



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

December 8, 2022

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

I. CALL TO ORDER: At 2:57pm, the In-Person meeting was called to order by The Board of Equalization Chairperson Aaron Ford

II. THOSE PRESENT/ROLL CALL:

Board of Equalization Members:

Aaron Ford, BOE Member and Chairperson

Barbara Green, BOE Member (remote)

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)

Ashley Pollard, Real Estate Specialist, City of Falls Church

Brian Lubkeman, Interim Falls Church City Attorney (Observer)

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: Ashley Pollard, Real Estate Specialist, City of Falls Church
The City of Falls Church provides public access to videos of BOE proceedings.

IV. AGENDA ITEMS:

Non-hearing administrative discussions may be documented separately.

V. CASE HEARINGS:

206 Buxton Rd.

RPC 53-206-005

Appeal #036-22AB

706 W Broad St

RPC 51-131-030

Appeal #004-22AB

150 S Washington St.

RPC 52-305-014

Appeal #023-22AB

The following sections synopsize the issues and decisions regarding the appeals.

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ADDRESS: 206 Buxton Road	RPC: 53-206-005	APPEAL: 036-22AB
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Appellant:	Jordan Pfunter & Deborah Davidson
Original Appeal Date:	Unknown; BOE Appeal May 30, 2022
Original Assessment for 2022:	\$1,185,200
Appellant's Requested Assessment:	\$1,068,900
Assessor's Level 1 Decision:	\$1,149,000 (June 27, 2022)

OVERVIEW

This is a detached 1948 home in Neighborhood 2 (Broadmont). Grade level is B+; it has not been remodeled in at least 10 years. FC City records show 2227sf of living area; 451sf is in the basement.

The original 2022 assessment was \$1,185,200, an increase of 20% over 2021; the improvements component rose 31%. Comparatively, from 2020 to 2021, the overall increase was 4%.

APPELLANT

Appellants began by stating that they were advised by Specialist Pollard on May 27 that they would not have The Assessor's Office review of their Level 1 appeal by the date to file their BOE appeal by June 1. If they had that reply, they would have added to their appeal to consider The Assessor's Office's comparable properties. Appellants asked for permission to include that information. The basis of the BOE appeal was uniformity and consistency. They did not submit sales comparables, but later addressed related Assessor's Office comparable sales properties.

Appellants provided handouts depicting the results of a position ranking analysis of 31 properties on Buxton Rd, showing that the 2022 assessment substantially changed their property's assessment ranking among their neighbors. Their principal points were:

- 1) 206 Buxton ranks among the smaller of 31 houses on the street.
- 2) Prior to 2022, property improvements were valued 23rd or 24th. That was generally in-line with its relative size, but in 2022 it rose to 17th, above several larger homes.
- 3) The 2022 assessment raised improvements value over the 6 other 3br homes, closer to the level of the average of 16, 4br homes on the block.
- 4) This change in relative ranking with larger Buxton homes persisted in comparisons of total rooms, or some combination of bedrooms and baths.

Appellants stated that if their relative ranking among the 31 homes on Buxton was restored, their improvements would be valued around \$520,000.

Appellants response to The Assessor's Office's Level 1 review carried a similar analysis out to 69 homes in the neighborhoods of the 4 comparables proposed by The Assessor's Office. Its conclusions were:

- 1) 206 Buxton ranked 63rd by square feet and 57th by above grade square feet among the 69 homes.
- 2) Of the 62 larger homes, 25 had lower improvements assessments than 206 Buxton.
- 3) Appellant's property was smaller than most of the 69 homes (it ranked 57th to 63rd in size) and ranked 41st in assessment level.
- 4) If its relative size rank determined Appellant's home's relative assessment value, its assessment would be calculated at \$517,000.

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Finally, the appellants examined the City's comparable properties themselves and found that 3 of the 4 had larger living area and were assessed less than their property. The 4th was smaller above grade and was assessed less.

