

2023 VALUE ADJUSTMENT BOARD

June 13, 2024 Meeting

VAB ATTORNEY RECOMMENDATIONS FOR DEFERRED RECOMMENDED DECISIONS

VAB deferred eight Special Magistrate Recommended Decisions at VAB's last meeting (held May 16, 2024)¹.

Attached are pertinent documents and correspondence for those deferrals.

The attached pages are numbered 1-34 (with a "Sharpie-type" marker) at the bottom of each page. I will refer to the attached pages by "R-" (for "Record") followed by the appropriate page number.

Introduction:

Each of the 8 Petitions challenged the Property Appraiser's 2023 "Just" or "Market" Value for its subject property.

Although represented by the same Petitioner, the properties are not (so far as I know) otherwise connected with one another.

A separate VAB Special Magistrate hearing was held for each of the 8 files. The Special Magistrate then submitted a Recommended Decision to VAB for each Petition. (All are attached: R-1 through R-25).

The Recommended Decisions each reduce the Property Appraiser's 2023 Assessed Value.

The 8 Recommended Decisions were presented for VAB's consideration at VAB's May 16, 2024, meeting; however, at the Property Appraiser's request, the VAB deferred acceptance of the 8 Recommended Decisions.

¹ The 8 deferred Recommended Decisions are:
Petition # 2023-002512, parcel # 080327-1000: Hampton Inn Downtown at 1331 Prudential Drive, 32207
Petition # 2023-002517, parcel # 002266-0210: Saddle Brook Landings Townhomes complex at 3037 John Hancock Court, 32221
Petition # 2023-002519, parcel # 148633-5025: Bay Club Apartments, 9009 Western Lake Drive, 32256
Petition # 2023-002535, parcel # 014425-0000: Palm Trace Apartments, 6870 103rd Street, 32210
Petition # 2023-002597, parcel # 146036-1775: Spring Hill Suites Hotel, 4385 Southside Boulevard, 32216
Petition # 2023-002603, parcel # 080078-0000: VHG Lexington Hotel and Conference center, 1515 Prudential Drive, 32207
Petition # 2023-002614, parcel # 159630-1300: Two Building flex warehouse, 9655 West Florida Mining Boulevard, 32257
Petition # 2023-002707, parcel # 164668-0000: Regency Walk Shopping Center, 10230 Atlantic Boulevard, 32225

I then sent a letter (attached R-26 and R-27) requesting from each party a written statement of, and support for, its position regarding the legal correctness of the deferred Recommended Decisions.

The Property Appraiser (attached R-28-30) and the Petitioner (attached R-31-32) each submitted a position letter to the VAB.

I. MILLAGE RATE ISSUE²:

Background:

All 8 cases are about what millage rate should be used to form the “cap rate” component of an Income Approach to valuing property.

The salient issue of all 8 cases is identical to the issues raised by the 3 Recommended Decisions that VAB deferred at its March 14, 2024, meeting and of a 4th Recommended Decision that VAB deferred at its April 11, 2024, Meeting.

At its April 11, 2024, meeting, VAB voted to refer the first 3 cases to the Florida Department of Revenue (“DOR”) with the following request for guidance:

“What is the appropriate millage rate to be used in the income approach context to value properties as of January 1 of the tax year?”

VAB’s Request for DOR Guidance is attached at R-33.

After VAB’s May meeting, VAB also sent DOR (at DOR’s request) 9 additional and similar VAB cases (the 9 cases deferred at VAB’s April 11 and May 16 meetings).³

So: DOR is currently considering 12 cases (including the above 8 cases) that share the same issue.

Summary of the Property Appraiser’s Arguments:

The Property Appraiser states (R-28) that all 12 Recommended Decisions (including the 8 before you today) do not comply with applicable law and that all 12 Recommended Decisions should be rejected and returned to the Special Magistrate with instructions that he use the 2022 Millage Rate for his capitalization rate calculations.

² For VAB ## 2023-002512 and 2023-002707, there are two “Other Issues” raised by the Property Appraiser, and these issues will be addressed below.

³ See R-34 for VAB’s transmittal letter.

Specifically, the Property Appraiser states that the Special Magistrate erroneously applied the 2023 Millage rate in his valuations, and that he should have used the 2022 Millage Rate.

Summary of the Petitioner's Arguments

The Petitioner asserts (R-31) that the "current year" (2023) millage rate used by the Special Magistrate is the appropriate millage rate to be used to calculate the cap rate for the income approach. Accordingly, the Petitioner contends that VAB should accept all 12 Recommended Decisions (including the 8 before you today).

The Petitioner states that it is aware that VAB has requested the DOR's opinion on this millage rate issue; and the Petitioner has stated it will defer to the DOR's guidance.

VAB Attorney Recommendation (Millage Rate Issues):

In my respectful opinion, the Property Appraiser has incorrectly used the 2022 Millage Rate to load the cap rate for the Property Appraiser's Income Approach.⁴ However, neither party provided evidence to enable the Special Magistrate to calculate the correct millage number to be used.

I repeat my analysis and recommendations made to VAB at the April 11, 2024, and May 16, 2024, meetings:

VAB should return the case to the Special Magistrate with directions that he, in turn, remand the case to the Property Appraiser with the following remand instructions:

"The Property Appraiser failed to establish a presumption of correctness because the Property Appraiser failed to prove by a preponderance of evidence that her use of the 2022 Millage Rate in her 2023 Income Approach valuations complies with professionally accepted appraisal practices based on the professional body of knowledge.

The record does not contain the competent, substantial evidence necessary for the Special Magistrate to establish a revised just value.

⁴ The Property Appraiser's attorney has stated (March 14, 2024, VAB meeting and R-29 of my April 11 Report to VAB) that the Property Appraiser always utilizes the prior year's Millage Rate to load her Cap Rate for the current year's Income Approach. If true, this approach potentially ignores other information that may be widely known on January 1 of the current tax year and that would affect the current tax year's Millage Rate. As I noted in my footnote 6 on page 13 of my April 11, 2024, Report to VAB: It was widely known on January 1, 2023, that the School Board's Millage Rate was set to increase by 1 Mill in 2023. Had the Property Appraiser taken that data into account, it is likely her 2023 Millage rate estimate would have been quite close to the actual 2023 Millage Rate. Instead of including an analysis of this data (data that was available to everyone on January 1, 2023) the Property Appraiser "automatically" used the 2022 Millage Rate. I respectfully submit this rote approach was erroneous. The Property Appraiser's own attachment to her March 20, 2024, argument supports my contention. (See R-49 to my April 11, 2024, Report to VAB)

The Property Appraiser is directed to retrospectively establish the just value of the subject property as of January 1, 2023.

In doing so, the property Appraiser shall apply the Income Approach so as to comply with USPAP Advisory Opinion 34 (AO-34). The Property Appraiser shall use data available prior to and subsequent to January 1, 2023 (including, if and as applicable, the 2023 Millage Rate) if there is market evidence that the data was consistent with market expectations as of January 1, 2023.”

II. OTHER ISSUES:

**VAB # 2023-002512 (Hampton Inn Downtown)⁵ and
VAB # 2023-002707 (Regency Walk Shopping Center)⁶:**

The Property Appraiser asserts (R-29 and 30) that both these Recommended Decisions contain factual mistakes “on the face of the recommendations.”

- A. For # 2023-002512, the Property Appraiser argues (R-29) that the Special Magistrate has mistakenly accounted for tax expenses twice in his Recommendation, thus skewing his income approach valuation. The Petitioner (R-31 and R-32) states that the numbers used by the Special Magistrate do not necessarily indicate a mistake and that there is evidence in the record to support the Special Magistrate’s numbers.
- B. Both parties agree (R-32) that there *does* appear to be a mistake in Recommended Decision # 2023-002707.

VAB Attorney Recommendations (Other Issues):

There is support for the proposition that both VAB ## 2023-002512 and 2023-002707 contain “mistakes on their face”; however, it is not clear whether the correction of these possible errors will change the outcome of either case.

I recommend that these two Recommended Decisions be returned to the Special Magistrate; he should be provided with the arguments of both parties concerning the asserted mistakes; and he should be instructed to re-visit his recommendations and make changes or corrections if and as appropriate.

Respectfully submitted,



William H. Jeter, Jr.
VAB Attorney

⁵ This Recommended Decision is attached at R-1 through R-4.

⁶ This Recommended Decision is attached at R-23 through R-25.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/ 17
Rule 12D-18.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002512

Parcel ID 0803271000

Petitioner name FIRSTPOINTE ADVISORS, LLC

Property address 1331 PRUDENTIAL DR
JACKSONVILLE, FL 32207

The petitioner is: [] taxpayer of record [X] taxpayer's agent
[] other, explain:

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action Value presented by property appraiser Rule 12D-9.025(10), F.A.C., After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision

Fill-in fields will expand or add pages, as needed.

