BOARD OF EQUALIZATION MINUTES
GILA COUNTY, ARIZONA

Date: September 30, 2014

MICHAEL A. PASTOR
Chairman

TOMMIE C. MARTIN
Vice-Chairman

JOHN D. MARCANTI
Member

MARIAN E. SHEPPARD
Clerk of the Board

By: Marian E. Sheppard
Clerk of the Board

Gila County Courthouse
Globe, Arizona

PRESENT: Michael A. Pastor, Chairman; Tommie C. Martin, Vice-Chairman (via ITV); John D. Marcanti, Member; Marian E. Sheppard, Clerk of the Board; Laurie J. Kline, Deputy Clerk; Deborah Hughes, Assessor; Lisa Romo, Chief Deputy Assessor

Item 1 – CALL TO ORDER

Chairman Pastor called this hearing to order at 1:30 p.m.

Item 2 – AGENDA ITEMS:

A. Information/Discussion/Action to consider an appeal by Nicholas Brotcke for the Nicholas and Maureen Brotcke Family Trust regarding the Assessor's valuation of tax parcel number 302-41-001A, as shown on the Assessor's Notice of Value filed for tax year 2015.

Chairman Pastor called on the petitioners, Nicholas and Maureen Brotcke, to present their appeal; however, Mr. Brotcke asked that the Assessor's Office first present their findings.

Lisa Romo, Chief Deputy Assessor, stated that Nicholas Brotcke, on behalf of the Nicholas and Maureen Brotcke Trust, is appealing the Assessor's valuation of the subject property based on a cost approach, income approach and "other" as stated on line #7 of the Petition for Review of Real Property Valuation that was submitted to the Board of Equalization. She advised that the petitioner provided an Income and Expense Statement and three Federal Tax Form 1040 Schedule Cs titled "Profit or Loss from Business" for tax years 2011, 2012, and 2013 to support their appeal to the Board of Equalization. The Assessor has set the full cash value (FCV) of the subject property at $250,772 and the limited property value (LPV) at $151,869. The petitioners have set the FCV and the LCV at $143,638.

Mr. Brotcke's initial appeal to the Assessor was denied because: 1) commercial income was not provided per Arizona law, 2) interior access to the property was not granted at the field inspection, and 3) cost data to support the valuation amount of $143,638 was not provided. Ms. Romo proceeded to review the Assessor's packet of information that was provided to each Board member and she explained the method used to value this particular commercial property which is an antique store and recreational vehicle (RV) storage facility with Commercial Three District (C3) zoning. It is .91 of an acre in size, and located on a corner of a busy highway. Ms. Romo noted that the Schedule Cs are not inclusive of all business income as they do not contain 1040s or signatures. Additionally, appealing the property valuation on the "income approach" is typically not valid for owner occupants, as is the case with the Brotckes. In this case, the petitioner would be asked to provide income relevant to similar type antique or retail stores and RV storage businesses. No information was provided to correlate the loss of income as shown on the Schedule Cs with a value amount of $143,638. There is further disclosure under the income approach by the petitioner regarding family health issues; however, the Assessor chose to not address those issues. The petitioner has stated to the Assessor that the business is a "hobby" business and is operated approximately 12 hours per week. Ms. Romo advised that this property is open two days per week, so it is not typical of a commercial business. A property value of $42,000 was listed on the Income and Expense Statement. Ms. Romo noted that amount was the initial purchase price in the 1970s; however, the petitioner did not provide information to show the replacement cost of the buildings at today's cost, nor was an explanation provided by the petitioner as to their opinion of the property's current value of $143,638. The Assessor has accounted for both age and condition of the improvements by listing them as poor condition and low quality. The petitioner disclosed that the improvements have not been maintained; however, the Assessor has documentation from past years' appeals that the parcel has remained in an unkempt state for over 10 years. The parcel is surrounded by a barbed wire, chain link fence with a gate, which is atypical for a retail establishment. The Assessor further chose to analyze land sales despite the parcel having a unitary valuation. Ms. Romo continued reviewing the packet of information page by page.

Ms. Romo reviewed sales of comparable properties and she noted that they are properties of a similar size, but are not zoned for commercial use. As a result, the Assessor has made a zoning adjustment to come up with a median value for land. The improvement cost value at low quality, poor condition of the improvements was also considered and a median land value was added to arrive at a lowest, supportable value of $206,061 for the property of which that amount is being recommended to the Board of Equalization.

Mr. Brotcke argued that there was no justification for the increase in the property value for the following reasons: The RV storage business continues to

diminish and it generates at the most $300-$400 per year. This antique business, known as the Pioneer Village Trading Post, has been operating for 43 years at the same location; however, it generates little revenue because it is operated as "an old fashioned store", unlike other similar local businesses. There is a lot of customer traffic but not a lot of sales. Due to personal circumstances of the Brotckes, "no profit can be produced" from this business. It should not be compared to other local, similar-type businesses, but rather the value should be based upon "business income profit" as outlined in the documentation that was submitted to the Board of Equalization for this hearing. If the Board upholds the Assessor's opinion of value, the Brotckes will be forced to close their business, which they believe has been a long-term asset to the community of Payson.

Mr. Brotcke advised the Board that he has appealed his property valuations to federal tax court on two separate occasions, and he may consider doing it again. Supervisor Marcanti asked Mr. Brotcke if there is a pending lawsuit against Gila County, to which Mr. Brotcke replied there is not a pending lawsuit. He then read aloud a letter he wrote in support of his appeal.

Assessor Deborah Hughes advised that this particular property received an "override" on its value for the past 10 plus years. The override basically froze the property value; however, that override has been removed which has caused the value amount to increase from last year to this year. Vice-Chairman Martin expressed a concern with the situation of the Brotcke's property value almost doubling. Ms. Hughes replied that it is her opinion that the Brotckes received a "discount for some 10 years." She recently has removed the "override" status on many other commercial properties. There have been land sales that will be applied next year which will cause the values of other commercial properties to be increased. Chairman Pastor questioned the reason overrides were placed on so many properties. Ms. Hughes replied that it was the previous Assessor's decision to apply the override status.

Vice-Chairman Martin concluded by stating that the Board's decision must be based on whether or not the Brotckes have been treated equally and fairly; it is not the Board's decision to decide on the "right" value as that is the purpose of tax court.

Upon motion by Vice-Chairman Martin, seconded by Supervisor Marcanti, the Board unanimously upheld the Assessor's recommended value of $206,061 for parcel number 302-41-001A for tax year 2015.

Item 3 – CALL TO THE PUBLIC: Call to the Public is held for public benefit to allow individuals to address the Board of Equalization on any issue within the jurisdiction of the Board of Equalization. Board members may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to Arizona Revised Statute §38-431.01(H), at the

conclusion of an open call to the public, individual members of the Board of Equalization may respond to criticism made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda for further discussion and decision at a future date.

There were no comments from the public.

There being no further business to come before the Board of Equalization, Chairman Pastor adjourned the hearing at 2:30 p.m.

APPROVED:

Michael A. Pastor, Chairman

ATTEST:

Marian Sheppard, Clerk of the Board