

JOHNSON BOARD OF CIVIL AUTHORITY
JOHNSON MUNICIPAL BUILDING
TUESDAY, JULY 13, 2021

Present:

Board of Civil Authority Members: Eric Osgood, Michael Dunham, Nat Kinney, Eben Patch, Rosemary Audibert, Walter Pomroy, Martha Leonard, Bari Gladstone, Anne Mullings, Beth Foy
Others: Michael Lazar, Ed Clodfelter (via Zoom)

Note: All votes taken are unanimous unless otherwise noted.

Eric called the hearing to order at 7:00.

Rosemary swore in the BCA members.

Eric explained the quasi-judicial format of the meeting. He said the burden of proof is on the appellant. After this hearing a committee of at least 3 BCA members will inspect the property within 30 days and within 20 days following that will have a written decision.

Eric swore in Michael Lazar.

Michael Lazar said he is protesting his 2021 assessment. It was increased from the 2017 assessment of \$321K for the property with building values of \$16 per sq. ft.), which he thought was reasonable. His understanding is that they did this based on a reference book called Marshall & Swift. They put in a number of \$32 instead of \$16 without any evidence to back it up. He did not get the official mailing from the town so he wasn't able to grieve the assessment. He found out about the assessment after the grievance period. He presented his case to the Board of Abatement and they reduced the assessment value back to the 2017 value based on the evidence he gave them. In 2021 he got new appraisal numbers. The appraisal changed from \$581K to \$503K and building values were adjusted from \$32 to \$26. He went to a grievance hearing but Robin Chapman did not further reduce the value.

His buildings are on one acre of his land. He is limited to using one acre because of Act 250 and stormwater and floodplain rules. The land value is assessed at \$110K for what is essentially one acre. Before he built, the vacant land was assessed at \$2,941. Johnson Hardware has 18 acres, assessed at \$104K or \$5,811 per acre. Ithiel Falls Storage has 3.2 acres assessed at \$52K or \$16,250 per acre. Laraway has 48 acres, assessed at \$104K or \$2K per acre. He thinks \$110K seems high.

A self storage unit is basically a shed. It has power for lights but no septic, water, insulation, electricity in the storage units, heating or cooling. It does not have what most general warehouses have. Johnson Hardware has those things. His building value was brought down to \$26 dollars/sq. ft. Compare that to Johnson Hardware, a fully operable furnished store with a value of \$16/sq. ft. Ithiel Falls Storage is \$9.47/sq. ft. Fox Hill Storage, which is comparable in size to his facility, is \$17.75/sq. ft. He has a newer facility in another town that has more road frontage and landscaping and is paved and it is \$15/sq. ft. He was given an assessment of \$20.25 for a new facility of his. Parker & Stearns has a tax rate of \$6.82/sq. ft. Laraway's warehouses are at \$11.25/sq. ft. There should be consistent valuation of property in town. He shouldn't have to pay more than a fully furnished store. He feels Robin's original assessment of \$16/sq. ft. is accurate.

But that is the same as Johnson Farm & Garden and much more than other fully functional buildings even though he has only shed buildings. It doesn't make sense.

Rosemary swore in Beth Foy, who arrived after the meeting had started.

Bari Gladstone asked how much the property would sell for. Mike said it is hard to say because property values are higher at this moment than they have been. He isn't saying the assessed value is unreasonable with respect to the potential sale price but that it is unreasonable compared to other properties in town.

Anne Mullings asked, you think \$321K is a good amount? Mike said yes. Anne said there has been a reappraisal since that value was assessed. He doesn't think the value should have gone up accordingly? Mike Lazar said the values for Johnson Hardware, Ithiel Falls Storage, Parker & Stearns and Laraway all remained exactly the same after the reappraisal.

Anne said she thought the units were heated and climate controlled. They are not? Mike L. said no, they are not.

Anne asked what value Morrisville came up with for his business there. Mike said \$20.25. Anne asked, for the coming year? Mike said yes.

Martha Leonard asked, when Mike looked at comparable properties like Johnson Hardware, did he back out the cost of the living area on the property? Ithiel Falls has a house there and a fairly large garage. Mike said he believes the figures he has for Ithiel Falls are just for the self storage. He did not back anything out for Johnson Hardware.

Mike Dunham asked Mike Lazar, you paid \$140K for the property? Mike Lazar said yes. He paid \$40K for the permit and \$100K for the lot.

Ed Clodfelter said he feels the only appropriate way to assess storage facilities is using an income approach. Last year the property was assessed at \$581,600. It was reduced by the Board of Abatement for some reason to \$321K. He thinks that is an error. He described how he came up with a value of about \$600K. In an effort to be generous to Michael he reduced it to \$581,600. Michael then provided Robin with some income and expense information. Based on that, Ed came up with a value of \$657,300. If NEMRC had had this information last year they probably would have valued the property at \$650K.

There are 4 buildings on the property – two are 4800 sq. ft., one is 2850 sq. ft. and one is 2250 sq. ft. When you use the depreciation portion of those it comes out to about \$34.25 per square foot. He used the cost approach as a mechanism to put a value in the grand list. It's used, but you're going to adjust the cost system somewhat to get where you think the value needs to be, which is why he uses an income approach. He thinks the reduction to \$503K was a pretty generous reduction by the assessors. There was a recent sale of a property in Ferrisburgh that is similar in number of units. Mike Lazar's property has 79 units and the one in Ferrisburgh has 72 units. It sold for \$537K in January 2020. The income and expense information was provided in the sales information from MLS. The cost report from Ferrisburgh that shows how they assessed that is incorrect, which is why they have contacted him to help them with their upcoming reappraisal. They appraised it at \$279,700 based on their cost approach. He took the information

from the Ferrisburgh property and used it for calculations and the value came out to \$525K. That shows how the income approach coincides with the sale price.

AG Self Storage is 79 units, 3.7 acres, 14,700 sq. ft. The property in Ferrisburgh that just sold for \$537K has 72 units, 4.94 acres and \$10,200 sq. ft. He thinks that reinforces the notion that the values of these properties are probably not best established by using a cost approach. He thinks an income approach is needed.

Nat asked Ed how he determines which of the different approaches to assessing to take. Ed said certain properties are conducive to different types of valuation. For residential properties you run a market-adjusted cost approach in Vermont. But you can run comparable sales for some of those. For a big industrial business property you are going to run what lease rates are – \$2.50 to \$6 per sq. foot. For some downtown core stores, for example, you know what the market rates are for rents for those types of properties and that is how you are going to calculate the value. You are going to run an income system but back it up and use the cost system to generate the value. Gas stations or mini marts, for example – you run those by a cost approach but where the value is primarily in the land and location more than the building. Pretty much the only way to value a storage property is by running income. What they cost to replace will not get you what the value is.

Walter asked why the value was changed from the \$581K to \$503K. What was the justification? Ed said he has no idea. He was not part of that conversation.

Mike Lazar said while Ed has an extremely thorough process of assessing the property, none of that was in the town records. All it said was \$32. Why would that process not be applicable to any other property in town, like Johnson Hardware or Ithiel Falls? They didn't change. He would like to know what the selling price of Johnson Hardware, for example, would be.

Eric asked for at least 3 volunteers to form a site committee and do an inspection of the property. Anne, Mike and Walter volunteered. They will come back to Mike Lazar with suggested dates for the inspection.

The hearing ended at 7:40.

Minutes submitted by Donna Griffiths