

**BOARD OF CIVIL AUTHORITY
TAX ASSESSMENT APPEAL HEARING MINUTES
RANDOLPH TOWN HALL
CONFERENCE ROOM B
DECEMBER 1, 2015**

Board Members Present: Joyce Mazzucco, George Phillips, Tom Schersten, Tom Harty, Martha Lawrence and Larry Richburg (arrived at 6:20 p.m.)

Others Present: Ed Luce, Lister; Pat French, Town Assessor; Bruce Taylor, MAI, Certified General Real Estate Appraiser; Joe Woodin; Jeff Hebert; Linda Minsinger; Ashley Lincoln; Gus Meyer; Carol Bushey and Tim Calabro

The Board of Civil Authority tax assessment appeal hearing for the property located at 215 Tom Wicker Lane, parcel # 108015-010, SPAN #507-159-14164, was called to order by Chair Pro Tem George Phillips at 6:05 p.m. This was a continuation of a hearing which first met on October 13, 2015. Before proceeding with the business of the hearing, Mr. Phillips noted that the agenda showed the appellant as Gifford Health Care but other documents showed Gifford Medical Center Inc. He asked the representatives from Gifford to clarify the issue. Mr. Woodin indicated the appeal is being made under Gifford Medical Center, Inc. The first order of business was to approve the agenda. Joyce Mazzucco made a motion to approve the agenda with the amendment to correct the name of the appellant from Gifford Health Care to Gifford Medical Center, Inc. Tom Harty seconded the motion. A voice vote was taken and the motion carried by majority vote.

The next order of business was to continue the tax assessment appeal hearing of Gifford Medical Center, Inc. Mr. Phillips reminded those present at the meeting that if they had previously taken the witness oath or affirmation that they were still under oath. He asked if there was anyone else present at the meeting who would be providing evidence or testimony who had not been previously sworn in. Town Clerk Joyce Mazzucco administered the following oath/affirmation to Bruce Taylor and Jeff Hebert: "Do you solemnly swear or affirm that the evidence you shall give relative to the cause now under consideration shall be the whole truth and nothing but the truth so help you God or under the pains and penalties of perjury?" Before taking testimony, Mr. Phillips stated that at the previous hearing he neglected to have the original appeal letter from Linda Minsinger, dated 09/24/2015, entered into evidence. This was labeled as "Exhibit A" and entered into evidence. There were also two other documents, a print of some Power Point slides and excerpts from a report compiled by Irving Levin Associates entitled "The Senior Care Acquisition Report" (these documents had been sent to the Board members prior to this hearing). Mr. Phillips asked the representatives from Gifford to confirm their intent to have these documents entered into evidence. They acknowledged it was their intent to enter these into evidence. The Power Point presentation prints from 10/13/2015 was labeled as "Exhibit B", and the excerpts from "The Senior Care Acquisition Report" compiled by Irving Levin Associates was labeled as "Exhibit C".

Mr. Phillips asked if there were any other administrative tasks to address before proceeding with the hearing. Mr. Phillips acknowledged Mr. French's request to be recognized. Mr. French stated that both parties in the appeal process are entitled to a fair and unbiased

hearing, and he did not believe this would be the case because of one member of the Board. Mr. French stated that he did not think Board member Tom Harty could be fair and impartial and asked that Mr. Harty recuse himself from this appeal. Mr. French noted that Mr. Harty was contracted for a time by Gifford earlier this year to promote the further development of the subject property and that in previous discussions between Mr. French and Mr. Harty, Mr. Harty advocated that the subject property should be tax exempt. A discussion ensued about the Town's Conflict of Interest Policy and recusal. The following people participated in the discussion: Tom Harty, George Phillips, Linda Minsinger, Pat French, Joe Woodin, and Joyce Mazzucco. Larry Richburg arrived at 6:20 p.m. during this discussion. Under Article 6(A)(1) of the Town's Conflict of Interest Policy, any person may request that a member recuse him or herself due to a conflict of interest but the member so requested is not required to recuse him or herself. Martha Lawrence made a motion to ask Tom Harty to recuse himself from this hearing. Tom Schersten seconded the motion. There was a discussion of the motion and Article 7 of the Conflict of Interest Policy (enforcement), with the following individuals participating: Tom Harty, Pat French and Tom Schersten. A vote was taken and the motion carried to ask Mr. Harty to recuse himself. Aye-3 (Schersten, Lawrence, Mazzucco), Nay-2 (Harty, Richburg), Abstention-1 (Phillips). Mr. Harty declined to recuse himself.

