

**MAYOR AND COMMISSIONERS MEETING
CITY OF REHOBOTH BEACH**

June 9, 2014

The Special Meeting of the Mayor and Commissioners of the City of Rehoboth Beach was called to order at 9:00 a.m. by Mayor Samuel R. Cooper on Monday, June 9, 2014 in the Commissioners Room in City Hall, 229 Rehoboth Avenue, Rehoboth Beach, DE.

City Solicitor Glenn Mandalas gave the Invocation followed by the Pledge of Allegiance.

ROLL CALL

Present: Commissioner Toni Sharp
 Commissioner Patrick Gossett
 Commissioner Bill Sargent
 Mayor Samuel R. Cooper
 Commissioner Stan Mills
 Commissioner Lorraine Zellers

Absent: Commissioner Mark Hunker

Also in attendance was: City Manager Sharon Lynn
 City Solicitor Glenn Mandalas

The purpose of this Special Meeting was:

- A. Presentation by and discussion with representatives of PTA/DelVal, the City's reassessment firm, regarding the methods, procedures and findings of the reassessment process.

Mayor Cooper provided a history of why the reassessment was needed. 1. The reassessment was done due to the inequities in the system 2. All of the City's records related to the assessment, other than the actual assessment number which was in the computer system was on a property card. 3. The State is mandating that assessors should be licensed by the State as of December 1, 2014.

Commissioner Patrick Gossett provided background and a refresher of how the Commissioners selected the reassessment vendor services. On September 21, 2012, the Mayor and Commissioners authorized the issuance of an RFP for reassessment vendor services. On October 1, 2012, an RFP was made available to bidders. On October 31, 2012, a pre-bid meeting was held where three assessing firms were in attendance to review the RFP. On November 20, 2014, the deadline for submission of proposals, the City received two proposals, one from Tyler and one from PTA/DelVal. On January 27, 2013, a Workshop Meeting was held to discuss the price and qualifications of the two firms. On January 18, 2013, the Mayor and Commissioners voted unanimously to authorize the City Manager to negotiate a contract with PTA/DelVal. On April 16, 2013, the first kickoff meeting was held with regards to representatives of the City and PTA/DelVal to begin planning the process. Commissioner Gossett also reviewed the public communications process that was held over that period of time. On October 22, 2012, a City-wide letter was sent from the Mayor and Commissioners to all the property owners announcing the beginning of the reassessment and announcing the authorization of the RFP for the project. In April 2013, an article on reassessment appeared in the City newsletter. On October 9, 2013, a letter was sent to all property owners to announce the beginning of the fieldwork and how it was going to take place. On March 14, 2014, a letter was sent to all property owners with an update of the status of the fieldwork and confirming the evaluation letters would be sent out in April 2014. On April 15, 2014, a portal on a website was opened with an assessment page and a listing of frequently asked questions and instructions of getting online availability to assessment and other assessments once they were posted. On April 24, 2014, the website postings were updated with additional information. On April 25, 2014, the first letters of new valuation and estimated taxes were sent out to all property owners. A press release was issued advising about this. On May 9, 2014, the website was updated, and the City newsletter was sent out with updated information about the assessment. On May 19, 2014, a series of letters were sent out. After the informal hearing process was concluded and the assessors had time to meet with people and make changes to their assessments based on the appeals. On May 21, 2014, a letter was sent to all property owners announcing the new estimate tax rate and availability and the process of the formal appeals. On May 22, 2014, the assessment notice was posted at City Hall and five other places throughout the City.

Mr. Dave Hickey and Mr. Jonathan Larson of PTA/DelVal were in attendance at the meeting. Ms. Lisa Locke, part-time receptionist and Ms. Donna Moore, tax clerk for the City, were also in attendance at the meeting.

Mr. Dave Hickey had distributed a manual to the Commissioners which he had prepared of the process. The process started with gathering all the sales from the City and Sussex County data files and inputting that information into the computer system to be analyzed. Mr. Jonathan Larson talked with realtors and developers to gain insight on what land is worth. A discussion was held today with Commissioner Gossett and Mayor Cooper to gain insight of what the values are in the City. The main thing about doing a reassessment is to try to be equitable. The assessment sales price ratio is at 98% for the City. This means median sales price ratio is 98. According to the International Association of Assessing Officers, the median sales price ratio is used as the basis of determination of quality. The coefficient and dispersion are how much variation there is about that. IAAO allows a 18% to 20% variation of the median. Three hundred ninety-three sales of properties in the City, which represents approximately 10%, occurred since 2010. Mr. Hickey listed those properties by street. He also noted if they were a standard lot, condominium and if it was improved or vacant at the time of sale. MR. Hickey would also have to look at the date of the sale and date of the year built for the new structure, If the year built was after the sale, it was essentially a vacant lot sale. A list was provided of sales that were analyzed for land value purposes. In some instances, land residual analyses were done to determine the value of the land. Mr. Hickey noted that with regard to sales, when the worth of the land is determined, then the value of improvements would be looked at. Improvements are either brand-new or depreciated. A field inspection is done to get some idea of the physical condition of the structure to establish the unit prices per square foot to use for the structures. Mr. Hickey provided the rates per square foot used as a basis for the valuation of the improvements. Those were applied uniformly, but there is also the judgment qualities of the factors for quality, location, depreciation, etc. that is used. The process given to the field people to use as a basis for determining age, condition and those quality factors was provided to the Commissioners.

