

MINUTES

Newman Lake Flood Control Zone District Advisory Board Meeting

May 11, 2020 - 3:00 to 5:00pm

Meeting via Zoom due to COVID-19 virus

AB Present: Lee Tate, Karen Stebbins, Karen Taff, LeaAnn Gould,
Dan Clark, Polly Phipps and Suzanne O’Connell

Community Member: Gloria Clark

3:00 Open Meeting - Quorum present

Motions Made:

- *Minutes approved for January 13 and April 5, 2020 AB Meetings. Unanimously approved M: Dennis S: Polly
- *For the NLFCZD 2020 budget, any dollars not spent this year go into our reserve account. Unanimously approved. M: Lee S: AB
- *Correct the text in the Policies and Procedures manual Paragraph II.B.3.b to reflect “relative value” rather than “area”. M: Dennis S: Lee
Motion withdrawn – to be revisited at June 8, 2020 AB meeting

Unfinished Business:

- Community Education/Communication Program: moved to June 8 meeting.
- Budget Status: Reduction due to less tax receipts.
- Capital Budget Status: Will be moving forward
- State of the Lake Report Staff: not discussed
- Board of Appraisers Status: Dennis made presentation to AB to take action to the District and BOCC pertaining to error in assessment calculation.
- Representation: moved to June 8 meeting

New Business:

- Review 4/29 AB Meeting - last 3 topics not discussed
 - List of firms to send RFQ: ECO 2 Tech interested in bid
 - Development of TMDL & WQIP annual document
 - Grants – Lee & Dennis follow-up
 - Policy & Procedure Manual Update

5:00 Adjourn – Next meeting June 8, 3:00-5:00pm via ZOOM unless notified otherwise

Newman Lake Community Member's

Fair and Equitable Assessments Update And Proposed Resolution

For the Newman Lake Flood Control Zone District

April 2020

The following pages are an excerpt from a status update presentation on the evolution of the on-going effort by Newman Lake community members to correct the method that the District currently uses resulting in grossly inequitable assessments being charged to the Newman Lake landowners. This effort is now in its fifth year, with hundreds of hours invested by the community and **NO** resulting actions from the Newman Lake Flood Control Zone District or the Board of Spokane County Commissioners.

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PROPOSED ASSESSMENT INEQUITIES RESOLUTION

(Independent of the petition re-evaluation)

STATEMENT OF THE PROBLEM:

The Newman Lake Flood Control Zone District (District) assessments have major inequities in their cost of assessments to property owners. In some cases, one homeowner is being assessed over ten times the assessment of another homeowner with a parcel of similar value. Below is a brief background of this community effort to resolve these unfair assessments and a detailed explanation of how the District calculations allow this to continue.

Example property #1 has a half acre waterfront parcel with a taxable value on the land of \$197,600 and a single-family residence on it that has a taxable value of \$284,900. They are assessed \$982.76 per year to fund the Flood Control Zone District.

Example property #2 has a ten-acre waterfront parcel with a taxable value on the land of \$185,770 and a single-family residence on it that has a taxable value of \$294,600. They are assessed \$98.36 per year to fund the Flood Control Zone District.

It has now been five years since a group of Newman Lake community members questioned “why” there was such a large disparity between these properties with similar values. Even with agreement from our state legislators, past and present County Commissioners, and District staff that this is an unfair and inequitable assessment, this problem continues. Below is a proposal on how to resolve this inequity that has been right in front of us all this time.

BACKGROUND

When I became an AB member in 2015, I became aware of the gross inequities in assessments among property owners living at the lake. In brief, community members could not understand why and how one \$500,000 lakefront home on one side of the lake could be required to pay \$1000 per year in assessments to the District, and another \$500,000 lakefront home on the other side of the lake could pay just \$100 per year. While I could not understand how something so unfair could continue to exist for decades, I did hear some great explanations from property owners on how it had been explained to them. They ranged from the “grandfather clause” theory down to the difference in the weed growth density on the waterfront at different locations on the lake.

In trying to understand the basis for these inequitable assumptions, with the help of a member of the District Staff, I started my research into the assessment methodology in 2015. I quickly learned that while many members of the community were aware that there were inequities in the assessments, very few were aware of the actual magnitude of the disparities. I did find that this issue had been known for decades by staff, AB members, as well as the Board of County Commissioners (BOCC). I was also told by other active community members that “attempts” to fix this disparity were made in 2007 and 2012, though neither effort had gone very far. A document had even been prepared for the BOCC by Marianne Barrentine, the manager of the District at the time, that defined alternative ways to resolve the issue (Document on File). Perhaps most disappointing in that report, is the implication that someone actually studied the problem. Yet, in doing the research for this paper, the basis of the problem, split

classification parcels, was not yet discovered. While the BOCC seems to have little motivation to see this issue resolved, the preferred path of the District/BOCC, selected from the alternatives in the Barrentine paper, was to have "the community" go to the state legislature and revise the law within the Revised Code of Washington (RCW) Title 86 *Flood Zone Districts*, to change the threshold requirement for the re-evaluation of the district and its assessment practices. Community members were given a very informative dissertation by then commissioner Todd Mielke at a BOCC meeting in the Fall of 2015, telling us that this issue required "the community" to take the action and get with our state legislators and get their help to resolve this problem through a revision to the law.

I then researched each of the approximately 770 parcels, from County Assessor's data within the assessment area of the District, using the newly drawn "Benefit Maps", to understand how the assessments are calculated and what was causing this disparity. This issue had long been accepted as an issue that was specific to about 17 individual parcels created from the old "Witherspoon" property on the southwest shoreline of the lake. What I discovered was that while the Witherspoon properties created the largest disparities, the problem was actually the result of "how" the assessments were calculated on parcels that were split into more than one benefit classification. Rather than 17 parcels in the Witherspoon development, there were actually 65 parcels, located around the lake that were split into more than one benefit classification, and hence were affected by this calculation methodology. The magnitude of this "Witherspoon" disparity had long been identified as about \$8000 less revenue in the annual assessment, in research done by Marianne Barrentine, the district manager, and independently by the spouse of a previous AB member. I also discovered that in 2012 the BOCC, when challenged by community members on the inequities, gave the district \$8000 in recognition of the disparity, confirming their understanding of the accepted magnitude of the disparity. My detailed evaluation of the 65 parcels came in with an estimated disparity of just over \$14,000, meaning the District was losing \$14,000 in annual revenue. The details of my findings were submitted to Marianne Barrentine in August 2016 and were validated by her and verbally agreed to at a subsequent BOCC meeting. My total report, detailing all of the findings from my review was published on December 1, 2016 and given to Marianne and all of the County Commissioners. Since this research, and the resultant interface with Senator Mike Padden, State House members, and the BOCC members was not endorsed or supported by a majority of the voting members of the AB at the time, copies were not distributed to AB members.

