

**REAL ESTATE COMMISSION MEETING
MARCH 12, 2015 11:00 a.m.
Selectmen's Meeting Room – Town Hall**

MINUTES

PRESENT:

Real Estate Commission: Tom McGuirk, Ute Pineo, Christina Baker,
Town Attorney Mark Gearreald, Town Assessor, Ed Tinker
Mr. and Mrs. Barthell
Paul Brown, Appraiser for the Barthell's
Vern Gardner, Appraiser for the Town

CALL TO ORDER 10:59 am

Election of Chairman of the Real Estate Commission:

MOTION: Ms. Pineo moved, seconded by Mrs. Baker to elect Mr. McGuirk as Chairman of the Real Estate Commission.

VOTE: MOTION passed unanimously.

Town Attorney Gearreald swore in those who will be presenting today including:
Mr. and Mrs. Barthell, Mr. Tinker, Mr. Gardner, and Mr. Brown.

Mr. McGuirk explained the process and how the meeting will be conducted.

Mr. Barthell thanked the Commission for arranging this meeting and conducting the arbitration. He explained that he and Mrs. Barthell have been New Hampshire residents for 18 years, with 9 being in Hampton. He stated that they engaged in a Lease with the Town of Hampton in 2006 and would like to investigate the possibility of purchasing the leased land. He also noted that Mr. Brown submitted an appraisal of the property to the Town. The goal of the appraisal is to come up with a fair market price for the land, regardless of the assessment; and, to see if they do purchase the land, they could turn around and sell at the same price. This, he said, is what determines fair market value.

Mrs. Barthell stated she is very pleased with Mr. Brown's appraisal. She also spoke of the property at 23 Concord Street, which she said is close to their home and has 100 feet of ocean frontage. She stated she feels this is the closest and best comparable and thought the price was a good one.

Mr. Brown stated that he is not an advocate for his appraisal report only and has respect for the Town's appraiser, Mr. Gardner. He also stated that one will never find two appraisers who agree on anything. He referenced the grid on Page 11 of his Appraisal Report and stated the most important fact is the bottom line on the grid where he extracted the land value from the sales price of the comparable properties. He used assessed value of the buildings. The only adjustment is the change in value over time since the sales occurred. He also pointed to the bottom of the grid with the per acre values,

showing the acreage and the price per acre. He stated that values per acre decrease as values increase. The chart shows the correlation and it works out that a property on 2.1 acres is worth \$686,000. He noted that on page 13, he uses the income approach and used the sale of 48 Beach Plum Way. By dividing, he ended up at a 4% capitalization rate as applied to the lease: \$33,674 divided by 4%, to arrive at the \$790,000 figure.

Mr. Brown also noted that on Page 24, he concluded that the Beach Plum Way property is smaller; however, the location is better. Further, the assessments were lower than the actual, resulting in the \$686,000 figure.

Questions by the Commission:

Ms. Pineo asked about the buildings on the two lots at 33-35 Dover Avenue and if they were single or multi units. She also asked if they were year round residences.

Mr. Brown stated the buildings were wood-frame, two story structures and one was single family, one multi-family. They are year-round residences.

Mr. McGuirk noted that the two-family is on the ocean, whereas the single family is to the rear.

Ms. Pineo asked if the units are rented. Mr. Barthell stated the units are rented weekly during the 10-week season with the rent for the first floor of the multi-family at \$1500 per week, and second floor at \$3000. He pointed out that the units are not rented for all of the 10-weeks during the season.

Ms. Pineo questioned what would be done with the buildings, and if they would be used differently if the land were purchased. Mr. Barthell said that, if the Town would allow, they would subdivide and would live in one house and sell the other. Further they would not structurally alter the buildings; however, may put on a deck or do normal improvements. He also said they would move into the front building, and depending on permits, would make improvements on the property. He stated the building would not be demolished and/or re-built.

