



**Summary Report and Minutes**  
**The Board of Equalization**  
**The City of Falls Church**

December 13, 2022

Laurel Room, 300 Park Avenue, Falls Church, Virginia 22046

**I. CALL TO ORDER:** At 4:03pm, the In-Person meeting was called to order by The Board of Equalization Chairperson Aaron Ford

**II. THOSE PRESENT/ROLL CALL:**

*Board of Equalization Members:*

Aaron Ford, BOE Member and Chairperson

Barbara Green, BOE Member

Robert Speir, BOE Member and Secretary

*City of Falls Church:*

Erwving Bailey, Director of Real Estate Assessment, City of Falls Church (Assessor)

Ashley Pollard, Real Estate Specialist, City of Falls Church (Remote)

A quorum was present and affirmed, and the meeting was open to all attendees and the public, throughout. An agenda was posted and reviewed and standardized opening remarks were made.

**III. LIVE RECORDING:** Ashley Pollard, Real Estate Specialist, City of Falls Church

**IV. AGENDA ITEMS:**

Non-hearing announcements—discussion items--None

**V. CASE HEARINGS:**

**Address**

450 N. Washington St.

311 Hillwood Ave.

**RPC**

53-102-041

53-115-075

**Appeal**

063-22AB

050-22AB

*The following sections synopsise the issues and decisions regarding the appeals.*

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**ADDRESS: 450 N Washington St. APPEAL #063-22AB CASE 53-102-041**

Appellant: Jay Adams, Marvin F. Poer & Co.,  
for Woodell Family LTD Partnership  
Original Appeal Date: Unknown; June 2, 2022 to the BoE  
Original Assessment for 2022: \$37,301,900  
Appellant's Requested Assessment: \$35,318,300  
Assessor's Level 1 Decision: No Change

**OVERVIEW**

The Northgate complex is a mixed-use property with 104 rental living units that generate about 70% of its income. Office space (15,152sf) and retail space (21,363sf) produce the remainder. Constructed in 2014 and purchased for \$43 million (M), Northgate's Falls Church City assessed value was slightly higher in 2015 and peaked at about \$47M in 2017. In 2019, just before the Covid onset, it had declined to \$42M, then dropped to \$36M by 2021.

The BOE appeal was on fair market value (FMV) as determined by an income approach.

**APPELLANT**

Mr. Adams began by noting his opinion that the Assessor's Office's net operating income (NOI) estimate for his client's property was overstated. He said that expenses were not accounted for properly. Specifically:

- 1) Appellant calculated EGI to be about \$58,000 higher than the Assessor's estimate; but calculated his expenses as \$184,000 higher than the assessor's estimate.
- 2) The difference, \$126,000, capitalized at a 0.0632 rate, produced a total estimated value differential that was \$1.994M higher than Mr. Adams's estimate.
- 3) Mr. Adams said that they had also looked at three recent apartment building sales that produced \$/unit values that bracketed their \$/unit calculated using their 2022 estimate of value.
- 4) He later said that they had removed real estate taxes from their costs.

**REAL ESTATE ASSESSMENT OFFICE**

Director Bailey explained that the property's EGI based on historic data was "pretty flat" during the Covid period of 2019, 2020, and 2021 (\$3.75M, \$3.61M and \$3.71M, respectively). He agreed that the City's estimates of expenses were lower, but it was because real estate taxes are considered "fully tax loaded" in the cap rate the city uses. Otherwise, the cap rate should be lower (perhaps down from 0.0632 to as low as 0.05).

Based upon the Assessor's Office's analysis, it was determined that performance was better in 2022 than 2021, and that the assessment should not be lower than 2021.

**DECISION AND RATIONALE**

The BOE Q&A was led by Chairman Ford. Specific topics were:

- 1) Q: Director Bailey, what was used in your calculations to represent reserves?  
A: 2% of EGI.