Senator Mike Padden took the initiative in drafting Senate Bill 5543 for the 2017 Legislative session using a proposed revision to the text of RCW Title 86, that was prepared by District Staff and their Counsel. The revision of the law and interface with the state legislators was pursued independent of the AB and supported by active and concerned Newman Lake Community members. The Senate Bill was approved without a single opposing vote in any of the committees or in the vote on the floor of the House or Senate. Testimony for the bill was supplied by Senator Padden, multiple Commissioners, and several community members, some of who had to travel to Olympia to provide their testimony.

With the signature of the Governor, the revised text becoming law on July 23, 2017. Following the passage of SB 5543, a petition was created by district staff with the aid of their counsel and then given to the community as an "approved" petition for them to use. While the wording of that petition was strongly objected to by individual community members, they were eventually assured by Senator Padden, the commissioner's office, and other members of the community that the necessary corrections could be achieved within the proposed petition wording. The community members then agreed to go forward with that petition wording.

Seven members of the community volunteered to act as petitioners and set about obtaining the required signatures representing 25% of the actual district budget. Signatures representing over 53% of the annual budget were submitted to the District in February 2018, over twice the legal requirement and representing over half of the annual District budget. It was estimated by the petitioners that over 96% of those personally presented with the petition signed in support of it.

Rather than use the County elections office, who normally serve to validate signatures from county elections in a matter of days, the district staff, in an attempt to validate the signatures themselves spent months in the effort to validate the signatures, and I believe, still were required to perform an independent verification by the County elections organization. The BOCC finally acknowledged that they had received signatures in excess of the requirement many months later in the May/June 2018 timeframe.

It was then pointed out to the community by the District manager and their counsel that only the issues that were specifically addressed in the wording of the petition could be addressed in the re-evaluation and they would be addressed ONLY to the requirements specifically stated within the brief text of the petition. This was exactly what the community members had feared and was in direct conflict to what those community members were assured of when they had agreed to go forward with the District's petition.

The District then began to try and identify and hire the required three "Appraisers" to perform the benefit ratio re-evaluation as defined in the petition, which was taken directly from the 1930s text of RCW 86. Since "benefit ratio" evaluations are not commonly used much anymore and "appraisers" no longer have that skillset within their professional charter, this created a difficult task. Months later, three applicants, with "related experience" were identified for the task and presented to the community members. Shortly thereafter the Commissioner's Office announced the requirement that all of their meetings were required to be "public," at which time two of the three candidates quit and the county resumed the search for replacements. Keep in mind that the petition effort has a very narrow focus dealing only with the re-evaluation of the benefit classes within the current district boundaries. County counsel has already informed the community members that the district boundaries could not be changed by the petition effort, so the issue of adding the parcels to the district that are actually flooded in a flood, as confirmed by a recent flood model, was firmly blocked and omitted from the re-evaluation. This essentially brings into question whether the expense of the re-evaluation is justified at all since it now becomes a "band-aid" fix for a much greater disparity related to the entire purpose of the District as well as the actual "benefits" realized by the community members paying the assessment.

While the community sits and waits for the BOCC to take action on the petition more than two years after the required petition signatures were submitted, with an estimated cost of \$30,000 to perform the re-evaluation, community members have continued their effort to find a viable path to a resolution of this problem. One of those efforts was to look in greater detail at the methodology of the assessment calculations on these split classification parcels. This is an effort totally independent of the "Benefit Classification Review" resulting from the petition. Community members now feel that the inequitable assessments within the current district structure can be solved through a simple "correction" to the calculations by properly applying the RCW 86 guidelines that were adopted by the District during the years that it was formed. Hence, this issue can be solved by the action of the BOCC alone, right now.

A few other issues that were discovered by community members during this period included the following:

In discussions with other districts, mostly in Eastern Washington, it was found to be quite common for districts to re-evaluate and review their structure and practices every 15-20 years, to incorporate the evolution of issues, and how technology has evolved to address those issues, as they change over time. Our District has been static for about 50 years.

The majority of parcels located on the edge of the lake do not actually get flooded in a flood due to the extreme width of the levee at the south end of the lake. Many of the parcels/structures that will actually be impacted in a flood are not even included in the Flood Control District boundary. Hence, those impacted residents do not get a voice in the District nor do they pay any assessment for the district operations that protects them. The boundaries of the area that actually floods was much less defined in the 1960s but has experienced flooding in the 1990s and is now very well documented by formal flood models published in the last few years. (Reference "Rehabilitation Assessment Report" by NRCS/GSFW Engineering dated March 2017.)

While a change in the State law in 1983 allowed Flood Control Zone Districts to fund water quality improvements, and many studies have taken place since then, the District has done little in recent decades and they have no programs or efforts underway to actually "do" anything to improve water quality. The oxygenation system as well as the alum injection system operated by the district at the cost of about \$200,000 per year are defined as a "treatment" system by the Washington state Department of Ecology which does nothing to "resolve" the water quality problems in the lake from the abundance of nutrients, primarily Phosphorus. The text of RCW 86 has little guidance on Water quality issues since the purpose of the Title 86 regulation is to address Flood Control. Yet recent years show that 85% of our current Flood Control Zone District budget is spent on "Water Quality treatment" with 0% of that on "solving" the deteriorating water quality problem. The remaining 15% is required for Flood Control.

The second goal of the petition effort was to address the issue that landowners of just 5% of the area within the district, pay the entire \$250,000 annual budget. The "benefit" structure for Flood Control that we continue to use is 85% funded by parcels located directly on the water's edge, who's structures, with very few exceptions, will not be even be affected by a flood, and less than 10% of the funding comes from parcels that will actually flood. The existing "benefit" structure for water quality, which also is funded primarily by parcels on the water's edge (84% by parcels on the waterfront) and does not even take into account those upstream parcels that "contribute" to the failing water quality through stormwater runoff, or the recreational "users" of the lake which could also be interpreted as "benefiting" from safe water quality. Other districts that utilize "benefit" mapping very commonly include those areas that "impact" or "contribute" to the water quality problem within their assessment base.

