

Assembly for the Village of Arden September 25, 2017

Alternative Assessment - Alton Dahl & Tom Wheeler

Alternative Assessment Procedure

The BOA presented their Assessment at the June Town Assembly. If anyone wants to present an Alternative Assessment, they can present it at the next Town Assembly in September.

In order for the Alternative Assessment to be part of the referendum and as part of the June Assessors Assessment that will be mailed out to all residents, it must be voted on at the September Town Assembly body by a 2/3rds residents majority vote. When the election is completed and if either of those assessments has received a majority of the residents' vote, then that assessment will be used to collect land rent. However, if neither of those assessments gets majority residents' vote, then we will revert back to the previous year's assessment.

Alternative Assessment Presentation

Tom & Alton presented an Alternative Assessment for this September Town Assembly and discussed what the two Assessments are and how they differ.

Alternative Assessment System

The Alternative Assessment being proposed is the traditional land rent Assessment System that was developed in 1974, and has been used since with minor modifications. It is a tier system that is detailed in their report. Based on % calculations per tier once you use up all the land, there is no more rent. That's because this is a land based system, not a fee for ADUs. The Village lease states that our rent is paid on the land, not on improvements. (Per 1980 Ardencroft court case ADUs are defined as improvements and are not taxable). For the record, total difference between the two assessments is \$7. Assessors Assessment System. Assessors Assessment System presented in June uses the tier system as well. The A- rate is the base rate and is the same. However, the rest of the system is at the C rate. Meaning, if you have an ADU, it is a flat rate which is added to the base for land rent. The issue with this method is we already paid rent on the land and now pay a fee on rental units. They do not believe this is legal, nor is it fair. For example, this method increased the Craftshop's land rent by 60% or \$2,600. They believe that this method is unfair because county and school government exempt the Craftshop building from their taxes. Therefore, Arden pays no tax. The Craftshop museum is owned and supported by all three Ardens. Rent income collected is used to maintain the building, support the museum and archives, pay land rent and pay down debt. They do not think this method is legal, because a similar fee was disallowed in a 1980 Ardencroft court case. Court ruled that additional AUDs were improvements created through the labor of leaseholders. Therefore, improvements are not subject to tax following Henry George's principles. The case is very specific about Henry George principles and how it violated that principle. The BOA strongly disagrees that this case is the same because the Judge in a summary judgement determined that they would charge a fee for the structure that was an apartment and he found against it. They decided not to appeal it. The BOA says they have different controlling documents in Arden that do not open that door to Progress and Poverty or Henry George principles, except for interpretation of full rental value and what would be giving an advantage to one over another. They feel strongly that 1980 Ardencroft court case is very different from what they are proposing in the June assessment. They claim they are not charging a fee, but they are charging a rate for a "privilege" to have one more ADU that adds value to a leasehold. The lease, the Deed of Trust nor Progress and Poverty focuses on square footage of a lot as much as we have through the years. This year's BOA says in addition to lot size, location, they looked at how it is used as a "privilege". The BOA does not feel it is directly related to the size of the lot but it is related to that "privilege" and what it is worth every year. They are charging for an increase value of a lot, not the structure that is on it. Whether you use that ADU "privilege" or not, it is treating everything the same. Some believe that this assessment (BOA June) was not what the Georgist intended. In effect, they are levying an income tax against those leaseholds that have ADUs. Motion was presented to close debate - Voice Vote approved with 1 abstain.

Motion: Voting on whether to have the Alternative Assessment go out for referendum along with the BOA's Assessment presented at June Town Assembly. (If we choose as an assembly to have the Alternative Assessment go out with the BOA's Assessment, then the vote on that can happen in one of two ways: One of the two assessments gets the majority of the residents is the assessment that the trustees use to collect land rent. If neither gets the majority of residents (means all people who are eligible to vote, not just those who voted), will revert back to last year's Assessment and the Trustees will use last year's assessment to collect land rent.

Paper Ballot Motion to have a paper ballot to decide on alternative assessment. Hand count: Yes 44, No 31. Vote passed for paper ballots.

(Vote requirements - Live in Aden six months and be 18 yrs. of age)

Alternative Assessment Vote failed - The Alternative Assessment (Traditional Method) will not go out with referendum to be voted on by all voting residents. The June Assessment will be used by the Trustees to collect land rent. Total 89 votes cast. Needed 54 to pass. Ballot Vote: yes=52, abstain=2, no =35.