Appellants concluded that their property should be value at \$517,000 for improvements and \$580,800 for land. The total of \$1,097,800 would be \$28,900 higher than their original appeal (which included a land adjustment), and \$51,200 below the current City assessment.

REAL ESTATE ASSESSMENT OFFICE

At the Level 1 appeal, The Assessor's Office adjusted this property -\$36,200 to \$1,149,000, which was primality a function of changes in the basement finished area. A half bath was also removed, as noted for future assessments.

Other observations noted by Director Bailey:

- 1) Appellant did not specifically mention any particular property as a "comp" to establish value.
- 2) Review of each of the comps submitted by The Assessor's Office and reasons for comparability.
- 3) The Assessor's Office is legally presumed to be correct, so the fact that the appellants "offered no comps" provides insufficient evince to demonstrate that the assessor's values are "out of uniformity."
- 4) 16 of the Appellants' Buxton homes as presented, contained variations in condition grade, depreciation, and year built, that affected Appellants' rankings of the 31 homes.
- 5) Price per square foot has limitations due to factors that have been discussed often in BOE hearings.
- 6) Comps provided by The Assessor's Office take into account above and below grade footprint.
- 7) Differences in percent changes in assessment among properties is not an indication of lack of uniformity, because it could be caused by changes in condition and depreciation.

DECISION AND RATIONALE

BOE members began their discussion 26 minutes into the hearing. Chairman Ford asked:

- 1) Q: When was the first time Appellants had a chance to review The Assessor's Office's Level 1 findings? A: On or about 6/23/22 (The Assessor's Office letter is closely dated 6/27/22).
- 2) Q: Did Appellant ask for an inspection?
A: "we did not request inspection." Director Bailey added that Appellants had checked "no" in answer to the form question, "Would you like an interior inspection?"
- 3) Q: Was the basis of comparison in the Appellants' analysis "assessed" values?
A: Yes, as collected from the City's database.
- 4) Q: To Director Bailey: Is Buxton a street that is split between VISION neighborhoods? A: Not sure without map inspection. Upon review; all Buxton houses are in Neighborhood 2. (Appellant asked Chairman Ford about the meaning of a "split" between neighborhoods. Ford then deferred to Director Bailey to address the meaning and how it fit into the assessment process. His spent a few minutes discussing related methodology.)
- 5) Q: Why might a bigger house get what appears to be a lower relational assessment?
A: Characteristics of the home and replacement cost at today's value. Quality grade and year built, to include depreciation of the home. One source of assessment increase during the Covid affected years was the increase in building materials that, when entered through the home replacement value model, calculates the home value assessment.

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Board Secretary Speir asked:

- 6) Q: Did Appellant's see the quality grades in their website data, and did they know what those grades mean?
A: They were seen and Appellants tried to research them, but could not find anything substantive on the internet or on the City's website.
- 7) Q: Did Appellant have spreadsheets with their comparisons and if so did they provide them to the City? A: No, but could provide them.
- 8) Q: Were any of the rankings on the basis of living areas and where did their home sit.
A: Answer was that they only did it for the 31 Buxton properties and their house was 30th (next to smallest).
- 9) Q: Director Bailey: Were there no uniformity comps on Buxton?
A: City Comps were based on size and quality grades and year built. Director Bailey described a list of properties in the B- through A+ categories and a few in Cs but said that he focused primarily on finding comps that were similar in size, depreciation, and quality grade.
- 10) Q: Director Bailey, did you take a close look at your sales comp at 321 Van Buren? Yes.
Ensuing exchange was that, compared to the appellants' home, 321 Van Buren was: depreciated 17% compared to the appellants 21%, was a C+ grade compared to the appellants' B+ (a 33% value adjustment), and a substantial part of its value was a garage.

