



Prop values head sky-high

Commercial, industrial owners see average hike of 20%

By STAN BULLARD

Owners of commercial and industrial properties in Cuyahoga County face the prospect of higher tax bills as the proposed market value of their properties for tax purposes has jumped an average of 20% under a just-completed reappraisal by Auditor Frank Russo.

The rate of increase in those tax valuations is up markedly from the average rate of

change in the last two reappraisals. The value of those properties rose an average of 7% three years ago in a reappraisal update, and climbed 12% six years ago in the last full reappraisal, according to Mr. Russo's office.

Market values under this year's appraisal for commercial properties are up an average of 26%, and industrial properties are up 14%. Both rates top the average 13% increase in previously released residential val-

ues, according to the auditor's office.

Brent Bailey, director of the auditor's appraisal department, said it's the first time in his 27 years with the auditor's office that he has seen increases in commercial and industrial values surpass the increase in residential properties.

In an interview, Mr. Russo said the increase in values is a reflection of the continued strong economy as apartments, shopping centers

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and other properties have high levels of occupancy. The commercial property category covers apartments, hotels, shopping centers and office buildings. The industrial category covers manufacturing and warehouse properties. Values for individual property types are not yet available.

Mr. Russo said by last Thursday, Oct. 12, his office had logged 450 complaints about the values. With 38,000 commercial and industrial parcels in the county, he expects about 3,000 complaints.

The valuation notices produced a strong reaction in some quarters.

"This time, it's dramatic," said Dan Siegel, a partner at Fred Siegel Co. LPA, a law firm that has done property tax appeals for 40 years.

"We've received more immediate phone calls than we ever have right off the bat," Mr. Siegel said.

Clients have called to question hikes in value that range from 10% to 100% over their 1997 values, Mr. Siegel said. He declined to discuss individual properties because of client confidentiality provisions. However, he did say the largest increases his five-attorney office is seeing are in suburban office and suburban retail properties.

Ralph McGreevy, executive vice president of the 600-member Northeast Ohio Apartment Association trade group, said he has gotten calls from at least 20 members this week upset about increases in values of their apartment buildings from 30% to 200%.

"Some of them are laughing about it, because it's ludicrous. One member told me, 'I guess we've been living in a boom town without knowing it,'" Mr. McGreevy said. He declined to disclose specific cases of his members, but noted the group is working with members to make sure they know how to appeal the values.

The reappraisal is a parcel-by-parcel examination of property values that helps determine the property taxes an owner will pay next year — if the reappraisal isn't challenged by the property owner. The county's Mr. Bailey said increases in individual values are all over the map, depending on the property,

its location and the business conducted there.

An increase in market value does not directly translate into an increase in tax bills. Provisions of state law, such as the House Bill 920 tax credit that helps offset escalating tax values, provide built-in tax discounts.

Notices of proposed market values were mailed to property owners last Tuesday, Oct. 10. Owners can appeal tax values to the county Board of Revisions from mid-December through March 31 of next year.

Reactions to the proposed values vary, but *Crain's* identified two property owners with increases of 50% and 30% to weigh.

Puzzlement with the figures describes the reaction of Michael Peterman, executive vice president of North Pointe Realty of Beachwood, which manages 25 office buildings in Cuyahoga and Summit counties for principals of the firm and other parties.

"Some of them I frankly can't understand," Mr. Peterman said. "Based on the fact that the net operating income (gross revenues minus operating expenses) is not higher than it was in 1997 and interest rates are higher than they were in 1997, I don't understand why there would be an increase. I'm not aware of sales in the marketplace that would justify the kinds of increases we've seen."

Mr. Peterman said he has received notices hiking values of individual office buildings managed by the firm 25% to 50%. He said he was calling the auditor last Friday morning, Oct. 13, to seek an appointment to review the figures with the auditor's office.

Meantime, Ray Negrelli, part-owner of Gateway Plaza in Euclid with attorney Michael Occhionero, said he's going to "really study" a proposed 24% increase in the value of the property to \$2.1 million from \$1.7 million. Gateway Plaza is a 35,000-square-foot shopping center anchored by a Discount Drug Mart at 725 E. 220th Street in Euclid.

Among the dozen notices Mr. Negrelli received on other properties is a Lyndhurst restaurant building where the auditor estimates the value has climbed the most in 30 years — 34%, to \$843,000 from \$626,000.

"I've got to say I can't criticize it. It probably was on the low side," Mr. Negrelli said. "In our portfolio, it seems they were pretty reasonable adjustments of value. We all pride ourselves in the real estate industry when values go up. Then when the tax bills come, you can't cry poverty. There's no free lunch."