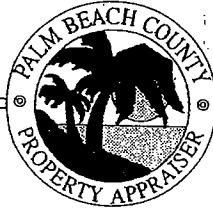


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**FILE COPY**

GARY R. NIKOLITS, CFA  
PALM BEACH COUNTY  
PROPERTY APPRAISER



DEC 15 2006

## INTEROFFICE COMMUNICATION

**DATE:** December 15, 2006  
**TO:** Commissioner Warren H. Newell  
**FROM:** Gary R. Nikolits, CFA  
Property Appraiser   
**RE:** Property on Northlake Blvd. - County Commission  
Meeting of December 5, 2006 - Agenda Item 5D-1

You have posed the following three questions relative to the above referenced property.

1. "Should the County's assessed value now be increased considering the recent appraisals that have been completed?"

Assessed values are not determined by the County, but by the Property Appraiser, an independent Constitutional Officer. My answer is no.

Allow me to explain. The County contracted with a private appraisal firm to perform an appraisal on two fee takings on the subject property. Three separate appraisals were performed between June 9, 2005 and May 25, 2006. All three appraisals reached conclusions utilizing the direct sales comparison approach. An appropriate method for unimproved land.

The contract appraisers appear to have failed to make appropriate adjustments to their comparable sales for obvious dissimilarities between the those sales and the subject, utilizing instead a Qualitative Comparison Summary Chart.

Two of the comparable sales appeared to be capable of being subdivided into three lots each. The subject's AR zoning only permits the development of one unit per 20 acres.

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Three of the sales listed had no wetlands, while nearly one-third of the subject is encumbered by wetlands. Another comparable contained 50% wetlands and had a density of 5 units per acre. Still another sale was of a 2.77 acre site encumbered with a 185-foot wide electrical easement.

By failing to properly adjust for these dissimilarities, the contract appraisers were able to conclude on a value that was above market value and would have overcompensated the owner.

Apparently someone determined the value conclusion reached in the first appraisal was not adequate. A second appraisal was performed. In the second appraisal, the contract appraisers were "asked to determine the market value of the subject while making an extraordinary assumption the proposed land use of RR-1.25 is in place." They were also asked to assume "that TDR's can be obtained and the existing wetland area can be mitigated." There is no mention of who directed the appraisal to be performed under this hypothetical.

As a result, this second appraisal concluded on a range of values which were up to three times higher than the first appraisal. Using a hypothetical in this manner, value conclusions were substantially above market and again would have overcompensated the owner.

For whatever reason, a third appraisal was contracted and once again the contract appraisers were asked to consider a hypothetical highest and best use; this time for future low density commercial development, a use which is incompatible with the "Northlake Study" and one which David Wiloch, Project Planning Manager with Palm Beach County indicated in the report he would recommend against. The process to change the land use was initiated, however the outcome of the change was in doubt.

One might question why, when seeking to acquire a portion of a property, the County would entertain a land use change that would substantially increase its value.

Unless there is a reasonable certainty of obtaining the necessary approvals, an appraiser should avoid using this type of hypothetical. They serve no purpose in estimating a current market value. Once again on this third appraisal the value conclusion came in higher than that of the second appraisal and once again would have overcompensated the owners for the taking.

In summary, the County contracted for three appraisals and successively each one produced a higher estimate of market value, with the last two utilizing hypothetical scenarios of highest and best uses to achieve that result.

2. **“Should we follow any other procedures to make sure all appraisals that are produced for County purchases be delivered to your office for review?”**

I appreciate your offer and would like to suggest that when the County contracts for an appraisal the contracted appraiser be required to provide a copy of the appraisal report to the Property Appraisers office. I have no interest in becoming the reviewing arm for the County, but much of the information contained in an appraisal report would be beneficial to my appraisers. Currently, when we become aware of the existence of an appraisal, we are able to obtain a copy from PREM. Requiring a copy be submitted to my office would eliminate the necessity for PREM staff make a copy of a requested report.

3. **“If the contracted appraiser indicated that the “highest and best use” equated to \$1.296M for 1/3 of the site, then why is your office assessing at “highest and best use,” but only \$414,000?”**

In two instances, including the report you reference, the County's contract appraisers were asked to base their appraisals on hypothetical highest and best uses. My office does not base its assessments on such speculative uses. Additionally, adjustments for size, approved density, topography, and the existence of easements were not made in the first two reports. An indication of a size adjustment being made in the third report is noted. However, there is no indication of how much weight was given to this difference.

If my office were to utilize the methodologies and assumptions contained in these reports it would be in violation of the State Constitution which requires property to be assessed at its current market value.

GRN:jr

cc: Board of County Commissioners  
Bob Weisman, County Administrator  
Denise Nieman, County Attorney  
Paul King, Assistant County Attorney