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- 2) Q: How do comparable property sales figure in the City’s assessment?  
 A: The Assessor’s Office does not include sales comps directly or a \$/unit or \$/sf basis; further, it does not consider sales outside The City. However, The Office does review sales price to review the cap rates (PWC Cap rates, with adjustments at standard calculation methods).
- 3) Q: It seems that the assessment “turns on how the (real estate) taxes were incorporated.”  
 A: Yes. “This is where (the Assessor’s Office and the appellant) disagreed.”
- 4) Q: Appellant, what does a \$43M purchase price in 2014 vs. the current request for a \$35M valuation say a bout the business?  
 A: A buyer takes the best historical information and projects it forward for typically 10 years. In retrospect, the purchase price would have been lower if the events of 2020-present could have been predicted.
- 5) Q: 2021 EGI looks like it has bounced back from 2020 to 2019 levels?  
 A: Agreed; occupancy in residential is at 100% so revenue is back at its peak, but operating expenses remain higher, thereby suppressing NOI. [Note: At a cap rate of 0.0632 it would take an increase of 15-20% in NOI to generate a value increase to the \$43M purchase price—RAS].  
 Director Bailey explained, using the Appellant’s financial documents, his office subtracted real estate taxes from operating expenses to produce the City’s higher NOI estimate for 2022. He followed with a more detailed description of the City’s computation of their assessed value and a sensitivity analysis that showed that their original 2022 estimate of value was conservative, possibly low.

Chairman Ford asked for additional comments from the BOE. Board Secretary Speir had none, and Board Member Green said she believed the assessor was correct.

**MOTIONS**

Chairman Ford motioned, and Board Member Green seconded, that the BOE accept the Assessor’s Office’s property value with no change. Vote was 3-0 for the motion.

The reason given by Mr. Ford was that the calculations were well reasoned and not excessive, given the apparent recovery of net income as the Covid crisis subsided.

**ADJUDICATION**

Apportioning the agreed-on value to land and improvements, the 2022 assessment should be set to a total of \$37,301,900 (land value-\$4,667,000; improvements value-\$32,634,900)

Appellant:	Bradley & Carolyn Norton
Original Appeal Date:	Assessor's review dated May 20, 2022
Original Assessment for 2022:	\$917,700
Appellant's Requested Assessment:	\$900,000
Assessor's Level 1 Decision:	No Change

### **OVERVIEW**

This was the reference comparable offered by the three appellants for three townhouses the BOE reviewed in its first hearing on October 29. It is in the James Wren Estate development. The townhouses are categorized as Falls Church Neighborhood 68. Detached homes in the same development on Cherry St. and the eastern side of Smallwood Way are classified in a different neighborhood. These properties were constructed in 1999 on the site of the old Whittier School. All are classified as being in B+ condition.

Unlike some other townhouse and condo developments, Neighborhood 68 assessments significantly increased in the last three years:

- In 2020, most properties increased by 8%, but a few did not increase at all.
- In 2021, all properties increased by 7%, regardless of size or location.
- In 2022, the average assessment escalation under the City's VISION system was 3.9%, but changes ranged from a slight decrease to a 10% rise.

### **APPELLANT**

Chairman Ford opened this case at 4:38pm; Appellants had not appeared, nor did they appear during the remainder of the hearing. To clarify the status of the appellant, Chairman Ford asked Specialist Pollard if they had been contacted and she indicated that she sent a December 2 email, and that she had reached them by phone the same day. While they expressed no intention to withdraw, Specialist Pollard said that since 12-2-22, she had "not heard from them at all."

Per BOE precedent, in the absence of an Appellant withdrawal, the case was presented as written. The appeal stated that the assessed 2022 value of \$917,000 does not represent fair market value based on the following:

- 1) Appellant purchased the property on October 29, 2021, the assessment year under review for \$875,000. This was 3 percent less than the initial asking price of \$899,000.
- 2) The adjacent property at 309 Hillwood sold for \$880,000 on April 1, 2021.
- 3) Four commercial rating services assessed the value of 311 Hillwood Ave between \$884,500 and \$899,900 as of January 2022.