In 2016, when the Assessment study was in progress, district staff was very frustrated at how labor intensive it was to keep the "assessment roll" up to date and current. The study found a parcel located quite some distance from the assessment zone had been improperly billed an assessment for years. The study also found errors from transposed number on individual parcels that created errors in the assessments. The District has since reported that the system has been automated and directly linked to the assessor's office records to correct these errors. This claim by the District has not been verified.

Calculation Narrative

The purpose for the following text is to provide the reader with the detailed information to enable them to “understand” the assessment issue, without having to attend an accompanying presentation.

This exercise uses two example properties, of typical configuration, to demonstrate the cause of the inequities. These example parcels are not specific parcels but very closely represent existing parcels on the lake. The author has rounded off some of the numbers, such as acreage and the value of the structures, for the purpose of more direct comparison of the results. The purpose of this exercise is to understand how assessment calculations are currently done and the disparity that has been created by that methodology. Due to the manner in which the data is being presented, there may be some repetition of key points. While this may seem to be simple and very straight forward, please keep in mind that no one had ever had the interest or invested the time over the past 30+ years to even figure out what actually caused these assessment disparities until 2016! Until that time, the BOCC, the District staff that “manage” the District, and many of our knowledgeable community members still thought this was an issue exclusive to the subdivided parcels of the Witherspoon Property.

I should also point out that I have found nothing that would lead me to believe that those property owners that benefit from the minimal assessments had anything to do with their creation. These findings do bring into question the competence of those who “manage” the District.

First, let’s look at the sections of the law that were defined by the BOCC/District to define what portion of the Revised Code of Washington (RCW) would be used to calculation the assessments. I will be quoting directly from the text of Section II.B of the Newman Lake Flood Control Zone District Policies and Procedures Manual. While I will leave the detailed research into the bulk of the RCW to the reader if they are interested, the references are as follows:

The annual budgeting process for the Flood Control Zone district is structured in accordance with RCW 86.15.140. The assessments are in compliance with RCW 86.15.160. While the overall text of RCW 86 is generally structured for assessments to be determined by “acreage”, it was determined early on by the District/BOCC who formed the District, to adopt paragraph RCW 86.09.409 as an alternative method to calculate assessments. This paragraph basically provides “an independent and alternative method to any other method” to determine assessment using the “relative values of the respective benefited lands” as an alternative to acreage or “area”. This is simply stated in section II.B.1 of the District P&P Manual which states:

“The Board of County Commissioners also specifically implemented the RCW 86.09.409 for the alternative method of determining benefit ratios for both Flood Control and Lake Restoration assessments. This means that the value of property, not the area, is used as the basis of assessment calculations.”

While the overall text of RCW 86 appears to be written to address the flooding of farmland acreage, this would not have been applicable to Newman Lake even 50 years ago. One can only assume that this “relative value” option was adopted initially as using the acreage or “area” guidelines would require the owner of 2 acres of undeveloped land on the lake to be assessed four times the assessment of a developed lakefront home. This would seem to be a very logical and well based decision for that time.

But we must look, in detail, at how the assessments are currently calculated, since the error causing the assessment inequality is in the application of the guidelines that the District chose to use, in its application to parcels that are divided into more than one Classification Zone. Property #1 is a lakefront home located on a parcel entirely within a single Benefit Classification Zone (Water Quality Class 1, Flood Control Class 3), while Property #2 is a lakefront home of similar value, located on a parcel that is split between two different Benefit Classification Zones (WQ Class 1/FC Class 3 and WQ Class 5 /FC Class 5).

Benefit Classification Zones

The current benefit Classification Zones were defined when the District was formed. They are defined on two “maps” to represent flood control and water quality “benefits” respectively. They are simply a subjective determination of who realizes the larger “benefit” from the flood control or water quality services respectively. A re-evaluation of these classification boundaries is the primary goal of the petition effort described above. Currently only about 770 of the roughly 1800 parcels inside the District boundary are assessed a “tax” to finance the District budget. These numbers are for reference only. The classifications are as follows:

Flood Control (FC)

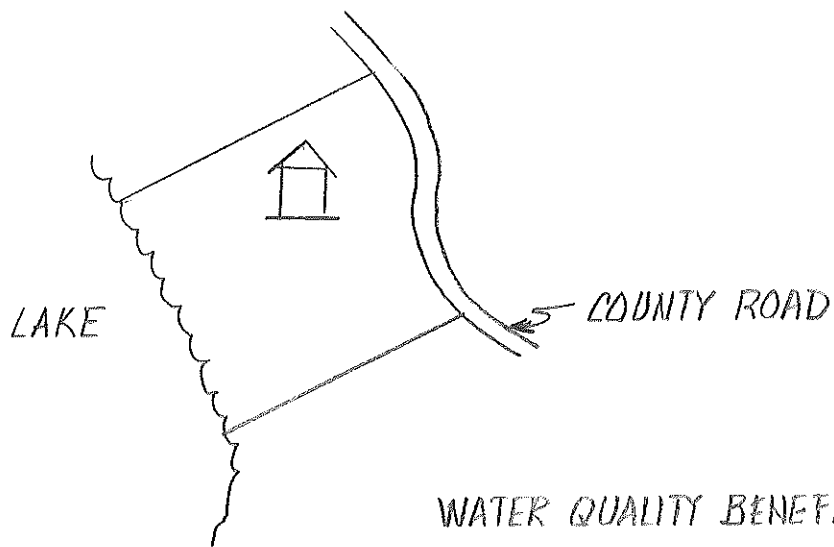
Class 1 100% Ag Lands(south)
 Class 2 50% Ag Lands (north)
 Class 3 50% Non Ag Lakefront
 Class 4 10% Non Ag Secondary
 Class 5 0% (No Benefit)

Water Quality (WQ)

Class 1 100% Non Ag, Lakefront
 Class 2 60% Secondary wo/lakefront access
 Class 3 30% Tertiary parcels
 Class 4 10% Lakefront Acreage
 Class 5 0% (No Benefit)

Property #1 Diagram

The diagram below should be used to make a side-by-side comparison of the calculations for property #1 on the following pages.



WATER QUALITY BENEFIT CLASS 1 = 100%
FLOOD CONTROL BENEFIT CLASS 3 = 50%

Helpful Hint: Previous feedback on reviewing this comparison text has found that if you print out the two calculation pages for property #1 and lay them side by side the text is much easier to follow.

