

**AGENDA
SCARBOROUGH TOWN COUNCIL
THURSDAY – MARCH 1, 2018
SPECIAL MEETING – 5:30 P.M.**

NO NEW BUSINESS SHALL BE TAKEN UP AFTER 10:00 P.M.

Item 1. Call to Order.

Item 2. Pledge of Allegiance.

Item 3. Roll Call.

OLD BUSINESS:

Order No. 18-008. Second reading on the request from the Town Manager to expend \$77,950 from the undesignated fund balance, for the Commercial/Industrial Revaluation. *[Town Manager]*

Item 4. Workshop with the Board of Education and Municipal Auditors.[Scheduled to begin at 6:00 p.m.]

NEW BUSINESS:

Order No. 18-012. Act on the request for the following executive sessions:

- a. An executive session pursuant to Title 36, of the M.R.S.A. §3841(2), for the purpose of deliberating a Hardship/Poverty Tax Abatement Case #2018-01 and to come back to public session for action; and, *[Town Manager]*
- b. Move into an executive session pursuant to Title 1, of the M.R.S.A. §405(6)(C), regarding a personnel matter relating to the Town Manager's Evaluation, to come back to public session to adjourn the meeting. *[Town Council]*

Item 5. Adjournment.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – MARCH 1, 2018
SPECIAL MEETING – 5:30 P.M.

Order No. 18-008. Move approval of the second reading on the request from the Town Manager to expend \$77,950 from the undesignated fund balance, for the Commercial/Industrial Revaluation. *[Town Manager]*

Town Manager

Ought to Pass

Sponsor

Recommendation

02/08/18 – Vote: 7 Yeas.

First Reading/Vote

N/A

Public Hearing

02/21/18 – Vote: 4 Yeas to table to 03/01/18
03/01/18 – Vote:

Second Reading/Final Approval/Vote

Town of Scarborough

Manager's Office Memorandum

To: Members of the Town Council
From: Thomas J. Hall,  Town Manager
Re: Proposed Commercial/Industrial Revaluation
Date: January 30, 2018

The Town of Scarborough assesses real property in three classes, commercial, industrial, and residential. Every year as a part of the annual tax commitment process we conduct a thorough sales ratio analysis and the most recent analysis again confirmed a trend that we have been aware of for several years. This analysis identifies certain aspects of the residential portion of the tax base to be out-of-line with market values, but it confirms that the discrepancy is most pronounced in the commercial and industrial segments of our tax base. In fact, the entire class of commercial and industrial assessments have an average sales ratio of 76% of their market value, with a median ratio of 80%. Please see the attached analysis suggesting that conservatively there is \$175M in value that is unrealized from the commercial and industrial sectors. The Maine Constitution requires that property assessments be reflective of 100% of market value, and further requires a revaluation to recalibrate values when the assessments fall to 70% of market value; however, as equity is the cornerstone of any ad valorem tax system it is common practice and good form to correct for inequities when properly documented and when a sound methodology and process can be established.

Why Now?

These inequities should come as no surprise as we have been conducting annual sales analyses and the trend has been confirmed year after year. In fact, ever since the defeat of the referendum in 2014 for a town wide revaluation, I have been considering when is the best time to advance this priority. Two things have changed that cause me to have confidence to propose a commercial and industrial revaluation at this time. First, we have sound documentation that the entire class of commercial and industrial properties is severely under-valued. Any inequity in the system presents a situation where some tax payers are paying less than their fair share and all the other tax payers are paying more than they should. This trend is so well documented that any further delays will only exacerbate the situation and make the inequities more acute. Second, and the most direct reason for this proposal at this time, is the fact that I now have adequate capacity in the Assessing Office to undertake such a project. Unfortunately, for the past couple of years I have not had consistent leadership and capacity and therefore have been unwilling to advance this initiative until I had proper staffing and oversight to ensure a thorough and fair process. With the appointment of Dave Bouffard as Assessor and the assembly of a competent staff around him, I now am confident that we can advance this project.

It could be argued that we wait for a full town-wide revaluation, but the inequities will only get greater with time and I present this to you now as an opportunity to advance the first phase of what is widely acknowledge as something that must be done sooner than later.

How do we correct the inequity?

In many communities these projects are undertaken in-house, and although I have the proper team in place, I strongly recommend using outside consultants to conduct this process. Establishing proper valuation for commercial and industrial is more complex than residential properties in that in addition to the simple sales approach to value, there is often more reliance on the income and cost methodologies to establishing value which require a higher level of expertise. To this end, I explored the marketplace to see if any qualified consulting firms would be available to provide these services in time for the next tax commitment. To my surprise, there were two highly qualified and respected firms that responded to my request-for-proposal. I am recommending KRT Appraisal for this project as they are qualified, had the most competitive cost proposal and can complete the project on our stated timeline.

