attend the next committee so we can learn a bit more about the role of the consultant and how to best structure the contract.

The last item was a discussion about civil discourse, put on the agenda at the request of Joel Hellman. Joel had put this on because of remarks that were made about him

personally by a member of BET during the Town Council meeting where the committee was appointed. Joel stated that we need to do serious work, where we may have different opinions but that this should not lead to personal accusations. There was general agreement that discussion should indeed not be personal. Everyone also agreed that during the next five months the commission's main task is to see that the revaluation is carried out in the fairest possible and open manner. Because appraisal is not a hard science and some subjectivity cannot be avoided, there may be differences of opinion among the members, but we should not resort to personal accusations. There was no difference of opinion in that respect.

The last item was the discussion of the agenda for the next meeting, with the following items proposed:

- Progress report from Appraisal Resources;
- Presentation by Bill McGovern (if available);
- Discussion of appraiser resumes and advice to Peter De Angelis on how to proceed with the interviewing.

The meeting adjourned at 11:09AM.

Respectfully submitted,

Joop Nagtegaal, secretary