

May 22, 2003

The scheduled meeting of the Cleveland County Equalization Board was called to order this 22nd day of May, 2003, in the conference room of the County Office Building by Chairman Waldo Blanton. Roll was called by Dorinda Harvey, County Clerk/Secretary and those present were:

Waldo Blanton, Chairman
Pat Ross, Vice-Chairman
Charles Thompson, Member
Dorinda Harvey, Secretary

Others present were: Denise Heavner, David Tinsley, Mike McDanel, and Richard Dowell.

After the reading of the minutes of the meeting of April 1, 2003, and there being no additions or corrections, Pat Ross moved that the minutes be approved. Charles Thompson seconded the motion.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.
Motion carried.

Chairman Blanton called for discussion, consideration, and/or action on the Letter of Protest from Richard Dowell, 1932 W. Lindsey, Suite A, Norman, OK 73069 for Lots 18-24, Block 2, Bessent Addition, City of Norman.

Mr. Dowell stated that he is a retired professor and since that time he has gone into the real estate business in this county and in a lot of other counties. Mr. Dowell complimented Denise Heavner, County Assessor, but stated that this was a very difficult piece of property to value. He believes that the valuation on the property is way off and thinks that if the property is looked at on a cost basis, the value of property based on sales in the immediate area, the comps (comparables) that are the size of this building outside the area because there is no building this size in the area, and therefore he thinks he can prove and demonstrate that the valuation is off. There is the market value that the Assessor puts on and then there is the valuation that the Assessor can tax you on. Mr. Dowell continued saying it was State Law that you can only raise the amount 5% a year so if you bought something that you got a good deal on it's going to take the Assessor a while to get it up to that valuation. Now the minute that a property is sold, whoever buys it whatever it sells for if it was fair market value and if that market value is higher than what you paid for it you are going to pay that tax on it. Even if the Board believes the Assessor's valuation to immediately make him pay a tax based on that new valuation (which she (the Assessor) more than tripled the value of the property) he thinks that is unfair. Mr. Dowell gave the Board Members pictures and documents that he would refer to in his presentation. He showed pictures of the house as it stand right now and stated that in 1991 he paid \$140,000.00 for it, he took out building permits in the amount of \$134,900.00 for a total investment of \$274,920.00 and the day of purchase was October 25, 1990. The rehab was completed on or about December 31, 1999. He owned the house many years before he did the changes. Mr. Dowell referred to pictures of how the house looked before the rehab, it was in pretty good condition, it was rented to a fraternity at the time he purchased the house from Local Federal Savings and Loan. The lease agreement was

showing that this house was rented for \$2,222.00 a month or \$24,000.00 a year. He had the house rented for about that amount of money for the entire time he owned the property before starting the rehab, which was about in 1996. The property had a substantial value as a fraternity house and that was how it was built. It had twenty-eight (28) bedrooms approximately. The rehab consisted of getting rid of the bedrooms, he took out the second floor and knocked out a bunch of walls and made the house four (4) bedrooms. The basement, which had eleven (11) rooms, he just completely gutted and it is just concrete walls. He did not have to do anything to the plumbing or sewer, but did have to have it re-wired.

Charles Thompson asked if the permits and actual cost was about the same number and Mr. Dowell stated for what he did it was pretty close.

Mr. Dowell stated that the reason the cost was not that high was that he did not rebuild what was here. He took out the entire second floor so he did not have to redo all of the bedrooms. He converted the house and the Assessor sent people over to re-measure and the square footage of the house was reduced from 10,000 square feet to 5900 square feet. What Mr. Dowell paid for the property and what it cost him to fix it is really irrelevant because that does not establish value. What establishes value is what you can buy that property for. Mr. Dowell is going to argue that this property is not worth more than \$400,000.00 and the most important reason is the location. He personally would not invest \$600,000.00 to \$700,000.00 for a house in that location and that is why he did not spend that much money on it. Mr. Dowell gave some comps on a house in Smoking Oaks and stated it sold for \$530,000.00 in May of 1995.

Waldo Blanton stated that that house sold for a half million dollars and a half million dollars in remodeling was made.

Mr. Dowell referred again to the house in Smoking Oaks, and stated that the houses around it are on large lots, excellent landscaping, and that the value of that house is not out of sync with its location. But his house has apartments around it, a parking lot, and down the street there is a house rented to four families. Mr. Dowell gave more examples and referred to a builder in Norman stating that you would not want to build a house like this in this builder's housing additions that it would not have the same value if it were not sitting around houses with around the same value and cost. Mr. Dowell went to the Assessor property profile in his documentation. The Assessor has the house in Smoking Oaks assessed for \$832,000.00 and that is taking note that the house was extensively remodeled in 1999. There is 9200 square feet in the house and it is valued at \$90.00 a square foot. Mr. Dowell thinks it's worth that. The Assessor has his house valued at \$648,000.00 and it is on a lot substantially smaller and surrounded by a mess and he wanted to know how his could be worth \$20.00 a square foot more. Mr. Dowell gave reasons why he lives in that area, he does research at the university and his mother and sisters live on that block. Mr. Dowell gave comps on houses in the immediate area, the Triangle Fraternity which is 10,000 square feet sold in an open auction for \$330,000.00 but the Assessor hasn't valued it because it belongs to a non-profit organization. Two sales adjacent to his property one sold in March of 2003 with about 2300 square feet sold for \$110,000.00 and the other sold for \$38,000.00 in 1993. He does not think his house is worth \$648,000.00 he has \$274,000.00 in it and he thinks it is worth about \$400,000.00. Mr. Dowell stated that the utilities are \$2000.00 a month.