Mr. McGuirk asked where the Barthells lived when the three units are rented. Mr. Barthell said they live in Boston or New York with relatives. He also noted that the 33-35 Dover Avenue is their primary residence and they did not move out for the summer when they first purchased the property.

Mrs. Baker asked that when Mr. Brown looked at the property, did any figures come into play and what impact did the buildings have on the property. Mr. Brown stated he was looking at the land and extracted land values for a parcel that size, further it would not have made any difference if it was a single building.

Mr. McGuirk questioned the inclusion of 23 Concord Avenue as a comparable in that it was an estate sale and not an "arm's length sale", with the value being lower on the open market, given the above. Mr. Brown stated that 23 Concord Avenue was on the Multiple Listing. Mr. McGuirk stated that #21 Concord was on Multiple Listing and the land was transferred to combine the two parcels.

Mr. Brown stated that if #23 Concord Avenue was not "arms length" the price would have been lower and he was not aware it was an "arms length" transaction. Mrs. Barthell also stated she was unaware of the above.

Mr. McGuirk said that #21 was on the open market, and was bought by the neighbors and, further, a neighbor is not considered to be “arm’s length”.

Mr. Brown said it was difficult to come up with comparables.

Mr. McGuirk spoke of the cap rate at Plaice Cove noting that a \$33,000 lease is an expense using the income to generate the cap rate. The value would be to the Lessee and not someone on the open market. He also questioned why other rental/income properties were not used to determine what the land value would be. He also stated this is an expense and when looking at purchasing property, one can purchase and pay 2% to the Town to pay to buy the property.

Mr. Brown said he had known 23 Concord had rented and the market rents would have been a good way to get back to the actual land value. Mr. McGuirk stated Mr. Brown would have had to come up with different figures, had he known. Further, Plaice Cove is a different area than Dover Avenue.

Mrs. Baker asked Mr. Brown as to why he does not agree the current value is less than fair. Mr. Brown said that “fair” is not a good term and is probably proportional. He referred to Page 11 of his Appraisal, noting that most properties sold for less than the assessed value. Further, if they are proportional, does not mean they are unfair.

Mr. McGuirk said that one must look at the time frame and this was right in the middle of the market being down. Mr. Brown noted he adjusted for time as shown on the graph on Page 12. Mr. McGuirk asked if there was adjustment for the upswing in the past few months, and Mr. Brown stated there had been no adjustment since this past summer and the average of \$309,000 was adjusted from the time sales took place. The graph shows the percent change and the graph is from ZILLOW which is an online source.

Mr. McGuirk pointed out that the market remains stable whether it is January, February or earlier or later. Mr. Brown said there are not as many buyers in February as in April, May, or June and there is less competition which means a lower price.

Mr. Tinker questioned Mr. Brown on the following:

The comps used at 23 Concord, 2 Nor’East Lane, and 16 Nor’East Lane – was the research at the date of the sale building value at that time. Mr. Brown said he used the assessments and the buyer of 48 Beach Plum paid more than the assessed value. Mr. Brown stated the number should have been lower at #2 Nor’East.

Mr. Tinker asked if building values were lower in quality and value, would the comps have been higher. He also noted that there were massive construction changes after the property sales. The building at #2 Nor’East had a value of \$354,700. At the time of the sale, the permit was wrong and the buyers built bigger and better than what they had purchased.

Mr. Brown said that the number should have been lower for #2 Nor’East Lane.

Mr. Tinker noted the sale of 44 Beach Plum and said that #40 Beach Plum sold three months before #2 Nor’East Lane. The sale of #40 had conditions and the property “sat” until selling at \$1,050,000.

Mr. Brown said he did not see these sales.

Mr. Barthell stated that something is worth whatever someone is willing to pay. If someone comes forward and asks about things to be considered such as land, location, structures, etc., this is what is what he would like to achieve. He and Mrs. Barthell want to own the house and the land, but at Fair Market Value. He also commented that the beach is unique and if a price were agreed upon today to buy the land, could they (the Barthell's) put it on the market for the price someone else is willing to pay. Most of the time, he said, assessed values have nothing to do with the price paid. He also asked what the Commission would determine as the price of the property.

