

NOVEMBER 13, 2012

MINUTES OF MECKLENBURG COUNTY BOARD OF COMMISSIONERS

NORTH CAROLINA  
MECKLENBURG COUNTY

The Board of Commissioners of Mecklenburg County, North Carolina, met in Budget/Public Policy Session in Conference Center Room 267 of the Charlotte-Mecklenburg Government Center located at 600 East Fourth Street at 3:00 p.m. on Tuesday, November 13, 2012.

ATTENDANCE

**Present:** Chairman Harold Cogdell, Jr. and Commissioners Karen Bentley, Dumont Clarke, George Dunlap, Bill James, Vilma Leake, Jim Pendergraph, and Jennifer Roberts  
County Manager Harry L. Jones, Sr.  
County Attorney Marvin A. Bethune  
Clerk to the Board Janice S. Paige

**Absent:** None

*Note: Commissioner Neil Cooksey passed away on October 10, 2012.*

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***Commissioners Dunlap and Roberts were absent when the meeting was called to order and until noted in the minutes.***

***The meeting was called to order by Chairman Cogdell, after which the matter below was addressed.***

**(1) 2011 REVALUATION REVIEW REPORT**

The Board received a presentation from Pearson's Appraisal Service regarding the review of the County's 2011 Revaluation. The presentation was made by Emmett Curl with Pearson's. Robert Pearson, owner of Pearson's Appraisal Service was also present.

***Commissioner Dunlap entered the meeting as Mr. Curl began his presentation.***

***Commissioner Roberts entered the meeting during Mr. Curl's comments on the neighborhood review.***

The following was covered:

- Scope of Work
  - Initial Public Input Meetings
  - 150 Randomized neighborhoods – Focus: Equity
  - 50 neighborhoods: highest land value increase – Focus: Validity of sales analysis: Equity
  - 375 Randomized property record cards reviewed – Focus: Accuracy of property data
  - Statutory Compliance – Machinery Act

- Review of Project Management
- Review of Appeals Process
- Follow-up Public Meetings on Findings

Highlights:

Grading used in Neighborhood Review

Acceptable: The County's overall valuation of the subject neighborhood is satisfactory based on the scope and procedures of our review. The overall equity of the parcels is reasonable and acceptable for January 1, 2011. Any errors we may have discovered were infrequent and limited to the individual parcel level.

Minor Issues: During the review, instances of inequity or erroneous data were discovered. These instances of inequity or incorrect information, by our determination, did not have a major effect on the overall valuation of the neighborhood. Issues pointed out as minor can be addressed by County staff in a reasonable manner as we attempted to pinpoint the inequities or inaccuracies.

Note: 34 of 151 neighborhoods reviewed were determined to have minor issues of equity.

Major Issues: During the review, instances of inequity or erroneous data were discovered that have a significant impact on the valuation of the neighborhood as a whole. Examples of this type of issue may include; significant erroneous data on sales used to determine market value for the neighborhood, widespread misapplication of grades/lot values/neighborhood modifiers, or any other issue that, in our opinion, significantly affects the market value as of January 1, 2011 or the parcel-by-parcel equity of the neighborhood as a whole.

Note: 15 of 151 neighborhoods reviewed were determined to have major issues of equity and of the 15, 5 were commercial neighborhoods.

Results of % Land Increase Neighborhoods

- 20 of the 52 neighborhoods reviewed were determined to have major issues – Approximately 40%.
- 18 of the 52 neighborhoods reviewed were determined to have minor issues – Approximately 35%.