Calculation Narrative: Property #1 Current “Baseline” Calculation Methodology using “area”, Single Classification

This is a straight forward calculation for a waterfront lot with a home on it. This is a one-half acre parcel with a lakefront residence located entirely within the Class 3 Flood Control benefit area (50%) and the Class 1 Water Quality benefit area (100%). The Rehabilitation (water quality) assessment is calculated first, followed by the Flood assessment which are in turn added together to get the total assessment. While this current calculation uses the “value” of the parcel but is factored by the percentage of the “area” that is within the benefit classification.

Results of the current calculation show that a half acre waterfront lot valued at \$197,600 with a waterfront residence valued at \$284,900 pays \$793.09 in water quality assessment and \$189.67 for flood assessment for a total annual assessment of \$982.76.

Calculation Narrative: Property #1 Adjusted to use the “relative value” guideline requirement, Single Classification.

This is simply a revision of the units to the previous calculation page highlighted to show the changes to the calculation required to replace “area” with “relative value”. As you see, there is no impact to the resultant Assessment amount since the parcel is entirely located within a single benefit classification for water quality as well as for flood. Since all but 65 of the 770 parcels in the assessment zone are located in a single benefit assessment zone, there are no changes in those assessments when the proper “relative value” guidelines are applied.

PROPERTY #1: "Baseline" Current Calculation Methodology, Single Benefit Classification

Waterfront Lot with a residence. Area ~ .5 acres

County Valuation Data:	<u>Taxable Value</u>	<u>Market Value</u>
Land	\$ 197,600	\$ 197,600
Dwelling/Structures	\$ 284,900	<u>\$ 284,900</u>
Total	\$ 482,500	\$ 482,500

NLFCZD Assessments:

Rehabilitation Benefit Classification 1 = (100%) Area Percentage in Class 1 = 100%

Rehabilitation Adjusted Value = Taxable Value x Benefit Class x Area Percentage

$$\$ 482,500 \quad \times \quad 100 \% \quad \times \quad 100 \% = \$ 482,500$$

Rehabilitation Assessment = Adjusted Value/District Adjusted Total x Rehabilitation Budget

$$\$ 482,500 / \$125,211,869.73 \quad \times \quad \$205,812.37 = \$ 793.09$$

Flood Control Benefit Classification 3 = (50 %) Area Percentage in Class 3 = (100%)

Flood Control Adjusted Value = Taxable Value x Benefit Classification x Area Percentage

$$\$ 482,500 \quad \times \quad 50 \% \quad \times \quad 100 \% = \$ 241,250$$

Flood Control Assessment = Adjusted Value/District Adjusted Total x Flood Control Budget

$$\$ 241,250 / \$62,944,201.60 \quad \times \quad \$49,487.48 = \$ 189.67$$

TOTAL NLFCZD ASSESSMENT = \$ 793.09 + \$ 189.67 = **\$982.76**

PROPERTY #1: "Corrected" to use "Relative Value" versus "Area" as basis.

Waterfront Lot with a residence. Area ~ .5 acres

County Valuation Data:	<u>Taxable Value</u>	<u>Market Value</u>
Land	\$ 197,600	\$ 197,600
Dwelling/Structures	\$ 284,900	<u>\$ 284,900</u>
Total	\$ 482,500	\$ 482,500

NLFCZD Assessments:

Rehabilitation Benefit Classification 1 = (100%) **Value** Percentage in Class 1 = 100%

Rehabilitation Adjusted Value = Taxable Value x Benefit Class x **Value** Percentage

$$\$ 482,500 \quad \times \quad 100 \% \quad \times \quad 100 \% = \$ 482,500$$

Rehabilitation Assessment = Adjusted Value/District Adjusted Total x Rehabilitation Budget

$$\$ 482,500 / \$125,211,869.73 \quad \times \quad \$205,812.37 = \$ 793.09$$

Flood Control Benefit Classification 3 = (50 %) **Value** Percentage in Class 3 = (100%)

Flood Control Adjusted Value = Taxable Value x Benefit Classification x **Value** Percentage

$$\$ 482,500 \quad \times \quad 50 \% \quad \times \quad 100 \% = \$ 241,250$$

Flood Control Assessment = Adjusted Value/District Adjusted Total x Flood Control Budget

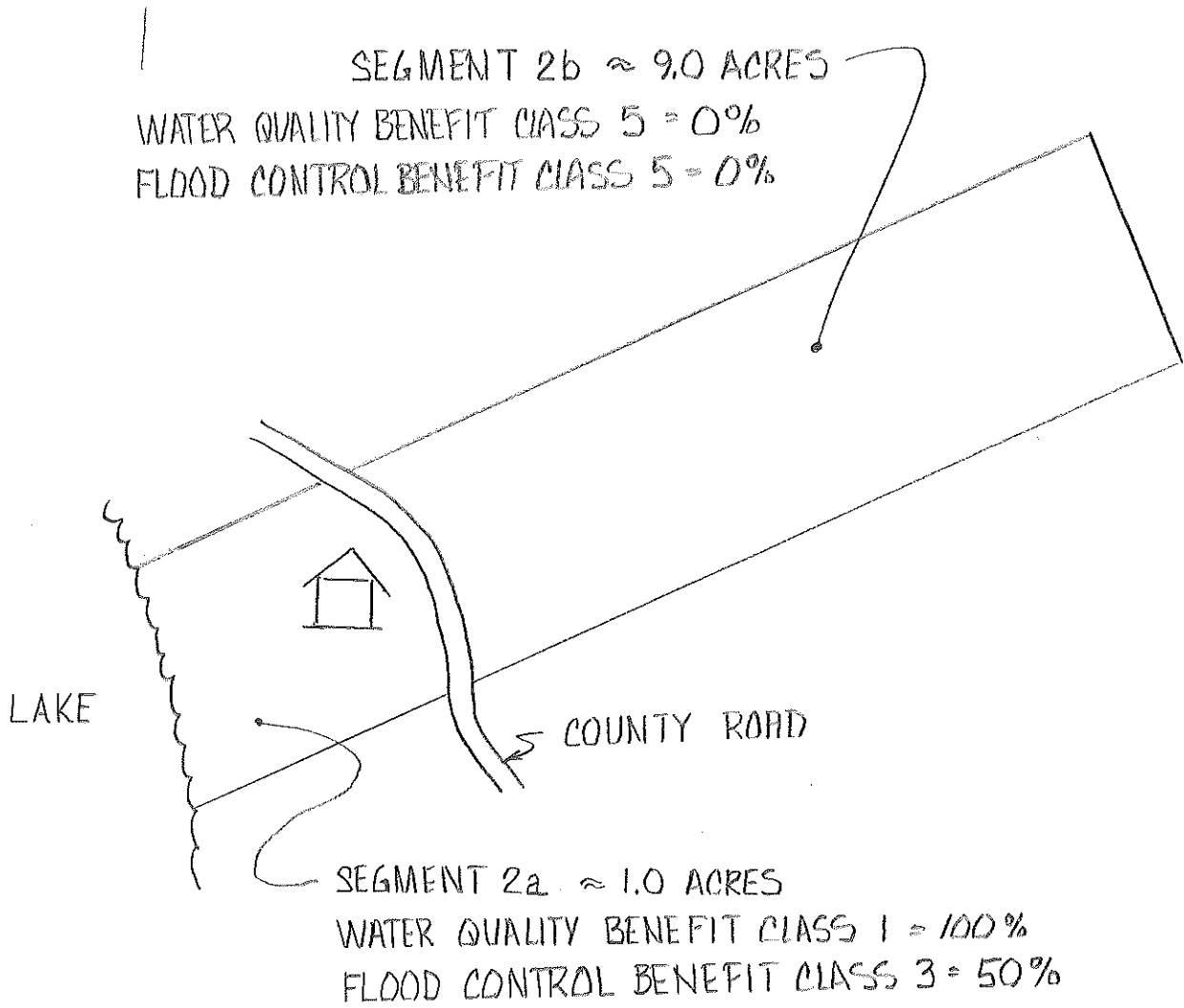
$$\$ 241,250 / \$62,944,201.60 \quad \times \quad \$49,487.48 = \$ 189.67$$

