

**BOARD OF EQUALIZATION MINUTES
GILA COUNTY, ARIZONA**

Date: October 1, 2013

MICHAEL A. PASTOR
Chairman

MARIAN E. SHEPPARD
Clerk of the Board

TOMMIE C. MARTIN
Vice-Chairman

By: Marian Sheppard
Clerk of the Board

JOHN D. MARCANTI
Member

Gila County Courthouse
Globe, Arizona

PRESENT: Michael A. Pastor, Chairman; Tommie C. Martin, Vice-Chairman (via ITV from Payson); John D. Marcanti, Supervisor; Deborah Hughes, Assessor; Larry Huffer, Chief Appraiser; Joseph Williams, Appraiser (via ITV from Payson); and Marian Sheppard, Clerk of the Board.

Item 1 – CALL TO ORDER

The Gila County Board of Equalization met at 1:35 p.m. this date in the Board of Supervisors' hearing room.

Item 2 – REGULAR AGENDA ITEMS

A. 1:30 p.m. - Information/Discussion/Action regarding a Petition for Review of Real Property Valuation that was submitted by Thomas Thompson for tax parcel numbers 202-14-015 through 202-14-018, and 206-19-072.

Tom Thompson advised the Board that he would be presenting the same argument for parcels 202-14-015 through 202-14-018. Parcel number 202-14-015 was addressed first. Mr. Thompson provided some history on these 4 parcels. The parcels were once an unsuccessful subdivision and afterward Dave Thompson purchased the lots with the intent of placing nice cabins on them. He added a big building, a concrete walkway and also some imitation rock to enhance the property. The parcels did not have water, electricity or any type of septic system. At the time Dave Thompson owned the parcels, they were priced to sell at \$100,000-\$150,000 per parcel. The property later became the ownership of the bank and earlier this year Tom Thompson purchased 4 parcels of land for \$25,000 per lot. Mr. Thompson advised that the building is no longer part of the parcels; the owners of the building are trying to sell it separately. The concrete walkway and imitation rocks are crumbling. Mr. Thompson stated that the parcels at present are not worth as

much as they were in the past. He stated that a number of people purchased parcels this year for less than the amount he paid. Mr. Thompson referred to the values that the Assessor placed on the properties and the Assessor's sale comparable properties that were used. He referenced a property that sold in 2012 and he inquired as to the reason it was not used as one of the Assessor's sale comparables. Mr. Thompson stated that he knows the property owner, who owns two lots and he stated that the owner negotiated a settlement with the Assessor's Office resulting in one parcel being assessed at \$30,000 and the other parcel being assessed at \$10,000. Mr. Thompson feels that those properties are much nicer than his properties.

Larry Huffer, Chief Appraiser, presented pictures of the 4 subject parcels and the Assessor's sale comparable properties located in the Rose Creek Ranch Subdivision and 2 properties that are not part of the subdivision. Mr. Huffer read aloud the statutory definition of the "valuation date," which is outlined in A.R.S. §42-11001(18). He stated that the Assessor's Office must look at a property as of a certain date. For tax year 2014, the Assessor may not include properties as "comparables" that were sold past January 1, 2013. Mr. Huffer reviewed two comparable sales that were used by the Assessor's Office; parcel number 202-14-032 sold in January 1, 2011, for \$110,000 or \$80,882 per acre; and parcel number 202-14-006 sold on April 1, 2012, for \$60,000 or \$51,724 per acre. Mr. Huffer advised that over 34% of lot -006 is in a 100-year floodplain. The lot runs along a creek and it is unbuildable. He also referenced a plat map and further stated that lot is in Zone B (for the record, it is actually Zone A), which prohibits an individual onsite disposal system being placed upon the lot. Mr. Huffer advised that the person who purchased that lot is an owner of two other lots and he purchased lot -006 for \$60,000 in order to put a gate on the lot in order to close it off.

Mr. Huffer provided additional information on the two lots that were referenced by Mr. Thompson. He stated that the owner originally wanted to purchase the triangular parcel, which is a hillside; however, the bank refused that offer and stated that 2 parcels must be purchased together. The other lot is located in a floodplain. The owner agreed to the bank's offer and he paid a total of \$40,000 for both parcels. He does not believe that a structure could be built upon the floodplain parcel.