Findings of Fact

(See Attached)

Conclusions of Law

(See Attached)

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Austin Hollis, Jr. Austin Hollis, Jr. 04/07/2024

Signature, special magistrate Print name Date

Margaret M. "Peggy" Sidman Margaret M. "Peggy" Sidman 04/15/2024

Signature, VAB clerk or special representative Print name Date

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM

Address City Council Chambers

If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.co.je/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision

Signature, VAB clerk or representative Print name Date mailed to parties

**Findings of Fact for Petition 2023-002512:
VAB Petition No: 2023-002512**

Parcel No: 080327-1000

Date of Hearing: March 20, 2024

Appearances:

Taxpayer/Petitioner: Brian Depotter – by phone.

Property Appraiser: Carlos Pelegrin & Robert Lytle by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the Hampton Inn Downtown located at 1331 Prudential Drive. The concrete block and stucco, five story structure contains 59,749 square feet with 118 hotel rooms. The improvements were constructed in 1998. The site contains 71,481 square feet or 1.64 acres and is zoned CCBD. There is an additional vacant site considered waste land by the Property Appraiser.

The parties indicated that evidence was exchanged prior to the hearing and the evidence is contained within this file.

The Property Appraiser gave testimony that he developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the primary weight on the Income Approach which was supported by the Sales Comparison Approach. He also provided a Cost Approach but placed no weight on this approach. The approaches relied on by the Property Appraiser were considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$11,021,000
Sales Comparison \$12,684,345
Income Approach \$12,569,181

The Property Appraiser estimated the subject's opinion of value at \$12,569,181 with a trim value of \$12,415,300 and placed the greatest weight on the Income Approach. The Property Appraiser testified the subject property sold 11/14/2022 for \$15,925,900.

The Property Appraiser utilized a \$123.00 average daily room rate. He estimated other income at 1% and the vacancy was estimated at 25%. The Property Appraisers effective gross income of \$3,973,208 is less than the reported revenue to the Department of Revenue which was \$4,095,505. He estimated his expenses at 63% which is less than the six expense comparables he used that reflected an average of 64.7% with a median of 67%. His net operating income was estimated at \$1,489,688 and he used a base cap rate of 8.00%. He then loaded the cap rate with the cost of sale and the 2022 millage rate of .0170303. This resulted in an overall rate of 11.1148 and a value estimate of \$12,569,181 after deducting for the tangible personal property (TPP).

It is my opinion; the 2023 millage rate should be used in the development of the cap rate as the property owner is being assessed for the 2023 year. The owner will have to pay the 2023 taxes based on the 2023 millage and not the 2022 millage. The Petitioner testified that the Property Appraiser was using the correct 2023 millage in the assessment of the tangible personal property but was using the 2022 millage in the assessment of the real property. Therefore, utilizing the correct millage rate of .017956 indicates a correct overall cap rate of 11.2074% which results in a value estimate exclusive of TPP of \$12,458,437.

The Property Appraiser's support for his estimate includes numerous surveys and articles by Newmark, CBRE, Integra, HVS.com, Jacksonville Daily Record, the Jacksonville Business Journal, and several hotel articles including the Rushmore Approach.

The Property Appraiser further support his value estimate with a Sales Comparison Approach utilizing five similar sales including the subject's sale. The sales reflected an EGIM range from 3.12 to 4.12 and the Property Appraiser used 3.95 which resulted in a value estimate of \$13,233,853 after taking the cost of sale and deducting for TPP. The Property Appraiser testified that the Petitioner's opinion of value would result in an EGIM of 2.87 which is considerable below the range indicated by the sales.

The Petitioner's opinion of value was \$8,740,000 and testified that the sale of the subject property was non-arm's length. The Petition provided Income Approaches based on the actual income and expenses as well as a proforma.

The Petitioner's Income Approach based on the 2022-year actuals and his proforma had relatively similar effective gross incomes when compared to the Property Appraiser. All the effective gross incomes estimated by both parties were just below what was reported to the Department of Revenue.

The parties differ on two main points. The Petitioner used an expense rate of 70% in the Income Approach using actual numbers and 72% on his proforma. The Property Appraiser used only 63% in his Income Approach. The Petitioner used a 9% base cap rate and the 2023 millage rate to determine his overall cap rate and the Property Appraiser used an 8% base cap rate and the 2022 millage rate in developing his overall cap rate.

The Petitioner argues that interest rates have increased considerably as well as insurance costs and that the Property Appraiser has not fully considered these issues.

Finding of Facts:

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. Specifically, the Property Appraiser's Income Approach, although well-supported used a 63% expense rate when the Property Appraiser's own evidence using six expense comparables indicates an average expense of 64.7% and a median of 67%. An expense rate of at least 67% appears reasonable although considerably below those estimated by the Petitioner at 70% and 72%.

Secondly, the Property Appraiser estimated a base cap rate at 8.00%. The Property Appraiser's own evidence as indicated from the Newmark survey reflected base cap rates from 8.00% to 8.75%. The Petitioner provided several sources for base cap rates from 8.5% to 9.25%. A base cap rate of 8.50% appears reasonable.

Therefore, the Special Magistrate has re-created the correct cap rate using the DOR effective gross income, an expense rate of 67% and a base cap rate of 8.5% then loaded with the cost of sale and the correct 2023 millage rate. The TPP amount was then deducted to render the correct market value.

Effective Gross Income \$4,049,505
 Less 67% Expenses -2,713,168
 Net Operating Income 1,336,337
 Cap Rate @ 11.7074% \$11,414,464
 Less TPP -833,567
 Indicated Value \$10,580,897

Conclusions of Law for Petition 2023-002512:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

There is competent substantial evidence in the record from which the Special Magistrate can establish the assessment.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was

incorrect. Therefore, the current assessment of \$12,415,300 has been overturned and the correct assessment established at \$10,580,897.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

4.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-16.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002517 Parcel ID 0022660210
Petitioner name FirstPointe Advisors, LLC
The petitioner is: [] taxpayer of record [X] taxpayer's agent
[] other, explain: Property address 3037 JOHN HANCOCK CT
JACKSONVILLE, FL 32221

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action, After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision Findings of Fact (See Attached) Conclusions of Law (See Attached)

Findings of Fact (See Attached)

Conclusions of Law (See Attached)

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Signature, special magistrate Austin Hollis, Jr. Print name Austin Hollis, Jr. Date 04/25/2024
Signature, VAB clerk or special representative Margaret M. "Peggy" Sidman Print name Margaret M. "Peggy" Sidman Date 04/29/2024

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM
Address City Council Chambers
If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision
Signature, VAB clerk or representative Print name Date mailed to parties

**Findings of Fact for Petition 2023-002517:
VAB Petition No: 2023-002517**

Parcel No: 002266-0210

Date of Hearing: April 03, 2024

Appearances:

Taxpayer/Petitioner: Nicholas Mau by phone

Property Appraiser: Michael McAvity by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the Saddle Brook Landings Townhomes complex located at 3037 John Hancock Court. The aluminum and vinyl, 2 and 3-story improvements were constructed in 1978, currently consist of 195 units, and were considered a Class C complex. The average size unit is 1,384 square feet and contains 2, 3 and 4-bedroom units. The site contains 31.58 acres plus 9.08 acres of streets and right of ways, and 0.11 acres of wetlands all zoned PUD.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is contained within this file.

The Property Appraiser gave testimony that he developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the greatest weight on both the Income and Sales Comparison Approaches. He developed the Cost Approach but did not place significant weight on this approach. Both approaches relied on were considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$26,577,243
Sales Comparison \$30,639,100
Income Approach \$22,348,000

The Property Appraiser estimated the subject's opinion of value at \$26,493,600. The indicated trim value was \$22,239,000 which is in-line with his Income Approach.

The Property Appraiser estimated an average monthly rental per square foot of \$1.15. The asking rate for the complex is \$1.27 and the subject's actual average is \$1.19. He further supported this with 6 competing complexes which indicated an average monthly square foot rental rate of \$1.22. He estimated the vacancy at 7% and supported this with a Berkadia 3Q 2022 survey reflecting 5.4% vacancy, a NAI Hallmark Q4 2022 Westside survey reflecting 6.9% and the Q1 2023 survey by NAI Hallmark indicating 7.4%.

He estimated the expenses at 50% and supported this with Trepp data which analyzed 6 competing expense comps that indicated average expenses of 40%. He also used the same Trepp Data to support his secondary income of 6% which showed one complex with 11% secondary income. He supported his 5.50% base cap rate with an Integra South survey reflecting Class A Suburban at a 4.88% cap rate and for Class B at a 5.60% cap rate. He provided a CBRE survey for Jacksonville Class A H2 2022 with a range from 4.50% to 5.25%, and a Berkadia survey for Jacksonville 3Q 2022 with an average of 4.60%. The 4 sales in his Sales Comparison Approach indicated an average cap rate of 3.77%.