### **REAL ESTATE ASSESSMENT OFFICE**

Since the sale of the Appellant's property occurred in the reference year, the assessor treated it also as a comparable property along with 309 Hillwood, 110 Grace Lane, 120 Whittier Circle, and 103 Smallwood Way, all of which are in the same set of townhouses. Keys topic included:

- 1) In a mass appraisal, changes are made to an entire neighborhood based on the median Assessment to Sales Ratios (ASR) values for the sales.
- 2) The ASRs provide an indication as to "where the neighborhood is going." A median or average ASR value less than 1.0 suggests that the neighborhood's sales prices are exceeding, or have exceeded previous assessments, so they could be raised.

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- 3) Before the mass assessment for 2022, the median ASR for this townhouse “neighborhood” was 1.01 for the above sale properties; after the 2022 assessment, the ASR for 2022 (relative to the 2021 sales prices) was still 1.01.
- 4) The assessor noted that the average of the ASRs for 2021 sales properties (listed above) was 0.987; after the reassessment, the average became 1.004.
- 5) Director Bailey noted that the spread of the individual ASRs is another parameter examined. He said that generally the office achieves a  $\pm 10\%$  range, as suggested in the International Association of Assessing Officers (IAAO) guidelines, so as ensure residents are not excessively penalized or rewarded in a reassessment. In this case, the ASR spread was 0.11 before the assessment and expanded to 0.13 afterwards.
- 6) Comparing 309 Hillwood to the appellant’s home next door, the assessor made the following observations:
  - 309 has an attached garage; the garage at 311 is detached. (Both are assessed the same on a \$/sf basis; the garage at 309 is 10% larger.)
  - 309 has wood siding; 311 has brick. This difference can be reflected in condition codes, with brick getting a higher grade. In this case, all properties were graded as B+ condition.
  - The 311 assessment was higher than 309 in 2021 (by \$400), but lower in 2022 by \$19,500. Presumably, this difference is due to the inclusion of the 1<sup>st</sup> floor area between the main home and the garage as living area in 2022 but not in 2021. 309 sold in April 2021 for only \$5000 higher than 311 did in October.
- 7) In 2022, the assessments for 110 Grace Lane and the appellant’s property at 311 Hillwood were identical (they are identical properties). 110 Grace Lane is an interior property to the townhouse complex and sold for \$105,000 more than 311 Hillwood.
- 8) Assessments in the neighborhood as a whole went up 4.73% in 2022, whereas 311 Hillwood only went up 1.9%.

### **QUESTIONS, DECISION, AND RATIONALE**

*[NOTE: Typically, this discussion would be abbreviated in the Minutes, but it was unique in that it lasted more than 28 minutes in the absence of an appellant. Main points from the video record document the consideration of this property specifically; and describe the assessment methodology in general. It will not be the BOE’s practice to compose minutes in a lengthier “deposition” recordation style, but for this case, the matter provides an informative training background, instructive for both appellants and future BOE members.]*

Chairman Ford began the Q&A with a query about how 311 Hillwood was treated as a comparable sale, since the appellants purchased it in the reference year (2021).

Director Bailey indicated that it was treated as any other sale, then offered details about the assessment process in general, saying:

- 1) Sales information is obtained from “land records.” Review of specific property details determines if each sale is “qualified” as an “open market transaction,” or something else such a distressed sale, short sale, bank sale, etc. If one of these latter classifications apply, the sale is not considered in calculating market value adjustments for a given neighborhood.
- 2) If a sale is “qualified” (as open market), the Assessor’s Office decides if it needs to make changes to the property description based on the latest info.
- 3) For the sales that are categorized as open market transactions, the Assessor’s Office calculates a median for the individual property ASRs. Director Bailey noted that this allows a neighborhood appreciation factor, that bring the previous year’s ASR to the ASR “that you are trying to achieve” per office standards.

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- 4) The neighborhood adjustment factor is not necessarily one that produces a median adjusted ASR of 100% (i.e., 1.0). Director Bailey noted that the spread in ASRs could lead to over-assessing some properties if the factor is set too high in an attempt to lift the low ASRs to get the median nearer 100%. He added that this may have been a consideration in assessing 311 Hillwood. As described, a single neighborhood factor is calculated, but then modified qualitatively to achieve a balance between over and under assessments.

