

**THE BOARD OF EQUALIZATION HEARING
TUESDAY, JUNE 19, 2012
6:00 P.M.
THE COUNCIL CHAMBERS
P-12 BUILDING**

MINUTES

1. CALL TO ORDER

Mayor Lester Lunceford called the meeting to order at 6:00 PM.

2. ROLL CALL

A. Council Members Present: Shawni Phillips, Jerry Vandergriff, Lester Lunceford, Dan Blair, Dave Pinguoch, Becky Cotner

B. Council Members Absent: Mary Brenneman

C. Administration Present; Brenda Krol, City Clerk; Bob Prunella, City Manager and Dyanna Pratt, Executive Assistant

Others Present included: Mike Renfro, Assessor from Appraisal Company of Alaska; Dave Cottrell, and Seth & Leslie Cottrell from the Whittier Inn; Scott Korbe, Sally Schug.

3. TURN MEETING OVER TO ASSESSOR – Mike Renfro

A. Assessor will read appeal or Appellant to state appeal.

B. Assessor will present a recommendation

C. Board to ask questions

D. Board to make a motion

E. Board to vote

F. Repeat the process for each appeal

Mike Renfro introduced himself and stated that Council has two appeals before them this evening from the Whittier Inn and that Dave Cottrell was present representing the Whittier Inn.

Mike Renfro reported that one appeal was on the vacant interior lots and one was on the Inn.

Mike Renfro stated that Begich Towers units 308 and 411 have been withdrawn by the appellant.

Mike Renfro stated that he would like to start out by having the appellant state their appeal on the interior lots.

The floor was turned over to Dave Cottrell.

Dave Cottrell introduced himself and stated that he was the CEO and President of the Corporation that owns the Whittier Inn.

Dave Cottrell stated that the Whittier Inn has lots in front of it that are used exclusively for parking.

Dave Cottrell stated that because the Whittier Inn did not have any parking allocated to them originally the lots in front of the Inn will have to be used for parking forever.

Dave Cottrell stated that what the Whittier Inn has asked in their appeal is that the City considers that.

Dave Cottrell stated that when we originally bought those lots they were used for commercial purposes.

Dave Cottrell said “we would like to have the City appraise them as parking, not as normal business lots.”

Dave Cottrell said “we need them for parking and parking only and we would be glad to say that we will never build any sort of retail or commercial business on them.”

Dave Cottrell stated that he values the lots at \$7 per foot, the city values them at \$21 per foot and our appraiser that we paid for valued them at \$15 per foot.

Dave Cottrell said “we would like to have the city consider devaluing those lots down to \$7 a foot.”

Mike Renfro said “the lots are not restricted at this particular time to parking only, they are commercial use lots and I am willing to go with the appraisal that was provided by Mr. Cottrell at \$15 per square foot.”

Mike Renfro said “My recommendation to the board would be to lower from \$21 per square foot to \$15 per square foot.”

Vice Mayor Vandergriff said “one of my concerns is that we have very little property in Whittier and it is all incredibly important for the infrastructure of Whittier so when we lower the value of somebody’s property that is less taxes that we get so that is less money that we have for our infrastructure.”

Dave Pinquoch said “I have a lot on the water front that I use for parking and when I bought it I paid \$16 a square foot for it and it is valued by the City at \$22 per square foot so I would have to say if I was not on the Council I would probably be second in line at this meeting.”

Vice Mayor Vandergriff said “The problem that this is going to create for us is that everybody in town is going to want their property values dropped to the same thing and that is what has to be considered.”

Dave Cottrell said “we would be glad to restrict it to parking only and if we use it for any other purpose it can come back up on value.”

Vice Mayor Vandergriff said “Dave Pinquoch uses his only for parking and the Harbor Store and Peter Denmark use theirs only for parking.”

Vice Mayor Vandergriff said “The City worked for seven years to raise property taxes here and we finally got it through by one vote this year and we did it because the legislature threatened to quit giving us money if we didn’t start doing something for ourselves and what we do tonight is going to wipe out what we have gained from that property tax increase.”

Mike Renfro replied to Jerry Vandergriff “I can see some validity in your argument but Title 29 of the Alaska Statutes states that we are mandated to appraise close to fair market value and raising and lowering the values, chasing the values up or following them down is part of the process.”

Jerry Vandergriff told Mike Renfro “I understand that, and I said I would go along with your recommendation but I just want the public to know what kind of a little situation we are getting ourselves in.”

