

# ROUTT COUNTY BOARD OF COUNTY COMMISSIONERS

## AGENDA COMMUNICATION FORM

ITEM DATE: 07-16-2019	ITEM TIME: 2:15 PM
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<b>FROM:</b>	Gary Peterson, Assessor & Kevin Krause, Comm. Appraiser
<b>TODAY'S DATE:</b>	07/11/2019
<b>AGENDA TITLE:</b>	'Present Worth Discounting' Correction – nine Downtown Riverview Subdv. Development Parcels
<b>CHECK ONE THAT APPLIES TO YOUR ITEM:</b>	
<input checked="" type="checkbox"/> ACTION ITEM	
<input type="checkbox"/> DIRECTION	
<input type="checkbox"/> INFORMATION	
<b>I. DESCRIBE THE REQUEST OR ISSUE:</b>	
During the state audit of subdivider discounting procedures, the county's chief appraiser discovered two data entry errors in the calculation worksheet leading to an incorrect present worth factor. This resulted in the overvaluation of nine development parcels. The Assessor's Office is requesting the approval to correct the calculation errors which will result in a lower value for each respective account (see attached spreadsheet)	
<b>II. RECOMMENDED ACTION:</b>	
The Assessor is requesting the Board of Equalization approve a correction to each of the nine accounts resulting in a <u>lower</u> valuation (see <a href="#">Downtown Riverview Subdivider Valuation Correction</a> worksheet). The drop in values amounts to a 27% adjustment for each parcel.	
<b>III. DESCRIBE FISCAL IMPACTS (VARIATION TO BUDGET):</b>	
<b>PROPOSED REVENUE:</b>	N/A
<b>PROPOSED EXPENDITURE:</b>	None
<b>FUNDING SOURCE:</b>	N/A
<b>IV. IMPACTS OF A REGIONAL NATURE OR ON OTHER JURISDICTIONS (IDENTIFY ANY COMMUNICATIONS ON THIS ITEM):</b>	
Minimal, but would affect fixed mill levy entities or funds to a minute degree.	

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### V. BACKGROUND INFORMATION:

During the submittal of ten subdivider discounting samples to the state auditor, the county's chief appraiser discovered two data entry errors in the *Downtown Riverview Subdv.* subdivider calculation worksheet. Combined, these two errors resulted in the overvaluation of each account. **Error 1:** an entry of "1" lot sale/year was entered into the worksheet when ".5" lot sales/year should have been entered. **Error 2:** the respective subdivision includes 10 marketable properties (1 improved & 9 vacant). The worksheet requests the "total number of remaining parcels to be sold." "10" was entered when only "9" should have been entered (only vacant parcels are eligible for the calculation). Correction of these two errors results in an approximate 27% reduction. The original 2019RA Total Subdivider Value of all nine accounts was **\$8,495,850**. If approved, the requested corrected 2019RA Total Subdivider Value is **\$6,173,150**. Subdivider discounting is a present worth concept in appraisal that basically says that a developer cannot unload (sell) all of his inventory (lots) in a short period of time without steep discounting, often requiring years on the market to sell at full market values (absorption rate), thus the present worth of the inventory of lots is less than the market price value of each individual lot.

Assessors are required to consider, and when applicable, to apply the present worth valuation procedure when using the market approach to value vacant land, § 39-1-103(14)(b), C.R.S.

### VI. LEGAL ISSUES:

Authority is granted to the County Board of Equalization (CBOE) through C.R.S. § 39-8-102.

- (1) The county board of equalization shall review the valuations for assessment of all taxable property appearing in the assessment roll of the county, directing the assessor to supply any omissions which may come to its attention. It shall correct any errors made by the assessor, and, whenever in its judgment justice and right so require, it shall raise, lower, or adjust any valuation for assessment appearing in the assessment roll to the end that all valuations for assessment of property are just and equalized within the county.

Further clarification of this authority is provided in the published court case of Wenner v. Bd of Assessment Appeals, 866 P2d 172 (Colo. App. 1993).

### VII. CONFLICTS OR ENVIRONMENTAL ISSUES:

N/A

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### VIII. SUMMARY AND OTHER OPTIONS:

Please refer to the attached spreadsheet for the exact calculated subdivider value recalculated for each of the nine affected development parcels. All other attributes and their respective adjustments remain the same, only the correction of two calculation fields are being updated. The correction in value will be effective for tax years 2019 & 2020. The corrections are to the actual number of lots (inventory) and the absorption rate (1 per data collection period [24 months]; which is the absolute minimum).

**Other Options:** As the CBOE, you may certainly choose to not exercise your authority to effectuate an equalization of the stated disparity in assessment for these nine development parcel accounts and leave the current overvaluation as is. You may also adjust to a level of value different from those recommended by the Assessor- either higher or lower. However, this calculation error is also known by the state auditor, and could call for a reappraisal order if not corrected by this equalization procedure.