Recommendation for addressing neighborhoods with issues

- Fix neighborhoods with major issues-most will require field visits.
- Review other heterogeneous neighborhoods with high ratio of land-to-building values for Compliance
- Process could be completed in 10 mos. to 1 year with adequate staffing

Key Appraisal Findings

- Overall valuations are acceptable
- Subdivisions of similar homes, especially newer homes, were typically acceptable
- Neighborhood modifiers used inappropriately in some neighborhoods
- Inequities in improvement values

Stigma Adjustment

- Neighborhood factors were applied to many neighborhoods reviewed

Appeals Process

- Percent of properties appealed at informal level was Typical

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- Percent of properties that filed Board of Equalization and Review appeal was Not Typical
- Informal appeal process was ineffective at addressing taxpayer concerns
- Major frustration among citizens at public meetings

### Statutory Compliance

- The revaluation was conducted in compliance with the N.C. Machinery Act

### Project Management

- More time and effort was needed in the valuation process for the more difficult properties
- Greater level of quality control needed

### Recommendations for Future Revaluations

- Provide access for taxpayers to speak to appraisers
- Standardize and simplify all correspondence that is mailed to property owners
- Make property record card available on-line
- Make customer service a top priority for entire Tax Office
- Greater emphasis on quality control before new notices are mailed
- Management should continuously sample work from all appraisers for consistency in Techniques
- Update construction cost from local market prior to next revaluation
- Recommend that sales not be automatically disqualified for “out of state”, “divorce”, or “probate”. Time on market should be considered.
- Field visits are needed before the next revaluation
- Photos of improvements should be updated
- Greater transparency in land appraisal techniques -Individually adjust for view, topography, shape, size instead of a lump sum adjustment by way of neighborhood modifiers
- Greater emphasis on income approach is needed
- A more detailed and thorough market study is needed
- Delineate more commercial neighborhoods
- Greater transparency in land appraisal -Reduce the use of neighborhood modifiers
- Offer an option for face-to-face appeals – Cannot overstate the importance of this recommendation
- Give a more thorough review to fee appraisals submitted
- One appraiser should work all appeals in a neighborhood to maintain consistency of decisions
- Neighborhoods with high appeal rates should be reviewed by project management
- Notices should be mailed before the effective date of revaluation to allow for more time in deciding appeals
- Informal appeals should be worked in six months or less
- Procedures should remain consistent throughout appeal cycle
- Offer recommended values PRIOR to the date of the hearing
- All properties scheduled for a hearing should be field visited by an appraiser prior to hearing
- Hearings should be scheduled in time blocks –More convenient for appellant and Board
- Board members should review all case documentation prior to rendering a decision
- Board members should perform deliberations with only assistance from Clerk to the Board

***A copy of the report is on file with the Clerk to the Board.***

Comments

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Commissioner James asked about the results of on-site property reviews and whether the percentages shown meant that the information in the tax office file was different from the on-site review. *The response was yes.*

Commissioner James asked about randomized neighborhoods and whether the numbers shown in the report were equity issues in terms of the values that were set. *The response was yes.*

Commissioner James asked about the difference between the summary of percentage of increase results and the summary of randomized neighborhoods, which was addressed.

Commissioner James said in light of the number of major issues discovered, the process was “flawed. “

Mr. Curl said the overall tax base may not change, but what you achieve is more equity because for everyone that’s on the high side, there’s a corresponding low side.

Commissioner James with respect to over assessments, asked staff to quantify and address what the impact was of the error rates identified on other neighborhoods, when staff reported back.

Commissioner Pendergraph said it appeared the majority of errors were in District 1. He asked how many field visits were made by the tax office to properties on the lake. *Mr. Curl said his understanding was that there were limited field visits throughout the county.*

Commissioner Pendergraph asked was that because of a lack of staff. *Mr. Curl said revaluations were very expensive and things were done to control costs. He said statistically the County did a good job, but what Pearson’s found was that the older neighborhoods didn’t get the field visits they needed. Mr. Curl said this was not unusual throughout the state because budgets have been tight.*

Commissioner Pendergraph asked Mr. Curl about the assignment of appraisers to neighborhoods and whether it was one or two appraisers that covered a particular neighborhood. *Mr. Curl said he did not know if multiple appraisers were used or not.*

Commissioner Pendergraph asked Mr. Curl if he knew how many of those that appeared before the BER had a field visit prior to the BER hearing process, separate and apart from the BER hearing. *Mr. Curl said he did not. County Manager Jones said staff would find out.*