The Petitioner provided both an Income Approach using the actual income and expenses as well as a proforma. His Income Approach using the actual income and expenses undervalued the complex at \$14,810,000. His proforma indicated a value estimate of \$19,960,000. The parties EGI differed with the Property Appraiser at \$3,687,101 and the Petitioner at \$3,525,336. The Property Appraiser used a 50% expense rate and the Petitioner used 46% expenses. This resulted in a very similar NOI of \$1,843,550 for the Property Appraiser and \$1,901,688 for the Petitioner. The two parties differ with their base cap rate. The Property Appraiser used a 5.50% cap rate, and the Petitioner used a 6.50% base cap rate. Both parties had some evidence as support for the choice of cap rates.

Finding of Facts:

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. The Property Appraiser's Income Approach rental rate and vacancy were well supported by the evidence presented. However, his expenses at 50% appear high as his own expense comps indicated an average of 40%. The Petitioner used only 46%. The Property Appraiser used a 5.50% base cap rate. However, most of his support was for Class A apartment complexes. The subject is an older complex built in 1978 and is classified as a Class C complex. The Petitioner's 6.50% base cap rate was supported by RERC South Apartment average for Class B (2nd Tier) of 6.50% and Class C (3rd Tier) at 7.50%. His Realty Rates survey for Garden/Suburban Townhomes average was 7.70%. The Special Magistrate found the Petitioner's cap rate convincing since the subject is an older Class C complex. Therefore, I have recreated the correct Income Approach using the Property Appraiser's EGI, and the Petitioner's expenses and cap rate.

Effective Gross Income \$3,687,101
Expenses 46% -1,696,066
Net Operating Income 1,991,035
Cap at 6.5%+CoS+Mill 9.44% \$21,091,473
Less TPP -206,933
Value Estimate \$20,884,540

Conclusions of Law for Petition 2023-002517:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. Therefore, the current assessment of \$22,239,000 has been overturned and the correct assessment established at \$20,884,540.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

7.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-18.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB

If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425, Florida Statutes.)

Petition # 2023-002519

Parcel ID 1486335025

Petitioner name FirstPointe Advisors, LLC

The petitioner is: [] taxpayer of record [X] taxpayer's agent

[] other, explain:

Property address 9009 WESTERN LAKE DR JACKSONVILLE, FL 32256

Decision Summary [] Denied your petition [X] Granted your petition [] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action Value presented by property appraiser Rule 12D-9.025(10), F.A.C., After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

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Reasons for Decision

Fill-in fields will expand or add pages, as needed.

Findings of Fact

(See Attached)

Conclusions of Law

(See Attached)

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Austin Hollis, Jr.

Signature, special magistrate

Austin Hollis, Jr.

Print name

04/25/2024

Date

Margaret M. "Peggy" Sidman

Signature, VAB clerk or special representative

Margaret M. "Peggy" Sidman

Print name

04/26/2024

Date

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM Address City Council Chambers

If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axla2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board

Print name

Date of decision

Signature, VAB clerk or representative

Print name

Date mailed to parties

Findings of Fact for Petition 2023-002519:
VAB Petition No: 2023-002519

Parcel No: 148633-5025

Date of Hearing: April 03, 2024

Appearances:

Taxpayer/Petitioner: Nicholas Mau by phone

Property Appraiser: Michael McAvity by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the Bay Club Apartments which is considered a 3 Star Class B complex located at 9009 Western Lake Drive. The horizontal lap improvements were constructed in 1990, and currently consist of 220 units. The average size unit is 1,016 square feet. The site contains 16.38 acres and is zoned RMD-C. There is a sale of the property recorded in May 2022 for \$54,695,213 which was part of a portfolio purchase.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is contained within this file.

The Property Appraiser gave testimony that he developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the greatest weight on both the Income and Sales Comparison Approaches. He developed the Cost Approach but did not place significant weight on this approach. Both approaches relied on were considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$39,056,094
Sales Comparison \$45,792,600
Income Approach \$37,229,600

The Property Appraiser estimated the subject's opinion of value at \$41,511,100. The indicated trim value was \$37,229,600 which is in-line with his Income Approach.

The Property Appraiser estimated an average monthly rental per square foot of \$1.55. The asking rate for the complex is \$1.63 and the subject currently averages \$1.58. He further supported this with 5 competing complexes which indicated an average monthly square foot rental rate of \$1.51. He estimated the vacancy at 6% as the subject is currently experiencing a 5% vacancy rate. He further supported this with the Jacksonville Report Card showing a 5.4% vacancy rate. He estimated the secondary income at 10% which was supported by three Trepp Data comps reflecting 11%.

He estimated the expenses at 32% and supported this with Trepp Data which analyzed 7 competing expense comps that indicated average expenses of 31%. He supported his 5.25% base cap rate with an Integra South survey reflecting Class A Suburban at a 4.88% cap rate and for Class B at a 5.60% cap rate. He provided a CBRE survey for Jacksonville Class A H2 2022 with a range from 4.50% to 5.25%, and a Berkadia survey for Jacksonville 3Q 2022 with an average of 4.60%. The 4 sales in his Sales Comparison Approach indicated an average cap rate of 4.22%.

The Petitioner provided both an Income Approach using the actual income and expenses as well as a proforma. He placed his weight on the proforma, and his indicated net operating income was \$2,914,324. The Property Appraisers estimate of the NOI was \$2,940,164. The main difference between the parties is the cap rate. The Petitioner estimated a 6.00% base rate as the subject is considered a 3 Star Class B complex. He justified this rate with the RERC survey for 2nd Tier apartments at 6.50% and the Realty Rates 1Q 2023 survey indicating 7.70%. The Property Appraiser primarily utilized Class A cap rates to justify his estimated 5.25% base cap rate.

Both parties have support for their base cap rates. The Property Appraiser's evidence is basically for a Class A property. The Petitioner also has some Class A evidence but also evidence for Class B and 2nd Tier cap rates. The subject property is older, having been constructed in 1990 and is classified as a 3 Star Class B property. Therefore, it is my decision that the correct cap rate for the subject property should be 6.00% as estimated by the Petitioner. I have considered the Property Appraiser's net operating income to be better supported by the evidence that is in the record. Therefore, I have recreated the correct value estimate as follows:

Net Operating Income \$2,940,164
Cap at 6.00%+CoS+ Mill = 8.85% 33,222,192
Less TPP -84,535
Market Value \$33,137,657

Finding of Facts:

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. The Property Appraiser's Income Approach rental rate, vacancy, secondary income, and expenses were all supported by extensive evidence. However, his 5.25% cap rate for a Class B apartment complex built in 1990 was not supported by the evidence in the record.

Therefore, the Special Magistrate did not find the Property Appraiser's Income Approach convincing.

Conclusions of Law for Petition 2023-002519:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. Therefore, the current assessment of \$37,229,600 has been overturned and the correct assessment established at \$33,137,657.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

10.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-16.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(i), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002535 Parcel ID 0144250000
Petitioner name FirstPointe Advisors, LLC
The petitioner is: [] taxpayer of record [X] taxpayer's agent
[] other, explain: Property address 6870 103RD ST JACKSONVILLE, FL 32210

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action, After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision Findings of Fact (See Attached) Conclusions of Law (See Attached)

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Signature, special magistrate Austin Hollis, Jr. Print name Austin Hollis, Jr. Date 04/26/2024
Signature, VAB clerk or special representative Margaret M. "Peggy" Sidman Print name Margaret M. "Peggy" Sidman Date 05/01/2024

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM
Address City Council Chambers
If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision
Signature, VAB clerk or representative Print name Date mailed to parties

Findings of Fact for Petition 2023-002535:
VAB Petition No: 2023-002535

Parcel No: 014425-0000

Date of Hearing: April 03, 2024

Appearances:

Taxpayer/Petitioner: Nicholas Mau by phone

Property Appraiser: Michael McAvity by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the Palm Trace Apartments which is considered a 3 Star Class B complex located at 6870 103rd Street. The 2-story aluminum/vinyl/cedar improvements were constructed in 1986, and currently consist of 160 units with 159 available to rent. The average size unit is 825 square feet. The site contains 9.61 acres and is zoned RMD-D. There is a sale of the property recorded October 29, 2021 for \$19,000,000.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is contained within this file.

The Property Appraiser gave testimony that he developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the greatest weight on both the Income and Sales Comparison Approaches. He developed the Cost Approach but did not place significant weight on this approach. Both approaches relied on were considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$17,296,399
Sales Comparison \$21,487,700
Income Approach \$18,119,000

The Property Appraiser estimated the subject's opinion of value at \$19,803,400. The indicated trim value was \$19,099,300 which is in-line with his Income Approach.