Mr. McGuirk said when 33-35 Dover was on the market in 2006, it was difficult to sell because of the financing options. No one would give a mortgage, so the cost of buying the property was higher than the average buyer could pay. They (the Barthell's) had the means at \$750,000 (\$665,000 was the actual cost), with \$750,000 being the land value at the time of purchase. If land and buildings were combined there would be more buyers because the land is owned. Property value goes up with owned land.

Mr. McGuirk asked Mr. Tinker about Haverhill Street, that being a similar location to 33-35 Dover. Mr. Tinker said it was a two-family with another building converted to Condominiums. The owner sold the bottom unit for \$1,050,000 to the people on the first floor and the second building sold for \$580,000. Mr. McGuirk pointed out that Haverhill Street was in higher condition than 33-35 Dover in that it was done over from the original older cottage type building and most of the frontage was ocean. He said if someone was going to purchase, would see a potential of selling for about \$3,000,000.

Mrs. Barthell stated that the amount of ocean front is not the same in that they have a triangle lot that is 130 feet and no more than 40 feet is ocean front. The rest is a towering high sand dune. She also noted that 30 Dover Ave has a lower assessment in that it is not oceanfront. She also stated the view of the ocean is not full from 33-35 Dover as is hidden by the dune.

Mr. McGuirk pointed out that lots are 50 feet of oceanfront. He also noted that lots are usually 40 x 80 and the Barthell property has 0.09 acres. He stated the second lot in from the ocean is standard at the \$323,000 assessment.

Mrs. Barthell pointed out that 23 Concord Avenue has 100 feet of true oceanfront.

Vern Gardner, Appraiser for the Town, was introduced by Mr. Tinker who asked how Mr. Gardner arrived at his value and whether there was anything of particular interest when arriving at the value.

Mr. Gardner, reviewed and addressed his background and work. He stated he had been in this work for 44 years and has a MAI designation, one of 12 Appraisers in the State with that credential.

Mr. Gardner stated that 33-35 Dover Avenue has two buildings with a 2 family in the front and 1 family to the rear. He noted he could not find clean waterfront sales within the Thornton, Dumas, Campton area with only one recent transaction. All properties had water frontage with some ledge problems, more to the north than east while looking at the river vs the ocean. To compensate for those, he went into the marketplace and researched sales he could find. He concluded that he has the results of the locational adjustment on Exhibits 4-5 of the Appraisal Report he submitted to the Town. His conclusion is that the land value is \$850,000 using the Market Value approach. He explained he did not use the income approach in that this is rarely used with residential properties. He considered using total values and pulling out the buildings, but could not find anything suitable as a comparable.

Mr. Gardner stated there is a lot of information, but it was not very valuable, so he fell back to the vacant land sales. He noted a recent sale, which is Exhibit #3 in his report which supports over \$1 million which indicates the market is moving up and stabilizing. He stated that in 2012, the market went flat however, is now moving up reasonably. He took selling prices in 2009 and 2014 and the increase over the 5 years was 26% which indicates the market is healthy. Recession, he stated, has ended for some, but not others.

He pointed out that Exhibits #4 and #5 were waterfront selling for \$1 million plus. He noted that taking the selling price and subtracting the assessed value of the building only places a great deal of weight on the numbers.

On question of Mr. McGuirk, Mr. Gardner stated, regarding portional, that placing weight on the building assessment, if the building number is good, why isn't the land value just as good. If one gets back to the 2 Nor'East Lane property, it was substantially torn down and in the #3 exhibit is a photo of the property on the day of sale and the next page shows how it looks today, which is completely different. Appraisers have been known to say when a building is torn down, it is a "land sale".

On question of Mr. McGuirk regarding 2 Nor'East vs 4 Nor'East Lane, Mr. Tinker said that 4 Nor'East sold twice in the past few years. After the first sale, there was an attempt to sell and it did sell for more.

