

1. CALL TO ORDER

An organizational meeting of the Board of Equalization was held on Thursday, May 17, 2018, at the Dillingham City Council Chambers, Dillingham, Alaska. Mayor Alice Ruby called the meeting to order at 5:33 p.m.

2. ROLL CALL

Mayor Alice Ruby was present.

Council Members present and establishing a quorum (a quorum being three):

Curt Armstrong
Chris Maines
Andy Anderson

Staff in attendance:

Lori Goodell, City Clerk

Guests:

Ryan and Chelsea Ayars
Nick Bajwa, Attorney representing Vitus Energy – attended via teleconference
Charles Cacciola, City Attorney – attended via teleconference
James Canary, City Assessor, Alaska Assessment Services
Joan Junge – attended via teleconference

3. APPROVE THE AGENDA

MOTION: Chris Maines moved and Andy Anderson seconded motion to approve the agenda.

VOTE: The motion to approve the agenda passed by unanimous voice vote.

4. ASSESSOR'S COMMENTS

Jim Canary explained the difference between improved and unimproved property and how that impacts valuations. He noted there were sixty-one real property appeals submitted, fifty-four of them had been settled, with seven unresolved. He noted it had been an uneventful appeal period.

Alice Ruby outlined the process the Board of Equalization (BOE) would utilize; appellants would be heard first, followed by the City Assessor, and the appellant would have an opportunity to address the BOE after Assessor comments.

5. DETERMINE NO. OUTSTANDING APPEALS

a. Late-Filed Appeals

1) Faith Christian Community, account 101501

Alice Ruby explained the role of the Board was to determine if the property owner was unable to comply and file a timely appeal.

Discussion: based on the letter sent in from the appellant there is no compelling reason they were unable to file timely.

MOTION: Andy Anderson moved and Chris Maines seconded the motion that the Board hear Faith Christian Community’s late file appeal and ask for a no vote; the appellant has not proven they were unable to comply with the deadline.

Discussion: A yes vote would mean the appeal would be heard, a no vote means the appeal will not be heard.

VOTE: The motion to accept the late filed appeal failed by unanimous voice vote.

6. APPEALS FOR CONSIDERATION

a. Personal Property

1) Settled Appeals

Alice Ruby referred to the report listing settled appeals. The assessor had reached a written agreement with the appellants on Appeal Nos:

PP18-01	PP18-02	PP18-04	PP18-05	PP18-06	PP18-07	PP18-09
PP18-10	PP18-11	PP18-12	PP18-13			

City Attorney Cacciola advised it is fine to approve all settled appeals in one motion as long as there are no objections or need to single out any certain appeal.

MOTION: Chris Maines moved and Curt Armstrong seconded the motion to accept the settled appeals for personal property as listed by Mayor Ruby.

VOTE: The motion passed unanimously by voice vote.

2) Appeals Not Settled

a) PP18-03, Daniel and Brenda Farren, FV Fish Trap

Appellant presentation: The appellant did not attend the hearing.

Assessor presentation: Jim Canary stated the appellant, Daniel and Brenda Farren, sent a note stating they sold fishing vessel, Fish Trap, to Abe Sullivan of Kodiak. The City is searching for a way to contact the new owner. Recommendation is to leave the valuation at \$106,390; update ownership and send out a new assessment notice.

Discussion: the board verified the recommendation is to approve the appeal, and update the record to reflect the change in ownership. The fishing vessel is still located in Dillingham. The hearing was closed and the Board deliberated on the matter.

MOTION: Chris Maines moved and Curt Armstrong seconded the motion for the Board to grant the appeal, keep the assessment at \$106,390, as determined by the assessor.