Alternate Assessment

This Alternative Assessment Report adopts the principle of the Community Standard of Living Method of Arden Assessment in use since 1980 as the basis for determining total land rent. The "Community Standard of Living Method of Arden Assessment" defines total "Full Rental Value" of the leaseholds as the sum of town expenses (both "non-budget" in the form of county and school taxes, and "budget" as embodied in the town's budget), and the cost of administering the trust, while maintaining a "prudent reserve". This method divides full rental value by acreage of land held privately in leaseholds, such divisions determined by assessors' formulas. The formulas, which are intended to reflect the relative value of leaseholds, are based on lot size, zoning privileges and location factors (see rates and factors below).

This Alternative Assessment Report continues to endorse the principles of real estate practice in the wider community, which we embody as a multi-tier evaluation of leasehold area. The "A rate" is the base rate, common to all leaseholds - the first 7,116 square feet, using as our unit the area of the smallest leasehold in Arden.

The multiple domicile rate (the "B rate") is set this year at 80% of the "A rate", and charged to each leasehold that is recognized under County zoning regulations and allowance by the Trustees of establishing and maintaining more than one dwelling unit on the leasehold. In any case in which a leasehold has an additional domicile unit, without obtaining zoning from New Castle County, that leasehold shall be assessed the "B Rate" for each additional domicile unit. For each dwelling unit beyond the first, the leasehold is charged the B Rate for an additional 7,116 square feet but is not charged for more than the actual area of the leasehold. (Formula used since 1974) The "C rate" is applied to the amount of land on a leasehold not covered by the A or B rates. It is assessed at 40% of the "A rate." The "D rate" is the commercial rate, applied to only one leasehold. It continues at a surcharge of 75%, with no deduction for frontage on Marsh Road. These ratios have not changed from many previous years.

The specific location factors are as follows.

1. Leaseholds adjacent to Arden Forest, Ardencroft Forest, or Sherwood Forests +10%
2. Leaseholds fronting Arden Forest, Sherwood Forest, or Ardencroft Forest by being across the street +5%
4. Leaseholds adjacent to or fronting on a communal green +5%
5. Leaseholds adjacent to Harvey Road and/or Marsh Road -5%
6. Leaseholds having driveway access only to Harvey Road and/or Marsh Road -5%

Notes

1. The specific location factor charges (in dollars) to be added to or subtracted from the sum of the Base Land Rent are obtained by multiplying the Base Land Rent for the leasehold by the appropriate specific location factors as given above.
2. Location factors are additive, if both are applicable.
3. If multiple forest factors apply, the higher of the two factors shall be applied.
4. No fractional or partial factors apply for leaseholds fronting or adjacent to forests or communal greens.
5. Based on information obtained from the Budget Committee, the Village Treasurer and the Trustees, the multiple domicile rate (the "B rate") is set this year at 80% of the "A rate", and charged to each leasehold that has recognition under zoning regulations and allowance by the Trustees to establish and maintain more than one dwelling unit on the leasehold. In any case in which a leasehold has an additional domicile unit, without obtaining zoning from New Castle County, that leasehold shall be assessed the "B Rate" for each additional domicile unit. For each dwelling unit beyond the first, the leasehold is charged the B Rate for an additional 7,116 square feet but is not charged for more than the actual area of the leasehold. The "C rate" is applied to the amount of land on a leasehold not covered by the A or B rates. It is assessed at 40% of the "A rate." The "D rate" is the commercial rate, only applied to one leasehold. It continues at a surcharge of 75%, with no deduction for frontage on Marsh Road. These Alternative Assessment rates were not changed from prior years.

To meet the 2018-2019 forecast expenditures of \$817,259 and to produce a prudent reserve of \$195,563, the "A rate" for March 2017 is set at \$258.54 per one thousand square feet.

1) Forecast Expenditures (These are the same as reported by the Board of Assessors)

School & County Taxes	Trust Administration	Sherwood Forest	Loan Arden Town	Budget	Other non-budget items	Total forecast expenditures
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2) Forecast Revenue (\$7 greater than the Assessors report)

Forecast Revenue from sources other than land rent*	Total Revenue from land rent	Total expected revenue
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\$ 73,281	\$648,691	\$721,972
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* (SUEZ Water tower, Comcast/Verizon, BWVC Rentals, interest, Municipal Street Aid, Other)
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3) **Prudent Reserve Calculation (Includes the \$7 additional land rent)** Expected difference between expenditures and revenue

Prudent Reserve as of March 30, 2017*

Forecast Prudent Reserve for March 30, 2018**

Forecast Prudent Reserve projected for March 30th, 2019

Assessors explanation of the projected cash flow loss

**(2015 Assessor's Report Forecast \$170,426; Difference +\$47,271*

The 2016-2017 year experienced a \$41,000 tax increase)

*** (2016 Assessor's Report Forecast was \$ 150,663; Difference -\$31,785)*

This trend is consistent with previous years. The Village typically under spends its budget.