The Property Appraiser estimated an average monthly rental per square foot of \$1.40. The asking rate for the complex is \$1.49 and the subject currently averages \$1.39. He further supported this with 17 competing complexes which indicated an average monthly square foot rental rate of \$1.37. He estimated the vacancy at a market rate of 7% and supported this with the Jacksonville Report Card showing a 5.4% vacancy rate. However, he recognized the subject is currently experiencing a 15% vacancy rate. He addressed this vacancy discrepancy with an appropriate rent loss in his Income Approach. He estimated the secondary income at 11% which was supported by five Trepp Data comps reflecting a median of 11%.

He estimated the expenses at 37% and supported this with Trepp Data which analyzed 6 competing expense comps that indicated median expenses of 37%. He supported his 5.25% base cap rate with an Integra South survey reflecting Class A Suburban at a 4.88% cap rate and for Class B at a 5.60% cap rate. He provided a CBRE survey for Jacksonville Class A H2 2022 with a range from 4.50% to 5.25%, and a Berkadia survey for Jacksonville 3Q 2022 with an average of 4.60%. The 3 sales in his Sales Comparison Approach indicated an average cap rate of 3.33%.

The Petitioner provided both an Income Approach using the actual income and expenses as well as a proforma. He placed his weight on the proforma, and his indicated net operating income was \$1,475,305. The Property Appraisers estimate of the NOI was \$1,449,141. The main difference between the parties is the cap rate. The Petitioner estimated a 6.00% base rate as the subject is considered a 3 Star Class B complex. He justified this rate with the RERC survey for 2nd Tier apartments at 6.50% and the Realty Rates IQ 2023 survey indicating 7.70%. The Property Appraiser primarily utilized Class A cap rates to justify his estimated 5.25% base cap rate.

Both parties have support for their base cap rates. The Property Appraiser's evidence is basically for a Class A property. The Petitioner also has some Class A evidence but also evidence for Class B and 2nd Tier cap rates. The subject property is older, having been constructed in 1986 and is classified as a 3 Star Class B property. Therefore, it is my decision that the correct cap rate for the subject property should be 6.00% as estimated by the Petitioner. I consider the Petitioner's net operating income to be supported by the evidence that is in the record. Therefore, I have recreated the correct value estimate as follows:

Net Operating Income \$1,475,305
Cap at 6.00%+CoS+ Mill = 8.85% 16,670,113
Less TPP -93,270
Less Rent Loss -61,717
Market Value \$16,515,126

Finding of Facts:

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. The Property Appraiser's Income Approach rental rate, vacancy, secondary income, expenses, and net operating income were all supported by extensive evidence. However, his 5.25% cap rate for a Class B apartment complex built in 1986 was not supported by the evidence in the record.

Therefore, the Special Magistrate did not find the Property Appraiser's Income Approach convincing and utilized the Petitioner's base cap rate of 6.00% and the estimate of the Net Operating Income to determine the correct market value.

Conclusions of Law for Petition 2023-002535:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. There is competent, substantial evidence of value in the record from which to establish the assessment. Therefore, the current assessment of \$19,099,300 has been overturned and the correct assessment established at \$16,515,126.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

13.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-16.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002597 Parcel ID 1460361775
Petitioner name FirstPointe Advisors, LLC
The petitioner is: [] taxpayer of record [X] taxpayer's agent
[] other, explain: Property address 4385 SOUTHSIDE BLVD JACKSONVILLE, FL 32216

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action Value presented by property appraiser Rule 12D-9.025(10), F.A.C., After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision Findings of Fact (See Attached) Conclusions of Law (See Attached) Fill-in fields will expand or add pages, as needed.

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Signature, special magistrate Austin Hollis, Jr. Print name Austin Hollis, Jr. Date 04/29/2024
Signature, VAB clerk or special representative Margaret M. "Peggy" Sidman Print name Margaret M. "Peggy" Sidman Date 04/29/2024

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM
Address City Council Chambers
If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision
Signature, VAB clerk or representative Print name Date mailed to parties

**Findings of Fact for Petition 2023-002597:
VAB Petition No: 2023-002597**

Parcel No: 146036-1775

Date of Hearing: March 25, 2024

Appearances:

Taxpayer/Petitioner: Deneen Maly – by phone

Property Appraiser: Carlos Pelegrin & Robert Lytle, CFE by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the Spring Hill Suites limited service-upscale hotel located at 4385 Southside Boulevard. The subject parcel consists of a 102-room hotel constructed in 2000 and is situated on a 2.60-acre site zoned PUD. The concrete block and stucco structure has five stories and is reportedly in good condition.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is contained within this file.

The Property Appraiser gave testimony that he developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the greatest weight on the Income Approach with secondary consideration given to the Sales Comparison (Market) Approach. No weight was placed on the Cost Approach which was provided. The Income Approach was considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$9,545,000
Market Approach \$9,305,700
Income Approach \$9,323,500

The Property Appraiser estimated the subject's value at \$9,323,500 with the greatest weight on the Income Approach. He estimated an Average Daily Room Rate of \$123.00, a 25% vacancy rate, other income at 1% which reflected an effective gross income of \$3,480,260. This is slightly less than the income reported to the DOR of \$3,602,555. The Property Appraiser estimated the expenses at 66%. His support for the expenses includes Trepp Data which examined 5 similar hotels which indicated average expenses of 63.9% and a median expense of 66.7%. The subject's actual expense was 74% which the Property Appraiser adjusted to 65.6% with eliminating expenses not usually considered before the net operating income. The Property Appraiser then used a base cap rate of 8.25% and loaded it with the cost of sale and the millage. I did not find any support for the base cap rate in the evidence. He then subtracted out the TPP for an indicated value of \$9,323,500.

The Petitioner requested a value of \$6,610,000. She provided an Income Approach based on the actual income and expenses and a separate proforma. Her effective gross income based on the actuals aligned with the amount reported to the DOR. Her expenses of 74% appeared high and there was limited support in her evidence for this item. Her 9% base cap rate was supported by PwC National Select-Service at 8.75%. RERC 1st Tier indicated 8.20% and 9.1% for 2nd tier. CBRE Limited-Service for Orlando indicated 8.5% - 9.25%, and the USRC average for Limited-Service was 8.40%.

Her proforma indicated an effective gross income of \$3,329,624 which is considerably less than what was reported by the DOR. She used an expense amount of 72% which is less than the actual at 74%, but higher than the Property Appraiser at 66% expenses.

Finding of Facts:

15.

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. Specifically, the Property Appraiser's Income Approach, although having extensive support for his effective gross income and expenses, did not have any support for his base cap rate of 8.25% which appears low based on the extensive evidence provided by the Petitioner. The Petitioner, although having extensive support for his cap rate, did not provide convincing support for her expenses.

Therefore, the Special Magistrate has recreated the correct Income Approach utilizing the Property Appraiser's effective gross income and expense estimate, and a base cap rate of 8.50% (loaded with the cost of sale and the 2023 millage) which appears reasonable considering the evidence submitted.

Effective Gross Income \$3,480,260
Expenses 66% -2,296,972
Net Operating Income 1,183,288
Cap Rate 11.7956% 10,031,614
Less TPP -1,048,092
Value Estimate \$8,983,522

There was substantial evidence contained in the record for the Special Magistrate to determine the correct value for the subject property.

Conclusions of Law for Petition 2023-002597:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. Therefore, the current assessment of \$9,323,500 has been overturned and the correct assessment established at \$8,983,522.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

16.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-18.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002603 Parcel ID 0800780000
Petitioner name FirstPointe Advisors, LLC
The petitioner is: [] taxpayer of record [X] taxpayer's agent
[] other, explain: Property address 1515 PRUDENTIAL DR JACKSONVILLE, FL 32207

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action Value presented by property appraiser Rule 12D-9.025(10), F.A.C., After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision Findings of Fact (See Attached) Conclusions of Law (See Attached) Fill-in fields will expand or add pages, as needed.

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Signature, special magistrate Austin Hollis, Jr. Print name Austin Hollis, Jr. Date 04/19/2024
Signature, VAB clerk or special representative Margaret M. "Peggy" Sidman Print name Margaret M. "Peggy" Sidman Date 04/25/2024

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM
Address City Council Chambers
If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision
Signature, VAB clerk or representative Print name Date mailed to parties

**Findings of Fact for Petition 2023-002603:
VAB Petition No: 2023-002603**

Parcel No: 080078-0000

Date of Hearing: March 26, 2024

Appearances:

Taxpayer/Petitioner: Brian DePotter – by phone

Property Appraiser: Carlos Pelegrin & Robert Lytle, CFE by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the VHG Lexington Hotel and Conference Center which is a full-service, upscale hotel located at 1515 Prudential Drive on Jacksonville's Southbank. The concrete block and stucco, 5 story building was constructed in 1981 and had renovations in 2016/17 totaling \$1,056,390. The 322-room hotel contains 252,427 square feet of leasable area. The improvements occupied a site containing 5.81 acres zoned PUD and overlooks the St. Johns River.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is contained within this file.