TOTAL NLFCZD ASSESSMENT = \$ 793.09 + \$ 189.67 = \$982.76

Property #1 Results: As can be seen here, the assessment for property #1 did not change when the calculation was revised to use "relative value" in place of "area" as the basis. This is due to the fact that the entire parcel is located in a single benefit classification, so that the units (value vs. area) that are used has no impact. Hence, when the calculations are corrected to use "relative value" as the basis, the amount of the assessment for approximately 705 of the 770 parcels will not change.

Property #2 Diagram

The diagram below should be used to make a side-by-side comparison of the calculations for property #2 on the following pages.



Helpful Hint: Previous feedback on reviewing this comparison text has found that if you print out the three calculation pages for property #2 and lay them side by side the text is much easier to follow.

Calculation Narrative: Property #2 Current “Baseline” Calculation for a Split Classification Parcel using Current Calculation Methodology (Pre-2018)

This calculation is for a much larger waterfront parcel than property #1 with a home on it. This is a ten-acre parcel which has one acre, of the ten (Segment 2a), located on the waterfront with a lakefront residence similar in value to property #1. This one-acre segment is located within the Class 3 Flood Control benefit area (50%) and the Class 1 Water Quality benefit area (100%). The remaining nine acres (Segment 2b), which is mostly hillside acreage, are located within the adjacent Class 5 Flood Control benefit area (0%) and the Class 5 Water Quality benefit area (0%).

The Rehabilitation assessment is calculated first but requires the calculation to be done in two stages. One stage is done for 10% of the “area” of the parcel within the waterfront zone classification and then for the 90% of the land “area” of the parcel in the off-the-water secondary classification.

This current method shows that while the “value” of the entire parcel is used for the calculation, the value of the residence and the land is distributed evenly over the entire ten acre parcel. By then using the “area” as a factor in the calculation, 90% of the total value of the residence and lakefront lot is applied to the 9 acre portion of the parcel. Using the current calculation method which uses the relative “area” located within each benefit classification, 10% of the value of the house, valued at \$294,600, or \$29,460 and 10% of the value of the land, valued at \$279,080, or \$27,908 is assessed as the waterfront classification rate. The remaining 90% of the value of the residence and 90% of the entire land parcel value is then assigned to the off-water classification rate of 0%.

Results of the current calculation show that the one-acre waterfront segment (10% of the “area”) with a “adjusted” value of \$29,460 and the one-acre of land with an “adjusted value” \$27,908 (10% of the total “area”), will be assessed \$94.30 for water quality and \$22.55 for flood control for a total assessment of \$116.85. The remaining 90 % of the value of the residence (\$265,140) and 90% of the parcel value (\$251,172) are then assigned to the off-water Class 5 benefit classifications which is assessed at 0% adjusting their assessment value of that 9 acre segment to 0% which does not pay any assessment. You should note here the significant difference in the assessments to property #1, though the waterfront homes are of similar values and Property #2 has significantly more land. This is due to the 90%/10% split being based on the “area” of the split.

In a more recent development, in 2017, the owner of Property #2 has applied to the County, and successfully been granted a “Forestry Exemption” on the nine-acre portion of the parcel. There are no structures on the nine acres and it is covered with trees. In order for the County Tax Assessors office to establish a forestry exemption, they have to define the market values for the portion of the property, including any structures, being considered for the exemption, and the market value of the portion of the parcel, including all structures, that will not be included in the exemption. Remember, RCW 86 requires the value of any improvements or structures must be included with the portion of the property they are actually located on.

In working with the County Assessor's office (Document on Record) the Market Value of the one-acre waterfront portion of Property #2 was assigned a land value at \$185,000, and the nine acre off water portion was assigned a "market value" for the land of \$94,080. The valuation for the residence, located on, and included with the waterfront acre remained at \$294,600. In accordance with the forestry exemption guidelines, the "market value" of the nine-acre forestry portion, which is used to calculate County Property Tax was then reduced from the "Market Value" of \$94,080 to a "Taxable Value" of \$770. These numbers, as assigned by the County Assessor's office, and revised on the Spokane County website, were then used to calculate County Property Taxes. The reduced "Taxable Value" of property #2 is then incorporated into the District assessment calculation in the "forestry" calculation below. The reader should note that there is now a difference between "Market Value" and "Taxable Value" displayed on the County Assessor's website.

The key point in this development is that the County Assessor's office now has a formally defined a "value" for each of the two benefit classifications/segments of property #2.

Calculation Narrative: Property #2 Updated "Forestry" to incorporate Forestry Exemption, using current calculation methodology (2018 to present)

As part of the Forestry Exemption this page incorporates the County Tax Assessor formal valuation changes and assigned a "taxable value" of \$185,000 to the one-acre portion of land located on the waterfront and a Market Value of \$94,080 to the remaining nine acres. As part of the forestry exemption, the County Assessor's office then adjusts the "Market Value" of \$94,080 on the Forestry Exempt property to a "Taxable Value" of \$770. This then revises the input values for the assessment calculation for the ten-acre parcel to \$185,770 for the 10 acres land and \$294,600 for the improvements for a total valuation of \$480,370.

