

M E M O R A N D U M

TO: Mr. Eugene J. Marraccini, Director of Business Affairs
Plum Borough School District

FROM: James M. Berent, Esquire *JB*
Anthony Giglio, Esquire

DATE: July 27, 2015

SUBJECT: 2013-2015 Real Estate Assessment Appeal
Property Owned by: Robert N. & Pamela M. Eisner Revocable Trust
231 Haskell Drive, Plum Borough
Block and Lot: 533-B-65

The subject of this appeal is located at 231 Haskell Drive in Plum Borough and consists of a 201,985 square foot industrial warehouse and parking lot situated on approximately 21.7 acres of land. The property is currently owner occupied by "Certified Carpet Distributors, Inc.," with approximately 60,000 square feet of vacant building area. The property was purchased by the current owner in 2003 for \$1,200,000. For 2012, this property was assessed at \$1,300,000, which generated \$28,860 in tax revenue for the school district. For 2013, the assessment was increased to \$6,748,500 as a part of the countywide reassessment. After a hearing, the Appeals Board issued a disposition reducing the assessment to \$4,955,000. The owner filed this appeal of that disposition seeking a further reduction. This appeal is currently pending before the court for 2013, 2014, and 2015.

We completed discovery in this appeal. In response to our discovery requests, the owner provided comparable sales, photographs of the property, and an estimate of \$915,300 for a necessary roof replacement. The property owner also informed us that the 60,000 square feet of vacant space was being marketed at a rate \$3.50 per square foot by Langholz Wilson, but there is not yet a proposed tenant. The six comparable sales provided were all warehouse/industrial properties in Allegheny County. The properties ranged in size from 90,600 square feet to 200,000 square feet. The sales prices ranged from \$4.50 per square foot to \$8.83 per square foot, with the average sales price being \$7.05 per square foot. The owner's opinion of value was \$1,414,000, based on a price of \$7.00 per square foot for the property.

In our opinion, an upward adjustment would need to be made for the location and condition of the subject property in comparison to the sales and the \$7.00 per square foot value is low. We contacted our real estate consultant, Jim White, who provided us with six other comparable sales of similar warehouse/industrial properties in Allegheny County. Those properties ranged in size from 93,000 square feet to 303,000 square feet. The sales prices ranged

from \$7.25 per square foot to \$14.26 per square foot, with the average sales price being \$10.25 per square foot. While a few of these sales appeared to be in better condition than the subject, we believe the \$10.25 per square foot value based on our sales to be a more accurate market value for the subject.

After negotiations, we indicated to the owner that we would be willing to recommend a settlement value of \$2,000,000 to the District. The proposed settlement value reflects a price of \$9.90 per square foot, which is the average of all comparable sales provided by both parties. The owner is agreeable to this proposal. In our opinion, the current assessment \$4,955,000 is unsupportable for the property.

Please note that under Pennsylvania law, a property owner appealing an assessment has the right to elect either a base year market value or a current market value multiplied by the applicable common level ratio. For 2013 and 2014, the common level ratio was 100%. As a result, there was no difference between the various appeal theories for those years because an application of the 100% common level ratio would not result in a lower base year assessment. However, for 2015, the common level ratio is now 90.8%. The property owner has elected current market value in this appeal, which requires an application of the 90.8% common level ratio for 2015. The resulting assessment after applying the common level ratio is \$1,816,000 for 2015 and subsequent years.

The tax ramifications of this proposed settlement are detailed in the chart below.

Year	Current Assessment	Proposed Assessment	Taxes Based on Current Assessment	Taxes Based on Proposal	Reduction
2013	\$4,955,000	\$2,000,000	\$92,945.89	\$37,516.00	\$55,429.89
2014	\$4,955,000	\$2,000,000	\$92,945.89	\$37,516.00	\$55,429.89
2015	\$4,955,000	\$1,816,000	\$92,945.89	\$34,064.53	\$58,881.36

As you can see, this proposed value will generate greater annual school taxes in 2013, 2014, and 2015, than the \$28,860 generated prior to the reassessment. The total amount of additional taxes for the three-year period is \$22,516.53. However, because the 2013, 2014 and 2015 taxes were assessed based on the Appeals Board value of \$4,955,000, the settlement will result in a tax reduction for each year. Please note, there will not be a refund owed to the property owner as the property taxes for 2013, 2014, and 2015 have not been paid. It is our understanding that the owner was unable to afford the taxes after the reassessment and the taxes will be paid following the completion of this assessment appeal.

After discussions with Mr. White, we do not believe that we would be able to obtain an appraisal report that would reflect a significantly higher value than this proposed value. Therefore, we do not believe it would be cost-effective to litigate this matter further and we recommend that the District approve this proposed settlement.

cc: Lee V. Price, Esquire