The Property Appraiser gave testimony that he developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the greatest weight on the Income Approach with secondary consideration given to the Sales Comparison (Market) Approach. No weight was placed on the Cost Approach which was provided. The Income Approach was considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$19,777,000
Sales Comparison \$21,803,400
Income Approach \$19,777,000

The Property Appraiser estimated the subject's value at \$19,777,000 with the greatest weight on the Income Approach. The current assessment is \$19,776,800. His Income Approach used an Average Daily Room Rate of \$126.00 which is like the actual ADR of \$127.00. He used a 43% vacancy rate, other income at 16% which reflected an effective gross income of \$10,810,409. This is less than the actual EGI for 2022 reported at \$11,147,272. The Property Appraiser estimated the expenses at 78%. The actual expenses for 2022 when removing real estate taxes was 79.6% and for 2021 was 76%. Trepp Data analyzed 5 similar size, age and type hotels that reflected expenses from 67.5% to 80.2%. The Property Appraiser then used a base cap rate of 7.25% and loaded it with the cost of sale and the millage. His support for the cap rate is a full-service survey by Newmark 1Q 2023 Class B of 7.00% and PwC survey for Full-Service, 4Q 2022 indicating an average of 7.2%. He then subtracted out the TPP for an indicated value of \$19,777,000.

The Petitioner requested a value of \$13,360,000 and developed an Income Approach based on the actual profit and loss statement for 2022. His effective gross income was higher than the Property Appraiser's (\$11,147,272 vs \$10,810,409). He used the actual 2022 expenses of 81% which was higher than the Property Appraiser's 78%. The 2021 actual expenses were only 76%. The parties basically differ in their choice of base cap rates. The Property Appraiser used 7.25% and the Petitioner used 9.00%. The Petitioner's support for his cap rate was a PwC survey 1Q 2023 for National Full-Service hotels of 8.05%. He also provided a RERC survey for hotels 1st Tier South cap rate of 8.20%. His HVS Full-Service survey indicated 8.30% and his US Realty Consultant Full-Service Mid-Year 2022 indicated 7.60%. His cap rate support indicated rates less than the 9.00% he used, but higher than the Property Appraiser's 7.25%.

Finding of Facts:

18.

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. Specifically, the Property Appraiser's Income Approach, although having extensive support for his effective gross income and expenses, did not have any support for his base cap rate of 7.25% which appears low based on the preponderance of extensive evidence provided by the Petitioner. The Petitioner, although having extensive support for his cap rate, did not provide convincing support for his expenses.

Therefore, the Special Magistrate has recreated the correct Income Approach utilizing the Property Appraiser's effective gross income, and expense estimate, and used the correct base cap rate estimated at 8.00% (loaded with the cost of sale and the 2023 millage) which appears reasonable considering the evidence submitted.

Effective Gross Income \$10,810,409
Expenses 78% -8,432,119
Net Operating Income 2,378,290
Cap Rate 11.20% 21,234,732
Less TPP -3,465,896
Value Estimate \$17,768,836

There was substantial evidence contained in the record for the Special Magistrate to determine the correct value for the subject property.

Conclusions of Law for Petition 2023-002603:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. Therefore, the current assessment of \$19,776,800 has been overturned and the correct assessment established at \$17,768,836.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

19.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-16.002
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002614

Parcel ID 1596301300

Petitioner name FirstPointe Advisors, LLC

Property address 9655 W FLORIDA MINING BLVD
JACKSONVILLE, FL 32257

The petitioner is: [] taxpayer of record [X] taxpayer's agent
[] other, explain:

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action Value presented by property appraiser Rule 12D-9.025(10), F.A.C., After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision

Fill-in fields will expand or add pages, as needed.

Findings of Fact

(See Attached)

Conclusions of Law

(See Attached)

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Austin Hollis, Jr. Signature, special magistrate Austin Hollis, Jr. Print name 04/15/2024 Date
Margaret M. "Peggy" Sidman Signature, VAB clerk or special representative Margaret M. "Peggy" Sidman Print name 04/25/2024 Date

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM
Address City Council Chambers
If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision

Signature, VAB clerk or representative Print name Date mailed to parties

**Findings of Fact for Petition 2023-002614:
VAB Petition No: 2023-002614**

Parcel No: 159630-1300

Date of Hearing: March 25, 2024

Appearances:

Taxpayer/Petitioner: Deneen Maly by phone

Property Appraiser: Ashley Burch, Keith Hall, CFE; by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is a two-building flex warehouse facility located at 9655 West Florida Mining Boulevard. The buildings were 100% occupied and were constructed in 2004 with concrete block and stucco with an interior wall height of 22'. The structures contain 51,375 square feet. The site contains 134,600 square feet or 3.09 acres plus 1.47 acres of conservation easements all zoned IL.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is contained within the file.

The Property Appraiser gave testimony that she developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed the greatest weight on the Income Approach with secondary weight on the Sales Comparison Approach. No weight was placed on the Cost Approach which was provided. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$4,694,896
Sales Comparison \$7,449,312
Income Approach \$4,667,200

The Property Appraiser estimated the subject's opinion of value at \$5,500,000 and the assessed value is considerably lower at \$4,679,500. The Property Appraiser placed the greatest weight on the Income Approach and supported that with a Sales Comparison Approach that utilized three similar warehouse/office sales. It should be noted that her Sales Comparison Approach indicated a value of almost \$3,000,000 higher than the Income Approach.

Her Income Approach used a \$9.00 per square foot net rental rate which was supported by eight similar competing lease comps that indicated an average net rental rate of \$10.68 per square foot. The Property Appraiser provided evidence reflecting the subject is 100% occupied and is generating a gross average rental rate of only \$9.25. She used a 6% vacancy rate, and expenses at 5.25%. She then estimated the base cap rate at 7.50% and then loaded the base rate with the 15% cost of sale. This indicated a value estimate of \$4,667,200.

All the Property Appraiser's estimates were extensively supported by the Property Appraiser's additional survey evidence.

The Petitioner's evidence included an Income Approach based on the actual income and expense, a proforma and a Sales Comparison Approach. She placed the greatest weight on the proforma. Her Income Approach using the actual income and expenses indicated a gross rental rate of \$9.03 per square foot. The expenses were 47% and the base cap was estimated at 6.5%.

Her proforma used a \$10.00 gross rental rate per square foot, 23% expenses which included 2% for reserves which is typically considered after the net operating income, and a 6.5% base cap rate.

Her Sales Comparison Approach used three sales of older warehouses and indicated a value estimate of \$4,540,000 which is considerably higher than her proforma estimate and in line with the Property Appraiser's value estimate.

The two parties differ in several areas as the Property Appraiser used a net rental and the Petitioner used a gross rental. The subject property is operating on a gross rental basis. The parties differ on rental rates, expenses, and cap rates. Both parties provided evidence and testimony, however neither party's opinion of value was convincing as both parties' Sales Comparison Approaches were considerably higher than their Income Approach estimates.

Therefore, the Special Magistrate has recreated the correct Income Approach as there is substantial evidence contained within the record to estimate the correct value. I have used the Petitioner's gross rental estimate as it was supported by her evidence and the actuals. The expenses were estimated at 21% as the reserves were removed and I used the Petitioner's cap rate as it was better supported by several sources including PwC and Realty Rates.

\$1,375sf @ \$10.00/sf \$513,750
Vacancy 5% -25,688
Effective Gross Income 488,062
Expenses 21% -102,493
Net Operating Income 385,569
Cap @ 9.44% \$4,084,417

Income Approach Value Estimate \$4,084,417

Finding of Facts:

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. Specifically, the Property Appraiser's Sales Comparison Approach did not support her Income Approach. Her Income Approach used a triple net rental rate when the subject is operating under a gross rental rate and there were similar gross lease comps available that were not used.

Conclusions of Law for Petition 2023-002614:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. Therefore, the current assessment of \$4,679,500 has been overturned and the correct assessment established at \$4,084,417.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

22.



DECISION OF THE VALUE ADJUSTMENT BOARD
VALUE PETITION

DR-485V
R. 01/17
Rule 12D-16.0 02
F.A.C.
Eff. 01/17

Duval

County

The actions below were taken on your petition.

[X] These actions are a recommendation only, not final [] These actions are a final decision of the VAB
If you are not satisfied after you are notified of the final decision of the VAB, you have the right to file a lawsuit
in circuit court to further contest your assessment. (See sections 193.155(8)(l), 194.036, 194.171(2), 196.151, and 197.2425,
Florida Statutes.)