Mr. Huffer advised that those parcels are not part of the subdivision and he stated "the subject properties are nice buildable lots," so it is his opinion that they are not comparable properties.

Mr. Huffer talked with a person that is marketing lots in this subdivision and he learned that as of the spring of this year, the sales prices have dropped. Mr. Huffer added that he gathered additional information. The drop in sales prices occurred after January 1, 2013, so that information cannot be used to determine property values for tax year 2014. Mr. Huffer recommended that the

Board of Equalization uphold the Assessor's opinion on this property and the other 3 properties.

A very lengthy discussion ensued as to the geography of Mr. Thompson's properties and the Assessor's sale comparables. Chairman Pastor asked if the Board should make a separate motion on each parcel, to which Mr. Huffer replied in the affirmative.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously upheld the Assessor's opinion of the full cash value of parcel number 202-14-015 at \$67,371 for tax year 2014.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously upheld the Assessor's opinion of the full cash value of parcel number 202-14-016 at \$88,749 for tax year 2014.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously upheld the Assessor's opinion of the full cash value of parcel number 202-14-017 at \$77,736 for tax year 2014.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously upheld the Assessor's opinion of the full cash value of parcel number 202-14-018 at \$70,610 for tax year 2014.

The Board addressed Assessor's tax parcel number 206-19-072, which is owned by Mr. Thompson.

Mr. Thompson advised that the building located upon this property in Miami is known as the Santa Anna Building. He provided some history of the property. In 1996, Gila County owned the building. Some improvements had been made to the building at that time; however, the County decided to sell it. The property was appraised at \$55,000; however, Mr. Thompson was the only bidder and he purchased it for \$45,000. In 2001, Mr. Thompson sold the property for \$170,000 and because the new owner was not making the payments, Mr. Thompson began proceedings to foreclose on the property in 2006 and assumed ownership again in 2009. Mr. Thompson made some repairs to the building and last year he had it commercially appraised and it was valued at \$150,000. He advised that the Assessor's Office initially valued the property at \$535,000; however, it was later lowered to \$419,000.

Mr. Huffer proceeded to show pictures of the interior and exterior of the building and he stated that the valuation amount of \$536,000 was based on a cost approach to value. The Assessor's Office lowered the value to \$419,178 based on \$10 per square foot plus the value of the land. Mr. Huffer stated, "When Mr. Thompson took the property back, he purchased it for \$200,000. That is what we had it valued last year. We recommend to lower the value to

\$5 per square foot, a total of \$220,678.” Mr. Thompson acknowledged that he would accept the adjusted amount. Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously adjusted the full cash value on parcel number 206-19-072 to \$220,678 for tax year 2014.

Chairman Pastor recessed the meeting for a few minutes and he reconvened the meeting at 2:20 p.m.

B. 1:55 p.m. - Information/Discussion/Action regarding a Residential Petition for Review of Valuation that was submitted by James Donaldson for tax parcel number 303-06-065.

Joseph (Joe) Williams, Appraiser, advised that he met with James Donaldson at his home to determine if the home is “good” quality or “average” quality. It was determined by Mr. Williams that it is a good quality home. He referred to some pictures of the subject property. Mr. Williams pointed out these issues: the square footage was incorrect, so it has been corrected; and there was some damage to the home from bees. Mr. Williams proposed that the Board of Equalization (BOE) lower the full cash value of the subject property from \$267,677 to \$235,389.

Mr. Donaldson stated that he believes the taxes are quite high due to the condition of the house, which is 35 years old. He stated that he should have mentioned the comparable homes that were sold in the area for his appeal; however, since he did not, he stated, “I can’t fault the County for that. We are willing to accept this recommendation at this time and next year will come back with some comparable sales; that is next year.” He also thanked those involved for helping him understand the valuation process and for the BOE providing a forum to explain his situation.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously lowered the full cash value of parcel number 303-06-065 to \$235,389 for tax year 2014.

C. 2:20 p.m. - Information/Discussion/Action regarding a Residential Petition for Review of Valuation that was submitted by Gary and Kathleen Busenkell for tax parcel number 302-04-030.