Commissioner Bentley asked Mr. Curl for his opinion on what the appropriate ratio of parcels to appraisers was. *Mr. Curl said there were publications that address that question, however, he doesn’t look at it from that standpoint. Mr. Curl said he really wasn’t qualified to answer that question but his approach in the jurisdiction he came from was to contract out and bring in expertise on the commercial side through the MIA approach and on the residential side persons who were experienced in looking at older neighborhoods. He said they only used one staff person to do the older neighborhoods. He said they contracted out on a per person, per day. He said the assessor needs to stay in control of the project and contracting out on a per person, per day allowed for better control. He said using the per person, per day method allowed the assessor to make changes as needed and quicker, if an appraiser wasn’t working out.*

Mr. Curl said it really depended on a county’s cycle. He said a county needs to determine what its revaluation cycle is going to be and stay on schedule regardless of the economy or what happens politically. He said then you can regulate your staff size and decide if you want to do it all in-house or bring in outside expertise to assist. He said the decision should not be based on number of parcels per appraiser. Mr. Curl said in non-revaluation years, if you don’t have a lot

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of appeals and your construction levels aren't high, what would all of those people do. He said the County had a lot of "clean up" work to be done currently but as time moves on in the future, the County would want to manage its cost.

Commissioner Bentley asked with respect to the BER Appeals process who was the Clerk to the Board. *Mr. Curl said it was the tax assessor or his/her designee.*

Commissioner Bentley asked what role should the Clerk to the Board of Equalization and Review play. *Mr. Curl said the Clerk was there to answer technical questions or process questions. He said the Clerk kept records and minutes from the hearing. He said the Clerk should also make sure the BER doesn't make decisions that create inequities.*

Commissioner Bentley asked what should be the dialogue between the Clerk and the BER outside of the formal hearing as it relates to a specific appeal. *Mr. Curl said it should be on the evidence. He said the BER would then need to decide if it agreed with both sides, the County, or the taxpayer. He said the Clerk was to make sure the BER knows, with respect to commercial properties, that fee based appraisals were the norm and not lease fee.*

Commissioner Bentley said if a certain number of appeals came in from a neighborhood, for Example, 50% of the parcels appealed, shouldn't that signify that there's an issue that would warrant a relook at that neighborhood. *Mr. Curl said yes.*

Commissioner Bentley asked if that occurred with the County's 2011 Revaluation. *Mr. Curl said not to his knowledge, but Pearson's didn't ask that question.*

Commissioner Roberts asked about the neighborhoods that were randomly selected and how did Pearson's ensure that it was a typical, specifically, accurate look at the county, which was addressed.

Commissioner Roberts asked was it correct that just because a neighborhood wasn't listed in the report, didn't mean it wasn't one of the ones that had issues. *Mr. Curl said that was correct.*

Commissioner Roberts asked about the timeframe for fixing the issues, which was addressed.

Commissioner Dunlap asked was it mandatory by state law that the entire county be revaluated at one time. *The response was yes.*

Commissioner Dunlap asked how typical was it for the assessor to report to someone other than the Board of County Commissioners. *Mr. Curl said he didn't know the answer, but in most counties the assessor reported to the Board, because they're appointed by the Board. Mr. Curl said it varied depending on the county's reporting structure, as long as the assessor was appointed by the Board.*

Commissioner Dunlap said if the assessor is appointed by the Board, then they should report to the Board.

Commissioner Dunlap said per the report, it appeared that staffing was an issue and while it was management's responsibility to respond to the staffing issue, he's not sure if competing departmental requests, prevented this need from making it to the Board level.