This Calculation shows how property #2 is currently calculated today and assessed by the District for 2020. Changes in the valuations are highlighted from the previous property #2 baseline calculation. How the Forestry Exemption affects the County Property Taxes for Property 2 is not applicable. The only assessment that is addressed here is the "Flood" Control District assessment, which is itemized as a line item on the Spokane County Property Tax Statement.

This calculation page updates the results of the previous calculation to include the forestry exemption and continues to spread the value of the structures and the lakefront segment of land over the 10 acres evenly and ratio them relative to the "area". These revised valuations are then calculated using the current methodology as they were on the preceding "baseline calculation page. The forestry exemption on the segment of the parcel that is assessed at 0% reduces the Rehabilitation assessment for the lakefront parcel from \$94.30 to \$79.50 and the Flood assessment for the lakefront parcel from \$22.55 to \$18.88 for a total assessment reduction from \$116.85 to \$98.38.

Now, we will redo the calculations for Property #2, as we did for property #1, and apply the RCW 86.09.409 guidelines that were adopted by the Board of County Commissioners when the District was formed. These adopted guidelines require the use of "relative value" for assessment calculations rather than the "area" which continues to be used today, in direct contradiction/violation of the guidelines

adopted by the Board of County Commissioners. Also remember that the value of all structures are to be included on the land they are actually located on.

Calculation Narrative: Property #2 Adjusted to use the “relative value” guideline requirements.

This page is simply a revision to the previous “Forestry” calculation using the adopted RCW 86.09.409 guidelines that require the use of the “relative value” as the basis for the assessment and using the valuations formally assigned by the County assessor for segments 2a and 2b due to the forestry exemption. These valuations by the Spokane County Tax Assessor are already incorporated into the County Assessor’s website. The major change here is that in accordance with the current valuations formally assigned by the County Assessor, the valuation of the one-acre waterfront lot/structures is not 10% of the total value of the combined parcel based on “area” but rather the assigned value of the waterfront lot, including all structures, as assigned by the County Assessor. The waterfront parcel should be assessed on the assigned “value” of that one-acre segment (\$185,000) and the structures located on that one acre (\$294,600) for a total “taxable value” for that segment of \$479,600. The 9-acre segment should be assessed based on the taxable value of the 9 acres of land (\$770) and the structures located on it (\$0). Hence, the relative value assigned to the one-acre waterfront portion ($\$185,000 + \$294,600 = \$479,600$ of the parcel divided by the total “taxable value” of the entire parcel of $\$185,000 + 294,600 + \$770 = \$480,370$). This would set the “taxable value” of the one-acre waterfront lot with structures as $\$479,600/\$480,370$ or 99.84% of the “taxable value” of the entire parcel.

The error here is that when the parcel was split between the two benefit classification zones, the calculation of that benefit ratio between the two segments was calculated using the “area” of the segments rather than the “relative value” of the two segments. The value of the structures located on the waterfront, has been spread over the entire 10 acres rather than where it is actually built, which is contrary to the guidelines specifically stated in RCW 86.09.409. The inequity of the assessments in this example is very large since one of the segments has the maximum 100% benefit class while the other is in the minimum 0% class.

This “relative Value” calculation results in a \$788.01 assessment for Rehabilitation and \$188.46 for Flood or a total assessment of \$976.47 for the waterfront residence shown as segment 2a on the diagram. The value of segment 2b (\$770) does not come into play at all since it is a Class 5 benefit classification at 0%. You should note here the close similarity to the assessment value for property #2 to property #1, which has a waterfront homes of similar value.

This “correction” to how the District has been improperly calculating the assessment on split classification lots would bring their assessment in line with each other, the rest of the lake parcels, and the laws that the District adopted back when it was originally formed. It is the opinion of the author that this applies and is in line with the original intent of the District organizers. Property #1 with a “taxable value” of \$482,500 would be assessed \$982.76 and Parcel #2 with a “taxable value” of \$480,370 would be assessed \$976.47. This is in line with the level of assessments for all of the other lakefront property owners.

PROPERTY #2: "Baseline" (as calculated prior to 2018 using Current Calculation Methodology)

Split Classification Waterfront Lot with a residence. Area ~ 10 acres

County Valuation Data:	<u>Taxable Value</u>	<u>Market Value</u>
Land	\$ 279,080	\$ 279,080
Dwelling/Structures	<u>\$ 294,600</u>	<u>\$ 294,600</u>
Total	\$ 573,680	\$ 573,680

NLFCZD Assessments:

Rehabilitation Benefit Classification 1 = (100%) Area Percentage in Class 1 = 10% (Area 2a)

Rehabilitation Benefit Classification 5 = (0%) Area Percentage in Class 5 = 90% (Area 2b)

Rehabilitation Adjusted Value = Taxable Value x Benefit Class x Area Percentage

$$\begin{aligned} \text{(Class 1)} & \quad \$ 573,680 \quad \times \quad 100 \% \quad \times \quad 10 \% \quad = \quad \$ 57,368 \\ \text{(Class 5)} & \quad \$ 573,680 \quad \times \quad 0 \% \quad \times \quad 90 \% \quad = \quad \$.00 \\ & \quad \text{Total Rehabilitation Adjusted Value} \quad = \quad \$ 57,368 \end{aligned}$$

Rehabilitation Assessment = Adjusted Value/District Adjusted Total x Rehabilitation Budget

$$\$ 57,368 / \$125,211,869.73 \times \$205,812.37 = \mathbf{\$ 94.30}$$

Flood Control Benefit Classification 3 = (50%) Area Percentage in Class 3 = (10%)

Flood Control Benefit Classification 5 = (0%) Area Percentage in Class 5 = (90%)

Flood Control Adjusted Value = Taxable Value x Benefit Classification x Area Percentage

$$\begin{aligned} \text{(Class 3)} & \quad \$ 573,680 \quad \times \quad 50 \% \quad \times \quad 10\% \quad = \quad \$ 28,684 \\ \text{(Class 5)} & \quad \$ 573,680 \quad \times \quad 0\% \quad \times \quad 90\% \quad = \quad \$.00 \\ & \quad \text{Total Flood Control Adjusted Value} \quad = \quad \$ 28,684 \end{aligned}$$

Flood Control Assessment = Adjusted Value/District Adjusted Total x Flood Control Budget

$$\$ 28,684 / \$62,944,201.60 \times \$49,487.48 = \mathbf{\$ 22.55}$$

TOTAL NLFCZD ASSESSMENT = \$ 94.30 + \$ 22.55 = \$ 116.85

PROPERTY #2: "Forestry Exemption" (Current calculation Method w/Forestry Exemption on area 2a)
 Split Classification Waterfront Lot with a residence. ~ 10 acres

