

Commissioner's Record No. 25

MADISON COUNTY, NEBRASKA

BOARD OF EQUALIZATION

Madison, Nebraska

July 12, 2018

The Board of Equalization of Madison County, Nebraska met at 9:00 A.M.

Advance notice of meeting was published in the Tuesday, July 3, 2018 edition of The Norfolk Daily News. A copy of said notice was mailed to each Board member. An affidavit of acknowledgment of receipt of notice of meeting as published was executed. Chairman Ron Schmidt called the meeting to order and notified the public of the location of the information regarding the Open Meeting Act posted in the meeting room.

Present: Commissioners Christian Ohl, Jim Prauner, and Ron Schmidt, County Assessor Jeff Hackerott, and County Clerk Nancy Scheer.

Motion made by Prauner and seconded by Ohl to approve the agenda for the meeting. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

County Assessor Jeff Hackerott submitted his 3-Year Plan of Assessment. Motion was made by Prauner and seconded by Ohl to accept the County Assessor's 3-Year Plan of Assessment as submitted. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Hearings were conducted on property valuation protests as follows:

Protest #2018-37A: Joan Baumgart, 3504 Portia Place, Norfolk
Durlands Second Addition All Blk 1

Chairman Schmidt opened a hearing at 9:09 A.M. The written protest form was read. County Assessor Jeff Hackerott reported that there are three buildings on this parcel including an old two-story house which was converted into apartments, a 6-plex apartment building, and a 4-plex apartment building. He explained that the 4-plex apartment burned and the remains of the building are still standing. He stated that, according to the owner, they think it was an arson fire in December, 2017, so between the fire investigators and the insurance company the building cannot be removed until the court case is settled. He reported that the City of Norfolk has a pending condemnation on the building. He stated that the owner is concerned that the valuation increased even though one of the buildings has been destroyed; however, the County valuation has been adjusted for the damaged unit and no value is being attributed to the damaged apartment building. Chairman Schmidt closed the hearing at 9:12 A.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-38: Christopher Stafford, Fredrikson & Byron, P.A., 200 South 6th Street, Suite 4000, Minneapolis MN
PT E 1/2 E 1/2 NE 1/4 SE 1/4 28-24-1 Less PT to State

Chairman Schmidt opened a hearing at 9:14 A.M. No one appeared at the hearing to offer verbal testimony. An email submitted by the protester was read during the hearing. County Assessor Jeff Hackerott reported that the valuation change was an increase similar to the vast majority of commercial properties in the City of Norfolk. He stated that the subject property is the Auto Zone store in Norfolk. He stated that the protester did not submit any information to support that the valuation is not comparable with similar properties. He reported that the most comparable commercial property is the O'Reilly Auto Parts store which is 5,400 square feet compared to the Auto Zone building which is 7,917 square feet. He explained that the square footage valuations of both buildings are equitable. He reported that the purchase price for the AutoZone property was \$575,000 and then a new building was constructed. Chairman Schmidt closed the hearing at 9:18 A.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-39: Randal Jensen, 1107 North 9th Street, P.O. Box 404, Norfolk
Queen City Place Addition Lot 1, BLK 41

Chairman Schmidt opened a hearing at 9:20 A.M. Randall Jensen appeared at the hearing and submitted pictures of the house, garage, and carport. He stated that he is not disputing the valuation for the land; however the building assessment is too high for the condition of the buildings. He reported that the roof on the single car garage leaks and has been tarred several times. He stated that the car port roof also leaks and has been tarred many times. He reported that the windows on the garage need to be replaced. He explained that the kitchen floor has a bubble because the kitchen sink leaked. He stated that the toilet in the bathroom sits right next to the wall and hurts the resale of the house. Mr. Jensen reported that the basement doesn't have windows to escape in case of a fire, so it shouldn't be used for a bedroom. He stated that the north wall started bubbling after a heavy rain several years ago. He reported that the house has a gas fireplace; but, he hasn't ever used it because there weren't any instructions and he didn't get the fireplace checked out. He said that some walls have paneling and wallpaper from the 1970s era. He reported that the roof is rotting by the chimney, the deck is rotted and must be replaced, and the sidewalk tilts into the foundation of the house. He explained that the metal garage is very close to the street and when backing a vehicle out of this garage, the back end of the vehicle is already on the street before the vehicle is entirely backed out of the garage. County Assessor Jeff Hackerott reported that he reviewed the property on July 6, 2018 with Mr. and Mrs. Jensen. He stated that the house is 1,419 square feet with three bedrooms on the main floor. He explained that an addition built on a slab was added to the house in 1990. He said that the garage is a compilation of two different structures and reflected in the pictures submitted by Mr. Jensen. He confirmed the damage in the basement and stated that the main issue with the house is the bathroom design which is a functional issue that is hard to overcome. Commissioner Prauner asked when the house was purchased and Mr. Jensen responded that he purchased the house in November, 2007. Chairman Schmidt closed the hearing at 9:31 A.M. Motion was made by Prauner and seconded by Ohl to set the 2018 property valuation at \$89,160. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-40: Alvin Willems, 8389 Kentland Avenue, West Hills, California
Airway Tracts Addition S 66 Ft Lot 4 Except W 60 Ft Less PT TO STATE (10-23-1) Assessed Values