Shawni Phillips asked Mike Renfro what the average value was on say a midtown lot that is zoned for parking with a lot zoned commercial next to it.

Mike Renfro replied “I’m not sure with the restriction just for parking, I don’t know the answer to that question; I know that they are picking up a lot of those vacant lots and turning them into parking lots but they are paying \$24 a square foot, \$22 a square foot in the downtown business area.”

Mike Renfro said “If they are getting a break on their taxes in Anchorage by restricting them only to parking with no development I am not aware of that.”

Scott Korbe suggested that the council refer to WMC 17.16.230 table of allowed uses.

Jerry Vandergriff stated that when the City leased those lots out in the harbor loop area it was with the agreement that anyone that got a lease there had to submit a business plan and build within two years or the lease went back to the City.

Jerry Vandergriff said “The City made a special exception for the Whittier Inn to allow them to use the vacant lots in front of the hotel for parking.”

Dave Pinquoch said “Since this is on record and we are doing this I would say that before I bought my lot I specifically went to the city manager and sat down with him and the owner and it was determined at that point that there was no restrictions and that I could use the lot for parking.”

MOTION: Jerry Vandergriff made a motion to go with the recommendation of the City’s assessor, Mike Renfro and lower the assessed value of the parking lots to \$15 per square foot.

SECONDED: Shawni Phillips seconded the motion.

VOTE: Jerry Vandergriff: Yes, Shawni Phillips: Yes, Dave Pinquoch: Yes, Dan Blair: Yes, Becky Cotner: Yes, Lester Luncford: Yes.

Motion passed 6-0.

Mike Renfro stated that the second issue is appeal on property, account #110442, its lot 5A Block 1 of Harbor Loop. This is known as the Inn at Whittier.

Assessor, Mike Renfro asked appellant, Dave Cottrell to state his appeal.

Dave Cottrell said “We originally bought the Inn based upon an appraisal done by a very respected appraisal company, MAI Appraiser in Anchorage and that was to be the sale price.”

Dave Cottrell said “After running the Inn for a few months it became obvious to us that there were a few things that were not brought up in the original appraisal that was done in April of 2009.”

Dave Cottrell said “maybe unbeknownst to us but certainly wasn’t unbeknownst to the city or the citizens but the Inn had various amount of potentially structural problems and this all came to a head in late 2011 through flooding of the basement and rain coming in, in the winter. I instituted another appraisal of the Whittier Inn in December of 2011, but before I did that I instituted an engineering study by a very respected engineering firm in Anchorage.”

Dave Cottrell said “The engineering firm came back with a variety of problems that the Whittier Inn currently has and will have in the future, some correctable, in fact you could say all of them are correctable but they all would take a substantial amount of money to correct.”

Dave Cottrell said “the engineering firm gave their findings and information to the new appraiser which was different from the original appraiser and he came back and said that the Whittier Inn was not worth what we had paid but was worth only a couple hundred thousand dollars so you can imagine what that did to us, to find out that one of our assets was thought to be this value and ended up to be this value.”

Dave Cottrell said “the appraisal that was done in April of 2009, valued the Inn at 1.8 million dollars and the appraisal that was done in January of 2012 and December of 2011 valued the Inn at a little over two hundred thousand dollars and now from my understanding in talking with Mike Renfro, he had a third appraisal done, which is in between the high appraisal and the low appraisal of \$880,000.”

Dave Cottrell said “we don’t think that Mike Renfro’s appraisal has taken the sea wall into consideration, and in documents that we were able to discover in 2012, developed by the City and PND Engineering firm, they did a review of the sea wall in June of 2008 this is a year before we bought it and found that the sea wall required \$627,000 worth of emergency repairs.”

Dave Cottrell passed out to all councilors a cost estimate and a copy of a map from PND labeled “Whittier Small Boat Harbor – West end armor protection”

Dave Cottrell went on to explain that the City has benefited from the Whittier Inn over the years.

Dave Cottrell told the council “In the three years that we have been running the Inn we have paid \$88,000 in sales tax and when we took the Inn over it was closed. The city may have been receiving lease payments and property taxes but you were not receiving any sales tax.”

Dave Cottrell said “The interesting thing about the sales tax that the council needs to think about is every year it has gone up, and that is because the Whittier Inn is growing in revenue and we are keeping it open 12 months out of the year.”

Mike Renfro said “I guess I would like to do a little summary of numbers also, and I would like to make sure that the report that Mr. Cottrell gave and the report that Bob Bonjarni did is a review of their report and all of the other information be part of the record.”