Mr. Dowell referred to a document that he said Ms. Heavner was basing her idea on that if she came up with a figure rather than taking his cost and go up 5% a year to get to that

valuation she could go up immediately. Mr. Dowell addressed clerical error and said if you make a mistake as the Assessor and someone has improve their property and it was not caught then you are allowed to go back and change it, Mr. Dowell doesn't deny that and even if the Assessor lost his card or forgot to do his then she is within her rights even a couple of year after the fact to come an change it. The Assessor also has omitted property stating he built a garage that cost him \$14,000.00 and Ms. Heavner has it valued at \$36,000.00 and obviously that is omitted property and she has that right. But taking the total cost purchase price and immediately going up to this higher value she is using in the document #F physical improvement on limited property, he doesn't see where that can be interpreted that you can immediately bump that valuation up to whatever the current market value is if the valuation is lower than that. He is going by the guideline from the Oklahoma Tax Commission that evidently the Assessor has to base her decisions upon.

Denise Heavner, Assessor, stated that Mr. Dowell asked if it could be raised more than 5% because of the limitation cap that was put on in 1997 and Ms. Heavner referred to the clerical errors that were talked about earlier. In 1998 the Assessor went out to his property and the card was lost and that was her offices error, it's not technically a clerical error but it is an error. In the year 2000 there should have been something done either right or wrong. So within the office the property was not put on nor the value raised, but when the error was discovered she went back and did what she would have done at that time, which would be completely re-appraise the house. Not because of the sale, but basically because it was completely redone. And that is one of the things that the Tax Commission has told her and she thinks that is backed up by the information about clerical errors. It's not specific, but the Tax Commission tried to think of some specific things that examples could be given when the 5% cap was first in place because everybody was not sure how to implement it, the out of the ordinary circumstance, so the Tax Commission has given the Assessor things to go by.

David Tinsley, Deputy Assessor, stated what he did, because there were no houses around there that has sold that is as big as Mr. Dowell's, he looked at sales around there. Mr. Tinsley gave comps ranging from 1800 square feet to 2427 square feet, selling from \$213,000.00 to \$252,000.00 and square footage price from \$87.76 to \$120.00. This is campus area and apparently a desirable area for people to move into. Then he went to find an older house closer to the size of Mr. Dowell's and that house is 3045 square feet at 2511 McGee and sold for \$459,500.00 or \$150.00 a square foot.

Mr. Dowell stated that the house that Mr. Tinsley is speaking of is a mile away and the other houses, except for one, are in more residential areas of the university and his is across from a parking garage, a parking lot, and an apartment house, his area is really commercial.

Mr. Tinsley stated that he didn't have documentation from the City.

Mr. Dowell stated that he gave Mr. Tinsley copies of all of the documentation that the Board has now the building permits from the City.

Chairman Blanton stated that permits sometimes are not very reflective of what you actually put in something.

Denise Heavner asked Mr. Dowell what his total cost were.

Mr. Dowell stated that since this was not commercial property he did not keep a total.

Chairman Blanton stated that a man with Mr. Dowell background and his real estate he is going to keep some figures for taxes someday, your not just going to throw them in the trash.

Mr. Dowell stated that to re-wire the house cost \$30,000.00. The fence cost \$11,000.00, which a permit was not taken out for. The pool has a permit and the garage has a permit.

Ms. Heavner stated that Mr. Dowell said total investment was \$274,000.00 and Mr. Dowell said that is what he paid for the house plus the permits, but there are some things that don't require permits he has more than that and he is going to be reasonable that is why he is saying \$400,000.00.

Chairman Blanton stated that when you do a fence or anything it increases the value of the house. A remodel on a house that size has to get pretty expensive.

Mr. Dowell referred to another building he built and stated it cost him \$37.00 a square foot. When he is building he would say \$30.00 a square foot on a remodel is pretty generous in his view, so if you take 5900 square feet times \$30.00 you are going to get about \$180,000.00.

Denise Heavner wanted to know if these costs would be reflected if someone else because she knows that Mr. Dowell has a lot of construction going on and in a situation like that she wondered if he was getting a premium price.