Chairman Schmidt opened a hearing at 9:37 A.M. No one appeared hearing to offer verbal testimony. County Assessor Jeff Hackerott reported that the owner inherited the property. He stated that the property is encumbered by two permanent easements from other parcels. He explained that the parcel is a road and can't be built on; so, it has little value. In addition, he stated that the owner can't force the two owners who are using the parcel to buy it because they both have permanent easements and have free access. He said that the owner will probably be unable to sell the property because of the permanent easements. Chairman Schmidt closed the hearing at 9:40 A.M. Motion was made by Ohl and seconded by Prauner to set the 2018 property valuation at \$600. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-41: Lisa Eckelbecker, 1 Envelope Terrace, Unit 106, Worcester, Massachusetts
N1/2 S1/2 NW1/4 34-23-3 40 AC

Chairman Schmidt opened a hearing at 9:46 AM. No one appeared at the hearing to offer testimony. The written protest form and letter submitted by the protester were read. County Assessor Jeff Hackerott reported that the subject property is located southwest of Battle

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Creek. He stated that he couldn't access the building site because the driveway is planted to corn; however, he confirmed that the house has been removed from the property. Chairman Schmidt closed the hearing at 9:49 A.M. Motion was made by Prauner and seconded by Ohl to set the 2018 property valuation at \$203,488. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-42: Steven Merrill, 1604 Clark Street, Norfolk
Jackson Heights Lot 4, BLK 1

Chairman Schmidt opened a hearing at 9:52 A.M. No one appeared at the hearing to offer verbal testimony. The written protest form was read. County Assessor Jeff Hackerott reported that he reviewed the property on July 5, 2018 with Mrs. Merrill. He reported that the main floor is slightly over 2,000 square feet with three bedrooms and 2½ bathrooms. He stated that half of the basement is finished. He stated that the house has a three car garage which was added on to in 2004. He explained that the owners purchased the house in 2008 for a purchase price of \$238,000. He stated that the house fits well with the neighborhood, but it is one of the larger homes located on Clark Street. He stated that the most recent sale of a similar sized house located on Clark Street sold in 2013 for a price of \$260,000. Chairman Schmidt closed the hearing at 9:55 AM. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-43: Shirley Rossman, 1214 Jonathan Circle, Norfolk
Meadow Ridge - Phase 1 2nd Addition Lot 1A, BLK 1

Chairman Schmidt opened a hearing at 10:02 A.M. No one appeared at the hearing to offer verbal testimony. The letter submitted with the protest form was read. County Assessor Jeff Hackerott reported that this single family dwelling has 1,126 square feet on the main floor and is attached to the adjacent house. He stated that the house was built on a slab and has two bedrooms and one bathroom. He stated that the owner purchased the house in 2011 at a cost of \$88,500. He reported on the sale prices of two other houses in the area. Chairman Schmidt closed the hearing at 10:05 AM. Motion was made by Ohl and seconded by Prauner to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-44: George Pravda, 80 Ingersoll Road, Saratoga Springs, New York
PT SE1/4 Less Hwy 21-22-1 5.39 AC

Chairman Schmidt opened a hearing at 10:07 A.M. No one appeared at the hearing to offer verbal testimony. All the documents submitted by the protester were reviewed. County Assessor Jeff Hackerott reported that the parcel is 5.93 acres and is all trees and grass. Commissioner Prauner asked if a home could be built on this property and Mr. Hackerott responded that a conditional use permit would be required before someone could build a house on the parcel. He stated that he doesn't know if the State Department of Transportation would allow highway access for a residence. He explained that the parcel is not valued as a potential home site. Chairman Schmidt closed the hearing at 10:14 A.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-45: James and Pamela Molacek, 2108 College View Drive, Norfolk
Briarwood Estates Sixth Addition Lot 5, BLK 2

