



Knox County Board of Assessment Review

A meeting of the Knox County Board of Assessment Review took place on Friday, May 15, 2015 at 10:00 a.m. in the Knox County Commission Hearing Room in the Knox County Courthouse, Rockland, Maine.

Board members in attendance: Wes Robinson, Marian Robinson, Tammy Brown, Jim Murphy (*arrived at 10:12 a.m.*), Rodney Painter, and Lauren Kenniston. *Board members absent: Martin Cates.*

County Administrative office staff in attendance: Administrative Assistant Candice Richards serving as recording secretary.

Others in attendance: Town of St. George Assessors' Agent from Parker Appraisal Company Robert Gingras; and taxpayers David and Ruth Kraner (*via teleconference*).

<h2 style="margin: 0;">AGENDA</h2>		
Friday – May 15, 2015 – 10:00 a.m.		
I.	10:00	Meeting Called To Order
II.	10:01	Opening Remarks by Board Chair
III.	10:05	Hearing
		1. Appellant
		2. Town of St. George
IV.	Board Deliberation & Vote	
V.	Other Business	
VI.	Adjourn	

I. Meeting called to order

Chair Marian Robinson called the meeting to order at 10:07 a.m.

Chair Robinson explained for the record about the appellants participating via conference phone as they had chosen to not attend the hearing in person. Introductions were made so that the appellants would know who was present in the room. Mrs. Kraner thanked the Board for letting them participate via teleconference.

II. Opening Remarks by Chair

III. Hearing

Appellant's Evidence

The taxpayer requested an abatement based on the following information for the 2014 tax year:

Current Assessed Valuation	Land	\$423,300
	Building	\$197,800
	Total	\$621,100
Owner's Opinion of Current Valuation	Land	\$237,000
	Building	\$112,000
	Total	\$349,000
Abatement Requested		\$272,100

Chair Marian Robinson noted that the abatement request of \$272,100 is 177.97% of the requested assessed value. The appellants' application indicates that the judgment of the Assessor is irrational or so unreasonable in light of the circumstances that the property is substantially overvalued and an injustice results. The tax year for which the abatement is requested is April 1, 2014. The sale date for the subject property was December 23, 2014. The appellant was not the owner on April 1, 2014.

- Wes Robinson made a motion that the appellants have standing for this appeal by virtue of their ownership of this property. Lauren Kenniston seconded the motion. A vote was taken with all in favor.
- Lauren Kenniston made a motion that the appeal was timely filed. Wes Robinson seconded the motion. A vote was taken with all in favor.

1. In support of the taxpayer's position, he submitted the following documents:

- Exhibit A: Application for Abatement to the Board of Assessment Review dated 3/31/15, received on April 2, 2015
- Exhibit B: Document entitled "Reasons for Requesting Abatement" written by the taxpayers
- Exhibit C: Application for Abatement to the Town of St. George dated 1/21/15
- Exhibit D: Letter to the taxpayers from the Town of St. George denying the tax abatement request, dated 2/24/15
- Exhibit E: Appraisal of the subject property prepared by Donald K. Lowe, Jr. of Vacationland Appraisers as of November 28, 2014

2. In support of the taxpayer's position, he offered the testimony from the following witnesses:

The taxpayers, David and Ruth Kraner, participated via conference phone since they chose not to come up to Maine for the hearing. The taxpayers were the only persons testifying on their own behalf.

3. Overvaluation:

In this appeal, one of the taxpayers' concerns and arguments focused on their belief that the judgment of the Assessor was irrational or so unreasonable in light of the circumstances that the property was substantially overvalued. The evidence of overvaluation the taxpayer presented was primarily based on the taxpayer's belief that the subject property had sold for \$260,000, which is less than half the Town's valuation for the property, and less than the independent appraiser's opinion of value, which was \$349,000. The taxpayers also believe that factors such as the economy being in a recession, the loss of jobs, and the new Federal Emergency Management Agency (FEMA) flood maps that will raise insurance costs for homeowners, should be reflected in property assessments since it is the taxpayers' belief that these factors affect market value.

Mr. Kraner began by giving some background into history of the property and why they purchased it. In particular he noted the unique way in which the house was built piecemeal. He also began to explain his personal history.

Chair Robinson asked Mr. Kraner to explain why they believed their assessment was manifestly wrong.

Mr. Kraner said that the assessment is manifestly wrong because a state certified appraiser licensed by the State of Maine came up with a totally different value, using the same criteria as the Town. The different values substantiated in the appraisal report that he had submitted, along with comparables, come up with an entirely different number. They were independently done by an appraiser that Mr. Kraner had not selected himself but was selected by the bank, but he had requested that when the appraisal was done, that it be done for the purpose of painting an accurate market value picture of the

property, as well as for the financing of the property. Mr. Kraner mentioned market values of properties in the area changing.