Commissioner Dunlap questioned whether the County had the latest technology to capture what needed to be captured as it related to revaluation. *Mr. Curl said Pearson's did not assess that, but that the County had very up-to-date, modern tools.*

Commissioner Dunlap asked who was responsible for reporting home additions, such as a

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garage. *Mr. Curl said the homeowner should report it. He said it could be tracked through building permits. He said there were other ways it could be tracked electronically as well.*

Commissioner Clarke asked would it make sense from an appraiser's perspective to appraise different classes of property in different years in order to maintain equity in values. For example, could you do all the commercial property in year two and all residential property in year four. *Mr. Curl said it would be difficult to do under current state law.*

Commissioner Clarke said if it was possible, would that be a good approach. *Mr. Curl said it could be done that way.*

Mr. Curl said it could also be accomplished by doing revaluations more frequently than every eight years, perhaps every four years.

Commissioner Clarke said he would like to receive some specific recommendations about how to accomplish getting what needed to get accomplished within a certain timeframe with respect to staffing needs.

Commissioner Clarke questioned whether it was 150 or 151 randomized neighborhoods reviewed, since both figures were used in the report. *Mr. Curl explained that the Scope of Work required that Pearson's review 150 but they exceeded that.*

Commissioner Clarke asked was that the same for the 50 and 52 neighborhoods referenced. *Mr. Curl said yes.*

Commissioner Clarke asked Mr. Curl to clarify his comment that "statistically" the County did a good job, which he did.

Mr. Curl said the problem came about with respect to the older, heterogeneous neighborhoods, which he said was not unique to Mecklenburg county.

Commissioner Clarke asked if Pearson's looked at where the major errors were and then at the appeals to see to the extent which errors were corrected or inequities corrected. *Mr. Curl said yes, it should be addressed in the final report.*

Commissioner Leake asked how could seniors be better served in this process. *Mr. Curl said you have to go out into the community and communicate the information, perhaps at district meetings.*

Commissioner Leake asked what would be the appropriate staffing recommendation for Mecklenburg County. *Mr. Curl said that was a multi-layer question because you have to establish what it is you plan to do in a reappraisal process or a cycle of reappraisals; and what's the most cost effective way to accomplish that. Mr. Curl said this was not something Pearson's explored.*

Commissioner Leake asked Mr. Curl for his opinion on having an advisory board involved in this process. *Mr. Curl said that was entirely up to the County. He said he'd seen it done multiple ways and that it goes back to what would give citizens the most "bang for their buck." Mr. Curl said it was good to have citizen input. He said citizen input was good at any time, not just when it came to reappraisals.*

County Manager Jones asked about Pearson's recommendations for addressing neighborhoods with issues and what the impact would be on taxpayers assessed values if those inequities were addressed. Would their values go up or down? *Mr. Curl said Pearson's did not go into that level of detail based on the timeframe they were working under.*

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County Manager Jones asked Mr. Curl to comment on the impact on the overall taxbase, up or down. *Mr. Curl said if it was both up and both down and just equalized, his guess would be that it would be the same or if anything a net increase in the taxbase.*

County Manager Jones asked would any change in the assessed value be retroactive for 2011 or going forward. *Mr. Curl said that would be a question for Attorney Ham Wade.*

County Manager Jones asked Mr. Curl for a recommendation regarding when the next Mecklenburg County revaluation should occur. *Mr. Curl said it would be whenever the County established a schedule. He said it could be done on a two or four year cycle. He said the "worst" thing the County could do would be to go into it without proper planning of what's to be accomplished. Mr. Curl said the County would need to execute a plan and then simply piece by piece accomplish that reappraisal. Mr. Curl said in his opinion the County would need five – six months of planning and a minimum of two years to do it, with "strong" project management.*

County Manager Jones asked Mr. Curl to comment on the letter the County received from David Baker with the State Department of Revenue regarding sales ratios, that said Mecklenburg County's reappraisal score was fairly well and within the acceptable ranges.

County Manager Jones asked how do you reconcile what Pearson's was telling the County with Mr. Baker's letter.

Mr. Curl said statistically the County only had 13,000 sales that they looked at and that when the state department of revenue took those sales and applied them and when you go back and sample those same sales, "it's going to look good." Mr. Curl said it was like looking at a picture of a bed that's perfectly made up, but if you pull the bedspread back, you'll have some "lumps and holes" that the bedspread covered up. Mr. Curl said "statistically" that's what happened.