Chairman Schmidt opened a hearing at 10:20 A.M. James Molacek appeared at the hearing and testified that he obtained information from the GIS portion of the Madison County website to compare the valuation of his home to other houses in the area. He explained that the valuation of his property increased \$100,000 in 2016 and this year the valuation increased another \$27,000; so, the value has increased 33% over the last two years. He stated that most of the other properties in his area has valuation increases between 17% and 25%. He said that he doesn't know why the valuation increased so much because he hasn't done anything to the house. He stated that he understands that his home has more square footage than other houses. He reported that the house next door was built at the same time and the valuation was \$67/square foot compared to his house value of \$80/square foot. County Assessor Jeff Hackerott reported that the valuations increased 9% for properties in this neighborhood. He stated that he reviewed the property with Mr. Molacek on July 5, 2018 and the house has 2,170 square foot on the main floor with 3 bedrooms and 2½ bathrooms. He stated that the house is very typical for the area, but it's one of the bigger homes in the neighborhood. He explained that 1,930 square feet of the basement is finished and it has one conforming bedroom and full bathroom with several smaller areas that are unfinished. He stated that the finished area consists of a family room, game room, and bonus room. He verified that a re-appraisal was completed in 2016, with no change in 2017, and a 9% valuation increase for this year. He stated that several houses range in size between 1,440 square feet and 1,839 square feet compared to the subject home which has 2,170 square feet with more basement finish than most other houses; so, the owner's valuation appears like a bigger increase because the percentage is applied on square footage. Chairman Schmidt closed the hearing at 10:29 A.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes Ohl and Prauner. Nays, Schmidt. Motion carried.

Protest #2018-46: Roy and Ann Martinsen Jr., 53875 844th Road, Meadow Grove
S1/2 SE1/4 11-24-4 80 AC

Chairman Schmidt opened a hearing at 10:35 A.M. Roy Martisen appeared at the hearing and testified that the valuation of the house is too high for its condition. He submitted pictures reflecting the condition of the house and explained that there is no water, sewer, electricity, or heat in the house; but, it is a shell. He stated that there is no basement floor, or stair steps to the basement. He stated that the basement has a dirt floor and that there are no windows in the basement. He stated that the house is not livable in its current condition. He testified that the house was moved from another location and that he has \$25,000 invested in the house. County Assessor Jeff Hackerott reported that the valuation of the house is \$52,852 and was moved onto the property in 2003. He said that he completed an exterior inspection on July 9, 2018 and took pictures of the front and back of the house. He confirmed that the pictures submitted by Mr. Martinsen reflect the condition of the house. Chairman Schmidt closed the hearing at 10:41 A.M. Motion was made by Prauner and seconded by Ohl to set the building valuation at \$41,457, with the total property valuation set at \$292,004. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-47: Johnnie Messerly, 804 North 1st Street, Norfolk
Tax Lots SW1/4 NW1/4 23-24-1 W 100 FT Tax Lot 3 Except s 60 ft (Tract A-Lot Boundary Change-2000)

Chairman Schmidt opened a hearing at 10:55 A.M. No one appeared at the hearing to offer verbal testimony. The written protest form was read. County Assessor Jeff Hackerott reported that he reviewed the property on July 6, 2018 with Mr. Messerly. He stated that the house was built in 2008 when the previous home on the parcel burned down. He stated that the detached garage was the original structure. He stated that the main floor of the house has 1,440 square feet and that 1,200 square feet of the basement is also finished. He explained that there is a vacant commercial lot located east of the house and railroad tracks are west of this house; so, there is noise from both the street traffic and the railroad. He stated that the house is overbuilt for the neighborhood because all the other homes located along 1st Street are older homes. Chairman Schmidt closed the hearing at 10:58 A.M. Motion was made by Ohl and seconded by Prauner to set the 2018 property valuation at \$173,748. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-48: Clinton and Verna Brobery, 82958 534th Avenue, Newman Grove
NW1/4 Less PT to State 30-22-4 145.39 AC

Chairman Schmidt opened a hearing at 11:03 A.M. No one appeared at the hearing to offer verbal testimony. The written protest form was

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read. County Assessor Jeff Hackerott reported that he reviewed the property with Mr. Broberg on July 9, 2018. He stated that the parcel has a house and some old farmstead buildings. He stated that some of the buildings were recently removed; however, he is unsure if any of the other buildings will be removed. He stated that the home is a 1910 vintage two-story farmhouse which hasn't had any maintenance done on it for a significant amount of time. Chairman Schmidt closed the hearing at 11:05 A.M. Motion was made by Prauner and seconded by Ohl to set the building valuation at \$7,323 with the total property valuation set at \$706,987. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-49: Edward Mack, 1700 Laurel Lane, Norfolk
Bel-Air Fourth Addition Lot 1, BLK 9

