



Summary Report and Minutes
The Board of Equalization
The City of Falls Church

October 27, 2022

Laurel Room, 300 Park Avenue, Falls Church, Virginia 22046

I. CALL TO ORDER:

At 3:29pm, the In-Person meeting was called to order by The Board of Equalization Christina Goodwin.

II. THOSE PRESENT/ROLL CALL:

Board of Equalization Members:

Aaron Ford, BOE Member and Chairperson (Remote)

Barbara Green, BOE Member

Christina Goodwin, BOE Member

Robert Speir, BOE Member and Secretary

City of Falls Church:

Erwving Bailey, Director of Real Estate Assessment, City of Falls Church
(Assessor)

A quorum was present and affirmed, and the meeting was open to all attendees and the public, throughout. An agenda was posted and reviewed and standardized opening remarks were made.

III. LIVE RECORDING:

Erwving Bailey, Director of Real Estate Assessment, City of Falls Church

IV. AGENDA ITEMS:

Because new City of Falls Church rules are pending for remote participants, The BOE operated under the existing and adopted rules, which required an approved Motion for remote participation. As BOE Chairman Mr. Ford was participating electronically, BOE Member Ms. Green moved to allow e-participation, Ms. Goodwin seconded the motion with it passing 4-0 (including Mr. Ford)

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V. CASE HEARINGS:

201 Great Falls	Kessman	Appeal 027-22AB
203 Great Falls	Borum	Appeal 058-22AB
205 Great Falls	Wilson	Appeal 022-28AB

This first hearing of 2022 was held in a slightly unique format, in that the three Appellant’s homes are almost identical in size/age, and the appellants are neighbors who they shared information for their appeals. The BOE agreed that they could join their allotted 10-minute individual time into one 30-minute presentation. The Assessor followed with a discussion that was not restricted by time to the normal 10 minutes. The BOE allowed a brief rebuttal period for the appellants.

COMBINED APPEAL: 027-22AB/058-22AB/22-28AB 201/203/205 GREAT FALLS ST.

Appellants:	Inessa Kessman, Robin Borum, Gwenda Wilson Appearing and presenting for themselves
Original Appeal Date:	June 3, 2022
Original Assessment for 2022:	\$929,800/\$906,700/\$930,300
Appellant’s Requested Assessment:	\$840,000/\$795,000/\$820,000

OVERVIEW

These three townhouses are located within the part of Falls Church City designated as Neighborhood 83. These three properties are in a 23 home townhouse complex bounded by Little Falls St., Great Falls St., Governors Ct. and the rear property line of Park Towers Condominiums, which faces North Maple St. The appellant’s townhouses are among the smaller properties in the complex, almost identical in size and in configuration, except as noted below. They are also condominium units, three of six in the complex, while the other homes are owned on a fee simple basis. Two of three have garages.

201 Great Falls St.

This 2106sf property’s assessment was \$929,800 for 2022. It is an end unit constructed 43 years ago (1979). Ms. Kessman had requested an assessment valuation in the Level 1 review of \$840,000. The Assessor’s Office reviewed documentation indicating that owners had extensively modernized the home at some unspecified time in the past (Ms. Kessman said this preceded her purchase in 2018). The Level 1 decision was to deny Ms. Kessman’s appeal for a reduction in assessment.

203 Great Falls St.

Also described as a 2106sf townhouse, but an interior unit, its original assessment was \$906,700 for 2022. This puts it approximately \$23,000 below the original assessments for 201 and 205 Great Falls St. The differential is essentially dictated by the fact that 203 Great Falls St. is an interior unit. Ms. Borum requested an assessment reduction to \$795,000.

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205 Great Falls St.

This property is an end unit originally assessed at \$930,300 for 2022, essentially identical to 201 Great Falls St. At the request of the owner, the assessor visited the property to conduct an on-site review. Measurements determined that it is slightly different size than 201 and 203, containing 2087sf of living area compared to the recorded size of 2106sf for the others. The primary difference was that it is in “original condition,” i.e., late 1970s, whereas previous owners had modernized the other two homes considered here. The assessor modeled this quality difference financially by increasing the calculated depreciation of the property. After the on-site review, the assessment was reduced to \$898,400, or by approximately \$32,000. Ms. Wilson had asked for an assessment reduction to a maximum of \$820,000; not receiving that at Level 1, she appealed to the BoE.

APPELLANTS

These appellants had two fundamental issues:

1. Ownership—Fee simple versus condominium

Appellants’ units are 3 of 6 condo properties in their complex. They argue that the intrinsically lower value of condominiums compared to fee simple ownership was not considered.

Appellants related what they have been told or experienced regarding condo values versus fee simple properties. Some of these were that condos have higher fees, are more difficult to mortgage and stay on the market longer than fee simple units. Financing providers, they said, put condos in a different lending class than comparable townhouses that have fee simple titles, and the owners provided evidence of such.