Chair Robinson noted that the Board was aware of market values in the area and asked what the original purpose of the appraisal was for. Mr. Kraner explained that there were two reasons for the appraisal: 1) the bank requires an appraisal for the bank loan and 2) Mr. Kraner had also asked that the bank have the appraiser include information so that it would be a complete appraisal with comparables. He said that he did not select the independent appraiser; the bank did.

Chair Robinson asked who was the client of the original appraisal. Mr. Kraner said that he and the bank both were. He then revised his statement by saying that the appraisal was done for the bank, but that he had specifically asked the bank to have the appraisal to be done for the Kraners, and the Kraners would pay any additional costs resulting in the broader appraisal.

Chair Robinson noted for the record that the original client for the appraisal was the bank.

Mrs. Kraner noted that the bank sent them a copy since the appraiser said they were not his clients and refused to send them a copy of it. Mr. Kraner said that he wanted to emphasize that the bank had honored their request that the appraisal be a full and complete one with comparables.

Chair Robinson asked the appellants if they had the written permission of the appraiser to use the appraisal in this appeal since they were not his clients. Mr. Kraner responded that the appraiser told them he would be happy to be a witness and that they could use the appraisal in this appeal.

Chair Robinson asked if the effective date of the appraisal was April 1, 2014 since that is the tax year being appealed. Mr. Kraner answered that the effective date of the appraisal is November 28, 2014.

Chair Robinson noted that the appraiser was not present to testify or be asked questions. She asked the Kraners if there was any evidence that the subject property was assessed any different from other similar properties. Mr. Kraner said yes and that the information was contained in the appraisal along with comparables.

Jim Murphy explained that what Chair Robinson was asking was, even though there were comparables done for the appraisal report, how do the valuations for tax purposes of the comparables compare to the sale prices of the comparables? He said that what the Board was looking for is the difference between the two. He noted that the appraisal does not demonstrate that the assessment is incorrect; it means that it sold for a different price than the assessment. He said that his concern was that the appraisal was not done for the purposes of contesting a tax valuation. Looking through the appraisal, it does not address that at all. The list price for the subject property dropped substantially to the sale price, so the question would be is there an error in the quality consideration of the building. Mr. Murphy said that another issue was that he was not sure the Kraners had standing because the appraisal was done (November 2014) effective many months after the date of the assessment (April 1, 2014).

Mr. Kraner said he understood that but said that if anything happened to the building on the property during a storm and it was destroyed, that the assessment would change. He added that drops in market pricing due to the economy being in a depression were having an effect on the market value of the property. He said that if something happened and the house was no longer on the property, the value of it changes.

Chair Robinson commented that Mr. Kraner had a misconception that the loss of a building on a property immediately changes the assessment for the property. She explained that the assessment for a property would *only* change on April 1st of the following tax year, meaning that if there were any changes between April 1, 2014 and April 1, 2015, the assessed value would not change until the new tax year of April 1, 2015.

Mr. Kraner said that he agreed with Chair Robinson, but that it was his understanding that their appeal wouldn't take effect until the next April 1st. This caused some confusion among the Board members about which tax year the taxpayers were appealing.

Mr. Murphy asked the Kraners if they were contesting the April 1, 2015 assessment and not the April 1, 2014 assessment. Mr. Kraner said that was correct. He said that the comparables that were done in the appraisal that he had submitted to the Board, and the valuations that were put in it by a licensed appraiser, which came out very different from the assessment, and was done to prove whether or not the property had sufficient value to support the loan amount of the requested mortgage, is very different from what the local government said the property is worth. Mr. Kraner thought this might be because the appraiser used comparables from sales that were more recent and the drops in the market value affected the numbers. He said that the appraiser had told him that the same formula was used as what the town uses for tax purposes.

Mr. Murphy said that the Board was under the impression that the appeal was for tax year April 1, 2014 since that is what Mr. Kraner had written on his application for abatement. He said that Mr. Kraner may need to have a discussion with the St. George assessor as of April 1, 2015 for the 2015 commitment, which hasn't even been done yet. He added that he thought this appeal process might be a little premature.

Mr. Kraner responded that it was possible that it is premature but that they were following the procedures that were told to them by the Town of St. George in terms of appealing the tax assessment on this property. He said that since he is not a year-round citizen in Maine, he is not sure how the law applies to this current situation. He said that the Town's assessment greatly out of line with what he had actually paid for the property. He noted that he did not know the prior property owners, had no relationship with them, and had never personally met them. He said that he had never even spent a night in the house, although he has gone through it and walked the property. He suggested that back in April, unless there was some phenomenal change in the market, that even at that point the house was over-appraised. The value listed was completely out of line. Mr. Kraner said that he had had some conversations with bond agencies around where he lives have already stipulated in their minds whether there is some greatly enhanced valuation for the property. He said that he and his wife have a "sweet AA2 bond rating".

