

From: [Kristi](#) [REDACTED]
To: [Treasury](#)
Subject: Hillside Manors Appeal email 1... - 010-3830-13740
Date: Monday, May 17, 2021 11:21:08 AM
Attachments: [Appraisal report.pdf](#)
[Rcrdd LURA.PDF](#)

I have to split this up with attachments.

Hillside Manors LLC
010-3830-13740
318/320 N 7th Ave E
702-712 E 4th St
Duluth MN 55805

I have attached an appraisal report from 2019, LURA on property, my income last year before depreciation...which is none of your business, but you must see where I am at. I am also attaching land detail reports of nearby properties.

We purchased this property for \$856,000 in November 2019. It is a 19 unit property with 11 two bedroom units and 8 three bedroom units. The property is a brick building and still needs a lot more work from when we purchased it. The appraisal report attached has a very good report on what the property has to offer. Currently we still have a super old boiler that will cost around \$100k to replace over the next few years. There is also still around \$300k worth of lead paint work in back stairwells to fix and over time a lot of tuckpointing with the brick. The biggest thing we accomplished was fixing up the dilapidated units and filling them with new tenants. Currently we have 2 three bedroom units that are vacant and working on filling. The fixing up we have done is cleaning, replacing carpeting and repainting each unit. We have also replaced most broken windows in the unit that was shot out.

2019 and 2020 taxes were based on a value of \$968,800. Land Value was \$70,000 and Bldg value was at \$898,800

I appealed the 2021 taxes based on my appraisal value because I finally had time to do it and was able to get the value down to \$865,000 with land value being \$70,000 and Building Value being \$795,000.

The appraiser at that time agreed that my value was best represented by the appraisal and they could do a drop even with all units filled.

I was shocked to learn that for 2022 the county would like to raise my value to \$1,056,600 with a land value of \$25,300 and building value of \$1,031,300. This is a \$10,000 increase per unit. I spoke with Ben Hansen and he stated that my appraisal was based on extreme vacancy and my value has gone up because I filled the units. If you read the report thoroughly you will see the appraiser used 3 approaches to come to a value and all were based on property running at full capacity. I was also informed that the county used a survey sent out to property owners to collect rent data and based on rent increases and average market rent is how the county now values rentals. How many surveys came back (what percentage was filled out?) I own 14 properties in the city of Duluth and I did not complete one survey because what I make on my property is none of the counties or cities business! So how do you think you can value a property based on rent income? How has my property increased \$191,600 in one year?

I am a local REALTOR with RE/MAX Results and have been working in real estate as an agent for 15 years and landlord for 17 years now. I have never seen anyone use rent income to

determine the value of a property. Value is determined by recent sales, price per sq ft, condition and location. How do you determine you can make more off your tax payers based on rent income?

Questions for Board:

What standards are you using to determine these values?

Did you notify the public of a massive change in tax values?

Why the heck would my land value drop from \$70k to \$25,300?

FACTS:

Property is currently rent and income restricted with a LURA on the property. I rent to low income or no income tenants that most require government assistance.

The appraised value was barely there when I bought the property for the price I did. I had to speak with the appraiser extensively to convince him I could get this property back up and running to full capacity to even get close to the value I needed to purchase it. Take a look at my tax report and you will see I have not included massive property management or maintenance fees as prior management does. I currently have not been paying myself or my husband for the work we do on this property so that we can put money back into these units and other properties. We will start paying ourselves over the next year and we estimate it will be between \$40,000-\$50,000 per year for running this property.

Currently all rents are \$975 for 3 bedrooms and \$850 for 2 bedrooms. The appraiser used \$1050 for 3 bed values, but to buy the property and jack everyone's rent to max capacity is not an ethical thing to do in our eyes.

I have calculated the property value with an Income approach that the appraiser used and come back with a much higher value of around \$1.3 million, but this does not include paying management or depreciation.

Current neighborhood condition: Have you seen the eye sore and destruction of 631 E 3rd St? This is a known drug property that looks absolutely terrible. Trash and debris are always laying all over and it deters me from putting in better tenants at my property because no one wants to live next to this crap. The homeless that hang out on the corner of 4th st and 6th ave E are also a huge deterrent for new prospective tenants. We have major issues at our property with trash and the homeless combing through it and leaving it lying, garbage from neighboring properties flying over to ours causing maintenance to do more work for clean up, the multitude of drug addicts that are in the area and needles left by them is appalling. How has this impacted my property value to sky rocket?

Current neighboring properties:

I own 6 properties on 6th ave e and 6th st and not one of those had a land value decrease with massive property value increase. As detailed by 618 and 620 N 6th Ave E. I did see some of my properties increase by \$20-\$30k but they are still within market value so I am not contesting those.

716 E 4th st had no drop in land value.

831 E 4th St had \$73,400 land drop and \$461,600 increase in building value.

631 E 3rd St had \$157,300 land increase with \$81,500 decrease in building value.

732 E 4th St had \$152,200 land increase with \$0 change in building value

730 E 2nd St had \$228,800 land increase and \$41,400 increase in building value.

I could probably pull properties all day and notice there is no commonality to how the county

is valuing properties. I am asking the board to take into consideration the sporadic behavior of property taxing to keep my property value lower. I have made no major repairs to my property, the biggest change that has occurred is that I am running this property and able to maintain it properly. Prior management was a major issue before me. With no major physical changes, how did my value skyrocket and my land value drop? I am not only asking for a decrease in value but I am asking for consistency between county appraisers, property appraisers, assessor's offices, and REALTORS for determining property value.

As a REALTOR how do we tell our buyers and sellers the difference between market price and county assessor price? I am proposing that the county put together a group of individuals to take a good hard look at this. We have investors and owners of residential property so confused at how their property is valued. What happened?

Current Market Value

As you are all aware the current real estate market is absolutely crazy with properties selling for way more than list prices. All properties have high demand including rentals. There is not much out there for current comparables of this property making a determining value very difficult. The appraisal report is still valid in my opinion. As a REALTOR I take into consideration conditions of properties for market price so I will do my best to provide you with some examples here. Most 2-5 unit rental properties are selling at a value of around \$70k per unit. As the number of units goes up in a property they hold less value. Some of these properties are priced around \$40-\$50k per unit which is closer to the condition and location of my property. The higher price for units is because the properties have new roofs, new tuckpointing, new furnaces, fully updated units. I can not be compared to those as we have some major work to get our property to that value. If you take the average price per sq ft of \$55.14 we would come in at a value of around \$1,166,211, but again most of these current properties have had more work done to them. I really do not have the market value to argue here, because market shows increase and you don't take into consideration the condition of a property. I am out of luck on that end to argue it any lower. I know on the open market I would not get much more for this property than what I paid because of the major repairs to still be completed. This is not a quick fix, this is a marathon of taking things slow and steady to build up this property.

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Kristi DuCharme