Board deliberations began at about 3:40pm. The following comments are relevant:

- 1) Board Member Goodwin said that, without any comparables, there was no "preponderance of evidence" to weigh so The BOE should side with The Assessor's Office.
- 2) Chairman Ford said that The Assessor's Office is basing assessment value on sales, but the Appellant is basing it on assessments (i.e., uniformity)
- 3) Board Member Goodwin pointed out that the appellant bought the home for \$845,000 in 2012 so the current assessment amounted to less than 3% per year.
- 4) Board Secretary Speir said that quality has a great bearing on valuation, could cause a significant change in Appellant ranking, and surely would have been addressed by the appellants if they had a chance to do it. He mentioned that he had looked at The Assessor's Office's comps and found a possibility of an \$18,000 adjustment down in assessment for 206 Buxton.
- 5) Chairman Ford requested an explanation for Board Secretary Speir's finding.
- 6) Mr. Speir said he first threw out 321 Van Buren because it was not a good comparable (huge garage, and other factors described above). Then he compared quality and depreciation adjusted values for the assessments for the remaining City comps. He found that 206 Buxton was about \$8 higher per square foot of living area than the average of the three remaining properties. That amounted to about \$18,000 when multiplied by living area.
- 7) Chairman Ford asked to confirm that the figures were adjusted for condition quality and depreciations. Board Secretary Speir affirmed.

MOTIONS

Chairman Ford requested motions; Mr. Speir motioned that the assessment for 206 Buxton be lowered by \$18,000. Mr. Ford seconded the motion. Ms. Goodwin and Ms. Green voted against leaving a 2-2 tie vote. Mr. Ford said that "by rule" the motion failed. No additional motions were offered so the City's assessment was left to stand.

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ADJUDICATION

The 2022 assessment for 206 Buxton Road, RPC 53-206-005 will remain \$1,149,000 (\$568,200 for improvements and \$580,800 for land).

ADDRESS: 706 W Broad St

RPC: 51-131-030

APPEAL: #004-22AB

Appellant:	Hilton Gardens Inn Falls Church
Original Appeal Date:	Unknown; May 25, 2022 (to the BoE)
Original Assessment for 2022:	\$14,966,900
Appellant's Requested Assessment:	\$10,838,800
Assessor's Level 1 Decision:	No Change (REA dtd August 24, 2022)

OVERVIEW

Blake Warren of the Altus Group, authorized agent for the Appellant, presented.

The Hilton Gardens Inn, Falls Church, is a 110 unit hotel in west Falls Church City, built in 2014 and owned by the Inns of Falls Church, LLC. For 2019, 2020, and 2021, the assessments were \$22.2M, \$22.5M and \$12.7M, respectively. The drop in 2021 reflected a sharp decline in profitability due to low occupancy during the peak of the Covid pandemic. The Falls Church City appraiser, Howard Goodie, provided a report recommending an increase for 2022 to \$14,966,900.

APPELLANT

Mr. Warren presented data showing that the hotel's financial situation was improving in 2021, but still was substantially down from 2019, the last stable year before Covid depressed the industry. Specifically:

- 1) The City's 2022 assessment would increase 18% while revenue was still down 49% from 2019
- 2) Occupancy was 54% in 2021 vs 74.2% in 2019
- 3) Rental income per rented room (ADR) was \$115 in 2021 vs \$161 in 2019
- 4) Revenue per available room (RevPar) was \$62.30 in 2021 vs \$119.72 in 2019

All financial measures except ADR improved markedly over 2020. Mr. Warren noted that this was the cost of increasing occupancy, i.e., accepting a lower room rent. The result was that the hotel's effective gross income (EGI) rose from \$1,636,831 in 2020 to \$2,683,097 in 2021; it had been \$5,294,851 in 2019. The City's figure for EGI was very close to the Appellant's-- \$2,669,651. The primary difference, resulting in a higher estimated property value, was in how to calculate expenses:

- 1) Mr. Warren presented a table that showed that annual operating expenses (OPEX) between 2018 and 2021 had always been above 61% of EGI, and that reserves should be an additional 5% of EGI. It appeared that the City's Appraiser estimated reserves and OPEX should total 45% of EGI.
- 2) Lower expense calculations led the City's estimate for 2021 net operating income (NOI) to be \$395,069 (37%) higher than the Appellant's estimate.