Is there any risk in proceeding in two phases?

I trust that all would agree that revaluation of all properties is necessary and appropriate to re-establish equity in the system. As stated earlier, of course we could conduct a town-wide revaluation so all properties are considered at the same time, but that will require delays that will produce further inequities. It is fairly common practice for communities to revalue different classes of properties at different times. In our case, if there is any "silver-lining" with the tax appeal cases that we continue to litigate is that the Law Court confirmed that partial revaluations are not just acceptable, but required. This proposal provides one additional level of protection in that we are proposing to consider the entire classes of commercial and industrial properties, rather than just portions. I am extremely confident that conducting the revaluation in two phases is reasonable and appropriate and can withstand any legal challenge.

What about the residential portion of the tax base?

Our annual sales analysis clearly identifies inequities in the residential segments of the tax base. Further, we have long known that our building schedules are antiquated and land schedules need recalibration, so we recognize that the residential portion needs attention as well. To this end, I intend to seek funding in the FY 2019 budget for a residential revaluation to ensure that it immediately follows. I hope the Town Council will embrace this request and make it a priority in the next funding cycle.

Publicity

Clearly we will need to do some direct outreach to advise and educate regarding this initiative. We can expect some pushback as there is predictable concern whenever a revaluation is proposed. I will look to coordinate these efforts through the Scarborough Community Chamber and enlist the support of SEDCO to host a series of informational sessions this spring.

Software Conversion

For some time we have understood that our assessing software must be replaced and in fact have secure nearly all the required funding through two different budget cycles for the purchase of a new software system and conversion of the data. However, we have been unwilling to advance this conversion as an independent initiative as it is best to accomplish the upgrade coincident with a revaluation. Therefore, as a part of this proposal we intend to upgrade the assessing software to Vision software, which will provide much greater in-house capability and equally important, produce enhanced information and capability for the public.

What is needed to advance this proposal?

The cost of the commercial and industrial revaluation by KRT Appraisal is \$66,000. The updated cost for Vision software and the associated data conversion, including web hosting is \$70,450, this cost includes conversion to Vision Appraisal software and the full scope of work performed by KRT. The breakdown of costs and funding sources is as follows:

KRT Appraisal- C/I Revaluation Cost	\$66,000
Vision Appraisal software/date conversion	<u>\$70,450</u>
Subtotal:	\$136,450
Existing Budget Authorization	<u>(58,500)</u>
Additional Appropriation Needed:	\$77,950

To advance these initiatives as proposed, I need additional authorization of \$77,950 to fund the commercial and industrial revaluation and the additional cost of the software upgrade and associated data conversion. Since these monies are not included in the current budget, the source is from the undesignated fund balance. Beyond the value of starting the process to re-establish equity, the return on this investment makes a very compelling case. In order to advance this initiative in time for use in the next tax commitment, it is essential that I secure authorization for the additional funding at the February 7, 2018 meeting so this project can get underway as soon as possible.

Attachment: Estimate of Unrealized C/I Value

CC: Dave Bouffard, Assessor
Sue Russo, Deputy Assessor

	<u>@76% of Value</u>	<u>@100% of Value</u>
Commercial	547,216,742	720,022,029
Industrial	116,603,000	153,425,000
Total	<u>663,819,742</u>	<u>873,447,029</u>

FY 2018 Value:	3,785,488,342
Valuation Increase	<u>209,627,287</u>
Estim Value	<u>3,995,115,629</u>

	<u>@80% of Value</u>	<u>@100% of Value</u>
Commercial	576,017,623	720,022,029
Industrial	122,740,000	153,425,000
Total	<u>698,757,623</u>	<u>873,447,029</u>

FY 2018 Value:	3,785,488,342
Valuation Increase	<u>174,689,406</u>
Estim Value	<u>3,960,177,748</u>

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- a. An executive session pursuant to Title 36, of the M.R.S.A. §3841(2), for the purpose of deliberating a Hardship/Poverty Tax Abatement – Case #2018-01 and to come back to public session for action – [Motion to move approval to grant/partially grant/deny an abatement of \$ _____ in case #2018-01 pursuant to Title 36 M.R.S.A. § 841(2)"]; and, *[Town Manager]*
- b. Move into an executive session pursuant to Title 1, of the M.R.S.A. §405(6)(C), regarding a personnel matter relating to the Town Manager's Evaluation, to come back to public session to adjourn the meeting. *[Town Council]*

a. Town Manager/b. Town Council

Ought to Pass

Sponsor[s]

Recommendation

02/21/18 – Vote: 4 Yeas to table b. to 03/01/18
03/01/18 – Vote:

First Reading/Vote

N/A

Public Hearing

N/A

Second Reading/Final Approval/Vote