While appealing, the appellants’ presentation was qualitative rather than provide any overriding quantitative facts or data that the BOE could convert to address their assessments directly. They implied that, as condo owners, they have higher gross condo specific expenses than fee simple townhouses, but this part of the discussion did not seem to yield any facts that were shown to be compatible with fee simple properties’ expense patterns. Pursuing this line of reasoning suggests a comparable cost-of-ownership discounted cash flow analyses from which one might imply lower values for condos. The appellants did not provide any concrete evidence that would make such an evaluation possible.

2. Comparable Property Sales

Other non-condo townhouse sales in Falls Church City in the immediate vicinity have sold for less than their appraisals, despite being larger and newer.

At various points in their presentation, the appellants referred to appraisals and the contained comparables. They also provided some comparables of their own. In most cases, these comparables were deemed to be invalid because they were outside the target year of 2021 sales, or, in some cases, not in Falls Church City.

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The remaining property they all offered in their appeals was 311 Hillwood Ave in eastern Falls Church City. Although it is in a different neighborhood classification than the Great Falls St. properties discussed here, it is a townhouse almost exactly ½ mile (straight-line distance) from their townhouses.

The appellants' argument is that this 2508sf property sold at the end of the target year—on October 29, 2021—for \$875,000. It is 20 years younger and 20% bigger than their townhouses, yet its sale price was \$32,000 to \$55,000 lower than their 2022 assessments. It is also a fee simple property, so if their condo vs. fee simple argument is given any credence, that would add to the disparity.

This is a logical case of questions about equal treatment in assessments. That is, how can their townhouses be assessed higher than the amount for which 311 Hillwood sold two months before the end of the target year when it is bigger, and newer. The appellants made no attempt to carry out the size and quality adjustments that are embodied in appraisal forms of the type that they included in their appeals. That is, there was no pure or mathematical measure presented by the appellants by which to quantify their precise claimed valuations.

REAL ESTATE ASSESSMENT OFFICE

By way of rebuttal, The Assessor noted examining 10 years of condo property sales but could not see a pattern of difference compared to fee simple properties in the townhouse class. The Assessor's office made this comparison using data for sales in the City of Falls Church (The Assessor offered an observation that, when Ms. Kessman paid \$792,000 for her property in 2018, 202 Governors Court, a larger nearby townhouse sold for \$815,000 and added that it was indeterminable if the differential was due to size (2106sf vs. 2244sf) or ownership.

The Assessor added that, within the scope of the methodology the City now uses to produce assessments, there is no specific provision for class of ownership that would influence valuations directly on the City side. Therefore, the many corrections the appellants made to the website listings for their properties to correctly denote their condominium status is cosmetic.

The Assessor's office did not address the Hillwood comparable directly. Characteristics of the Hillwood townhouse were listed along with four other proposed comparables. The principal reason for picking these comparables was that they were the same age as the appellants' townhouses. Those four comparables are:

- 1) 222 Little Falls St is in the same townhouse complex as the appellants' homes. It has 2778sf of living area and sold for \$987,500 on March 24, 2021.
- 2) 2811 Flagmaker Drive is 0.6 of a mile from the appellants' townhouses. It has 2498sf of living area and sold for \$882,500 on March 4, 2021. Although this town house is classified in a different City neighborhood, it is only 500 feet from 311 Hillwood Ave., the comparable offered by the appellants.
- 3) 1003 Jennifer Lane is 0.8 of a mile on the other side of the City from the appellants' townhouses. It has 2554sf of living area and sold for \$899,950 on October 1, 2021.
- 4) 367 W Broad St Lane is 500 feet from the appellants' townhouses. It has 1680sf of living area and sold for \$800,000 on June 9, 2021.

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One of The Assessor's arguments for the higher 2022 appellants' assessments was that in 2021, some neighborhood assessments were too low, as shown by their 2021 assessment to sales ratios (ASRs) that were less than 1.0. Only one townhouse in Neighborhood 83 sold in 2021 or 2020. It was 222 Little Falls St., which was one the assessor's highest priced comp. It sold for an ASR of 0.9 (i.e. the 2021 assessment was 10% lower than its sales price at an acceptable, lower bound of the standards of accuracy).

Nevertheless, the 2022 assessment for 222 Little Falls St. increased by about 16.5%, and was the fourth lowest percentage rise among the 23 townhouses in the complex. Meanwhile, the appellants' assessments rose by slightly over 20%.

DECISION AND RATIONALE

After The Assessor's rebuttal to The Appellants and their short discussion of his points, BOE members asked questions of both parties. Then, the room cleared for an executive session for the BOE members to decide and vote on outcomes. A relatively freeform discussion ensued. Paragraphs below reflect the general view of BOE members. Exceptions are entered where appropriate.