Chairman Schmidt opened a hearing at 1:12 P.M. No one appeared at the hearing to offer verbal testimony. County Assessor Jeff Hackerott reported that he reviewed the property on July 6, 2018 with Mr. Mack. He stated that the house has 1,784 square feet on the main floor which includes an attached garage which was converted to living space in 1999. He stated that a 3-car attached garage was added to the house. He explained that the valuation was estimated because his staff hasn't been inside the property for an interior inspection until the new owner purchased the property. Chairman Schmidt closed the hearing at 1:14 P.M. Motion was made by Ohl and seconded by Prauner to set the 2018 property valuation at \$186,126. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-50: Gregory Wees, 600 Blue Stem Circle, Norfolk
Meadow Ridge - Phase 1 3rd Addition Lot 1, BLK 2

Chairman Schmidt opened a hearing at 11:13 A.M. Gregory Wees appeared at the hearing and protested the valuation increase from \$169,441 to \$181,651. He submitted a document listing the 2018 valuations of houses located along Blue Stem Circle and he said that valuation of his home is the highest. He reported that the valuation of his neighbor's house across the street is approximately \$180,000. He stated that when reviewing the comparable properties the valuation of his house is the third highest of the 15 houses on the list. He testified that his house is a two bedroom home and 12 of the other homes on the list have three bedrooms. He stated that the valuation for the other three homes that have two bedrooms are \$164,000, \$143,000, and \$171,000, which are much lower than the \$181,000 value for his house. He reported that one recent sale of a two-bedroom home in the neighborhood was \$151,000 which sold in 2016. He stated that the valuations of the similar houses are very inconsistent, except that his home has two bedrooms and most of the other homes have three bedrooms. Chairman Schmidt asked if Mr. Wees' house had a basement and if all the other homes also had basements. Mr. Wees responded that his house does have a basement and, to the best of his knowledge, all the other homes on the list have basements because they have window wells. He testified that his neighbor's house across the street has a finished basement, a bigger house, three bedrooms, and the proposed valuation is lower than his house. He reported that his house is 17 years old. He stated that another factor for the Board to consider is that one month ago he had a real estate agent, Jade Lafleur, complete a market analysis of the houses in the neighborhood and the valuations ranged from a high of \$170,000 to a low of \$162,000, with an average of \$165,000. He stated that Ms. Lafleur arrived at the market analysis by looking at the number of bedrooms; so, the reason the valuation of his house was reduced was because of the number of bedrooms and his home is not updated like the newer houses. Mr. Wees testified that another factor for the Board to consider is a purchase agreement which he executed last week for \$173,000. He explained that he is currently in negotiations on the sale of his house and he expects to sell for less than the purchase offer of \$173,000. He stated that, in his opinion, the actual market value would be \$173,000 or less because of water damage on the east side of the basement. He said that the water damage if not associated with plumbing problems, but possibly an issue with groundwater that recently occurred. He stated that the purchase agreement is a conditional offer, which would reflect the sale price. Mr. Wees reiterated that he doesn't understand the valuation increase. County Assessor Jeff Hackerott explained that the valuation change was an 8% increase on the house and this same increase was applied to many houses in the City of Norfolk. Mr. Wees said that when he looks at the comparable properties, the valuation for his house is too high. He stated that he listed his house for sale for \$175,000 and he requested to amend the requested valuation on the protest form to \$173,000. Chairman Schmidt closed the hearing at 11:25 A.M. Motion was made by Prauner and seconded by Ohl to table a decision on the property valuation protest. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-51: Ray and Julie Stahla, 5200 West Benjamin Avenue, Norfolk
Stahla Subdivision Lot 1 (13-24-2)