Mike Renfro said “to reiterate the numbers just so everyone can sort of get a grip on everything here is 3 years ago they paid one million eight hundred and fifty nine thousand dollars for the Whittier Inn, the replacement cost new of the Inn, if you went and built it today is in round numbers, three million five hundred and eighty eight thousand dollars.”

Mike Renfro said “their appraisal is \$239,000, the assessed value that I have it on today, before the Board of Equalization is one million seven hundred and twenty thousand dollars, my review appraiser after looking at everything, thinks the building is worth \$880,000.”

Mike Renfro said “I had a contractor come down and go through the building with my review appraiser and we agree that the building has some serious issues, there is no question about it, I’m not arguing with Mr. Cottrell’s numbers on the repairs for getting the roof repaired or for working on the basement, all of that. I have no problems with those numbers, my contractor looked at them and he didn’t have any problems with those numbers whatsoever.”

Mike Renfro said “we did come down to the question of the riprap, we looked at pictures taken 3-4 years ago and we looked at the riprap today from the existing pictures and it looks exactly the same.”

Mike Renfro stated that he had a letter from PND and they say that in their opinion, the flooding in the basement of the Whittier Inn at high tides is unrelated to the poor conditions of the erosion protection area of the Inn.

Mike Renfro said “what we did to come up with our value is, we agreed with just about everything that was in the report except the final number and how they came up with it and the disagreement, is like Dave pointed out, is in a matter of the riprap and whether that is a function, we don’t think it was adequately addressed by professionals when that report was done and that if you look at the report they are basically saying that the Inn at Whittier is going to be gone in five years.”

Mike Renfro said “It doesn’t make sense to me to say that in five years the Inn is going to be gone and that I guess is the difference in our value.”

Mike Renfro said “we think that there are some repairs that need to be done and we agree with those wholeheartedly.”

Mike Renfro said “so what we did is we took their value, which was the as repaired value today and subtracted that cost that were adequately covered in the report and that is how we came up with \$880,000.”

Mike Renfro said “generally on an assessment we don’t do interior inspections, if Dave would have brought this to our attention a year ago and we would have seen the problems with the building I would have lowered the value a year ago.”

Mike Renfro recommended that the assessed value of the Whittier Inn be lowered to \$880,000.

Mike Renfro said “I took the as-repaired value, subtracted the cost of the repairs that we think are relevant to the building and came up with the \$880,000.”

Dave Pinquoch asked if the 1.7 million included the tangible assets or not.

Mike Renfro replied “no, it did not include the tangible assets.”

Jerry Vandergriff asked Dave Cottrell if he had an engineer look at the building before they made their bid on it to the bank.

Dave Cottrell answered “In all actuality we did not have a formal engineering study done and that is a dispute between us and First National Bank and various reasons and one is, there was an MRA appraisal done and normally an MRA appraisal would have looked to see if that was the case and two is the First National Bank representative did not know of any problems.”

Dave Cottrell said “nobody had really ran the Inn long enough over a sustained period of time that had good accounting records or good results to really figure out what the Inn was doing.”

Dave Cottrell said “Like all businesses were are in to break even and make money and that is what we have to make the Whittier Inn do.”

Dave Cottrell said “The property tax assessment has to be fair. It is not going to make or break the Inn it’s just not enough money but it is a fixed cost of the Whittier Inn and fixed costs is something that the Whittier Inn can’t do.”

Dave Cottrell said “Whether the Inn is open or closed fixed costs go on everyday, they just hit you, fixed costs are the worst kind of costs that you can have.”

Jerry Vandergriff said “I understand all of that, I understand fixed costs I have been a businessman all my life, it just astounds me knowing you and the business that you were in that you did not do due diligence on the place before you bought it.”

Dave Cottrell replied “well we thought we did due diligence on it, we thought we did adequate due diligence.”

MOTION: Jerry Vandergriff made a motion to accept assessor, Mike Renfro’s appraised value of the Whittier Inn at \$880,000.

SECONDED: Shawni Phillips seconded the motion.

VOTE: Jerry Vandergriff: Yes, Shawni Phillips: Yes, Dan Blair: Yes, Becky Cotner: Yes, Dave Pinguoch: Yes, Lester Lunceford: Yes.

Motion passed 6-0.

4. ADJOURNMENT

A motion was made to adjourn at 6:40 pm

M/S Shawni Phillips/Jerry Vandergriff

Motion passed unanimously.

ATTEST:

Brenda Krol
City Clerk

Lester Lunceford
Mayor