Chair Robinson noted that bond ratings are not part of what the Board considers. Mr. Murphy added that a bond rating has no bearing on the assessment.

Mr. Kraner stated that he understood that, but in the end, bond ratings are based on property assessment. He said that the property values up there because it's the means by which you can generate the revenue to get the bond.

Mr. Murphy noted that St. George doesn't have any bonds, but regardless, the bond issue is not related to the assessment of the property at all. He suggested that the Kraners have a conversation with the St. George assessor, looking at April 1, 2015. He said that even though the application form says April 1, 2014, he wasn't sure the Kraners had standing to appeal that tax year. The Kraners would, however, have standing to appeal the April 1, 2015 tax year. The Kraners should discuss their concerns about the property with the assessor and put the appeal for 2014 aside until the Board gets a timely 2015 appeal from the Kraners. He added that the Kraners might not need to appeal the 2015 assessment, depending on how things go with the assessor.

Mr. Kraner stated that if the assessor wants to make adjustments to the assessment based on the comparables in the appraisal, he would not object to that at all. He noted that Mr. Murphy had made a very good argument and that he and his wife did not own the property on April 1, 2014 – they didn't

buy it until December of 2014. He added, however, that they did pay the taxes during that period of time, for December 2014 – April 1, 2015.

Mr. Murphy said the Kraners would have paid taxes to the end of the town's fiscal year, whenever that was. Mr. Kraner said that was correct.

Mr. Murphy suggested that the Kraners withdraw their appeal since it is not exactly timely, and then if the Kraners decide to go forward with an April 1, 2015 later on, everyone would be on better footing. He said that the Kraners might have the same information to present, but it would be more comfortable legally to do that.

Mr. Kraner said that Mr. Murphy had made a good argument and that he didn't see the point in troubling the Board with something that was on shaky legal ground. He asked if Mr. Murphy thought that he should go out and get another appraisal. To explain his thinking, Mr. Murphy explained that he had been an appraiser for 26 years and an assessor for 20 years and has been on both sides of the argument. He said that when he looked through the appraisal that the Kraners had submitted with their application, he had some serious concerns about it in his role as a Board member. He said that if everybody was agreeable to it, he suggested that this appeal be set aside. He said that the Kraners should have the St. George assessor go back inside the property and each side do what they need to do to solve the issue for 2015.

Mr. Kraner asked Mr. Murphy what the problems were with the appraisal they already had that he noticed when reading it so he could address the issues with a new appraisal. Mr. Murphy said that the appraiser had used some listings that were not in St. George, which is very detrimental to an abatement appeal. The out-of-town listings are clearly lower than the St. George valuations and sale prices, and yet there is no location consideration made for those sales. He noted that he is a consultant for the Town of Friendship and that he noticed that the appraiser excluded the sale of the 173 Otis Point Road which is a sale that was done October 21. The other issue that he had is that the appraiser, in the cost approach, had a site value total of \$407,500.00, but the appraisal is for \$349,000.00, which would lead him to question whether the site was misimproved with the wrong building, or did the appraiser make a mistake with the site value? Mr. Murphy said that he saw some inconsistencies in the appraisal that were not explained. He said that another thing that bothered him is that the appraiser went back for some corrections, probably at the request of the lender, and that made him wonder what was going on with the appraisal as well.

Mr. Murphy suggested that the Kraners first talk to the local assessor and see what can be worked out there, and then if the Kraners need an appraisal done, they need to make sure it is done as of April 1, 2015, using St. George comparable sales and the assessment values compared to the sale prices. Every appraisal needs to have a purpose and function, and the property buyer's purpose and functions are different from the assessor's purpose and functions.

Mr. Kraner agreed that it was better to drop this appeal and said that he didn't see any point in wasting any more of the Board's time. Mr. Murphy said that he appreciated the Kraner's points and thoughts and felt that this was the right way to go. Mr. Kraner said that he and his wife felt the same, thanked everybody for their time, and then hung up the conference call.

IV. Board Deliberation & Vote

- Jim Murphy made a motion that the Knox County Board of Assessment Review take no action as the appellants withdrew their appeal. Rodney Painter seconded the motion. A vote was taken with all in favor.

V. Other Business

VI. Adjourn

Meeting adjourned 10:41a.m.

Respectfully Submitted,

Candice Richards
Administrative Assistant
Board of Assessment Review Recording Secretary