VOTE: The motion to uphold the assessor’s determination passed unanimously by voice vote.

b. Real Property

1) Settled Appeals

Alice Ruby referred to the report listing settled appeals. The assessor had reached a written agreement with the appellants on Appeal Nos:

RP18-01	RP18-02	RP18-04	RP18-05	RP18-06	RP18-07	RP18-08
RP18-09	RP18-10	RP18-10	RP18-11	RP18-11	RP18-12	RP18-13
RP18-14	RP18-15	RP18-16	RP18-19	RP18-20	RP18-21	RP18-22
RP18-23	RP18-24	RP18-25	RP18-26	RP18-27	RP18-28	RP18-29
RP18-30	RP18-31	RP18-32	RP18-33	RP18-34	RP18-35	RP18-36
RP18-37	RP18-38	RP18-39	RP18-40	RP18-41	RP18-42	RP18-43
RP18-46	RP18-47	RP18-48	RP18-49	RP18-50	RP18-51	RP18-52
RP18-53	RP18-54	RP18-55	RP18-56	RP18-57	RP18-58	RP18-61

Curt Armstrong notified the BOE of a conflict with a personal financial interest on RP-10(2), and RP-11(2).

MOTION: Chris Maines moved and Andy Anderson seconded the motion to accept settled appeals as listed by Mayor Ruby, excluding RP18-10(2) and RP18-11(2).

VOTE: The motion passed unanimously by voice vote.

MOTION: Chris Maines moved and Andy Anderson seconded the motion to accept settled appeals RP18-10(2) and RP18-11(2).

VOTE: The motion passed unanimously by voice vote with Curt Armstrong abstaining.

2) Appeals Not Settled

a) RP18-17, Bernie B L1, Ryan and Chelsea Ayars

MOTION: Chris Maines moved and Curt Armstrong seconded the motion to hear RP18-17.

Appellant presentation: Chelsea Ayars noted historical increase to property values followed rate of inflation, with no increase between tax year 2016 and 2017. This year land value increased by 33%, and improvements by 59%. Reported document that assessor saw with sale price does not break down what was included in this owner financed sale, stating there is more at play than just the price. Seller told the assessor the document filing was in error. Comparisons were provided in the appeal and they are asking their property values be based on those comparisons. The neighborhood has not improved, increased or changed to justify such a large increase in value. Appellant inquired about ethics of the assessment as the assessor stated the city instructed him on how to perform the assessments, specifically with valuation of container vans.

Assessor presentation: Jim Canary informed the BOE that all properties in this area were revalued with most going up in value to current market value. Comparisons provided by appellant were from 2017, not the current tax year.

Valuations in Dillingham are being brought up to current market value. Last year Snag Point into town were done; nothing else changed. This year middle of town to the hospital, out Wood River Road, Waskey Road, and Aleknagik Road down to Nerka was addressed. Average pricing on Waskey Road is .50¢ per square foot, this lot is valued at .37¢ per square foot. Value on Bernie B L2 is at .74¢, higher than the average but the lot has 8 units and a large developed area. Seasonal flooding happens on L1, an adjustment has been made from \$37,000 to \$27,800. Recommendation is to grant the appeal and adjust the value to \$27,800.

Appellant rebuttal: comparisons were taken from other apartment complexes in Dillingham. This year values were not available, comparisons were from prior year.

Discussion: the motion to hear appeal RP18-17 was withdrawn.

MOTION: Chris Maines moved and Curt Armstrong seconded the motion to grant the appeal and ask for a yes vote to adjust the assessed value of RP18-17, Bernie B L1, to \$27,800 as determined by the assessor.

VOTE: The motion to uphold the assessor's determination passed unanimously.

b) RP18-18, Bernie B L2, Ryan and Chelsea Ayars

Appellant presentation: Chelsea Ayars stated she had presented everything during RP18-17

MOTION: Chris Maines moved and Andy Anderson seconded the motion to grant the appeal and ask for a yes vote to adjust the assessed value of RP18-18, Bernie B L2, to \$523,000 as determined by the assessor.

Assessor presentation: Jim Canary noted Alaska is a non-disclosure state, what is paid for a property does not have to be stated. Research was done to try and determine the sales price, the deed of trust was filed at \$710,000 and then revised. Owners gave a list of deficiencies needed before they can command strong rents. Original valuation was at \$742,200, taking everything into consideration value has been adjusted to \$523,000.

QUESTION was called.