Chairman Ford posed the question: “When 311 Hillwood was originally listed at \$899,000 and had to come down to \$875,000 to sell, what could be a better comp than the Appellant’s purchase?”

Director Bailey explained that in a mass appraisal, a small number of property sales is used to calculate adjustment factors for a much larger number of properties in each neighborhood. In this case, five townhouse sales were being used to derive adjustment factors for 62 townhouses, so, if there was a lower priced sale than 311 Hillwood, that sale would tend to decrease all the neighborhood assessments.

At about 4:51pm, the discussion record closed and the deliberation period began. Chairman Ford opened with a description of his uncertainty about this particular property. While endorsing the Assessor’s Office’s mass assessment methodology, he said, “... it is reasonable for prices to increase in most years, [but] the BoE exists to ensure that outliers are adjusted if necessary.” Then he stated that the listed price of 311 Hillwood had to be reduced to sell at \$875,000, and that is below its 2022 assessment value of \$917,000. The seller’s reduction to \$875,000 “ear-marks” the fair market value 311 Hillwood individually. “That is not in keeping with mass appraisal, but it is in keeping with what is equitable for this property,” he added, and suggested that the appeal would have been much better served if the appellant was present.

Board Member Green raised the question of the fact that the BOE had no knowledge of the circumstances surrounding the sale of 311 Hillwood. She said that the low price, for example, may have occurred because the owner had circumstances that might have led to a lower price. She said that she would motion to accept the Assessor’s Office’s valuation but would hold to allow Secretary Speir to proffer his thoughts before her motion.

Board Secretary Speir pointed out that, whatever the circumstances, it is an arms length sale; Chairman Ford added that the assessor had listed it as a “qualified sale.”

Board Secretary Speir hypothesized that the location of the Appellant’s property may have contributed to its low sale price, and that of its neighbor at 309 Hillwood:

- 1) Mr. Speir said that, if one steps back from the details of the mass assessment methodology, one could see that adjusting the assessments of the properties that sold in this townhouse complex in 2021 resulted in two side-by-side properties, 309 and 311 Hillwood, with assessments that are substantially higher than their purchase prices. The other property assessments are either at or below their 2021 purchase prices. For these reasons, there is a question as to whether the appellant’s assessment is fair and equitable as regards fair market value.

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- 2) Board Secretary Speir lives close by and has knowledge as to significant differences between the desirability of the Hillwood-facing townhouses, compared to interior properties. This may have contributed to the lower prices of, not just 311 Hillwood, but also its neighbor. The neighborhood “is not a homogeneous community until you get off [main thoroughfare] Hillwood,” he said.
- 3) Board Member Green agreed with Board Secretary Speir’s observations regarding desirability of various properties, even when the physical characteristics are similar or identical. She used the example of her own condominium complex, wherein some units are not desirable due to the view or the loud noise associated with nearby businesses. However, she said she did not know how one could take these qualitative factors into account within a mass assessment.
- 4) Director Bailey offered that one would have to have sales data that show that properties sell at a discount along this particular road (Hillwood) or some section of a condo building.
- 5) Board Member Green pointed out that we do have that data for this hearing.
- 6) The assessor said that we are disregarding that 110 Grace Lane (an interior unit with the same physical characteristics) was assessed at the same price as 311 Hillwood in 2021 and 2022 and “that is equalization—same size, same age, etc.”
- 7) Board Member Green disagreed saying, “but that is not the same as what [Mr. Speir] was talking about [in relation to location of Appellant’s property on the Hillwood thoroughfare].”
- 8) Director Bailey stated that Mr. Speir had *determined* that 309 and 311 Hillwood are of lower value, but that is something The City has not seen, because it gave 311 the same assessment as 110 Grace Lane in two successive years.
- 9) Board Member Green reiterated that the City’s assessments did not consider these quality factors in her condominium building either, and that units exposed to noise have less worth.
- 10) Director Bailey highlighted that areas of The City do change, and that retail space near Board Member Green’s own apartment had changed, and that could impact value.
- 11) Chairman Ford said he had no problem with how 311 Hillwood was assessed or the mass assessment methods, but the BOE is considering we have two adjacent properties that, while not constituting a trend, sold for particular values gives him “pause.”