Commissioner Schmidt opened a hearing at 11:31 A.M. Julie Stahla appeared at the hearing and testified that in the last three years, the property valuation increased about \$70,000, which is about 20%. She stated that two years ago they divided the property in half, so the parcel is less than half of the original acreage. She said that, in her opinion, the value of their house was being valued similar to properties in Deer Run and Deer Hollow and their house is not a custom built home. She reported that the house is 20 years old and is located on approximately 7 acres after it was split from the total parcel of 17 acres. County Assessor Jeff Hackerott reported that he reviewed the property with Mr. Stahla on July 5, 2018. He explained that the home is a modular manufactured house which was moved in and put on a foundation and then a garage was attached. He reported that the home has approximately 2,300 square feet on the main floor, a deck and small patio on the front of the home, garage on the end, and a full basement under the house. He explained that there is living space above the garage. Mrs. Stahla explained that the entire structure is a modular house on the top and the garage is under the house. He said that the house has one fireplace, 4 bedrooms, 3 bathrooms, and 2-car garage. Mrs. Stahl explained that a 10 feet by 20 feet addition built onto the house is a stairwell to access the basement that was built when the house was moved onto the property. Mr. Hackerott stated that the parcel also has a horse barn and several small sheds. He explained that a 6.7 acre parcel to the east was split off on April 20, 2017 and the parcel where the house is located is 9.26 acres. He explained that the reason a significant valuation change wasn't made is because two separate parcels are worth more in value than the one single parcel because the extra land on larger acreages is considered excess land. He said that now there is a saleable piece of ground separate from the house; so, the parcel without the house has a significantly higher value than when it was part of a larger acreage. Chairman Schmidt closed the hearing at 11:39 A.M. Motion was made by Ohl and seconded by Prauner to set the 2018 property valuation at \$383,608. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-52: James Clausen, 2001 West Prospect Avenue, Norfolk
Westridge Hills Third Addition Lot 2, BLK 1

Commissioner Schmidt opened a hearing at 11:40 A.M. James Scott Clausen appeared at the hearing and testified that he has owned the property for 6 years; but, it was listed on the market for 2½ years before he bought it at a cost of \$347,000. He said that people don't typically buy properties over that cost because they can build a house the way they want it and they don't want to buy a house that is 23 years old. He said that he owns rental and commercial property in Norfolk and is okay with the valuations; but, the value on this property is too high. He reported that in 2017 the valuation was okay; but, the 9% valuation increase is too high and this house isn't worth the amount valued. He stated that the valuation is about \$100,000 more than he paid for the property. County Assessor Jeff Hackerott reported that he reviewed this property on December 30, 2013. He said that the house has 1½ stories with approximately 2,505 square feet on the main floor and when adding the second floor, the total is 3,017 square feet. He reported that the basement has 1,397 square feet finished space. He said that the all brick house was built in 1995. Chairman Schmidt closed the hearing at 11:50 A.M. Motion was made by Prauner and seconded by Schmidt to set the 2018 property valuation set at \$397,544. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-53: Jared and Ashley Jansen, 1202 Tara Heights Drive, Norfolk
Tara Heights Addition Lot 1, BLK 1 (19-24-1)

Chairman Schmidt opened a hearing at 1:15 P.M. No one appeared at the hearing to offer verbal testimony. The written protest form was read. County Assessor Jeff Hackerott reported that he reviewed the property with the owners on July 6, 2018. He stated that the house is a

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multi-level home that was built in 1976. He stated that the upper level of the house is toward the back of the home and has four bedrooms and 1¼ bathrooms. He reported that the basement has one conforming bedroom, one bathroom, kitchen/bar, and there are fireplaces in the basement, main floor, and master bedroom on upper level. He explained that about half way back on the main floor is a staircase that goes up and down to other levels. He stated that the house has a 3-car attached garage with a basement under the east portion of the garage which has about a 6 foot ceiling height. He reported that the house has a walk-out basement; but, there is another set of steps in the basement where a handball court is located which has a 12 foot ceiling. He said that he asked the owners for a copy of the appraisal which was completed at the time of purchase; however, he hasn't received the appraisal. He stated that the owners purchased the house on February 22, 2018 for \$335,000. He stated that the valuation change is a 9% increase that was applied to all rural residential properties. Chairman Schmidt closed the hearing at 1:23 P.M. Motion was made by Prauner and seconded by Ohl to set the 2018 property valuation at \$340,000. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-54: Duane Wessel, 2400 Sheridan Drive, Norfolk
Country Club Village Lot 1 2.38 AC