Petition # 2023-002707 Parcel ID 1646680000
Petitioner name FirstPointe Advisors, LLC
The petitioner is: [] taxpayer of record [X] taxpayer's agent [] other, explain:
Property address 10230 ATLANTIC BLVD JACKSONVILLE, FL 32225

Decision Summary [] Denied your petition [] Granted your petition [X] Granted your petition in part

Table with 4 columns: Value Lines 1 and 4 must be completed, Value from TRIM Notice, Before Board Action Value presented by property appraiser Rule 12D-9.025(10), F.A.C., After Board Action. Rows include Just value, Assessed or classified use value, Exempt value, and Taxable value.

*All values entered should be county taxable values. School and other taxing authority values may differ. (Section 196.031(7), F.S.)

Reasons for Decision Findings of Fact (See Attached) Conclusions of Law (See Attached)

Findings of Fact (See Attached)

Conclusions of Law (See Attached)

[X] Recommended Decision of Special Magistrate Finding and conclusions above are recommendations.

Signature, special magistrate Austin Hollis, Jr. Print name Austin Hollis, Jr. Date 04/26/2024
Signature, VAB clerk or special representative Margaret M. "Peggy" Sidman Print name Margaret M. "Peggy" Sidman Date 05/01/2024

If this is a recommended decision, the board will consider the recommended decision on 05/16/2024 at 09:00 AM
Address City Council Chambers
If the line above is blank, the board does not yet know the date, time, and place when the recommended decision will be
considered. To find the information, please call (904) 255-5124 or visit our web site at https://vab.coj.net/Axia2023/

[] Final Decision of the Value Adjustment Board

Signature, chair, value adjustment board Print name Date of decision
Signature, VAB clerk or representative Print name Date mailed to parties

**Findings of Fact for Petition 2023-002707:
VAB Petition No: 2023-002707**

Parcel No: 164668-0000

Date of Hearing: April 03, 2024

Appearances:

Taxpayer/Petitioner: Deneen Maly by phone

Property Appraiser: Melanie Dolbow by phone.

Special Magistrate: Austin O. Hollis, Jr. MAI, SRA

Basic and Underlying Facts:

The subject property is the Regency Walk Shopping Center located at 10230 Atlantic Boulevard which is a 3 Star Class C shopping center. The single-story, concrete block building was constructed in 1959 with a \$266,412 addition in June 2022. The structure contains a total of 34,025 square feet of leasable area and is 96% occupied. The site contains 138,521 square feet or 3.18 acres zoned CCG-2.

The parties indicated that information was exchanged prior to the hearing. Both parties' extensive evidence is included within the file.

The Property Appraiser gave testimony that she developed the subject's assessment with consideration of the eight criteria under the Florida Statutes Chapter 193.011. The evidence presented by the Property Appraiser confirmed the eight criteria of F.S. 193.011 were considered. The Property Appraiser placed equal weight on the Sales Comparison and Income Approaches. No weight was placed on the Cost Approach although it was provided.

Three approaches were considered by the Special Magistrate to be well-supported by the evidence. Following are the value estimates developed by the Property Appraiser for the subject property.

Cost Approach \$4,294,900
Sales Comparison \$4,870,181
Income Approach \$4,315,000

The Property Appraiser estimated the subject's opinion of value at \$4,480,000 and the trim or market value is estimated at \$4,315,000.

The Property Appraiser placed the greatest weight on the Income Approach and estimated the rental rate for the subject at \$18.00 triple net per square foot by utilizing ten rentals from the competing area that averaged \$16.95 per square foot. A review of the rental comps indicates that most were superior properties. She used a 5% vacancy rate supported by a Colliers survey reflecting a 4% vacancy, a Franklin Street survey indicating 5.2% and a US National survey showing 5.9% for retail. The actual vacancy for the subject property is 4%. She estimated the expenses at 20% and utilized the Trepp Data which reflected median expenses of 18% based on three similar comps. She further supported this with the US South Neighborhood Center survey indicating expenses at 18.26%.

The Property Appraiser used a 7.75% base cap rate and then loaded it with the cost of sale and the millage. She supported the cap rate with three actual sales of similar retail stores which reflected an average of 6.92%. Further support was provided by the NAI Hallmark Q4 2022 survey for retail indicating a 6.54% cap rate. The indicated value by the Income Approach was \$4,315,000.

The Petitioner's requested a value reduction to \$3,370,000 and provided an Income Approach based on the actual profit and loss information as well as a proforma. She placed her weight on the proforma and used a \$12.50 per square foot net rental rate in her Income Approach. However, a review of her rental comps indicated that most did not enjoy the subject's location on heavily traveled Atlantic Boulevard. Several of the most recently signed leases for the subject property were in the \$15 to \$16 range. She used a 10% vacancy rate, which is above the market, and expenses at 12%, which is below the market, based on the evidence that is within the record. Her base cap rate of 8.50% was higher than

her three best sources, which indicated 8.00% by Integra, 8.30% by RERC and 7.70 by Realty Rates.

Finding of Facts:

The Special Magistrate has considered all the evidence and testimony. It is my opinion that the Property Appraiser has not proved by a preponderance of evidence that the assessment was developed with an appropriate methodology of professionally accepted appraisal practice in compliance with Florida Statute 193.011. Specifically, the Property Appraiser provided a well-documented Income Approach and her vacancy, and expenses were well supported by the evidence. However, the \$18.00 triple net rental rate was not supported by the evidence within the record as the Property Appraiser's own rent comps indicated an average of \$16.95 per square foot.

The Petitioner provided extensive evidence and testimony, but her evidence was not compelling as her \$12.50 per square foot rental rate was not supported by the evidence including the last several leases within the subject building renting in the \$15 to \$16 range. Her 10% vacancy was above the market evidence and her expenses at 12% were below. Her 8.50% base cap rate was higher than her best three sources for a Class C shopping center.

Therefore, there is sufficient and credible evidence within the record for the Special Magistrate to recreate the correct Income Approach for the subject property. I have determined the correct net rental rate is \$16.00 per square foot. The correct vacancy is 5% and the expenses were well-supported at 20%. I have utilized an 8.00% base cap rate after considering all the evidence supplied by both the Property Appraiser and the Petitioner. Following is the correct recreated Income Approach:

Gross Potential Inc. 34,025sf @ \$16.00 \$544,400
Vacancy - 5% -27,220
Effective Gross Income 517,180
Expenses - 20% -103,436
Net Operating Income 413,744
Cap@ 8%+CoS+Millage 11.207% \$3,691,835

Conclusions of Law for Petition 2023-002707:

Section 194.301 of the Florida Statutes provides that the Property Appraiser's assessment is presumed correct, if the appraiser proves by a preponderance of the evidence that the assessment was arrived at by complying with Section 193.011, Florida Statutes, and professionally accepted appraisal practices, including mass appraisal standards. Based upon the evidence presented at the hearing, the Property Appraiser did not arrive at the assessment by complying with these standards.

Section 194.301 of the Florida Statutes further provides that the taxpayer, as the party initiating the challenge, has the burden of proving by a preponderance of the evidence that the assessment does not represent just value. Based upon the evidence and testimony presented at the hearing there was compelling evidence presented that the assessment was incorrect. Therefore, the current assessment of \$4,315,000 has been overturned and the correct new assessment established at \$3,691,835.

Austin O. Hollis, Jr. MAI, SRA
State-Certified General Appraiser RZ651
Special Magistrate
Duval County Adjustment Board

25.



DUVAL COUNTY VALUE ADJUSTMENT BOARD

117 W. Duval Street, Suite 305

Jacksonville, FL 32202

Office (904) 255-5124

Email: vab@coj.net

May 17, 2024

Tiffany Pinkstaff, Esq. (Attorney for Property Appraiser)

Office of General Counsel

Suite 480, City Hall

117 West Duval Street

Jacksonville, Florida 32202

By Email to: TPinkstaff@coj.net

Mr. Brian DePotter

FirstPointe Advisors, LLC (Petitioner)

6301 NW 5 Way Suite 2800

Fort Lauderdale, Florida 33309

By Email to: petitions@first-pointe.com

Petition # 2023-002512, parcel # 080327-1000; Petition # 2023-002517, parcel # 002266-0210
Petition # 2023-002519, parcel # 148633-5025; Petition # 2023-002535, parcel # 014425-0000
Petition # 2023-002597, parcel # 146036-1775; Petition # 2023-002603, parcel # 080078-0000
Petition # 2023-002614, parcel # 159630-1300; Petition # 2023-002707, parcel # 164668-0000

Dear Mr. DePotter and Ms. Pinkstaff:

The 2023 Duval County Value Adjustment Board ("VAB") met on Thursday, May 16, 2024, to consider the Special Magistrate's Recommended Decisions on the eight above-referenced Petitions. (You were each previously sent a copy of the Recommended Decisions.)

