MINUTES OF THE
ASSESSING STANDARDS BOARD

Approved as Amended

DATE: February 24, 2017 **TIME:** 9:30 a.m.

LOCATION: Legislative Office Building – Room 303, 33 North State Street, Concord, NH

BOARD MEMBERS:

Senator James Gray
Senator Scott McGilvray ~ *Absent*
Representative Peter Schmidt ~ *Absent*
Representative Mark Proulx
Betsey Patten, Public Member, Chairman
Stephan Hamilton, NHDRA
Jim Wheeler, Municipal Official, City ~ *Absent*
Paul Brown, Municipal Official, Towns >3,000 ~ *Absent*
Eric Stohl, Municipal Official, < 3,000
Robert Gagne, NHAAO, At-Large Member
Rick Vincent, NHAAO, City Official
Loren Martin, Assessing Official, < 3,000
Marti Noel, Assessing Official, > 3,000 ~ *Absent*
Len Gerzon, Public Member
Thomas Thomson, Public Member

MEMBERS of the PUBLIC:

Mary Pinkham-Langer, NHDRA
Scott Dickman, NHDRA
Attorney David Lefevre, Hudson
Charelle Lucas, DTC Lawyers & George Sansoucy
Sue Golden, Concord
Cindy Brown
Timothy Fortier, NHMA
Jim Michaud, Hudson
Scott Bartlett, Goffstown
Representative John Gunn
Teresa Rosenbergh, Devine Millimet

Introductions

Chairman Betsey Patten opened the meeting. Introductions followed.

Minutes

Chairman Patten requested a motion to accept the minutes of the February 10, 2017 meeting. Representative Proulx ***motioned to accept the minutes and Mr. Gerzon seconded*.** After a brief discussion and a few minor changes, Representative Proulx reaffirmed his motion to accept the minutes as amended and Mr. Gerzon seconded. ***Chairman Patten called for a vote to accept the minutes of February 10, 2017 as amended.*** *Mr. Vincent, Selectman Stohl and Mr. Gagne abstained.* ***All others approved.***

Income and Expense White Paper

Chairman Patten stated the discussion on the Income & Expense White Paper will take place at the next meeting. Mr. Hamilton distributed copies of court cases relevant to the income approach to value for property in preparation for this discussion.

TIR (Technical Information Release – Property Record Cards)

Mr. Hamilton circulated and briefly described a draft communication to the cities and towns about the process of helping their taxpayers understand the codes that may be used on various property record cards and asked that the members review and bring suggestions to the next meeting for discussion. Mr. Thomson requested a copy of the additional document mentioned on page 3. Mr. Gagne suggested adding "readily" before 'available'.

Utility Valuation Standards

Chairman Patten explained the objective is to determine what processes, and underlying assumptions and practices are being used to determine utility values in order to find out why there are significant variances among valuations applied to utility properties.

Mr. Hamilton distributed copies of reports comparing DRA allocated values within every municipality in NH and discussed the complexities of determining market value using NH Electric Co-op, a single property existing within 119 communities in the state as an example. He explained the need for a standard process in order to understand the complex processes necessary to value utility property. Mr. Gagne requested DRA provide a report of the total value of each of the utility properties.

Mr. Michaud expressed concern with using information from towns currently in litigation, which include reports from 2014 and 2015. Attorney Lefevre of Hudson reiterated this concern and continued with the following points:

- For the 2011 and 2012 cases appealed to the Supreme Court, he suggested waiting for their decision in order to avoid doing work which may be answered by the decision
- For tax years under appeal, there will be public documentation available however the concern for Hudson is their case has been stayed until the outcome of the 2011 and 2012 decisions and they want to avoid engaging in discovery before the process is available
- Evidence could potentially be generated that could become part of the BTLA which may not be scrutinized the way it would as part of the judicial process
- DRA and NHMA have both submitted amicus briefs in the pending appeals

Chairman Patten stated the legislature has charged the board with the responsibility to study utility valuation. To do this, the board will gather information from other sources including towns' not in litigation, BTLA cases that have already been heard, and the DRA. Mr. Bartlett offered to provide information as to how he derives utility values in Goffstown. An invite was also extended to representatives from utility companies and businesses to come and offer information to help explain the process.

Utility Valuation Presentation

Mr. Dickman summarized his work history. A discussion ensued about unit methodology, regulations, market adjustments, and the difficult process of selling this type of property and how it affects the market and valuation.

Mr. Gerzon asked what prompted the department to stop accepting local values as reported by the municipalities and begin determining their own. Was uniformity a consideration? Mr. Hamilton replied that the process the department utilizes, the appraisal of multi-jurisdictional utility properties for the purposes of equalization, came before the Supreme Court. At that time, the court examined the way

property would be valued for equalization and decided the standard of “market value” should be applied. This standard assumes the same benefits and detrimental conditions as market value. Due to the lack of sales and the inability to index a local appraisal to market value at the local level, the Supreme Court determined the equalization process could not be used for utility property because the basis for establishing equalized values was not derived from utility property. The court’s decision validated the process the department uses to value utility property.

Ms. Brown recollected there were a lot of court cases in the 1970s as to whether or not it was appropriate to use an equalization ratio, consisting of land, building and manufactured housing sales, to equalize a utility property. Research took place to see what other states did and how they handled market value of utility property and the unit method was discovered. She does not recall if there was a legislative change pertaining to the use of this method.

Through further explanation of considerations used in the valuation of utility properties, it was stated that the DRA uses similar approaches (cost and income) as a local assessor. The unit method, the value of the whole property, is the process of finding the most reasonable and appropriate value in conformity with the property’s highest and best use and this process most traditionally utilizes the income and cost approaches to value.

Concern was expressed that the DRA value is not transparent and their records unavailable. It was suggested that documents from the 2011 and 2012 BTLA cases could be requested for review as they are public record. Mr. Hamilton added that the DRA cannot request copies due to confidentiality issues.

A request was made for the simplest form of the DRA valuation. Mr. Hamilton referred to the handout of the ranch located in the four communities and gave a brief explanation.

Mr. Gagne requested that the DRA provide more about their process of how they value utility property. A comparison will be made once other processes are heard from other presentations.

Mr. Gerzon requested some research be done to determine why the DRA stopped accepting local utility values for equalization purposes. A request was made to see if Mr. Bob Estes would be willing to attend a meeting and/or provide any explanation he can recall for this change.

A letter from Attorney Chris Boldt of DTC Lawyers was read into the record by Ms. Lucas.

Ms. Lucas also stated the Mr. Sansoucy would be happy to present his utility valuation process to the board.

Chairman Patten stated there would be upcoming presentations by George Sansoucy, Scott Bartlett, Avitar Associates as well as more from DRA.

Next Meeting

Friday, March 10, 2017 at 9:30 at the LOB

Friday, March 24, 2017 at 9:30 at the LOB

Mr. Hamilton stated Ms. McGill has accepted a new position and will no longer be assisting the board. He and the board thanked her for her service.

Mr. Gagne ***motioned to adjourn***. Representative Proulx ***seconded***.

Chairman Patten adjourned the meeting.

Respectfully submitted,

Stephanie Derosier

Municipal and Property Division
NH Department of Revenue Administration

All meetings are recorded and are available upon request.

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

Telephone: (603) 230-5096

Facsimile: (603) 230-5947

Web: www.revenue.nh.gov

E-mail: asb@dra.nh.gov

In person at:

109 Pleasant Street, Concord

In writing to:

NH Department of Revenue
Assessing Standards Board
PO Box 487
Concord, NH 03302-0487

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