Commissioner Schmidt opened a hearing at 11:50 A.M. Duane Wessel appeared at the hearing and testified that his property valuation increased almost \$400,000 from last year and comparable properties are not at that level. He said that each unit is assessed at \$43,000 and none sold for that amount. He said that one apartment unit has 20 two bedroom units and 10 one bedroom units and he has owned the apartments for 6 years. He said that the occupancy has been 100% for the past 6 years because he puts a lot effort into making this happen. He said that comparable apartments are Lakewood Apartments; but, those units are assessed at \$37,000 per unit. He said that the apartment rent rates are the same as Lakewood and Riverside apartments which is \$625/month for two-bedroom units and \$550/month for one-bedroom units. He reported that 33 garage spaces are available and rent for \$50 per month; but, he uses 6 garage spaces for storage. He explained that comparable property value for Lakewood apartments is \$37,000 and the value for Riverside apartments is \$36,000, compared to his apartments which are valued at \$44,000. Mr. Wessel explained that Lakewood Apartments were built in 1990, Riverside Apartments were built in 1978, and his apartments were built in 1976. He stated that other comparable properties are Cedar Apartments that were built in 1990 with 24 units which are assessed at \$26,600. He stated that Country Club Village condos which has land assessed at \$31,000 when his land is assessed at \$87,000. He said that the Commissioners are the Equalization Board and he wants to be equal with everyone else, but there are some discrepancies. He submitted a spreadsheet of comparable apartment units. County Assessor Jeff Hackerott reported that reappraisals were completed on apartment complexes. Mr. Wessel reported that North Park and Meadow Ridge Apartments didn't have valuation increases. Mr. Hackerott explained the Meadow Ridge Apartments are some type of subsidized housing which have tax credits and must be treated differently. Mr. Wessel said that valuations for Village Green and Amberwood apartments went down 8.5%, but the rent rates are comparable and the complexes were built in 1995 and 1999 compared to his apartment units which are 42 years old. He explained that about every six months the apartment landlords do a survey to review the rental rates. Chairman Schmidt closed the hearing at 12:04 P.M. Motion was made by Prauner and seconded by Ohl to table a decision on the property valuation protest. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-55: Craig and Tracy Rockwell, 1201 Tara Heights Drive, Norfolk
Tara Heights Addition Lots 1 & 2, BLK 2 (19-24-1)

Commissioner Schmidt opened a hearing at 12:08 P.M. Tracy Rockwell appeared at the hearing and questioned the valuation for their property. She said that she did some research on the Madison County Assessor's website and there are some errors on the assessment record. She said that their house no longer has wood shingles or a screened-in porch on the back of the house. She said that she tried to find similar properties in this area with the same size lot. She said that their lot is 1.9 acres and a house across the street has 1.4 acres and sold in November, 2016 at a price of \$280,000 and then resold in 2017 for a price of \$340,000. She said that the owners of the house across the street painted gallons of gray paint in the house, re-did the kitchen in Menards' cabinets which isn't up to the standards of houses in the area; so, in her opinion, the current buyers paid too much for the house with the upgrades. She said that her house was built in 1977 and the house across the street was built in 1976. She reported that the house located on the other side on West Benjamin Avenue had a 2018 valuation of \$313,000 and the house sits on 1.78 acres and was built in 1979. She explained that the house on West Benjamin Avenue is currently listed for sale and has a huge outbuilding that measures 40' by 50' which is three years old and they don't have an outbuilding that compares to this, but they do have a detached garage. Mrs. Rockwell stated that when she looked at the listing for the house on West Benjamin Avenue on Realtor.com, there are no pictures of any of the bathrooms because they all need upgrading. She reported that a house located at 4800 South Deer Run which was built in 2005, sits on 8 acres, also has a large outbuilding, and was assessed for \$421,000 in 2017. She stated that there is a difference in acreage size and year compared to her house, which was assessed more than this comparable house. She requested that her house be assessed to the comparable listings in the area. She reported that property located at 3600 North 25th Street, which is located on 3.2 acres, sold in October 2017 for \$290,000. County Assessor Jeff Hackerott reported that he reviewed the property with Mrs. Rockwell on July 5, 2018. He confirmed that the deck on the back of the house and screened porch were removed. He stated that there is one unfinished area in the basement, with a bedroom, bathroom, and game room. He reported that the house was built in 1977 and is typical for the neighborhood. He explained that the valuation change was a 9% increase which was applied to rural residential properties. Chairman Schmidt closed the hearing at 12:17 P.M. Motion was made by Prauner and seconded by Ohl to set the 2018 property valuation at \$367,433. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-56: Savage and Browning/ Dial – Sunset Mall LLC, 8676 West 96th Street, Suite 100, Overland Park, Kansas
Sunset Plaza Subdivision First Platting Lot 5 & Pt Vacated Market Lane

Chairman Schmidt opened a hearing at 12:25 P.M. Ray Browning appeared at the hearing and testified that he doesn't have an issue with the 2018 property valuation for this property. Chairman Schmidt closed the hearing as 12:26 P.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-57: Savage and Browning/ Dial – Sunset Mall LLC, 8676 West 96th Street, Suite 100, Overland Park, Kansas
Sunset Plaza Subdivision First Platting Lots 6a & 6b & Pt Vac Market Lane

Protest #2018-58: Savage and Browning/ N S P LLC, 8676 West 96th Street, Suite 100, Overland Park, Kansas
Sunset Plaza Subdivision First Platting Lot 7

