

CITY COUNCIL WORK SESSION REGARDING COMMERCIAL REVALUATION

MUNICIPAL COMPLEX – CONFERENCE ROOM A
DATE: MONDAY, OCTOBER 2, 2017

PORTSMOUTH, NH
TIME: 6:00PM

Present: Mayor Blalock, Assistant Mayor Splaine, Councilors Perkins, Dwyer, Lown (6:25 p.m.), Spear, Cyr and Denton

Absent: Councilor Pearson

Staff Present: Nancy Colbert Puff, Acting City Manager; Judie Belanger, Finance Director; Rosann Maurice-Lentz, Assessor; and Kelli L. Barnaby, City Clerk

Mayor Blalock called the work session to order at 6:00 p.m. He indicated that this meeting is to discuss the Commercial Revaluation and the current tax rate. He said we will also review what options are available to the City Council.

Finance Director Belanger reported on the meetings held on the Revaluation Process. She said we conducted a revaluation because our ratio was well below 90% - 110%. She informed the City Council that our ratio of the property's assessed valuation to its market value for 2016 tax year was at 86.6% and our goal is always to be at 100%.

Councilor Spear asked if there is an advantage to doing a revaluation annually. Assessor Maurice-Lentz said it will keep the ratio at 90% - 110% which is where we need to be.

Mayor Blalock said it is a concern to know what we will face next year. He would like us to be closer to 100%. Assessor Maurice-Lentz said that the ratio currently is from 6 months after the revaluation now.

Finance Director Belanger informed the Council that the DRA equalize all values to 100% and we have the lowest tax rate of the cities and are ranked 37th out of the 234 taxable communities. She stated she understands and sympathizes with the process but they must establish the tax rate and keep the ratio. Finance Director Belanger indicated that residential properties increased overall 21% and commercial values went up 6.1%. She stated that residential makes up 83% and commercial 17% for the taxable parcel count. She said the percentage of total valuation is residential 57% and commercial 43%. She informed the Council that Portsmouth's commercial base is 2nd in the State for its percentage share of the City's total valuation.

Assessor Maurice-Lentz reviewed some frequently asked questions with the City Council.

Q: Why are commercial properties paying less taxes than home owners?

A: They pay the same tax rate at 100% of their market value, just as home owners do. The tax levy is derived by the amount of expenditures less revenues. The tax rate is based on value of all taxable properties within the City.

Q: What is an apartment building with 4 units or more considered, residential or commercial?

A: Commercial.

Q: How is it possible that commercial values have increased but the taxes they pay are going down?

A: Commercial market values did increase but the market for residential properties increased more. The overall increase in values caused the tax rate to decline. If commercial and residential market values increased at the same rate the balance would be the same with little to no tax difference from the prior year.

Q: How is all this development (hotels!) helping us? They cost more than they are worth!

A: From a quantitative view: studies show that commercial development more than “pays for itself.”

Q: The Hilton sold for \$44 million and is only assessed at \$19 million – isn't that proof that our commercial values are incorrect?

A: The Hilton sale price includes other factors besides real estate value. The sale price for the real estate was \$19,400,000.00 per filing at the Registry of Deeds. The sale includes the business, furniture, fixtures and the name which increases the price.

Councilor Dwyer asked if this was an unusual gap. Mr. Traub said yes.

Mayor Blalock said the value of commercial should increase because of the success of the business. Mr. Traub said you can only tax the bricks and mortar of the building.

Q: How do we know that Mr. Traub's assessment reflects the Portsmouth Commercial Market? What is the source of his data? How were his factors derived? There seems to be a disconnect...

A: The Uniform Standards of Professional Appraisal Practice Manual cites its sources. This Manual is available on the City's Website, at the Library and the Assessor's Office.

Assessor Maurice-Lentz informed the City Council that Mr. Traub uses many sources of information when placing a value on properties.

Councilor Spear asked about the square feet of land and how that relates to values. Mr. Traub said the more square feet makes land more valuable and the density is a factor as well.

Assessor Maurice-Lentz said there is more residential in the downtown area than commercial.

Mayor Blalock said when the percentage went down it caused a great deal of concern. He said we are going through a great deal of development and feel that the commercial properties will lower the taxes and it has not. He asked if we could stop the revaluation and go back to where we were previously. Acting City Manager Colbert Puff advised the City Council that the DRA has said no.

Councilor Perkins said that this is about market values and they continue to climb. She said it is not fair and an adjustment would need to be made now or later to keep us in the proper ratio range.

Councilor Dwyer stated if we did not do a revaluation the DRA would make us conduct a revaluation because of the change in ratios.

Assistant Mayor Splaine said we should consider having the DRA come here and provide a presentation on the revaluation process. He asked if a revaluation would be done next year. Assessor Maurice-Lentz stated that she does not control the market and she does what is required of her.

Councilor Cyr said that this will continue and it is what New Hampshire has mandated us to do because that is the change in the market. He said we need to change the tax base in New Hampshire.

Acting City Manager Colbert Puff said that the City is fighting to get its fair share of rooms and meals taxes. She said it is worth us to continue fighting. She said we could work with the State Legislature on a Homestead Tax. She also said that we have commercial properties that are not completing the rental and expense sheet which provides us with valuable information.

Councilor Denton would like to look at the Municipal Services Agreement for commercial properties and increase the amount that they are paying for services at the Pease Tradeport.

Councilor Spear said we had a former City Councilor encouraging residents not to complete the rental and expense sheet which made the situation very difficult.

Acting City Manager Colbert Puff said the entire tax system needs to be reviewed.

Assistant Mayor Splaine said the legislature does not want to have a general sales tax or income tax. He said we need to look at reforming our budget structure.

Councilor Dwyer suggested a hotel tax which would help with the State not sending us our fair share of meals and rooms tax. She said she would like to have the DRA come to the City Council. She said she does not feel the values would be different but we would have another person's opinion. She stated she is not suggesting a complete revaluation but a review of the commercial values.

Assessor Maurice-Lentz said DRA would go through the process but not the properties as Councilor Dwyer would like to see done.

Assistant Mayor Splaine said we need the DRA here. He asked how many staff were working on the project. Mr. Traub said the Assessor's Office collects all the data and he does an exterior review. Assessor Maurice-Lentz said many people do not allow us into their home. She wants her staff in the properties to gather as much data as possible.

Acting City Manager Colbert Puff said we could do a peer review to spot check values to check for accuracies.

Councilor Perkins said she is open to this but wants to see a small scope. Assessor Maurice-Lentz indicated it would be similar to the DRA's review.

Councilor Spear said that this would be more of an educational process but not an audit.

At 7:20 p.m., Mayor Blalock closed the work session.

Respectfully submitted by:

Kelli L. Barnaby, MMC, CMC, CNHMC
City Clerk