County Valuation Data:	<u>Taxable Value</u>	<u>Market Value</u>
Land (Non-forestry-2a)	\$ 185,000	\$ 185,000
Land (Forestry-2b)	\$ 770	\$ 94,080
Land Total	\$ 185,770	\$ 279,080
Structures (2a)	\$ 294,600	\$ 294,600
Structures (2b)	\$ 0	\$ 0
Structures Total	\$ 294,600	\$ 294,600
Total Parcel Value	\$ 480,370	\$ 573,680

UPDATE: To process the Forestry Exemption the assessor has formally assigned values to the forestry and non-forestry portion of the parcel that lines up with the benefit classification line. The non-forestry, waterfront portion, with all structures was assigned a value of \$294,600 for the structures and \$185,000 for the land for a total value of \$479,600 for area 2a. The forestry portion was assigned a Market Value of \$94,080 for land and \$0 for structures. However, in accordance with current guidelines, the forestry portion of the lot was reduced to a "taxable value" of \$770 and restricted per the "forestry" guidelines.

NLFCZD Assessments:

Rehabilitation Benefit Classification 1= (100%) Area Percentage in Class 1 = 10% (Area 2a)

Rehabilitation Benefit Classification 5= (0%) Area Percentage in Class 1 = 90% (Area 2b)

Rehabilitation Adjusted Value = Taxable Value x Benefit Class x Area Percentage

(Class 1)	\$ 480,370	x	100 %	x	10 %	=	\$ 48,037	
(Class 5)	\$ 480,370	x	0 %	x	90 %	=	\$.00	
Total Rehabilitation Adjusted Value							=	\$ 48,037

Rehabilitation Assessment = Adjusted Value/District Adjusted Total x Rehabilitation Budget

$$\text{\$ 48,368} / \text{\$125,211,869.73} \times \text{\$205,812.37} = \text{\$ 79.50}$$

Flood Control Benefit Classification 3 = (50%) Area Percentage in Class 3 = 10% (Area 2a)

Flood Control Benefit Classification 5 = (0%) Area Percentage in Class 5 = 90% (Area 2b)

(Class 3)	\$ 480,370	x	50 %	x	10 %	=	\$ 24,018	
(Class 5)	\$ 480,370	x	0 %	x	90 %	=	\$.00	
Total Flood Control Adjusted Value							=	\$ 24,018

Flood Control Assessment = Adjusted Value/District Adjusted Total x Flood Control Budget

$$\text{\$ 24,018} / \text{\$62,944,201.60} \times \text{\$49,487.48} = \text{\$ 18.88}$$

TOTAL NLFCZD ASSESSMENT = \$ 79.50 + \$ 18.88 = **\$ 98.38**

PROPERTY #2: "Corrected" to use "Relative Value" versus "Area" as basis and current Forestry Exemption valuations for segments 2a and 2b provided by the Spokane County Assessor.

Split Classification Waterfront Lot with a residence. ~ 10 acres

County Valuation Data:	<u>Taxable Value</u>	<u>Market Value</u>
Land (non-forestry-2a)	\$ 185,000	\$ 185,000
Land (Forestry-2b)	\$ 770	\$ 94,080
Total Land	\$ 185,770	\$ 279,080
Structures (2a)	\$ 294,600	\$ 294,600
Structures (2b)	\$ 0	\$ 0
Structures Total	\$ 294,600	\$ 294,600
Total Parcel Value	\$ 480,370	\$ 573,680

NLFCZD Assessments:

Rehabilitation Benefit Classification 1 (100%) **Value** Percentage in Class 1 = **99.8%** (Area 2a)

Rehabilitation Benefit Classification 5 (0%) **Value** Percentage in Class 1 = **0.2%** (Area 2b)

Rehabilitation Adjusted Value = Taxable Value x Benefit Class x Value Percentage

$$(Class 1) \quad \$ 480,370 \quad \times \quad 100 \% \quad \times \quad \mathbf{99.8\%} \quad = \quad \$ 479,409$$

$$(Class 5) \quad \$ 480,370 \quad \times \quad 0 \% \quad \times \quad \mathbf{0.2 \%} \quad = \quad \$.00$$

$$\text{Total Rehabilitation Adjusted Value} \quad = \quad \$ 479.409$$

Rehabilitation Assessment = Adjusted Value/District Adjusted Total x Rehabilitation Budget

$$\$ 479,409 / \$125,211,869.73 \quad \times \quad \$205,812.37 \quad = \quad \$ 788.01$$

Flood Control Benefit Classification 3 (50%) **Value** Percentage in Class 3 = **99.8%** (Area 2a)

Flood Control Benefit Classification 5 (0%) **Value** Percentage in Class 5 = **0.2%** (Area 2b)

Flood Control Adjusted Value = Taxable Value x Benefit Classification x **Value** Percentage

$$(Class 3) \quad \$ 480,370 \quad \times \quad 50 \% \quad \times \quad \mathbf{99.8\%} \quad = \quad \$ 239,705$$

$$(Class 5) \quad \$ 480,370 \quad \times \quad 0\% \quad \times \quad \mathbf{0.2\%} \quad = \quad \$.00$$

$$\text{Total Flood Control Adjusted Value} \quad = \quad \$ 239,705$$

Flood Control Assessment = Adjusted Value/District Adjusted Total x Flood Control Budget

$$\$ 239,705 / \$62,944,201.60 \quad \times \quad \$49,487.48 \quad = \quad \$ 188.46$$

TOTAL NLFCZD ASSESSMENT = \$ 788.01 + \$ 188.46 = \$ 976.47

UPDATE: This split classification example would apply to 65 of the 770 parcels within the assessment area and essentially correct the inequity issue. This does not affect the current benefit classifications, nor does it affect those landowners that utilize forestry, agricultural, or senior exemptions.

Results/Conclusions

This is a very simple and straightforward solution to this disparity. If one simply looks at the results achieved by properly calculating the assessments in the manner outlined above, the results are reasonable, fair, and equitable between the parcel owners in the Newman Lake community. The major benefit of this "correction" is that it does not require any changes to anything other than the calculation being properly performed according to the guidelines that are already in place by the Board of County Commissioners. No benefit classification changes are required. It should also be pointed out that if you re-evaluate the entire district and revise the benefit classifications, and you don't correctly develop this calculation, the inequities will still be there! This correction does not require the re-evaluation of the district in response to the pending petition, and it provides fair and equitable assessments to all parcels in the existing District consistent with what the original intentions of those forming the district were meant to be.

