

**CITY COUNCIL WORKSHOP MEETING
MAY 2, 2012**

Call to Order

Mayor Merrifield called the meeting to order at 6:00 p.m. in the Council Chambers, Franklin City Hall.

In Attendance

Councilor Dzujna, Councilor Sharon, Councilor Cournoyer, Councilor Desrochers, Councilor Feener, Councilor Trudel, Councilor Starkweather, Councilor Boyd, Councilor Clarenbach, Mayor Merrifield, and City Manager Dragon.

Salute to the Flag was led by Councilor Clarenbach.

Update regarding Assessing from Wil Corcoran Associates

Manager Dragon advised the purpose of the meeting tonight is to get a sense of where the City's assessment are and get a proposal or understanding as to what should be done for the upcoming year. The overall City's assessments are declining to some degree and last year there was discussion from the assessors as to whether or not a partial update should be done and there is a question as to whether the multi-family units should be adjusted and she stated with the upcoming budget, this is the time to have this discussion. She stated she requested the assessors come tonight to discuss the overall values of the City, what they see for trends, what categories and what they recommend for the upcoming year and what it would mean to our tax rate in general and what it would mean for the budget.

Mr. Wil Corcoran and Ms. Janice Carruth offered the following insights/information concerning Franklin and assessments. Mr. Corcoran stated he does not have anything printed but he stated based on the concerns expressed tonight he will put together a comprehensive memo addressing those concerns.

He stated we are in a confluence of events occurring all beyond our control and one of them is the market, and it is not just the multi-family homes. The market is eroding in the City of Franklin. When you drive down the main street, you see all the vacant stores but not necessarily the commercial, it is also residential. Many are just at the edge of their ability to hang on to their properties due to no fault of their own. Around the State things seem to be beginning to stabilize. He stated they have seen anywhere from 8% to 15% decline in values in the past two years around the State and that has begun to stabilize but he stated they have not seen any stabilization taking place in Franklin.

The other event is the certification year. Every 5 years it is required to certify the assessments to be within a certain percentage range. The City needs to be no lower than 90% and no higher than 110% of market value. Every sale price is taken that is legitimate and that is compared to the assessed value and they do all the sales that occur and they rate them from high to low and the middle point referred to as the median and it is called the median ratio. He stated they just received a report from the Department of Revenue and for 2011 the City is at 109% of market value which means on average properties are assessed at 9% higher than what they are selling for. It was decided not to do the update last year given that the certification year is coming up in 2013. Because Franklin is a fiscal municipality it begins July 1st of 2012.

Mr. Corcoran stated the decline in the market has not been uniform across the board. Multi-family units have been an issue and it is not just Franklin and it has much to do with the fact that the banks are not loaning or they require stiff money down or a provision that they carry a year's worth of rents in escrow which has made it very hard to purchase and as a result many end up going through foreclosure. He stated approximately 90% of the multi-family homes that have sold in Franklin have been after foreclosures. Those kinds of sales cannot be used. Mr. Corcoran commented he is seeing more of a decline in values in Franklin than other places but the decline is happening everywhere.

Concerning an update, Mr. Corcoran suggested that it be held off and do it right in 2013, the year it is required. He stated he would follow the Council's direction but at this time they are recommending the update wait until 2013.

Mr. Corcoran stated as an example if the City were to lose 20% in value across the board, the tax rate would automatically increase 20% because the expenditures that are authorized have to be raised. When you have less value it causes the rate to increase. He stated as of last year the City is at 109% value and the State stops looking in October. Sales are occurring now from October, 2011 to the present that are showing a continuing decline. The multi listing at what they are asking for on the market, they are not going to get more than what they are asking for. The median, first he stated he takes 10% off the asking price, but in this market you are likely to sell for 80% of the asking price. He stated just for discussion he would take 10% off the asking prices, and compared that to the existing assessments. Overall he stated the City is at 120%, which indicates a continued erosion; the market continues to decline. He stated they are finding a lot of older homes are having trouble selling. Older homes overall at 128% of asking price, new homes at 114%. He stated each property type will have to be treated in accordance to the specifics of that category of property.

Mayor Merrifield asked if Mr. Corcoran could go through the major strata and the percentage variance in each of those. Mr. Corcoran commented that the equity is still excellent, the City in 2011 was assessed at 109% of market value plus or minus the COD (co-efficient) at 8%, anything below 20% is acceptable and anything below 10% is considered excellent assessment equities and the City has 8%, therefore the assessments are equitable among themselves. Mayor Merrifield asked if the co-efficient would be described as a measure of fairness within the community. Mr. Corcoran responded yes, in many parts of the country they call it the equity measure, how equitable is it. Mayor Merrifield commented this could be one reason to delay an update as if you are generally treating everyone reasonably fair and not being forced to do the update until next year. Mr. Corcoran stated at this point he would concur but commented they still have many months of sales to analyze.