Board Member Green introduced the question of the appellant’s absence, saying that she might have a different view if they were present to make their case and add additional information. Her contention was that the Assessor’s Office had made a case, and that the BOE is statutorily required to agree unless that Appellant proves their case with the evidence. Since the Appellant was not present to do that, the BOE should, by rule, side with the Assessor’s Office.

- 1) Chairman Ford cautioned that the BOE cannot bias our views on the case by whether or not the Appellant attended the hearing.
- 2) Director Bailey added that sales price is not necessarily FMV, and even though a sale is arms-length, there may have been some motivation on which the appellant could provide information.
- 3) Ms. Green and Mr. Ford then conversed on whether or not the BOE could be biased by an Appellant’s failure to appear, with agreement that the statutes do not preclude it. Mr. Speir agreed with Ms. Green that he would be reluctant to change an assessment for an Appellant who failed to appear.
- 4) Ms. Green restated she was still in favor of upholding the current assessment, because she did not hear anything from the Appellant to evidence an alternate decision.

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- 5) Before the vote, Mr. Speir said that he wanted to correct the assessor’s earlier statement that he had “*determined*” that the Hillwood property is a biased part of the neighborhood. He said he had not made a determination but if the appellant had been present, he would have proposed that his assessment should be substantially lower as the sales prices and assessment data suggest. He said that, once he saw the numbers, he only wondered “what is it that causes Hillwood properties to sell lower than other townhouses in the complex?” He pointed out that 110 Grace Lane, in particular, being the same model townhouse as 311 Hillwood, sold for \$100,000 more than either 309 or 311 Hillwood and 309 is bigger than the other two.
- 6) Ms. Green agreed that she would pay more for a property that was not on Hillwood, just as she would pay more for a unit in her condominium complex that was not on the noisy side.
- 7) Mr. Speir pointed out that there were 6 sales in 2021 in this townhouse complex, of which 2 were on Hillwood and they both sold at lower prices compared to the internal units.
- 8) Chairman Ford said that he would like to have heard from the appellant to offer info on whether there was some confirmation that the Hillwood townhouses were different. Nevertheless, the BOE discussion had not identified any computational issues or unknown variance with the assessment. He again emphasized that the BOE exists to make adjustments to assessments on an individual basis, if need be.

**MOTIONS**

Chairman Ford thanked Board Member Green for allowing the instructive conversation to commence and holding her motion. He then called for a vote on Ms. Green’s motion to support the Assessor’s Office’s \$917,700 valuation of 311 Hillwood Ave. Chairman Ford seconded the motion. The vote was 2-1 for the motion, with Mr. Speir voting against.

**ADJUDICATION**

The assessment for 311 Hillwood Ave. will stand at \$917,700, (\$446,500 for land and \$471,200 for improvements).

**ADJUDICATION**

The assessment for 814 Park Avenue, RPC 51-204-004, will be set at \$1,651,100; \$1,099,700 of which is for improvements and \$551,400 is for land.

**VI. ADMINISTRATIVE AGENDA ITEMS:**

- 1) Notation that in Q1 2023, the BOE intends to meet up with The City Attorney and other BOE members to “leave it better than we found it” and add some polish to the BOE Rules and Regulations, especially with changes related to quorums, Covid, training, hearings in absentia, and remote attendance.
- 2) First half of Meeting Minutes was formally submitted to the Assessor’s Office.
- 3) A short discussion about Board Officers signing the Meeting Minutes ensued.

**VII. ADJOURNMENT**

Chairman Ford motioned to adjourn the meeting at 5:18pm, and hearing no objection adjourned.

**VIII. AFFIRMATION**

These minutes are hereby affirmed and accepted by The Board of Equalization:

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