County Manager Jones asked Mr. Curl if he agreed with what Mr. Baker said in the letter. *Mr. Curl said yes, because that's all Mr. Baker had to look at. Mr. Curl said Mr. Baker did a statistical analysis and that the job from that perspective was correct.*

Chairman Cogdell asked about the location of neighborhoods with major issues, which was addressed.

Chairman Cogdell asked about the appeals process, which was addressed.

Chairman Cogdell asked was it correct to say that if staff in the Assessor's Office had worked more closely with constituents that submitted an informal appeal, then there could have been some opportunity to improve the number of appeals to the BER. *Mr. Curl said that was correct. He said if that had been done, he wouldn't be appearing before the Board.*

Chairman Cogdell asked County Manager Jones if there was any request to the Board from the Manager to add staffing positions to the Assessor's office in the FY 12 budget.

County Manager Jones said his recollection was that there was a request to provide funding for technology but not for staff.

LUESA Director Cary Saul said there were requests for funding to complete the 2011 revaluation in the FY 11, 12, and 13 budgets and they were approved each year. Director Saul said the funds were mainly for contracted outside services, such as mailings and etc.

Commissioner Dunlap asked whether during either of those budget years mentioned by Director Saul, if there was a request for additional staff that went through the Assessor's

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supervisor that did not get to the County Manager.

Director Saul said from 2008 to the present, staff was reduced. He said he believed there were 27 appraisers and now there are 25 or 26. He said no staff was added during that time.

Chairman Cogdell asked about the number of property record cards reviewed, which was addressed.

Chairman Cogdell asked about the wording on the informal notice and whether it could have tracked more clearly the language that's in the statute. *The response was yes.*

Chairman Cogdell asked was it a statutory requirement that the assessor or his/her designee serve as the Clerk to the Board of Equalization and Review. *The response was yes.*

Chairman Cogdell asked when would the final report be ready. *Mr. Curl said the goal was to have it ready on Friday, November 16, 2012 and presented at the Board's November 20, 2012 meeting.*

Commissioner Dunlap questioned the ability of the current Board to get this matter acted upon between now and the time the current Board left office.

Chairman Cogdell said it had been suggested to him by the County Manager that the Board meet on November 27, 2012.

County Attorney Bethune suggested that if the Board wanted to hold a meeting on November 27, to continue discussion of this matter, the Board could recess the meeting on the 20<sup>th</sup> to the 27<sup>th</sup>.

***Commissioner Roberts left the meeting and was absent for the remainder of the meeting.***

Commissioner James said he wanted to know from staff how was the problem going to be fixed.

Chairman Cogdell said his expectation was that staff and Pearson's would make recommendations for addressing the issues at the November 20 meeting. *County Manager Jones said that was correct.*

County Manager Jones said prior to the Board making the decision to have a review of the 2011 Revaluation, he made some public statements. He said one of the statements made was that the County should not hire anyone to do an outside review of the 2011 Revaluation, because the County had a built in audit review process with the informal appeals process, done by staff, the BER, and if it was not satisfactory at those two levels then those that were appealing their cases had the opportunity to go to the state property tax commission.

County Manager Jones said for the record, based on Pearson's report, he was wrong in that recommendation. County Manager Jones said he had learned some things out of the Review that was going to be very helpful and instrumental going forward, especially with respect to future revaluations.

Chairman Cogdell said he respected and appreciated the County Manager acknowledging that he was wrong in his recommendation.

This concluded the discussion. No action was taken or required at this time.

*Note: The above is not inclusive of every comment but is a summary.*



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**ADJOURNMENT**

Motion was made by Commissioner Leake, seconded by Commissioner James and carried 7-0 with Commissioners Bentley, Clarke, Cogdell, Dunlap, James, Leake, and Pendergraph voting yes, that there being no further business to come before the Board that the meeting be adjourned at 5:04 p.m.

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Janice S. Paige, Clerk