VOTE: The motion to uphold the assessor's determination passed unanimously.

c) RP18-60, Neqleq B3 L8, Joan Junge

Appellant presentation: Joan Junge value has increased significantly in the last four years. Property next door is burnt out, it is occupied but has no heat, water, or sewer. Her current tenants have requested double locks as they fear there is drug activity next door.

Assessor presentation: Jim Canary stated this property was appealed in 2017 and an inspection was done at that time. The owner was notified there was nothing that could be done except increase the property value. A market analysis showed the value of the property is higher than the original assessed value. The 2018 valuation was increased based on site valuation and market analysis to \$371,700. In 2017 an inspection was made next door at the burnt house, which is just a shell. A lot across the street did sell for assessed value, confirming there is currently no negative market reaction. Assessor recommendation is to keep the assessment at \$371,700.

Appellant rebuttal: she would have had a buyer interested, except for the burnt out house next door with drug activity.

MOTION: Chris Maines moved and Andy Anderson seconded the motion to grant the appeal and ask for a yes vote to keep the assessment at \$371,700 as determined by the assessor's comments.

Discussion: City Council is aware of the issues. This meeting is the BOE and not the proper forum to discuss this property next door.

VOTE: The motion to uphold the assessor's determination passed unanimously.

d) RP18-03, USS 5688 B700 L5, Herman Shade

Appellant presentation: The appellant did not attend the hearing.

Assessor presentation: This is a new building at the airport. Assessment notice was sent to Herman Shade. Property belongs to Eric Shade who has been contacted about this appeal. In 2017 construction was started with the frame being completed. Anticipated construction to be at 100%, a site visit confirmed construction was still in progress. Also, the runway was thought to be paved but was found to be gravel during inspection. Assessor recommendation is for a reduction from \$89,000 to \$72,700.

MOTION: Chris Maines moved and Andy Anderson seconded the motion to grant the appeal and ask for a yes vote to adjust the assessment to \$72,700 as determined by the assessor's comments.

VOTE: The motion to uphold the assessor's determination passed unanimously.

e) RP18-44, USS 155 L 1N Possessory Interest, Vitus Energy

Appellant presentation: Nick Bajwa, Attorney for Vitus Energy, appellant has a fuel storage agreement (exhibit 3) with Nushagak Electric and Telephone Cooperative Inc. (NETC), the local utility provider. Exhibit 4, Corporation Warranty Deed, demonstrates ownership of the property. Exhibit 6, Certificate of Consolidation, shows Nushagak's Cooperative status, which is the key piece. Alaska Statute 10.25.540, taxation of cooperatives, cooperatives pay to the state *instead of* state and local ad valorem. Alaska Statute 10.25.570 provides refunds back to municipality where cooperatives are located.

An exempt property leasing to a non-exempt property as discussed with them by the city assessor is not a correct analogy:

- The city does not receive any taxes from an exempt property; leasing to a non-exempt entity it would be proper to collect taxes. Taxes are being paid on this property. If Vitus Energy is taxed it will be double collection of taxes.
- Vitus Energy does not have a leasehold interest in the property, rather they have a fuel services agreement paying for storage on an as needed basis.

The city does not have the authority to tax a property owned by a cooperative.

Assessor presentation: Jim Canary turned the floor over to Charles Cacciola, the City Attorney. There is no dispute that any interest held by Nushagak Cooperative is not subject to property tax. The question before the board is if Vitus has a taxable real property interest. A formal lease is not required to have a taxable interest. Alaska statute describes real property as including all possessory rights and privileges pertinent to the property which can include any exclusive use or right to property. Under the storage agreement Vitus has exclusive use at the property for the purpose of storing petroleum products.

Discussion: Actual use of property; Vitus dispenses fuel into their trucks at that site, there is a rack for that purpose. If this is the only location for storage of fuel in the community they would be using the site on a daily basis. They have a use interest in the storage tanks which is not a leasehold interest but does create a taxable interest; i.e. federal lands are not taxable, someone with grazing rights on federal lands is taxable. Oil is not cows but it shows exclusive use of property, not available to the general public, but restricted to certain people constitutes a taxable interest. The fuel is pumped from the city dock through the pipeline creating a wharfage or handling charge. The assessed value was derived using a formula based on a cost approach value for the two large tanks. It is a depreciated cost based on value.