Condo vs. Fee Simple Ownership

Neither side offered substantive proof of their positions in this matter. The appellants' best argument is that the professional appraisers who performed Borum's and Wilson's 2020 refinance assessments both used the Fannie Mae and Freddy Mac approved condominium forms. Further, they both chose condos for all value comparables. This indicates that the appraisers, and the lenders to which their appraisals were directed, felt that it was necessary to address condo value estimates as a defined group separable from non-condo properties.

The appellants alluded to requirements that are condo-specific (e.g., higher down payments, insurance premiums paid to the condo association, etc.), but did not produce evidence that these practices resulted in higher net costs of ownership, or lower resale value for condos, as opposed to fee simple townhouses. The fact that lenders and appraisers put condo properties in a separate category from fee simple properties does suggest that they view them differently, but it does not confirm that the sales market does also.

Regarding the standpoint of The Assessor's office, the BOE would like to have seen more of substance from the 10-year sales data review, an admitted challenge with the limited number of sales, but a key statistic, nonetheless. Absent more plot points, it is difficult to depend and therefore turn on that data alone – one way or the other. As noted in the IAAO Technical Standards publications, statistical analysis of data is always welcomed.

Finally, two members of the BOE own condos, and they agreed that there are many issues that can be troublesome or convenient depending on an owner's specific circumstances. Both agreed that neither side presented overwhelming or irrefutable evidence as to the extent to which this type of ownership would affect assessed value—just that, if possible, these two classes (fee simple townhome vs. condominium) should be treated differently. It was of some small note that there were no expressed or received extended benefits received by any of the appellants'

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membership in their condominium structure, only a claimed uptick in membership and insurance costs.

Comparable Property Sales

Neither the appellants nor the assessor adjusted their comparable properties sales prices so that a quantitative comparison could be made among the five total properties offered by the two parties. This could be contemplated by this BOE. However, the appellants provided a logical contradiction regarding their comp at 311 Hillwood avenue that applied also to two of the four comps offered by the assessor. Further, the assessor's comp that is in the same townhouse complex as the appellants sold for much less than would be expected from its larger size. Specifically:

- A) 1003 Jennifer Lane is 22% larger than the appellants' townhouses and sold for 2% less than their assessments
- B) 2811 Flagmaker Drive is 19% larger than the appellants' townhouses and sold for 4% less than their appraisals.
- C) 222 Little Falls Street is 32% larger than the appellants' homes but only sold for 7% more than their 2022 appraisals

That is, three out of the five comps are larger properties that sold in 2021 for less than the appellants' assessments, and a fourth tends in the same direction. Together, these four comparable properties' sales prices and current assessments suggest that the 2022 assessment may overstate the value of the appellants' townhouses.

Other Significant Background Rationale

Compared to actual 2020-21 sales of townhouses in the City overall, 2022 assessments for properties in the 23-unit townhouse complex in which the appellants live rose twice as much as sales prices. Overall, Falls Church City townhouse sales prices rose 7 to 10% between 2020 and 2021. The average of assessment increases in the townhouse complex where the appellants live was 19% (median 18.4%). The appellants' assessment increases were in the 21% range.

Only one townhouse sold in the appellants' complex in 2021 (222 Little Falls St.) and none in 2020. There were no other Neighborhood 83 townhouse sales in either 2020 or 2021. One sale in two years is not sufficient information to assess market trends in this complex by itself.

Appellants' assessments were close to overall sales values in 2021. The City Assessor presumably used 2020 sales data to calculate Kessman's 2021 assessment of \$769,200; Wilson's was the same. The overall 2020 trend in townhouse sales prices would suggest a value for these two townhouses of about \$782,000, or approximately 2% higher than the assessments. With an interior unit, the assessor valued Borum's home about 2% less than the Kessman/Wilson properties in the 2021 assessment. Therefore, the assessments and sales values were within $\pm 2\%$ in 2021.

Townhouse sales in 2021 showed an average price increase in the 7-10% range over 2020 sales. This is the case for either the simple measure of sales price per square foot of living area (a commonly quoted index) or a more robust regression fit of sales prices to living area.

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However, the sales-assessment relationship changed in the 2022 assessment. If assessments followed the same increase pattern as sales (7-10% higher), the 2022 assessments for the Kessman/Wilson townhouses assessments would have been in the \$823,000-\$846,000 range. For Borum, it would have been \$810,000-\$831,000. Instead of 7-10%, the initial 2022 assessments for Kessman, Wilson and Borum rose to \$929,800, \$930,200 and \$906,700 respectively, or more than 20% compared to the 2021 assessments.

While this is an impressive growth in City townhouse sales prices, to some degree, the increase affected all 23 townhouses in the complex. Assessment increases varied between 11% and 28% in 2022, with an average of 19% (median 18.5%).