Chairman Schmidt opened a hearing at 12:27 PM. Ray Browning appeared at the hearing and testified that the subject parcels are the Sunset Plaza Mall in Norfolk. He stated that it wasn't a big surprise that BonTon filed for bankruptcy because they had been showing signs of it for almost 1½ years. He stated that as more tenants move out of the mall, there will be fewer sales. He stated that one big factor is the vacancy of Herbergers, but it is worse than that because they don't have confirmation from JC Penney about their lease which expires in 2019. He explained that about a year ago communication between the owner and JC Penney indicated that the tenant was asking for concessions and saying that they were going to close down or would only extend their lease for one year if they had to pay common area maintenance and taxes. He stated that they are not a stable tenant because in 2019 there is a risk that they may not be open. He stated that this is the economic reality of rural areas and it's not unique to this small because they are seeing this across the country, especially in rural areas. He said that when JC Penney did mass closings across the country there were a disproportionate amount that was in rural markets. He stated that the JC Penney store in Fremont and North Platte closed. He said that malls will need be to get creative because it becomes a domino effect when malls start to lose anchor stores. Mr. Browning explained that national tenants that are located in malls write into their leases that if the anchor stores close, or a certain number of tenants leave, they have a kick out clause which means that they can shut their doors and walk away, or they have a co-tenancy clause which means they can reduce the rent to a percentage of whatever they sell which is usually a very low percentage. He reported that a mall located in Ottumwa, Iowa which had JC Penney and

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Herbergers as anchor stores were 100% occupied four years ago, and now the mall is completely empty. He submitted a document listing tenants and co-tenancy clauses in the lease documents. As an example, he explained that the Subway lease states that if any two of Target, JC Penney, Herbergers, or their assignments cease operations they have the option to terminate their lease. County Assessor Jeff Hackerott asked if the lease is written so that the tenant can leave, but has to pay the remaining portion of the lease. Mr. Browning stated that the tenant does not have to pay the balance of the lease. He explained that national tenants will tie themselves to the anchor stores in a mall to make sure that if the anchor stores are not open and operating, that they have the option to walk away or go to a rental rate based upon a percentage of income. He reported on other co-tenancy clauses in the leases for Bath and Body, GNC, and Trade Home Shoe stores. He said that when discussing values and transfer, risk must also be considered because if someone looks to buy the property these factors impact what a buyer is willing to pay since they know they can't control JC Penney whose lease expires in 2019 and who has already indicated that they may not keep the store open. He explained that this is hard to measure, except in cap rate. He submitted a copy of the company's operating statement and summarized the income approach to value. He reported that on January 1, 2018 the mall was 50% vacant which included the Herberger space, even though they were physically open on January 1st. He stated that if the mall was 100% leased at the market rental rates, the gross potential income would be \$1,729,556. He reported that he applied a vacancy of 25% and added in miscellaneous income of \$566,807 to arrive at an effective gross income of \$1,863,974. He stated that he included \$1.50 per square foot for operating expenses which results in an estimated net operating income as \$792,554. Mr. Browning explained that information for the years of 2013 through 2017 are also included in the document which illustrates that the net operating income has declined from \$1,395,018 to \$677,613 in 2017. He stated that this information does not reflect the closing of the Herbergers store. He said that they tried to stabilize the net operating income for the mall by using \$792,554 for 2018 and used a 12% cap, which results in an indicated valuation of \$6,604,617 or \$28 per square foot. He reported that the only tenant who will move into an existing vacancy is a local business because the days of attracting a national tenant for this mall in its current condition are numbered. He reported that there has been some sales of malls. He reported that the Conestoga Mall in Grand Island is located in a bigger market area and it sold on June 9, 2017 for \$12 million, which equates to \$19.67/square foot; so, this sale gives an indication of the market. Mr. Browning stated that the cap rate was 20% on the Grand Island mall. He presented additional sale comparables of Crossroads Mall located in Fort Dodge, Iowa which sold for \$7.29/square foot, Chapel Hill Mall in Akron, Ohio which sold for \$10.29/square foot, Hudson Valley mall in Kingston, New York which sold for \$10.58/square foot, Cross County Mall in Mattoon, Illinois which sold for \$16.35/square foot, and Orchards Mall in Benton Harbor, Michigan which sold on auction for \$3.97/square foot. He stated that a trend is established and there is some support in the market for the square foot sales. He said that the Conestoga Mall is a good comparable and it illustrates the risk for shopping malls in the states because of the change of retail shopping habits. Mr. Browning reported that comparable assessments are the Conestoga Mall in Grand Island which is valued at \$20/square foot and the North Platte mall which is valued at \$17/square foot. He stated that other Assessors are recognizing the dire conditions of malls and trying to establish a value. He stated that the company that owns the Sunset Plaza mall has owned it for a long time, they are committed to this area, and they will do whatever they can to turn it around; however, the tax load is beginning to hurt. He said that because they have so much vacancy they don't have a place to recover the tax burden. He said that the more that the owners need to spend on the taxes; the more viable it will be for them to invest back into restructuring. He said that when they find an anchor store for Herbergers, and if they need to find an anchor store in one year for JC Penney, there will be some cost involved in finding a tenant and reconfiguring the space because no one wants such a large space. He said that there will be a lot of investment that the owners must put back into the property to re-tenant it. He requested a 12% cap rate which would equate to \$28/square foot which is likely fair market value. He reported that he has seen ideas about re-purposing malls including turning them into retirement communities and government use buildings. He said that the Norfolk mall is not at this stage because there is still 50% occupancy; but, in the future, alternate uses may need to be considered. He reported that the North Platte mall was valued at \$18 million three years ago and the current assessed valuation is \$5 million. Chairman Schmidt closed the hearing at 12:50 P.M. Motion was made by Ohl and seconded by Prauner to table a decision on the protest. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-59: Savage and Browning/Pasewalk Plaza LLC, 8676 West 96th Street, Suite 100, Overland Park, Kansas
Pasewalk Plaza Addition Pt Lot 2