At the Property Appraiser's request, the VAB voted to defer consideration of the eight Special Magistrate's Recommended Decisions until the next VAB meeting. The next VAB meeting is currently scheduled for 9:00 A.M. on Thursday, June 13, 2024.

The Property Appraiser asserts that the above-referenced Recommended Decisions do not comply with applicable law.

On or before 5:00 P.M., Eastern Time, on Tuesday, May 28, 2024, the Property Appraiser is requested to furnish the VAB, at the above address, written reasons (and documentation/citations of authority, if appropriate) why the Property Appraiser asserts that the referenced Recommended Decisions do not comply with applicable law. The Property Appraiser will please furnish a copy of these written reasons and enclosures to me and a copy to the Petitioner.

26.

On or before 5:00 P.M., Eastern Time, on **Wednesday, June 5, 2024**, the **Petitioner** is requested to furnish the VAB, at the above address, a written response (and documentation/citations of authority, if appropriate) to the Property Appraiser's assertions. The Petitioner will please furnish a copy of that written response and enclosures to me and a copy to the Property Appraiser, in care of Ms. Pinkstaff.

It would probably not be useful for either party to utilize the above written exchange to simply re-argue the case. Argument should be restricted to discussion of why each Recommended Decision does or does not comply with applicable law. If a Recommended Decision misstates an indisputable fact, that would also be an appropriate subject for discussion.

The Recommended Decisions will be considered (and Final Decisions may be reached) at the next scheduled VAB meeting, which will be held:

9:00 A.M. on Thursday, June 13, 2024
City Council Chambers, City Hall
117 West Duval Street, 1st floor
Jacksonville, Florida 32202

This is a public meeting and you are invited to attend. Limited public comments will be allowed. This is not a re-hearing or an opportunity to present additional evidence.

I have previously provided you both copies of Rules 12D-9.030, 9.031 and 9.032, Florida Administrative Code. These rules outline and set forth information pertinent to the VAB Decision process.

Please Note: 4 Cases that appear to involve issues similar to the above-referenced 8 cases are currently pending before VAB. (However: Two of the above-referenced 8 cases may *also* involve *different* disputed issues.)

- I have previously provided you the VAB Attorney's April 11, 2024, Report to VAB on 3 of those 4 pending cases.
- I attach a second VAB Attorney Report provided to VAB on May 16, 2024, regarding a 4th case, for which FirstPointe Advisors LLC is the Petitioner.
- Those 4 pending cases are not yet final; all 4 cases have been deferred by VAB until its June 13, 2024, meeting, and the VAB attorney's Reports and recommendations may or may not be accepted by VAB.
- The April 11 and May 16 VAB Attorney Reports have been furnished for information only.
- VAB has also sought guidance from the Department of Revenue (DOR) on all 12 cases (the 4 pending and the above-referenced 8) and VAB awaits DOR's response.

If you have questions or concerns, please feel free to contact me by email at williamh.jeter@comcast.net or my mobile telephone (904.610.7600).

Sincerely,



William H. Jeter, Jr.
VAB Legal Counsel

Cc: VAB Staff

27.



**MICHAEL T. FACKLER
GENERAL COUNSEL
CITY OF JACKSONVILLE**

OFFICE OF GENERAL COUNSEL

TIFFINY DOUGLAS PINKSTAFF
Chief, General Litigation

117 W. Duval Street, Suite 480 | Jacksonville, FL 32202
Direct: (904) 255-5072 | Fax: (904) 255-5120
TPinkstaff@coj.net

May 21, 2024

VIA ELECTRONIC MAIL

Duval County Value Adjustment Board
117 West Duval Street, Suite 305
Jacksonville, Florida 32202
vab@coj.net

**Re: VAB Petition Nos. 2023-2512; 2023-2517; 2023-2519;
2023-2535; 2023-2597; 2023-2603; 2023-2614; and 2023-2707**

Dear Value Adjustment Board Members:

On behalf of Joyce Morgan, Duval County Property Appraiser, we write to address why the Recommended Decisions issued in the above-referenced Value Adjustment Board matters do not comply with applicable law and should not be adopted by the VAB.

MILLAGE RATE ISSUE

First, in all eight of the above-referenced matters, the Special Magistrate incorrectly found that the 2023 millage of .017956 should be used in the development of the overall cap rate. For all of the reasons set forth in the March 20, 2024 correspondence to the VAB regarding Petitions 2023-268, 2023-299 and 2023-317, the Property Appraiser requests a remand of the above-referenced petitions to the Special Magistrate in order for him to render a recommended decision using the 2022 millage rate for the capitalization rate calculations.¹

¹ As of today, Mr. Hollis has issued 47 recommendations this year utilizing the Cap Rate formula: 32 with the 2022 millage rate and 15 with the 2023 millage rate. Mr. deLaurier has issued 31 recommendations this year with the 2022 millage rate and none with the 2023 millage rate.

28.

OTHER ISSUES

In addition to the millage rate issue, the recommended decisions on Petitions 2023-2512 and 2023-2707 contain mistakes evidenced on the face of the recommendations as follows:

1. *Petition 2023-2512*

The property subject of this petition is the Hampton Inn Downtown located at 1331 Prudential Drive. The Property Appraiser's evidence package, which was uploaded to Axia on March 18, 2024, contained a spreadsheet listing expenses of six comparable hotels which were used in developing the income approach to value the subject property. On the spreadsheet, there are two columns providing for expenses as a percentage of EGI—one column provides an expense rate that excludes real estate tax and the other column provides an expense rate includes real estate tax—as follows:

Expenses Includes Management & FF&E Reserves Excludes RE Tax & Ground Rent as a % of EGI	All Expenses Includes RE Tax, Management & FF&E Reserves as a % of EGI
49.3%	50.6%
70.8%	74.1%
83.6%	65.6%
86.7%	88.8%
66.2%	67.2%
88.0%	72.4%
62.4%	64.7%
65.1%	67.0%

See PAO evidence package at page 16. As presented at the hearing, the Property Appraiser's income approach used expense comparables with an average expense ratio before real estate tax consideration of 62.4% and a median expense ratio before real estate tax consideration of 65.1% (i.e. using the data contained in the left column above). Expense ratios used in the income approach should exclude real estate tax consideration because the capitalization rate is already loaded with the millage rate. If expense ratios inclusive of real estate tax are used, the real estate tax expenses are improperly accounted for twice—which is exactly what happened after the Special Magistrate made the following erroneous finding fact:

"Specifically, the Property Appraiser's Income Approach, although well supported used a 63% expense rate when the Property Appraiser's own evidence using six expense comparables indicates an average of 64.7% and a median of 67%. An expense rate of at least 67% appears reasonable although considerably below those estimated by the Petitioner at 70% and 72%."

See Recommended Decision at page 3.

Because of this incorrect finding, the Special Magistrate erred in his revised development of the Property Appraiser's income approach because he used expense comparables with an average expense ratio after real estate tax consideration of 64.7% and a median expense ratio after real estate tax consideration of 67.0% (i.e. using the data contained in the right column above). The Property Appraiser's evidence already included an allowance for real estate taxes in the capitalization rate. The Property Appraiser respectfully requests that the VAB remand the recommended decision because the valuation as determined by the Special Magistrate improperly accounts for the real estate tax burden twice given that the capitalization rate is also loaded with the millage rate. We ask that the Special Magistrate adopt a market-based expense ratio exclusive of real estate taxes which are addressed in the millage load.²

2. *Petition 2023-2707*

The Property Appraiser requested deferral of this recommended decision due to a simple mistake found on the face of the decision. At page 2, paragraph 7 of the Special Magistrate's decision, he states: "The Property Appraiser placed the greatest weight on the Income Approach and estimated the rental rate for the subject at \$18.00 triple net per square foot..." This conclusion is not accurate and is contrary to the evidence presented by the Property Appraiser. The \$18.00 PSF is not a triple net rate, but rather a grossed-up rental rate inclusive of standard tenant reimbursements for items such as common area maintenance, insurance, and real estate tax. The Special Magistrate reconstructed a \$16.00 PSF revenue estimate based on a triple net assumption, yet his adoption of the Property Appraiser's expense ratio of 20%—in addition to loading of the millage rate—incorrectly implies these expenses are borne out by the landlord (found typically in a grossed-up rental rate proforma). In essence, the Special Magistrate created a non-conforming income proforma where the tenant rental reimbursement is not accounted for on the revenue side, but then is considered on the expense side, which results in an understatement of the potential net cashflow. This error in interpreting the correct lease structure results in an income proforma that does not adhere to acceptable appraisal practice. Accordingly, we ask that the VAB remand the recommended decision and instruct the Special Magistrate to correct this error.