Mr. Jonathan Larson visited 90% of the properties in the City and looked at the improvements on them. Every property was re-dimensioned and photographs were taken. A lot of the data on older houses had been accounted for during the years between assessments as a monetary addition based on a building permit. Someone had accounted for an additional value added, but had never indicated on a sketch or drawing where it was or what it was. PTA/DelVal has tried to label and value each section of each home for what it is. There sections on a house where a lot of square footage was added. There were some areas of houses that had been called two-stories, but they really were 1.5 stories. All adjustments were made on observations during a visit to each property. One of the requirements of a computer program to value a house is that the drawing has to add up to zero or all the sides of the house have to allow it to close so that he would arrive back at the same point he started at. Each house would be looked at as having living area. It may have an additional area such as a sunroom, enclosed porch, screened porch, open porch or deck. Each of these features is valued at a different rate per square foot. In looking at the way the property is broken down, there must be an understanding of the meaning of the codes which were provided to the Commissioners. The age of a house is looked at, and Mr. Larson had to guess the ages of a lot of houses. Then depreciation is judged which is the physical deterioration of a home. In the City, almost no houses were in poor condition, very few were in fair condition and most were in high average to good condition. Mr. Larson judged what he thought was the physical deterioration from cost new would be. That range from no depreciation to -40% in some cases. With a residential property, the depreciated amount is applied to all of the square footage of the house. Construction quality and design of a home is looked at. A factor and class is done. An A, B, C, D and fair value category is used with A being the highest quality homes. Each house is look at in detail as much as possible. On commercial properties, it is basically the same idea to have the correct square footage, story height, construction quality and type. Then the use is identified such as a restaurant, retail space, etc. A list of commercial categories is applied to various sections of buildings. Depreciation was applied to each individual section in different amounts if it was necessary to do that. Those were the judgments Mr. Larson has tried to make on each card. There is not a tremendous value difference from north to south in the City. It is clearer in some areas of the City that people are paying less for property when going away from the beach. Mr. Larson was able to identify enough from sales to put land values on the properties. He wrestled with extra square footage on a lot beyond the first 5,000 square feet. A model was put together with the same dollar amount per square foot on all of the square footage in a lot. After the informal hearing process it was brought to his attention that there were some neighborhoods where there had been no sales, and the value process shoved the value of those properties up beyond where they should have been based on failed listings, appraisals and a sale or two that had given a high indicator of value in those neighborhoods where it should have been thrown out as an outlier. The value calculations schedules were rebuilt based on the initial 5,000 square feet of a property being one value and additional square footage beyond that on residential properties being valued 50% of the initial 5,000 square foot lot. The base value of the first

5,000 square feet had to be changed in some of the blocks in the City. When a large lot of 100 feet x 100 feet is subdivided is when the values will be adjusted. Mr. Larson acknowledged that in the field he was gathering physical data and was not assigning values to the houses. With regard to large condominiums, Mr. Larson noted that the managers provide a breakdown of the square footage size in each unit and its location in a building. A key ingredient is the percentage of common ownership of each unit of the condominium association common area property which includes the land. The value per square foot of living area is looked at. A value is built to cover the cost of the common area ownership by land size and the percentage of ownership. The ownership varies by the size of the unit. The total amount of land value is divided by 100% and multiply it by the percentage share of the common area ownership. With regard to the Henlopen condominiums, every unit is the same whether it is a unit with more square footage or half as big, and that is because common ownership is share equally. The percentages of ownerships are based on the condominium documents for each association. In the older houses that were condominiumized, the size of the building was documented. Square footage of ownership of each unit was based on the condominium declaration. The total square footage of the building was assigned on a percentage basis and then applied the land the same way. All of the data is recorded in the documents that the City has for future referencing. With regard to residential properties with multiple dwelling units on them under the same ownership and there are two separate tax bills, the land value is applied to the rear building and one to the front building. Mr. Larson acknowledged that if the parcel is 100 feet x 100 feet, each would be assessed at 100%. If there is a main residence and a garage apartment in the rear and there is one tax bill, the features of the garage apartment were added to the value of the total property as a second dwelling, and the lot is valued as a single piece of property. He acknowledged that the first 5,000 square feet would be assessed at 100% and the second 5,000 square feet would be assessed at 50%.

Mr. Hickey has provided information to the Commissioners that is related to what a citizen's review board would have to take into consideration. This would involve the formal review process after reassessment is completed. This is the information the Commissioners sitting as the Board of Appeals would use in making adjustments. Mr. Larson will be present at the formal hearings to assist and answer as many questions as possible. Citizens will make their appeals to the Board, and that information will be taken back to PTA/DelVal to go over what has been brought to their attention. PTA/DelVal will come back with formal recommendations to the Board so it can make a decision.