Chairman Schmidt opened a hearing at 12:51 P.M. Ray Browning appeared at the hearing and testified that he will accept the 2018 assessment because the owner didn't provide the information for the shopping center and this parcel is a parking lot. Chairman Schmidt closed the hearing as 12:52 P.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-60: Savage and Browning/Pasewalk Plaza LLC, 8676 West 96th Street, Suite 100, Overland Park, Kansas
Pasewalk Plaza Addition Lot 3

Chairman Schmidt opened a hearing at 12:51 P.M. Ray Browning appeared at the hearing and testified that he will accept the 2018 assessment because the owner didn't provide the information for the shopping center and this parcel is a parking lot. Chairman Schmidt closed the hearing as 12:52 P.M. Motion was made by Prauner and seconded by Ohl to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

Protest #2018-61: Savage and Browning/M F P Mid-America Shopping Centers LLC, 8676 West 96th St., Suite 100, Overland Park, KS
Commonwealth Park Fifth Addition Lot 2-R

Chairman Schmidt opened a hearing at 12:53 P.M. Ray Browning appeared at the hearing and testified that subject was marketed and recently leased to Harbor Freight; however, the rental rates were not shared with him. He submitted income and expense information for the property. He reported that the owner told him that they would be thrilled if they didn't need to divide the space in the building and be able to rent it at \$6.00/square foot net lease. He explained that the owner did need to divide the space and he doesn't know what amount was spent on this process. He said that Harbor Freight doesn't require a large amount of building finish. He stated that he is looking at the assessed value of the property on January 1, 2018 and assuming that the owner will get \$6.00/square foot for the entire 34,000 square foot space and not spend any money. He stated that the potential gross rent would be \$526,506 if leased at \$6.00/square foot, and taking into consideration the vacancy on January 1st, the market analysis would be \$175,904 on a net-net basis. Mr. Browning explained that information for the years of 2014 through 2017 are also included in the document which illustrates that the net operating income was approximately \$381,000 in 2014 and 2015 because there was a very high lease rate with Hastings book store. He reported that he used a cap rate of 8.55% which results in an indicated value of \$2,057,357. He reported that the owner divided the building space with Harbor Freight using 18,876 square and 15,374 square foot vacant. He said that his notes indicate that Harbor Freight isn't using the entire space and he asked if anyone was inside Harbor Freight to see if the business is using the entire space; but, no one had been inside the store. Commissioner Schmidt said that Mr. Browning testified that Hastings Book Store moved out because they were paying high rent and he asked why the property owner doesn't lower the rental rates to keep current tenants. Mr. Browning responded that there are times when an owner won't reduce rent and would rather have the space vacant so they can re-control it and do something else with it, or get a better tenant so a better lease rate could be negotiated. He stated that the owner was getting great rent from Hastings Book Store for a long time and then they leased the other part of the building to Hobby Lobby at \$6.00/square foot which is more of a reality for the property. Chairman Schmidt closed the hearing at 1:10 P.M. Motion was made by Ohl and seconded by Prauner to make no change to the 2018 property valuation. Roll call vote: Ayes, Ohl, Prauner, and Schmidt. Nays, none. Motion carried.

The Board of Equalization recessed at 1:35 P.M. to Tuesday, July 17, 2018 at 9:00 A.M.

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Nancy Scheer
Madison County Clerk

Ron Schmidt, Chairman
County Board of Equalization