A closer examination of these figures shows that the 2021 assessments for the townhouses in this complex all were exactly the same as for 2020. It is reasonable to conclude that no 2021 assessment was done for this area. That is, the 19% average increase in assessments in 2022 might actually cover two years. In this particular case, The BOE did not strictly adhere to the ranges of assessment increase suggested by the sales data. Rather, it selected and agreed on a base value for one appellant (Kessman) that compensated for some of the risk that these properties' assessments actually had not been adjusted in two years.

MOTIONS

At the beginning of its executive session, all four BOE members immediately agreed that the assessments being considered for these three townhouses appeared high. However, all members also thought that at least two of the adjustments requested by appellants were excessive. The BOE then discussed modifying the standing 2022 assessments to reach a quantifiable middle ground that better reflects sales prices in 2021 and avoids the contradictions discussed above.

To arrive at its revised assessments, the Board considered the following factors:

- i. The three townhouses have different, but relatable worth due to their similarities.
- ii. Not long before Ms. Kessman purchased 201 Great Falls St., a previous owner had modernized it. So it is a higher valued, modernized end unit.
- iii. The Assessor had inspected Ms. Wilson's almost identical end unit at 205 Great Falls St. and deemed it to be lower in value than Ms. Kessman's because it had not been modernized, i.e., it is in its original condition. Accordingly, he granted a \$32,000 assessment reduction. (from \$930,300 to \$898,400).
- iv. Ms. Borum's townhouse at 203 Great Falls St. is an interior unit with modern character. Its original 2022 assessment was about \$23,000 lower than the Kessman property.
- v. The Appellants argued, but did not substantiate, that their assessments should be lower because they are condos rather than having fee simple class ownership. The assessor only said he could find no evidence of that effect in the sales data statistics. By the BoE statutes, we must defer to the assessor on this matter.
- vi. The Assessor inferred that the properties in this townhouse complex had been assessed too low in 2021 (as evidenced by low ASRs). Therefore, the 2022 assessments needed substantial upward adjustment.

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The Board chose to preserve these relative differentials, which the Assessor had determined to be appropriate. It selected Ms. Kessman's 201 Great Falls St townhouse as the reference property for all three of the townhouses and adjusted the other two properties to it.

ADJUDICATION

The BOE accepted the appeal, with the majority deciding that the appellants had met the burden of proof demonstrating a unique and compelling circumstance, in regard to FMV, Uniformity, or Equalization.

The BOE raised the market assessment for Kessman's property from the \$823,000-\$846,000 range suggested by the sales data, to \$865,000, then applying the value differences set by the Assessor, as discussed above, that implies assessments of \$843,000 for Borum (\$865,000, minus \$23,000) and \$833,000 for Wilson (\$865,000, minus \$32,000).

Final Ruling:

A motion was made to approve these assessments by BOE Member Aaron Ford, and was seconded by Bob Speir, and approved unanimously by Christina Goodwin and Barbara Green.

201 Great Falls	Kessman/Appeal 027-22AB	Was: \$929,800	Adjustment to: \$865,000
203 Great Falls	Borum /Appeal 058-22AB	Was: \$906,700	Adjustment to: \$843,000
205 Great Falls	Wilson /Appeal 022-28AB	Was: \$930,300	Adjustment to: \$833,000

VI. ADMINISTRATIVE AGENDA ITEMS

- 1) *Overall Equalization.* What is to be done about the other three units in the Great Falls Condominium Association, who did not appear, but the BOE agrees must be equalized as part of this process?
 - a. *Administrative Adjustment.* The Assessor noted that his office can adjust these other properties with an adjusted value. The BOE must review, assign an amended value, then motion for an amended value, that can then be implemented by The Assessor's office.
- 2) *Standardization of Final Adjudication.* At this first meeting the Assessor reminded The BOE that the best times to discuss data before adjudication, especially the nature of Q&A situation, emphasizing its value.
- 3) *Next Meeting.* Rescheduled from November 1, until November 10.
- 4) *Organizational Meeting.* What still needs to be done from an organizational perspective? Review of E-participation and other Rules still in process and can be on the agenda in the future.
 - a. Mr. Ford to speak with City Attorney about new processes (§2.2-3708 or 3708.3)
- 5) *Letters to Appellants.* Who completes those letters denoting changes and what is the process? Mr. Ford volunteered to help coordinate, but The Assessor's office has taken the current lead in that role.

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VII. ADJOURNMENT

There being no other business the meeting was Motioned to be recessed at 5:22 pm until November 10, 2022.

Ms. Green motioned to adjourn which was seconded by Mr. Ford and approved unanimously.

VIII. AFFIRMATION

The foregoing minutes are hereby adopted and affirmed by The Board of Equalization:

Chair

Secretary