From: Keith Miller
To: Brownie W. Newman; Jasmine Beach-Ferrara; Mike Fryar; Alfred Whitesides; Robert Pressley; Amanda Edwards; Avril Pinder (Avril.Pinder@buncombecounty.org)
Subject: HCA/Mission Health Update
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Mr. Chairman, Commissioners, and County Manager,

I have received a request from the Citizen-Times concerning the status of HCA valuations. I would like to give you an update and also give you the opportunity to ask questions before you read the Citizen-Times. Some of this information has been shared with the County Budget staff and the City of Asheville budget staff to help them better prepare their FY20 budget. I'm working with both departments to arrive at an estimated taxable value for the FY20 budget. At this time, there are many variables to consider in the HCA valuation which creates a difficult task to estimate a final taxable value. However, at this point in the negotiations, HCA staff has been very forthcoming and transparent with their information.

HCA has met with us to share their concerns about the property valuations. HCA has made an informal request to have some of the valuations lowered to what they believe better represents the true value. Some of their request we will accept with and some we do not. HCA will provide a final copy of the appraisal reports that were used in the transfer of ownership within the next couple weeks. No further decisions will be made till we review the appraisal reports. The Citizen-Times has learned of this meeting with HCA and the informal request to lower the taxable value. The Citizens-Times is requesting I share with them what the tax department has estimated the value to be and what HCA has requested. I want to share that information with you so you can also be prepared for questions.

County current estimate of taxable value for the real property that has transferred is 640 million. A few things to remember while considering this value:

1. The new tower is under construction and will be assessed at approximately 50% of the final taxable value. We will add approximately 150 million to the taxable value for FY21 when the building is complete.
2. The parcels currently occupied by Care Partners have not transferred at this time. If those remaining parcels transfer before July 1, 2019, they will become taxable for FY20. That taxable value is approximately 5 million.
3. Tax Management Associates has almost completed the audit and listing of the personal property. That value, estimated to be approximately 250 million, will be taxable for FY21.

	FY20	FY21
Taxable value (estimated real estate)	640,000,000 (estimated real estate)	640,000,000
(estimated value upon completion of the new tower)		150,000,000
(estimated personal property)		250,000,000

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Total Taxable 640,000,000(estimated taxable FY20) 1,040,000,000 (estimated taxable FY21)

The value which we are in informal discussions about is for FY20 – 640 million. HCA is requesting a value of 500 million, or a reduction in taxable value of 140 million. These conversations just started last week so it's early to predict the outcome. If HCA does not agree with the tax department final value they will be scheduled to present a formal appeal to the Board of Equalization and Review.

The additional value for FY21 has also been questioned by HCA. HCA disagrees with the valuation methodology of the personal property and we completely expected this. Although this will not be taxable for FY20, this will be discussed during our meetings to prepare for FY21.

Another question being posed is "what about the 1.5 billion value?" I'll share some thoughts with you about that question. The purchase price of 1.5 billion included 5 regional hospitals and personal property at those locations. The value of the additional hospitals will be taxed in the Counties they are located. The value of the additional hospitals must be deducted from the total purchase price to determine what was actually allocated to the Buncombe County assets. The 1.5 billion purchase price also included some value that will be attributed to goodwill. We often deal with this when real property is sold with an operating business. Goodwill is an accounting principle and is very subjective. However, we often refer to the deed stamps to help determine the actual real property value because this tax should only be paid based on the value of the real property. At this point, without the actual appraisal reports, we don't know the amount HCA has allocated to be goodwill. Whatever the amount of goodwill in the 1.5 billion purchase price, it is not taxable. Goodwill is an intangible and not taxable in North Carolina.

As you may have concluded, there are many variables to consider and it's early in the discussion to predict the final outcome. Over the next few months I'll communicate to you any information which I feel may be of interest to you or information which I feel you may receive questions. You, media, or any citizen are always welcome to send any questions to me and I'll get back to the requester an answer soon as possible.

Kindest Regards,

Keith

R. KEITH MILLER | ASSESSOR | BUNCOMBE COUNTY GOVERNMENT
94 COXE AVE, ASHEVILLE NC 28801
OFFICE 828.250.4940 | DIRECT 828.250.4949 | FAX 828.250.6012
keith.miller@buncombecounty.org