Gary Busenkell participated in the hearing by phone. Mr. Busenkell advised that he first appealed the valuation of his property to the Assessor on March 20, 2013, and he received a determination from the Assessor on July 17, 2013. As a result of that determination, on July 29, 2013, he submitted a petition requesting a hearing before the BOE with a letter. Since that time he has had a number of discussions with the Assessor’s Office staff and he met with a staff appraiser on September 26, 2013. He stated that the staff has been responsive and respectful despite any differences, and he thanked them. He then advised

that some of the issues have been resolved. His appeal at this point is focused on two issues: 1) the house being classified as “average” quality when Mr. Busenkell believes it should be classified as “fair”; and 2) the limited selection of comparable properties that were used to support the Assessor’s opinion of value. Mr. Busenkell reviewed some properties within the Rim Trail area that were not used as comparable properties, which he felt should have been used. He pointed out that the home did not have any modern air conditioning or heating and he advised that when reviewing the property with Mr. Huffer recently; Mr. Huffer was not aware of this fact. Mr. Busenkell stated, “It’s an unheated summer cabin and approaching 60 years old.” Mr. Busenkell concluded by stating that his property is incorrectly rated because he has visited 2 other “fair” rated properties. He wants the Assessor’s equity comparables to be modified to either include some “average” rated properties to include his neighbors or to expand his list of comparables to include parcels - 026 and 036A, which have been excluded.

Mr. Huffer advised that Mr. Williams chose properties which had the same wall construction and roof construction as that of Mr. Busenkell’s property. Mr. Huffer advised that the comparables submitted by Mr. Busenkell are referred to as “equity” comparables. They are actually the full cash values of other properties rather than properties that have been sold. Mr. Huffer proceeded to review the comparables provided by Mr. Busenkell. He advised that parcel numbers -021 and -020 are the most comparable to Mr. Busenkell’s property with regard to size and construction. Mr. Huffer stated that Mr. Busenkell’s property value falls between those 2 properties’ full cash values at \$63.86 per square foot. He advised that the Assessor’s value is derived from a well-known cost construction system that is called the Marshall & Swift Residential Cost System, and it is based on a cost approach to value. Mr. Huffer advised that the building formerly valued as a garage has since been changed to a storage building because the floor structure is wood, which has resulted in a reduction being made to the value. The value was also reduced because the home doesn’t have any heating or cooling. Mr. Huffer stated, “It comes down to one major factor, and that is the quality indicator.” He advised that Assessor Deborah Hughes agrees that Mr. Busenkell’s home is of average quality. Mr. Huffer advised that the Assessor’s Office has reduced the full cash value from \$125,979 to \$121,545, and he recommended that the BOE uphold the Assessor’s opinion of value. Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously upheld the Assessor’s opinion of the full cash value of parcel number 302-04-030 at \$121,545 for tax year 2014.

D. 2:45 p.m. - Information/Discussion/Action regarding a Petition for Review of Real Property Valuation that was submitted by Paradigm Tax Group on behalf of Red Deer, LLC for tax parcel numbers 304-72-001 through 304-72-004, and 304-72-008 through 304-72-014.

Brett Griffin, Associate of Paradigm Tax Group, participated in the hearing by phone. Mr. Huffer stated that the Assessor's Office found 2 sales that were close in zoning and size to the subject properties. Prior to this hearing, Mr. Huffer spoke with Mr. Griffin and conveyed this information to him. Mr. Huffer advised that the Assessor's Office recommends a combined full cash value on the subject properties in the amount of \$177,112. Chairman Pastor asked Mr. Griffin if he was in agreement with this adjusted amount to which Mr. Griffin replied in the affirmative. Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously adjusted the combined full cash value on tax parcel numbers 304-72-001 through 304-72-004, and 304-72-008 through 304-72-014 to \$177,112 for tax year 2014.

Chairman Pastor recessed the meeting for a few minutes and he reconvened the meeting at 3:10 p.m.

E. 3:10 p.m. - Information/Discussion/Action regarding a Petition for Review of Real Property Valuation that was submitted by Frazer Ryan Goldberg & Arnold LLP on behalf of Globe Family Associates for tax parcel numbers 207-02-012U and 207-02-012M.

