

August 14, 2008 Edition of The Oldham Era

Developers Gain Hefty Tax Savings

By John Foster

A recent decision means a multi-million dollar reduction in property tax assessments and a drastic reduction in taxes for some local developers.

The developers may be happy, but Property Valuation Administrator Ron Winters is not. He plans to appeal a decision by the Oldham County Board of Assessment Appeals.

First, some background.

In June a group of local developers, including Bob Jones, Walt Schumm, Joe Pusateri and Jay Hall, appealed the assessments of about 340 vacant lots they own.

Like any property owner, they have the right to appeal a property value assessment if they think it's too high, therefore, reducing their property taxes.

The board hears several appeals from homeowners each year. This year they decreased a few assessments based on information from the property owner, maintained several and even increased a few, according to records of the appeals.

Four property owners other than the developers contested assessments on vacant lots. Two saw their two lots' assessment reduced, one saw her assessment maintained, and one saw his assessment on three lots double.

Then the board reduced values of about 340 vacant lots owned by the developers – a blanket reduction of 25 percent.

All told, the developers' assessments dropped by a combined total of more than \$6.5 million, according to documents showing results of the appeals.

Winters said the reduction means the developers will be shouldering a smaller share of the tax base and all other property owners in Oldham County will have to pay slightly more taxes for governments to make their required revenue. He is

also concerned that every developer in the county will come to him next year and demand 25 percent off their assessment.

He believes his method of assessment is the most fair and accurate method. That's why he is appealing the board's decision to the state board of assessment appeals.

He assesses a property's value by looking at the sale price and looking at what similar lots in the subdivision have sold for.

"Whatever price you're selling it for, that's what I'm assessing it for," he said.

Schumm, who owns 34 lots in Ballard Woods subdivision and two lots in Sycamore Run subdivision, said he thinks the lots were assessed well above their value, that's why he appealed. He said he and the other developers are following the due process of law.

Bob Jones, who owns the largest share of the vacant lots, is out of town and unavailable for comment.

Schumm said the slow housing market of 2007 — the year assessments are based on — mean vacant lots don't have the value they used to.

"All of us are sitting around with a bunch of unsold lots," he said.

Those lots require no police or fire protection, he said. As a matter of fact, developers help create revenue for city and county governments — increasing the value of land by paying for roads, sewers and water lines.

He points to a pair of memos that prompted him to appeal his assessment — one from the state PVA and one from the Home Builder's Association of Louisville.

HBAL Executive Vice President Chuck Kavanaugh said the association encouraged builders to appeal valuations they thought were too high and reminded them of the various acceptable ways to assess value. List value is not the same as fair market value, he said.

"The list price is not necessarily what it sells for," he said.

In March, David Gordon, executive director in the Kentucky office of property valuation sent a memo to property valuation administrators.

There are a variety of factors that can go into assessing vacant lots, including market conditions, profit margin and cost to the developer. These reasons mean a vacant lot can be assessed lower than the list price, Gordon said.

The Oldham County Board of Assessment Appeals includes realtors Tom Cox and Herb Head and appraiser Rusty Davis.

Cox said the board took into account market conditions and agreed the assessments were too high.

“There’s no question they were assessed too high,” he said.

He said developers’ records show they hadn’t sold many vacant lots in 2007.

“There is only one reason property will not sell,” Cox said, “and that is price.”

In other words, the asking price is higher than actual market value of the land.

He said the board did not take into account developer costs or profitability — only what they thought the lots could sell for.

As for the 25 percent reduction, that was somewhat arbitrary, Cox said. There were just too many lots to assess each of them individually, he said, and he would have liked to see them reduced by more.

When Winters heard they reduced the lots 25 percent across the board, “My teeth like to fell out of my mouth,” he said.

He said no one would stand for the opposite extreme.

“If I raised everybody by 25 percent across the board, I would lose my job,” Winters said.

Schumm is vice-chair of the Oldham County Board of Education, which collects the most tax money of any county entity. He said there is no conflict between his appeal and sitting on the board. If the board votes to raise a tax rate, it affects him as a developer more than homeowners with a single property, he said.

“I’d say I’m paying more than my part,” he said.

He said he didn’t get the reduction he thought he deserved.

“It’s a fair compromise,” he said.

E-mail us about this story at: jfoster@oldhamera.com.