Appellant rebuttal: the discussion of possessory interest distracts from underlying issue, there is no dispute the Cooperative is the owner of the land and under the statute it is very clear they cannot be part of the ad valorem taxation process. It is irrelevant if they lease the property to a non-cooperative entity. The fuel storage agreement is not a possessory interest in the property. Vitus does not have the right to go in and run the facility which is still being done by NETC making the situation very clear. It is only a storage agreement. Vitus is bringing the appeal because they are being assessed on property the cooperative owns.

MOTION: Chris Maines moved and Andy Anderson seconded the motion to grant the appeal and ask for a yes vote to keep the assessed value at \$639,400 as determined by the assessor.

VOTE: The motion to uphold the assessor's determination passed unanimously.

Clarification: the board's decision was granting the appeal and determining the value. The submitted appeal is not to contest valuation rather to determine if there is a taxable interest. The intention of the board was to support the assessor's recommendation that the property is taxable and the assessment approved by the BOE.

The original MOTION is withdrawn.

MOTION: Chris Maines moved and Andy Anderson seconded the motion, having heard the appeal affirm the assessment at \$639,400 as determined by the assessor.

VOTE: The motion to uphold the assessor's determination passed unanimously.

f) RP18-59, USS 5688 B500A L6C, Starflight Inc.

Appellant presentation: The appellant did not attend the hearing.

Assessor presentation: Jim Canary report the increase in land value reflects current market value. The paved side of the runway is figured at \$2.00 a square foot. This is also a possessory interest property. State of Alaska owns the land, people have lease or exclusive right to occupy the property. All attempts to contact Starflight Inc. have been unsuccessful. Assessor recommendation is to uphold the original assessed value of \$517,100.

MOTION: Chris Maines moved and Curt Armstrong seconded the motion to deny the appeal and keep the assessed value at \$517,100 as determined by the assessor.

VOTE: The motion to uphold the assessor's determination passed unanimously.

g) RP18-45, Nerka VII B9 L4, William and Deborah Tennyson

Appellant presentation: The appellant did not attend the hearing.

Assessor presentation: Jim Canary states there was a property inspection done in May 2017 and May of 2018 as well. A house is being constructed and is now about 95% complete. Assessor recommendation is to keep the original assessed value of \$128,700.

Discussion: the building was not appealed, only the land value. The valuation is not split out, rather based on overall market value.

MOTION: Chris Maines moved and Andy Anderson seconded the motion to deny the appeal and uphold the assessed value of \$128,700 as determined by the assessor.

VOTE: The motion to uphold the assessor's determination passed unanimously.

7. CITIZEN DISCUSSION (Prior Notice or Agenda Items)

Aksel Buholm: stated he is an Alaskan Native with an allotment and inquired if any board members had a vested interest in Dillingham or the region in a native allotment.

Discussion: verified if Mr. Buholm was asking members to disclose personal information. All members that chose to reply responded they did not have a native allotment.

8. COMMITTEE COMMENTS

Chris Maines:

- Stated this has been the toughest BOE in three years.
- He thanked the assessor.

Andy Anderson:

- Requested the BOE Handbook be updated.

Curt Armstrong:

- Commented this was the first BOE he had been a member of.

Alice Ruby:

- Noted she appreciates the having the handbook but agrees it is time for an update.
- Stated she appreciates citizen participation, however the BOE is limited to what issues they can address.
- The Council is aware of the issues Ms. Junge presented but has no authority to tell private citizens what they can do with their property. The police have been advised of the situation she referred to. A past site inspection found that there are no health issues.

9. ADJOURNMENT

Mayor Ruby adjourned the meeting at 7:04 p.m.


Mayor Alice Ruby
[SEAL]

ATTEST:



Lori Goodell, City Clerk

Approval Date: June 7, 2018