Michael Killion, Property Tax Consultant for Frazer Ryan Goldberg & Arnold LLP, participated in the hearing by phone on behalf of Globe Family Associates. He advised that he received an email from Larry Huffer with the Assessor's recommendation to the BOE to adjust the combined full cash value of the subject parcels from \$1,241,799 to \$1,158,027. He asked the Assessor to verify the adjusted amount, which was done. Mr. Killion advised that he spoke with the taxpayer he represents, who is in agreement with the adjusted amount.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously accepted the Assessor's recommendation to lower the combined full cash value of tax parcel numbers 207-02-012U and 207-02-012M to \$1,158,027 for tax year 2014.

F. 3:35 p.m. - Information/Discussion/Action regarding a Petition for Review of Real Property Valuation that was submitted by D. McCall for Strawberry Ridge Estates for tax parcel numbers 301-59-057, 301-59-073 through 301-59-075, 301-59-077 through 301-59-084, and 301-59-088 through 301-59-096.

D. McCall advised that in the past 10 years, these lots have sold from approximately \$2,000 to \$200,000 per lot. Later on they were sold for approximately \$2,000-\$3,000 per lot, and they are now priced to sell at \$22,000. He questioned parcel number 301-59-007, which was one of the Assessor's sale comparables. It was sold by the bank in May 2011 for \$14,500 or \$26,364 per acre, and later it sold for \$10,000 in 2013. Mr. Huffer replied

that the lower sales price perplexed him; however, he explained that it could not be included as a comparable sale for tax year 2014 because it was sold after January 1, 2013. Mr. Huffer added that one other sale transpired after January 1, 2013, which was for a higher amount and would support the Assessor's opinion of value; however, that sale was also not included as a comparable property because it was sold past the valuation date for tax year 2014. Mr. Huffer clarified that none of the Assessor's sale comparables had sales dates past January 1, 2013.

In summary, the valuation amounts for each of the subject properties increased from tax year 2013 to tax year 2014 because Gila County removed a Subdivision Code Violation for properties located within Strawberry Ridge Estates. Due to the removal of the Code Violation, the parcels are valued based on comparable sales. The one comparable sale property that was submitted by Mr. McCall, parcel number 301-59-056, could not be used because it was sold during the time the Subdivision Code Violation was in effect; therefore, a building permit could not be issued on this property. The subject properties were valued by the Assessor's Office as follows: 1 acre lots and larger are valued at \$22,519 per acre; and all lots under 1 acre, except parcel number 301-59-081, are valued at a "site value" of \$21,675. Parcel number 301-59-083, the smallest of the lots, is valued less at a site value of \$19,926.

At this time pictures of the subject properties and the Assessor's sale comparables were handed out and reviewed. Mr. Huffer stated the sales date, sale price, parcel size and price per acre for each of the Assessor's sale comparables and the petitioner's sale comparable.

Mr. McCall expressed a concern that the Assessor's sale comparables are not as heavily sloped as the subject properties; therefore, they would have a higher value. He also commented that the Assessor's sale comparables have a lot more pine trees than the subject properties. The slope and geography of each property was then reviewed. Mr. Huffer advised that he has visited most of these properties except a couple that are located on Tomahawk Road, and he believes they are all heavily sloped, except possibly lot -032D. Vice-Chairman Martin's opinion from looking at the pictures was that the Assessor's sale comparables are much less sloped than the subject properties. Mr. McCall stated that the size variation between the subject properties and the Assessor's sale comparables are "so dramatic" that a price per acre should not be used. Mr. Huffer referenced a point earlier in this conversation when Mr. McCall agreed to valuing the properties on a price per acre. Mr. Huffer stated that a price per acre is a standard unit of measure and it is a typical methodology that is used to appraise properties. He acknowledged that the properties vary greatly in size.

Vice-Chairman Martin suggested that each Board member and staff visit the location of the subject properties and the Assessor's sale comparables before a decision would be made to which the other Board members agreed.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously continued this agenda item to October 8, 2013, at 10:00 a.m.

There being no further business to come before the Board of Equalization, Chairman Pastor adjourned the meeting at 4:03 p.m.

APPROVED:

Michael A. Pastor, Chairman

ATTEST:

Marian Sheppard, Clerk of the Board