Mr. Phillips proceeded with the hearing and asked Mr. French to present the Listers' case. Mr. French had Mr. Taylor, the appraiser who prepared the appraisal for the Board of Listers, come forward to testify. Mr. French asked Mr. Taylor a number of questions about Mr. Taylor's background, years of experience, certifications and designations, the appraisal he prepared, and different appraisal methods (cost, income and market). Mr. French submitted the appraisal Mr. Taylor had prepared entered into evidence and labeled as "Exhibit #2". It is Mr. Taylor's opinion that the appraised value for the subject property is \$7,275,000. Mr. Taylor is a Certified General Real Estate Appraiser and has a MAI designation. The MAI designation indicates he has met thorough requirements which include continuing education, courses, testing, experience hours and demonstration of knowledge, understanding and ability. The MAI designation is earned by real estate appraisers who are experienced in the valuation and consultation of commercial, industrial, residential and other types of properties and are members of the Appraisal Institute. Mr. Taylor has been a real estate appraiser since 1961. Mr. Taylor testified that he inspected the subject property and his impression was that the facility is new, of good quality and condition, and is well constructed and designed. It is the first skilled nursing facility to be built in many years. He did look for comparable sales of other skilled nursing facilities, but did not find any locally. There were older sales in New Hampshire and Massachusetts. None of these were comparable to the subject property. This is a 30 bed facility and the other properties are much larger and are older facilities.

Under the cost method of appraisal, Mr. Taylor said it was difficult to find land sales and had to search a wide area. There were none locally. It was his opinion that the land sales in Williamstown, Bradford and Hartford were comparable (summary found on page 69 of the appraisal). These properties were located near or close to an interchange. He established a cost of \$20,000 per acre, making the land value for the subject property at \$625,000. Mr. Taylor used actual cost for the nursing home facility since it is a new facility. The cost figures were provided to Mr. Taylor by Gifford Medical Center. Being a new facility and in excellent condition, Mr. Taylor showed no functional obsolescence and little depreciation.

Under the income approach of appraisal, Mr. Taylor told the Board he used the projected gross revenue numbers provided to him by Gifford Medical Center. He allowed for miscellaneous income and deducted contractual allowance to arrive at the effective gross income. He deducted a 75% expense ratio and a 15% business value adjustment to allow for the value in the facility not from the real estate. The ratio was developed from information he gathered from other nursing homes and from publications such as the Senior Investment Guide, a Levin publication. The net income came to \$647,581. Using a capitalization rate of 10.5% (based on published data), the effective value would be \$6,167,500. Mr. Taylor said this value is supportive of the cost approach value, but he did not put a lot of emphasis on it because the numbers are based on projections of revenue and expenses as well as the appropriate capitalization rate.

Under the market approach of appraisal, there were no recent sales, and any sales were for facilities that were substantially different, being much older and much larger. Mr. French summarized the testimony given. All methods of appraisal were considered. The market approach was discounted because there were no recent sales of properties of similar size. The income approach is reliable to a certain point, but is based on projected revenue. The best approach for determining the value for the subject property is with the cost approach. Based on the cost approach the subject property should be valued at \$7,275,000.00.