Mr. Howard Butler, address unknown, asked if the homeowner will receive the method by which the assessment was made of the value of the property. Mayor Cooper said that the notices of the new assessment have been sent out giving the new valuations, and more information can be found on the website. There will not be a detailed accounting of each property and what is on it as part of the mailing from the City. Mr. Hickey noted that all the cards will be printed and forwarded to the City by the end of the month. He provided an example of what information is on the data card.

Mr. Larson noted that the new valuation after a reassessment is usually set to become effective the first day of a new tax year or a fiscal year for a taxing authority.

Commissioner Mills voiced concern about property owners who come forward with an appeal and present data that is after the close date.

Mr. Larson said that if there is significant data after the decision was made on the broad establishment of a value pattern, he would be surprised. With an individual sale brought in afterwards that indicates a lower value, the motivation for that individual sale has to be looked at.

Mr. Hickey provided a land value map which shows the gradations in value. This map will be provided during the appeal process.

Mr. Larson noted that the size, condition and quality of buildings have been corrected to a great degree. All of the new construction over the last two years has been documented in a modern basis. This process of reassessment is basically the process that is used throughout the country.

Mayor Cooper noted that when the Charter change is adopted, the City will have the ability to change the assessment quarterly as a supplemental.

Commissioner Gossett said that the total assessed value of the City in the current assessment is \$74,126,176.00. The proposed new assessment of the City is \$3,349,945,300.00. The old assessment was based on 50%, and the new assessment is based on 100% of the value.

- B. Discuss and decide the procedures for hearing and determining appeals of assessment made to the Board of Appeals.

Mayor Cooper and Commissioner Gossett have been working on the procedures for hearing and determining appeals. Currently, there are approximately 40 appeals on 61 properties. Their recommendation to the Commissioners is to convene the Commissioners as the Board of Appeals. Mr. Larson would be present at the meeting representing PTA/DelVal. The City Solicitor would be present at the meeting to conduct the hearings. People would be given a total of 15 minutes to present their case which would include a response. The Board of Appeals would hear the appeals and make no decision. Mr. Larson would take back the information and prepare a written recommendation for each of the appeals. Then at some point after that, the Commissioners would reconvene as the Board of Appeals and act on those recommendations. Mayor Cooper's thought was to decide on all the ones that there are no objections to as a body, and then the ones where someone would like more discussion could be voted on individually. The tax rate is to be set on June 20, 2014. The Commissioners will not have the time to hear the appeals and get the recommendations. He suggested that the Commissioners put off for one meeting month in July to set the tax rate, and then give the property owners until the end of September to pay their tax bills as opposed to August. The present Charter says that if the appeal hearings are set today, they can be done no sooner than 10 days and no more than 20 days.

Commissioner Mills provided an overview of the Sussex County appeals process.

Mr. Larson noted that his part of the appeal hearing is going to be as an observer, note taker and then later, he will make his opinions known to the Board of Appeals. He does not intend to get into a debate with the petitioner.

Discussion ensued as to the procedures.

City Solicitor Mandalas said that he does not want the Commissioners to have a lot of information ahead of time because information is being received from the assessors, but not from the appellant. It would be a matter of fairness. He does not want the Commissioners to be biased toward the assessment or in favor of it without having heard from the appellant. City Solicitor Mandalas did not have an issue with the Commissioners receiving a list of names and addresses for possible recusal reasons.

Commissioner Mills recommended that a representative should fill out an affidavit if they will be attending the hearing. Notification to the property owner should be by first-class mail or certified. Fifteen minutes allotted for each residential hearing is fine. After the hearing concludes, the assessor will conduct additional research. After receiving the assessor's report, the Board of Appeals will reconvene in a public forum to review all the evidence.

Discussion ensued as to setting the tax, setting the date to set the tax rate and conducting the appeal hearings.

Commissioner Mills made a motion, seconded by Commissioner Sargent, to adopt the formal appeals process with modifications suitable to the Mayor, Commissioner Gossett and the City Solicitor. (Sharp – aye, Gossett – aye, Sargent – aye, Cooper – aye, Mills – aye, Zellers – aye.) Motion carried unanimously.

- C. Set the date(s) and time(s) that the Commissioners sitting as the Board of Appeals will hear appeals taken from the annual assessment.

Commissioner Sargent made a motion, seconded by Commissioner Mills, that the Commissioners sitting as the Board of Appeals will hear the appeals that have been filed on June 19 & 20, 2014 with the exact times to be established by City staff.. (Sharp – aye, Gossett – aye, Sargent – aye, Cooper – aye, Mills – aye, Zellers – aye.) Motion carried unanimously.

There being no further business, Mayor Cooper adjourned the meeting at 12:02 p.m.

Respectfully submitted,

(Lorraine Zellers, Secretary)