Mr. Dowell can probably find a painter a little cheaper than the average person because he gets so much painting done but when you're in business you learn to watch your p's and q's. He did not do any of the work himself and hired it all out and paid the people as much to work on that house as if he would have paid them to do anything else. On the fence if you would have went out and hired a fence company or ordered that fence from somewhere he doesn't know what it would cost but if you go and hire a welder and tell him what you want, and if the Board ever does this, that is the way you get a fence put up for \$11,000.00.

Chairman Blanton stated that is Ms. Heavner's point that if the standard, average cost of getting things done which implies the value of what is there, the fact that you (Mr. Dowell) got it done for half price and everybody pays something else.

Mr. Dowell said he did not say he got it for half price and Chairman Blanton stated that he just used that figure just like Mr. Dowell was using on others. If the work is done cheaper because you have connections Chairman Blanton doesn't think that has relationship, particularly to the tax base that everybody else is getting it done by this guy who sells the fence.

Mr. Dowell stated that he is willing to concede \$120,000.00 with his house being valued at \$400,000.00, which would factor in things that he didn't take out permits for and just the things that Chairman Blanton has mentioned.

Chairman Blanton questioned Ms. Heavner about the loss of the card. He stated that is only for now what about the back three years.

Ms. Heavner stated that technically you can go back several years to re-coop that money, but it has been her policy to basically take it on the chin because her office made a mistake.

Chairman Blanton stated that the document on Chapter 10 of Ad Valorem Tax clearly states that if improvements are made to the property then the Assessor can revalue it and Chairman Blanton read from that "increasing the constitutionally-limited value of locally assessed real property more than five percent in any taxable year is prohibited, unless the title of the property is transferred, changed, or conveyed to another person, or if improvements are made to the property" so the Assessor is obviously entitled to get past the 5% once the improvements are made.

Ms. Heavner stated that the Tax Commission has told her that basically things that are maintenance were not to be included in this, but an actual remodel is an improvement.

Mr. Dowell stated that if you come to the proper valuation which he thinks is \$400,000.00, then if Ms. Heavner immediately went to that he doesn't have an argument with that and he thinks that kind of solves it, but he disagrees with the \$668,000.00. He thinks that what is

meant is if he builds a new building you need to put that in or if I rehab something obviously you get to add that to your assessed value but you don't get to put appreciation in. He does not think that is the correct interpretation of that sentence.

Chairman Blanton thinks that the Assessor can add whatever the value is, he believes the Assessor can pick up the increase in appreciation of all the property in the area once the improvement (substantial) is made, and she can evaluate the property not just with the improvements.

More discussion took place on what the Assessor could or could not add.

Mr. Dowell stated that university property is in demand but that is for smaller properties and Mr. Dowell went over comps again.

Charles Thompson stated that he knows of property selling for \$100.00 a square foot and that would make Mr. Dowell \$590,000.00.

A discussion was held about assessed value that was not living space.

The Assessor's Office is showing 5399 square feet exterior measurement (no one went inside the house) and Mr. Tinsley stated that at \$100.00 a square foot would be \$539,000.00.

Mr. Dowell stated that the Assessor's numbers are correct he was just pulling that number out of a hat.

Mr. Thompson stated at \$110.00 a square foot would get the house at \$648,000.00 or \$650,000.00 and that is what the Assessor has it at.

The house in Smoking Oaks was discussed again.

Mr. Dowell asked Mike McDanel, Assistant District Attorney, about the 5% rule.

Mike McDanel, stated that because in part the guide lines talk about when the 5% rule continues to apply for example when the re-value doesn't kick-in when you do maintenance or minor remodeling because those specific terms are used it seems to him that if there is a major remodeling which this clearly was that the 5% rule does not apply and what you end up with is a valuation issue. The Assessor is not limited to 5%.

Chairman Blanton stated that giving some credit to the discussion of surrounding area and different things like that he would move an adjustment be made to \$593,890.00. Charles Thompson seconded the motion.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.

Motion carried.

Mr. Dowell asked if the Boards position is that the assessed value is based on that higher number immediately verses taking time to get there.

Chairman Blanton stated yes he does not think the 5% is even an issue for discussion.

Chairman Blanton stated that the Assessor has explained the position of her Office and he has no disagreement with it, that she doesn't back up when it is her mistake. He thinks she can back up and figure the deal and give the 5% since Mr. Dowell remodeled and do it at a different figure than what was brought in here if she so desired.

Mr. Thompson and Chairman Blanton told Mr. Dowell that they think he kind of got a break with the misplaced card.

Charles Thompson moved, seconded by Pat Ross to review and approve or disapprove Applications for Five Year Ad Valorem Tax Exemption.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.

Motion carried.

Dorinda Harvey, asked the Board about a special meeting on Friday, May 30, 2003, at 8:30 A.M. so the Board can adjourn if there is no more protest to be heard.

There being no further business to come before the Board, Pat Ross moved that the meeting be adjourned. Charles Thompson seconded the motion.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.

Motion carried.