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Mr. Corcoran gave the following information concerning what is called a stratified analysis which is cut by property type. The only properties that have sold are represented and the report is from the Department of Revenue. Overall the City's median ratio 109%, single family homes are 108%, the rest is deferred because they felt there was not enough property types but they did offer some statistics. Waterfront is 105% and he stated is internal statistics show closer to 100%. Mrs. Carruth commented that they see what is going on out in the field and that she would say multi-family are probably up to 115%. She said another problem is the financing as they are requiring 30% down, it is very difficult to get any kind of a mortgage right now.

Councilor Desrochers asked is it required by law that next year we have to do the update on assessment. Mr. Corcoran responded that is correct. What will the City gain by doing that? He commented we are already assessed at 109% so if the property values go down then the tax rate will have to be raised and their property values are less. Mrs. Carruth explained that even if the tax rate went up your tax bill would still be in the same range because your property value is less. Mayor Merrifield commented the mistake a lot of people make is to compare the local tax rate from one community to another, which is not really what you should do; you should compare the equalized tax rate to get a comparable measure.

Manager Dragon stated that Mr. Corcoran is recommending the City do the update next year (2013) when it is required so it would coincide with our certification process. Mr. Corcoran stated that is correct. Manager Dragon stated to get the timing, for our fiscal budget that would be for this budget we are working on right now. She asked if he knows in terms of dollar amounts for the additional work. Mr. Corcoran stated he has not got that far yet but it won't take much. He stated one of the benefits of the fiscal system is that we will start the process under the City's 2013 budget and finish in the City's 2014 budget, so it will be split over two years. It was stated that if need be they could hold off to July 1, 2012 but there would probably be some things that could be accomplished in this budget. Mr. Corcoran advised that he would put the money on a time line. Manager Dragon requested clarification on what the update would involve. She

stated she knows that 20% of the properties will be inspected. The statistical update is to bring all of our values in line. What needs to be done to accomplish that? Mr. Corcoran advised they use a mechanized evaluation system called Computer Assisted Mass Appraisal. The first thing and the most expensive thing is to make sure the data base is correct and he stated he is confident that the data base is reasonably accurate. From there the CAMA System, what does it cost to build a new house today and that has to be put into the machine, replacement costs new and they have a number done with contractors, also national publications that are localized by zip codes and this is all behind the scenes, no one knows about it until a new value is established. Then depreciation studies are done, older house currently are assessed at a higher rate than newer properties, it means a more accelerated depreciation table for older homes or a lower ceiling for the older houses. The depreciation tables are reproduced, new land schedules as was mentioned that land is assessed too high so most land values will come down unless we hit gold in the next year. He stated basically we take the machine apart and then put it all back together and then run all the numbers and do impact studies, ratio impacts, tax impacts, some of the things that are not typically considered is the impact you are having on a property when you double the taxes as you kill the value and those kinds of studies are done. Notices are then sent to every tax payer as to what their proposed new value will be which would be in 2013. Long before notification is sent out the reports will go to the City Manager. Mr. Corcoran also commented that handouts and a good public relations program should be considered as part of the update. The website is another way to give people information concerning the update. Mrs. Carruth commented that people in Franklin are familiar with the process.

Manager Dragon requested that when the time line for the monies is prepared could a time line for the process also be prepared. When will the process start, when would we be at the point that we could be doing work in CAMA System, when would each piece of the puzzle be done. Mr. Corcoran stated once they send out notices people will have an opportunity to come in and the last time this was done no one came. He stated he feels this will be a bit more dramatic this time because the change in the market. Some re-inspections may be necessary

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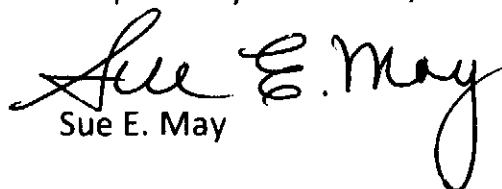
we there are millions of pieces of date in the CAMA and it all can be totally exact. Mrs. Carruth commented that they analyze sales throughout the year as they come in as they may change. Mayor Merrifield asked if there was a property that was assessed at \$650,000 and someone purchased that property for 2.3 million dollars is it correct that is all new value to the City. Mrs. Carruth responded not necessarily, as that was a special purchase, bought for a specific purpose. If that property were sold as a normal vacant piece campground, it would never have commanded that price. She stated one sale does not a market make and this sale would not be considered. Public utilities is probably going to need an engineer for the appraisal, it is a specialty item. Mrs. Carruth stated that cost does not always equate taxable dollars.

Manager Dragon stated she needs the time line and the funding as she is working towards finalizing the budget and information on the public relations campaign.

Mayor Merrifield asked if anyone on the Council objects to delaying the update into the next year. Mrs. Carruth cautioned because of the perception when values get over 100%, the abatements increase so enough you be in the overlay to cover the abatements. Councilor Dzujna asked if there is any idea on how many abatements there might be and Mrs. Carruth stated she would guess probably 50 abatements as there were about 50 last year. She also commented that abatements to process takes about 8 hours to process.

Motion to adjourn made by Councilor Feener, motion seconded by Councilor Cournoyer. All in favor, meeting adjourned at 7:00 p.m.

Respectfully submitted,


Sue E. May