Respectfully submitted,

Tiffany Douglas Pinkstaff

Tiffany Douglas Pinkstaff
Chief, General Litigation

ATTORNEY FOR JOYCE MORGAN, PROPERTY APPRAISER

² It is notable that correcting this error will move the assessment slightly closer to the actual November 2022 recorded sale price of \$15,925,000.



FirstPointe Advisors, LLC

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May 29, 2024

VIA E-MAIL VAB@coj.net

Duval County Value Adjustment Board
117 W. Duval Street, Suite 305
Jacksonville, FL 32202

Re: VAB Meeting May 16, 2024 – Petition Deferral

Petition #: 2023-002512, 002517, 002519, 002535, 002597, 002603, 002614, 002707

**Folio #: 080327-1000, 002266-0210, 148633-5025, 014425-0000, 146036-1775, 080078-0000,
159630-1300, 164668-0000**

Dear Duval County Value Adjustment Board,

We are writing regarding a letter received from the VAB Attorney, Mr. William Jeter following the May 16, 2024 VAB meeting. During this meeting the Special Magistrate's Decision for the above referenced petition was deferred from final approval. At issue is the Special Magistrate's usage of the 2023 millage rate vs. the 2022 millage rate within the calculation of the appropriate cap rate within income approach to value. The Property Appraiser's Office opines that the appropriate millage rate to use is the "prior year" (2022) as compared to the "current year" (2023) while our office believes that the appropriate millage rate to use is the millage rate for the "current" tax year in question which in this case is 2023.

The deferral of the above referenced petition was made alongside additional petitions that were deferred from final approval for the same reason. We have been made aware that prior to the May 16, 2024 VAB meeting, the VAB has submitted correspondence to the Florida Department of Revenue seeking guidance on the issue at hand. While we believe that usage of the current tax year millage is appropriate, we will defer to the Department of Revenue to provide their guidance to the Duval County Value Adjustment Board. We respectfully request to be notified upon receipt of this guidance from the Florida Department of Revenue.

Other Issues

Petition 2023-002512

The Property Appraiser is challenging the Special Magistrate's ruling of using 67% expenses in his reconstruction of the Income analysis based on comments written by the Special Magistrate within the recommended decision. The Property Appraiser seems to be implying that the sole reason for this assumption by the Magistrate was the expense support that is referenced on page 16 of their evidence package. Though the Magistrate may have referenced the column that includes real estate tax in his findings, what the Property Appraiser fails to mention in their challenge, is that the petitioner provided actual income and expense for the subject property that supports ~70% expenses net of real estate tax. Additionally, the Property Appraiser does not mention the petitioner's submission of 3 years of actual income and expense history that show expense ratios of 66.14% (YE 2021), 68.51% (YE 2022) and 70.21%



FirstPointe Advisors, LLC

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(YE 2023) that are contained on page 14 of the Petitioner's evidence package. In addition to the actual data provided, the petitioner also provides support from CBRE on pages 47-49 of their evidence package which shows support for an expense ratio of at least 66% for this type of hotel asset. We believe that the Special Magistrate based his assumption of 67% on more than the property appraiser's page 16. Also of note, the Property Appraiser provided 6 expense comparables and calculated a mean and median with the data set. One thing to note is that there is a significant outlier in the data. The very first comparable is well below the remaining data provided and should not be considered as reliable. If this outlier is removed, the mean expense ratio, net of real estate taxes would be 66.7% which is nearly spot on to the 67% utilized by the Special Magistrate. Please see below for chart provided by the Property Appraiser's office for reference.

Expense Includes Management & FFBE Reserve Excludes RE Tax & Ground Rent as a % of EGI	All Expense Includes RE Tax, Management & FFBE Reserve as a % of EGI
49.3%	50.6%
70.8%	74.1%
63.5%	65.5%
66.7%	68.6%
55.2%	57.2%
69.0%	72.4%
62.4%	64.7%
65.1%	67.0%

We respectfully disagree with the Property Appraiser's challenge to this reduction by the Special Magistrate and we request that the Value Adjustment Board uphold the Special Magistrate's original decision to reduce the value of the property to \$10,580,897 based on the evidence provided by the Petitioner.

Petition 2023-002707

The Petitioner notes, the Property Appraiser's comments regarding the Special Magistrate's recommended decision for petition 2023-002707. It would appear that the Special Magistrate has simply erred in referring to the rental rate as triple net where it should have been noted as gross. The Property Appraiser's office provided an income proforma utilizing gross rents while the Petitioner provided an income proforma using triple net rents. The Special Magistrate reconstructed the income approach on a gross basis and it seems clear that was his intention. We would request that the Special Magistrate be given the opportunity to correct the language used in his recommended decision to change the word "triple net" to gross. We otherwise believe that the Special Magistrate correctly reflected his intentions in his decision.

Thank you for your time and consideration,

Brian R. DePotter, CCIM, CMI
Managing Partner, FirstPointe Advisors, LLC



OFFICE OF THE CITY COUNCIL

WILL LAHNEN
COUNCIL MEMBER, DISTRICT 3
OFFICE: (904) 255-5203
FAX (904) 255-5230

April 15, 2024

SUITE 425, CITY HALL
117 WEST DUVAL STREET
JACKSONVILLE, FLORIDA 32202
E-MAIL: WLAHNEN@COJ.NET

Stephen J. Keller, Esq.
Chief Legal Counsel - Property Tax
Litigation and Value Adjustment Board Oversight
Office of the General Counsel
Department of Revenue
2450 Shumard Oak Blvd.
1-2410
Tallahassee, Florida 32399-0100

Via Federal Express

Request for Guidance: Duval County VAB Petitions 2023-000268; 2023-000299 and 2023-000317

Dear Mr. Keller:

I am Chair of the 2023 Duval County Value Adjustment Board ("VAB"). By unanimous vote at its April 11, 2024, meeting, the VAB seeks Department of Revenue ("DOR") opinion and guidance.

The VAB has received Special Magistrate Recommended Decisions for the three referenced 2023 VAB value petitions.

The Property Appraiser asserts that the Three Recommended Decisions do not comply with applicable law and has requested VAB to remand the Recommended Decisions to the Special Magistrate with instructions. The Petitioners argue that the Recommended Decisions should be accepted by VAB and become VAB Final Decisions.

To assist VAB in its review of the Recommended Decisions, VAB requests DOR to answer the following question:

What is the appropriate millage rate to be used in the income approach context to value properties as of January 1 of the tax year?

For DOR's reference, VAB encloses two copies of the bound (96 page) packet submitted to VAB by the VAB attorney for VAB's use at its April 11, 2024, meeting. This packet contains the respective VAB Petitions and Recommended Decisions, arguments and citations of authority submitted by the respective parties, and the VAB attorney's summary, recommendations to VAB and citations of authority.

VAB has deferred consideration of these three Recommended Decisions to VAB's next meeting, currently scheduled for Thursday, May 16, 2024, at 9:00 AM.

Thank you, in advance, for your time and assistance.

Sincerely,

Will Lahnen
2023 Value Adjustment Board Chair

Cc: Value Adjustment Board Members (without enclosures)
Tiffany Pinkstaff, Esq., Attorney for Property Appraiser (without enclosures)
Nathan Mandler, Esq and Julie M. Schwartz, Esq., Attorneys for Petitioners (without enclosures)
Margaret M. Sidman, Value Adjustment Board Clerk (without enclosures)
VAB Staff (without enclosures)

33.



OFFICE OF THE CITY COUNCIL

WILL LAHNEN
COUNCIL MEMBER DISTRICT 3
OFFICE (904) 255-5203
FAX (904) 255-5230

SUITE 426, CITY HALL
117 WEST DUVAL STREET
JACKSONVILLE, FLORIDA 32202
E-MAIL: wlahnen@COJ.NET

May 17, 2024

Stephen Keller, Chief Assistant General Counsel
Department of Revenue
2450 Shumard Oak Blvd. Bldg. 1-2410
Tallahassee, Florida 32399-0100
VIA ELECTRONIC MAIL

RE: DOR Request for 2023 Duval County VAB Special Magistrate Recommended Decisions

Dear Mr. Keller,

Please find attached nine special magistrate decisions, which the Department of Revenue requested on May 15, 2024, during a telephone conversation with William Jeter, Duval County VAB attorney.

By way of background, on April 15, 2024, the Duval County VAB requested guidance from the Department of Revenue via the attached request with three petitions. During a May 15, 2024, telephone call regarding the status of the Department of Revenue's review, Mr. Jeter mentioned that there were nine additional special magistrates' orders with similar issues that had been identified in the April 15, 2024, correspondence. In response, the Department of Revenue requested the special magistrates' orders. These orders have been included in this communication.

Sincerely,

Will Lahnen
2023 Value Adjustment Board Chair