The representatives from Gifford Medical Center were given an opportunity to ask Mr. Taylor questions about his appraisal. Participating in the discussion were the following individuals: Joe Woodin, Bruce Taylor, Linda Minsinger, Jeff Hebert, Tom Harty, George Phillips, and Pat French. Questions were asked about sales and comparables and how many of the sales Mr. Taylor reviewed were for nursing homes. Also discussed were the land sale comparables, the very specialized design of the Menig facility, business value vs. real value, whether the maintenance building on the property was included in the appraisal, occupancy rates, subsidized rates, functional obsolescence, and external obsolescence. The maintenance building on the property was included in the appraisal. Mr. Taylor did not make any adjustments for functional obsolescence and external obsolescence.

Mr. Phillips asked the representatives from Gifford Medical Center to present their case. Linda Minsinger used the Polycom to contact Courtney Lees, the appraiser who prepared Gifford's appraisal, to try and teleconference with her. Unfortunately, Ms. Lees was in the process of boarding a plane and was unable to speak at that time. Mr. Woodin told the Board that Ms. Lees has 30 years of appraisal experience, of which the last 20 years have been dedicated exclusively to the valuation of healthcare facilities. She received her MAI designation in 1987. The preliminary appraisal prepared by Ms. Lees, of the Province Consulting Group, LLC, was entered into evidence and labeled as "Exhibit D". It is Ms. Lees's opinion that the market value for the Menig facility should be \$2,800,000.00. Also entered into evidence was a packet of Power Point slides and this was labeled as "Exhibit E". Ms. Minsinger told the Board that this facility was uniquely built for this community. The facility has never met its operational costs. The hospital has covered the costs. A 30 bed facility is inefficient due to its size. Skilled nursing facilities are highly regulated and expensive to run. Mr. Woodin explained some of the slides in the Power Point presentation. He talked about the sales comparison, based on information from the Levin report, the comparison of the value per bed of Menig to the current assessed value of

Menig, ways in which skilled nursing facilities sales are assessed, and a side by side summary comparison between the Taylor appraisal and the Lees appraisal. He reviewed the comparison of values by different methods: average price per bed (\$2,295,000), average price per square foot (\$3,067,500), and cost approach (Province Consulting Group [Lees] appraisal \$2,800,000). Mr. Woodin noted that the losses stated in the appraisal do not reflect depreciation. There was a discussion about: the potential sale of 5 different nursing homes to Genesis Health Care, a national nursing home chain, for \$37.5 million; about the cost for the Menig construction project; the additional cost for architectural design, engineering and permitting costs for Menig; labor costs; the large adjustment for functional and external obsolescence noted on page 63 of the Lees appraisal; staff ratios; occupancy rates; Medicaid rates; and private pay patients. Participating in the discussion were the following individuals: Joe Woodin, Linda Minsinger, George Phillips, Tom Harty, Pat French, and Joyce Mazzucco. Mr. Woodin informed the Board that he had just received the completed appraisal and that this appraisal reduces the value an additional \$100,000. There was a discussion about the next step in the appeal process and the required timelines. This hearing would need to reconvene by December 30th to meet the 30 day requirement as stated by law. There was also a discussion about leaving the evidence open as there were a number of unanswered questions that the Board wanted to ask Ms. Lees. Participating in the discussion were the following individuals: George Phillips, Joyce Mazzucco, Linda Minsinger, Joe Woodin, Pat French, Tom Harty and Tom Schersten. Tom Schersten, Larry Richburg and George Phillips volunteered to serve as the Inspection Committee. Because of the subsequent decision to reconvene to receive additional testimony the Committee was not appointed.

Pat French asked if he could submit some additional information and presented a couple of handouts. He explained what the information was about. The handouts showed a calculation of the “bottom line” effect that the Board’s decision would have on Gifford and the town and the effect of adjustments made by the Listers at the grievance hearing. Mr. Phillips ruled that the handouts were not relevant to determining value and these handouts were not entered into evidence. Tom Harty made a motion to continue the hearing to Wednesday, December 9th at 6:00 p.m. Tom Schersten seconded the motion. A voice vote was taken and the motion carried by majority vote. The hearing will continue on Wednesday, December 9, 2015 at 6:00 p.m.

There was no further business to consider. The hearing recessed at 8:14 p.m.

Attest: _____
Joyce L. Mazzucco, Town Clerk