Mr. McGuirk stated that 4 Nor'East Lane is east and facing more waterfront and looking at both, questioned why #4 Nor'East was overlooked as a comparable. Mr. Tinker pointed out that 60 Beach Plum sold for \$1.9 million before 2010 and resold for \$2.6 million. He also stated that when something on the waterfront goes on the market, it goes quickly. He spoke to sales, tear downs, and rebuilds using 1030 Ocean Boulevard as an example.

Ms. Pineo commented on 4 Ocean Drive which sold for \$1.5 million and was a tear down. Also 15 Ocean Drive was a tear down.

Mr. Tinker commented that there are seven ocean-front neighborhoods. Mr. Gardner stated there was some lag in the market because of the uncertainty of the flood hazard zones.

Mr. McGuirk pointed out the increases in value between the various areas including Hampton vs Plaiice Cove or North Beach. Mr. Gardner said there is no increase in value due to streets, sidewalks, etc. Mr. McGuirk stated there is no market improvement due to main beach improvements.

Mr. Gardner continued by saying that frontage makes a difference and, if there are two water front lots, one wide and one narrow, they would be the same price; however, the one with the better view would have a little more value.

Mr. McGuirk questioned if comparing 23 Concord with 33-35 Dover, how it would be valued. Mr. Gardner said that if one takes out the "arms length", they are physically very similar; however, the 33-35 Dover property has a higher use because it can be divided into more units. With regards to site point, they are the same. Mr. Gardner said he is not familiar with 21 Concord so cannot comment.

Mr. Brown pointed out the paragraph at the top of page 3 of Mr. Gardner's report "Use Restrictions" which stated that the Appraisal is not intended for third-party use. He said he has no way of knowing

how to deal with that Appraisal. Experts are commissioned, can look at a property, and know what it is worth.

Mr. Barthell questioned the Highest and Best Use on Page 6 of Mr. Gardner's report which gave the numbers of \$450,000 to \$750,000 then jumped to \$850,000. He asked how Mr. Gardner arrived at the \$850,000 number. Mr. Gardner stated that the range is a "rough range" and is intended to leave out extremes. The range could have been \$500,000 to \$1 million, but he was instructed to leave extremes out. Further, he commented with regard to the 3rd party, there is no third party in that his report was submitted to the Town and it is a Real Estate Commission report.

Mrs. Barthell commented that their property has only 40 feet of ocean front view and when they first bought the property the road was not paved as far as it is now. The telephone pole is the boundary and the rest is dune. She also stated that in 2 of the 3 comps used there is less traffic on the other side of the bridge and that ocean views are more expansive.

Mr. McGuirk stated that the river side is a different zone in that it is RA. Further, the frontage is in relation to zoning codes. He also stated that the RA Zone is single family, residence only with no variances. Where the Barthells are located, they are allowed more units with a variance which may be more attractive to a buyer. When looking at a buyer who is looking at luxury, one cannot support river front vs ocean front as it makes a big difference.

Mr. Tinker stated that the sales used reflected location and zoning but the fact that it is river front is factored in. This, he said, is a factor related to assessing property values and averages are developed to be fair and equitable. He also noted the market is different today.

Mr. McGuirk asked Mr. Gardner where he came up with the numbers of \$750,000 and \$850,000. Mr. Gardner stated the basis for his conclusion is in his notes and some came from the multiple listing sheets. The location data and time/date for the change of market data information were drawn from his file.

The hearing portion of the Application Hearing was closed.

Mr. McGuirk said there is a lot of information to be reviewed and recommended the Commission recess recessing and reconvene at a later date.

MOTION: It was moved by Ms. Pineo, seconded by Mrs. Baker, and voted unanimously to recess the meeting at 12:27 p.m. and reconvene on WEDNESDAY, March 18, at 11:00 am.

Respectfully Submitted,

Anne Marchand