While this "correction" does not solve the open issue that 5% of the district landowners currently finance 100% of the district budget, nor does it address the fact that the majority of those that are affected by a flood at Newman Lake are not even included within the boundaries of the Flood Control Zone District, it does resolve the 30+ year old inequities with those who actually pay assessments in the District.

While the property owners of the district continue to wait for the District to take action on the petition, the decision to correct this unfair and inequitable mistake in the calculations, as well as the liability for its continued misuse, would appear to lie solely on the shoulders of the Board of County Commissioners. This issue has also enlightened many community members to question the management of the Flood Control Zone District and the long overdue need to re-structure the District into another more encompassing and representative entity

As a matter of record, community members Dennis Rewinkel and John Black presented these findings to District #1 Commissioner Josh Kerns, his administrative assistant Ron Valencia, the Manager of the Flood Control Zone District Colleen Little, and Spokane County Chief Executive Officer Gerry Gemmill, in the BOCC conference room in December 2019. Spokane County Assessor's Office Appraisal Supervisor Joe Hollenback also sat in on the meeting in case there were any questions regarding the assessor's valuations.

At a separate meeting Dennis Rewinkel met with the Administrator of the Flood Control Zone District, Chad Coles, who was unavailable at the previous date, on 12/13/2019 to review this issue. It was very apparent at that meeting that whoever briefed Chad on the previous meeting had little understanding of the proposed correction for the inequities, but at the conclusion of the meeting, it was felt that Chad fully understood this issue.

The Board of County Commissioners was once again reminded of this continuing problem at the 2020 Flood Control Zone District Budget approval meeting, held on 10/22/2019 and again at the Fall 2019 Board of Equalization meeting for the Newman Lake Flood Control Zone District which was held on 12/17/2019 as has been done for several years. After several years of this repeated plea for help, the

Commissioners no longer express any sympathy with the community members on the issue or even ask any questions, they simply ignore our pleas without comment.

The community is not aware of ANY action taken by the District or BOCC in response to these meetings. Status on the petition continues to be that they are “working on it”. However, the AB was told that in April of 2020 the District went out with an RFP soliciting proposals to perform the re-evaluation of the District. It was just reported that there were NO responses to the solicitation.

And, unfortunately, as late as the AB meeting held on March 9, 2020, Karen Stebbins, the Community Advisory Board Chair, who serves to represent the community, explained that she does not recognize the assessment inequities as a “community issue” of the AB since it was initiated and developed by individual community members, and hence, does not see the need to actively pursue its resolution with the District management, where she is the sole interface, by agreement, between the AB members and the District staff. While the District management and the BOCC clearly feels that the NLFCZD AB is the only one they have to notify or update on progress, the AB of today is of little help in resolving the fair and equitable assessment issue. The current Advisory Board makes no effort to demand resolution on this issue and the community is NOT being properly served by their Advisory Board on this issue.

Recommended Actions

District #1 Commissioner Josh Kerns, who represents the Newman Lake Community should immediately bring this issue before the BOCC and stop deferring responsibility to Counsel who has a vested personal interest in not acknowledging this error by the District.

The Board of County Commissioners, Al French, Mary Kuney, and Josh Kerns should immediately take action, by County Resolution to correct the calculation methodology.

The District Administrator Chad Coles should immediately solicit the help of the County Assessors office in establishing valuations for the segments of the split classification parcels. While 65 parcels would require review, several are already done, and approximately 20 are anticipated to have negligible change.

The paragraph of the P&P Manual that addresses “Assessment Calculations” requires revision. After the guidelines of the law were chosen, the current guidance for the calculation was written incorrectly and is out of compliance with the portion of the law that was chosen, by the BOCC, to use.

The BOCC and the District Administrator need to take responsibility for assessment accuracy and maintenance. While it is very common for the BOCC to ask the manager of the District, at the annual budget approval meeting if the assessments were tabulated per the district procedures. The manager then replies to the affirmative and the BOCC adopts the budget as submitted. The problem here is that the procedures are written in error, and do not reflect the guideline provided in the portion of the law that the District adopted when it was formed.

While the decision to adopt RCW 86.09.409 is well documented, the instructions for the staff members to perform the Assessment Calculations contained in the Policies and Procedures Manual does not currently reflect that guideline, and must be revised to utilize “relative value” rather than “area”. Replace the current paragraph II.B.3.b as follows:

DELETE current paragraph.

b. Assessment Calculations: Calculations of assessment amounts are done separately for Flood Control and Lake Restoration fund categories. First, an adjusted property value for each funding category and for each parcel is calculated. This is based on the proportion of parcel area in a class, and the benefit ratio of that class. For example, a parcel with 50% of its area in Flood Class 1 (100% benefit ratio) and 50% in Class 5 (0% benefit ratio) will have an adjusted flood value of 50% of its general tax valuation $[(50\% \times \text{valuation} \times 100\%) + (50\% \times \text{valuation} \times 0\%)]$. Second, the total District funding requirement for Flood or Restoration for that year is multiplied by the ratio of the parcels adjusted valuation and the total of the adjusted valuation of all parcels in the District. This product is the parcel’s assessment for either fund category. The Flood Control assessment and the Lake Restoration assessment are totaled for each parcel to come up with the total District assessment for the parcel. See graphic explanation provided in *Appendix D-2*.

REPLACE with following text.

b. Assessment Calculations: Calculations of assessment amounts are done separately for Flood Control and Lake Restoration fund categories. First, an adjusted property value for each funding category and for each parcel is calculated. This is based on the proportion of relative value in a class, and the benefit ratio of that class, irrespective of area. For example, a parcel with 80% of its valuation in Flood Class 1 (100% benefit ratio) and 20% in Class 5 (0% benefit ratio) will have an adjusted flood value of 80% of its general tax valuation $[(80\% \times \text{valuation} \times 100\%) + (20\% \times \text{valuation} \times 0\%)]$. Second, the total District funding requirement for Flood or Restoration for that year is multiplied by the ratio of the parcels adjusted valuation and the total of the adjusted valuation of all parcels in the District. This product is the parcel’s assessment for either fund category. The Flood Control assessment and the Lake Restoration assessment are totaled for each parcel to come up with the total District assessment for the parcel. See graphic explanation provided in *Appendix D-2*.

It should also be noted that the text of *Appendix D-2* should be updated.