

February 13, 2014

Minutes of the January 27, 2014 Ad Hoc Committee

1. Call to Order

The meeting was called to order at 12:05 PM by B. Manchester (Chair).

Present at the meeting were members Bob Manchester (chair), Joel Hellmann, Bob Dillon, Mike Minardi (assessor) and John Harker (secretary). Also in attendance from Assessment Advisory Group (AAG) were Bob Finnegan, Dick Finnegan and Bruce Sauter as well as Richard Nagel of Northeast Revaluation (NER).

2. Approve Minutes:

The minutes of the December 5, 2013 meeting were reviewed and approved.

3. Review of Initial Standards Draft

Initial dialogue centered (15-20 minutes) on the approach and method were presented by Bob and Dick Finnegan. In developing the draft, interviews were conducted mainly with M. Minardi, the assessor's staff and, on the statistical piece, with Bruce Sauter. Also, as deemed helpful, discussions and documents were had and exchanged with Richard Nagel. The initial draft was put on the town website for review.

B. Manchester commented that, to him, he was expecting a more thorough document pass with regard to citations to existing tax law as to the reasons for the standards being what they are. He asked that we reflect on what the standards development process is intended to accomplish, that of providing an authoritative document that serves to provide transparency and, by extension, a more stable revaluation result and confidence within the Town's citizenry that the revaluation process will yield a fair and equitable result as required by law. There was general discussion on this aspect among the various committee members.

J. Harker used this discussion to open up a dialogue on sales qualification. He cited two sales that were excluded in the last revaluation, both on Rumstick, that sold for less than their assessed value and both were deemed to be unqualified sales for revaluation purposes. He asked AAG where in the draft document, in its current form, he might find a detail of how these decisions were made. J. Hellmann noted for the group that the AHC wrestled with the sales qualification process in the 2011 revaluation and the result was profoundly better than the one conducted in 2008. There was clear agreement on this aspect. J. Harker asked that the committee, along with AAG members, reflect earnestly on the documentation of the sales qualification process. He noted that there is very little documentation as to why a decision to disallow a sale is made. In today's process, there is only a basic code used that stipulates a non qualified sale. No historical record is made that might inform future decisions for consistency and transparency. B. Sauter commented that there could and should be a more robust rendering of the process. Various ideas were discussed, to include establishing a process checklist. While no definitive answer was determined, it was agreed that AAG would look closer at this aspect in the next document pass.

On the subject of sales qualification, M. Minardi noted that the December 2013 sale on 5 Spinnaker will be an interesting sale to look at for sales qualification. The home in question is assessed at \$2.1 million, in round numbers. (Secretary's Note: The current assessment, in round numbers for 5 Spinnaker, breaks out as land assessed at \$1.4 million and building at \$700 thousand.) M. Minardi noted that this waterfront home has been on the market for several years, marketed with various Barrington agencies, and the sales price has dropped consistently over that time. However, the sale price of \$1.25 million is significantly below the last asking price, in

the range of \$400 thousand less. J. Hellmann noted that homes at this price range are unique and require special consideration, to include that the owners simply wanted to clear themselves of the home. M. Minardi added that he is reviewing the sales process through the brokerage professionals and will look to see if there are any bank-related details that will help determine whether this pending sale goes into the upcoming revaluation as a qualified sale. Resident G. Morse gave public testimony on his knowledge of the property, as he'd been a buyer candidate. He noted that the home in its current configuration will require the new homeowner to spend upwards of \$600 thousand to update and reconfigure it. He used this example to advance the thought that the standards document should account for functional depreciation methods, which if established sensibly, would inform why a high priced waterfront home, or any home in Barrington that has functional depreciation that affects market price, would sell at a price well below its assessed value. On functional depreciation, J. Hellmann disagreed vigorously with this premise. B. Sauter agreed in principle and noted that he would look at this for the next documentation pass.

The sales qualification discussion served to bring on a detailed discussion on the statistical methods used in the revaluation process where overall valuations (land and building, combined) could be impacted by the functional condition of the building itself. The concept of price ratio analysis was discussed in some detail among the various meeting members. It was agreed that B. Sauter would reflect on what additional statistical tests might be considered for use in the sales qualification process, particularly in instances where a) there are few like sales and b) there is evidence of sales chasing. The discussion continued on statistical techniques that might serve to stabilize assessment outcomes across all neighborhoods in town. G. Morse and B. Sauter talked about the utility of using a long term indexing method using the entire town assessment to level neighborhood assessment spiking. While the committee members agreed in principle that the exploration of such methods would be informative, doing so is outside the work task envelope of the committee.

Discussion migrated to the standards used to assign an 8% affordable housing taxation scheme. G. Morse asked AAG where they obtained their evidence with regard to the 8% scheme being a state law. D. Finnegan noted that he'd interviewed other RI assessors as to what their interpretation is on the subject and wrote it into the document. G. Morse noted that he has previously communicated to members of the AHC that state law precludes a non-attorney from rendering a legal opinion in matters such as the 8% affordable taxation scheme. (Secretary's Note: The town is currently in the midst of having an affordable housing subsidy debate both on a political and statutory level.)

After some two hours of dialogue, the committee summed up clear next steps. AAG would take two weeks or so to re-draft the document to reflect the various discussions. A subsequent meeting would be held to review the changes. It was also agreed that J. Harker would collect any other thoughts from committee members on other areas within the draft document and forward those to B. Finnegan for review and, if deemed appropriate, for inclusion on the next draft. B. Finnegan inquired as to the next payment cycle. B. Manchester commented that, provided the committee agreed that the second draft is consistent with the spirit of the day's dialogue, the second third of the billing scheme would be practical.

4) Adjournment and Next Meeting:

The meeting was adjourned at 2.15PM. The next meeting is TBD, once the re-draft is completed and schedules can be aligned.

Respectfully submitted,

John S. Harker, Secretary

Ad Hoc Committee