Account Number	Downtown Riverview Subdv. Legal	Abstract Code	Abstract Desc	Reporting Acres	Land Code	Zoning	2019RA Actual Value	2019RA Actual Value / Acre	2019RA Actual Value / SF	Original Present Worth (w/errors)	Original Subd. Discount Value (rounded)	Corrected Present Worth Factor	Corrected Subd. Discount Value (rounded)	% CHG
R8180413	LOT B	200	V COM LOT	0.89	8000150	PUD	\$2,848,000	\$3,200,000	\$73.46	0.5889	\$1,677,190	0.4279	\$1,218,660	-27%
R8180414	LOT C1	200	V COM LOT	0.23	8000570	CY	\$1,058,000	\$4,600,000	\$105.60	0.5889	\$623,060	0.4279	\$452,720	-27%
R8180415	LOT C2	200	V COM LOT	0.2	8000570	CY	\$920,000	\$4,600,000	\$105.60	0.5889	\$541,790	0.4279	\$393,670	-27%
R8180416	LOT C3	200	V COM LOT	0.23	8000570	CY	\$1,058,000	\$4,600,000	\$105.60	0.5889	\$623,060	0.4279	\$452,720	-27%
R8180417	LOT C4	200	V COM LOT	0.23	8000570	CY	\$1,058,000	\$4,600,000	\$105.60	0.5889	\$623,060	0.4279	\$452,720	-27%
R8180418	LOT C5	200	V COM LOT	0.21	8000570	CY	\$966,000	\$4,600,000	\$105.60	0.5889	\$568,880	0.4279	\$413,350	-27%
R8180419	LOT C6	200	V COM LOT	0.23	8000570	CY	\$1,058,000	\$4,600,000	\$105.60	0.5889	\$623,060	0.4279	\$452,720	-27%
R8180420	LOT D	200	V COM LOT	0.87	8000100	PUD	\$3,114,600	\$3,580,000	\$82.19	0.5889	\$1,834,190	0.4279	\$1,332,740	-27%
R8180421	LOT E	200	V COM LOT	0.51	8000570	PUD	\$2,346,000	\$4,600,000	\$105.60	0.5889	\$1,381,560	0.4279	\$1,003,850	-27%
									<b>TOTAL</b>	Original	\$8,495,850	Corrected	\$6,173,150	



Vacant Land Subdivision Discounting

Discounting for Appraisal Year:	<input type="text" value="2019"/>	
ORIGINAL YEAR LOTS OR TRACTS OFFERED FOR PURCHASE:	<input type="text" value="2018"/>	
TOTAL ORIGINAL BUILDABLE LOTS OR TRACTS:	<input type="text" value="9"/>	
TOTAL LOTS OR TRACTS SOLD THROUGH: JUNE 30, 2018	<input type="text" value="0"/>	
PERCENTAGE OF LOTS OR TRACTS SOLD:	<input type="text" value="0.00%"/>	
TOTAL NUMBER OF LOTS OR TRACTS SOLD		
DURING CURRENT DATA GATHERING PERIOD:	<input type="text" value="1"/>	no sales - must assume one
DATA GATHERING PERIOD IN MONTHS:	<input type="text" value="24"/>	
AVERAGE NUMBER OF LOTS OR TRACTS SOLD PER YEAR		
DURING DATA GATHERING PERIOD:	<input type="text" value="0.50"/>	
LOTS OR TRACTS REMAINING TO BE SOLD:		9
CALCULATED ABSORPTION PERIOD IN YEARS:		18.00
ABSORPTION PERIOD:	<input type="text" value="18.00"/>	
COMPOSITE DISCOUNT RATE CALCULATION:		
SAFE RATE:	<input type="text" value="2.85%"/>	SET BY STATE (DPT)
MANAGEMENT RATE:	<input type="text" value="2.00%"/>	SET BY STATE (DPT)
RISK RATE:	<input type="text" value="6.00%"/>	RANGE (SET BY STATE) IS 5% - 10%
	=====	
CALCULATED DISCOUNT RATE:	<input type="text" value="10.85%"/>	
DISCOUNT RATE ROUNDED		
TO NEAREST 1/2 %:	<input type="text" value="11.00%"/>	
	Regular	Single Competitive
	Subdivded Land	Isolated Tract
ADJUSTED SALES PRICE OF A LOT OR TRACT:	<input type="text" value="\$200,000"/>	\$200,000
PRESENT WORTH OF LOTS OR TRACTS:	\$85,574	\$30,564
PRESENT WORTH FACTOR:	<input type="text" value="42.79%"/>	15.28%