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- 3) After applying the same capitalization rate and FF&E (furniture, fixtures and equipment) adjustments, the City's real property value was \$14,966,900, compared to \$10,838,800 calculated by the appellant.

However, at the end of his presentation, Mr. Warren said that his clients were willing to accept a compromise of using 50% of EGI for estimated "expenses," resulting in a property assessment of \$13,642,400.

Mr. Warren later rebutted that when appeals are filed, "...[Appellants] usually go in with an aggressive number, thinking that The City has had an aggressive number as well, and we usually can find some kind of middle ground."

REAL ESTATE ASSESSMENT OFFICE

Director Bailey, the Falls Church City Assessor, agreed with the above analysis. He asked the Board of Equalization to accept the amended assessment of \$13,642,400.

DECISION AND RATIONALE

Board Member Green said that she did not see why The City did not make its estimate for expenses closer to the "actual" expenses of the Appellant from the beginning. She noted the 44% decrease in assessment in 2021 but said that these were unusual circumstances for the hotel industry overall. She said that she would "definitely" go along with the proposed amount.

The only other discussion was a general one prompted by Chairman Ford and Board Member Goodwin about whether the "expenses" of 50% included the 5% of EGI for replacement reserves or whether that was still an add-on. Ultimately, it was shown that the proposed 50% included both OPEX and reserves, since that was the only way to get to the final proposed valuation.

MOTIONS

Chairman Ford motioned to accept The Assessor's Office's modified assessment; Board Member Green seconded it. The vote was 4-0 for the motion.

ADJUDICATION

The 2022 total assessment for the Hilton Gardens Inn of Falls Church, RPC 51-131-030 will be \$13,642,400 (\$2,680,600 for land and \$10,961,800 for improvements).

Note: there was never any discussion about land value, per se. This allocation for improvements represents the total agreed upon assessment minus the previously and independently established land value.

Appellant: Marcoin Building (Scott Butler, Altus Group, Inc, Tax Rep)
Original Appeal Date: Unknown; May 27, 2022 (to The BOE)
Original Assessment for 2022: \$5,308,014
Appellant's Requested Assessment: \$4,668,990
Assessor's Level 1 Decision: Adjustment to \$5,217,600 proposed on November 8, 2022.

OVERVIEW

This BOE did not actually hear this case, but it stayed on the calendar until December 5, 2022 as The Appellant considered the above adjustment. The City's Commercial Appeal Consultant had evaluated the appeal and recommended the reduction on September 12. It is mentioned here in case some future reviewer tries to resolve what happened to it.

ADJUDICATION

This case was later resolved by acceptance of the City's adjustment.

VI. ADMINISTRATIVE AGENDA ITEMS:

Chairman Ford inquired about pending concerns:

- 1) Rescheduled cases for 12-6-22. BOE wanted to ensure each case is allocated/rescheduled. Confirmed by Director Bailey, with notation of his direct contact with Appellants.
- 2) Method to Review Online Hearings – is there procedural document to direct this review? Not at this time, but the repository on The City website is in the same place as all other City of Falls Church hearings.
- 3) How long are online hearings archived? Unknown, possibly indefinite, handled by City Clerk
- 4) Thank you for email updates to The BOE from The Assessor's Office. Confirming that any changes were reported to BOE – none noted.
- 5) Minutes update. November Minutes provided this week, goal was no later than 30 days. Goal is to provide Minutes within 10 business days of previous hearings.
- 6) Brief discussion of upcoming cases/hearings, scheduling, and attendance.
- 7) Should The BOE allow or advise Appellants that there may be a waiting time, or to try to advise them to arrive later, out of courtesy? This idea was set aside as a possible consideration for later rules, but no action was taken at this time.

VII. ADJOURNMENT

Chairman Ford motioned to adjourn the meeting at 4:16pm, and hearing no objection adjourned.

VIII. AFFIRMATION

These minutes are hereby affirmed and accepted by The Board of Equalization: