

**MUNICIPALITY
OF
ANCHORAGE**



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**DEPARTMENT OF FINANCE
Property Appraisal Division**

Memorandum

Date: July 16, 2012

To: Lucinda Mahoney, CFO

From: Marty McGee, Municipal Assessor

Re: Investigation of Anchorage Baptist Temple Exemptions for Religious Residences

Introduction.

In 2012, information became public through an article published in the Anchorage Daily News that a minister at Anchorage Baptist Temple (ABT) may have had an “ownership interest” in a home currently exempt from property tax. An investigation was initiated by the Assessor regarding the ownership and exemption status of houses owned by ABT. The purpose of the investigation was to determine if documents existed that established an ownership interest of exempt properties owned by ABT that are owned and used as religious housing. The investigation commenced in January 2012 with close cooperation and supervision of the CFO. The CFO met with and had numerous discussions regarding the audit of ABT’s records to include the audit methodology, protocol, governance and overall management of the audit process.

Property Appraisal is responsible for taxability determinations of all property in the Municipality of Anchorage. Under Alaska Statute 29.45.030, property owned by not-for-profit organizations using property for religious purposes can receive tax exemptions. Specifically, AS 29.45.030 (a)(9)(b) provides “*property used exclusively for religious purposes includes the following property owned by a religious organization: (1) the residence of an educator in a private religious or parochial school or a bishop, pastor, priest, rabbi, minister or religious order of a recognized religious organization; for the purpose of this paragraph, “minister” means an individual who is (A) ordained, commissioned, or licensed as a minister according to the standards of the religious organization for its ministers; and (B) employed by the religious organization to carry out a ministry of that religious organization;*”

The historic exemption determinations for all religious associated housing had been based on recorded title of ownership with the State of Alaska. Property Appraisal monitors ownership records recorded with the State of Alaska on an ongoing basis. Properties included in this investigation are owned by ABT and exempt from taxation based on title recorded with the State of Alaska as well as reported use by ABT.

Scope of Investigation.

The scope of the investigation regarding ABT owned property was based on public information received by Property Appraisal concerning the potential for unrecorded documentation concerning an ownership interest in properties owned by ABT and exempt from property taxes. Property Appraisal investigated property and personnel files held by ABT to identify if any

documents existed reflecting an ownership interest by ABT ministers. The investigation was performed during the period of January 2012 through June 2012.

Methodology.

Property Appraisal reviewed the exemption files held on each property receiving an exemption from the Municipality of Anchorage to establish the list of properties occupied by educators or ministers for religious housing consistent with the exemptions granted. Four meetings with ABT staff member Ron Hoffman and his assistant were conducted at ABT to review property and employee files. Three days of interviews were conducted with ministers of ABT in the presence of ABT’s legal counsel Kevin Clarkson and the MOA’s legal counsel Pam Weiss. Review of the recorded title with the State of Alaska confirmed that the properties under investigation were owned by ABT as of January 1, 2012. Property Appraisal sought legal counsel regarding the definition of property ownership in the State of Alaska. Property Appraisal conducted on-site file reviews of accounting and personnel records for the properties owned by ABT and occupied by educators and ministers of ABT. Interviews were conducted with the ministers occupying properties in Table 1 numbered 1 to 9 to inquire if documents existed concerning an ownership interest existed for the properties they occupied.

**Table 1
Properties owned by ABT as of January 1, 2012
In use as religious residences**

Number	Parcel Id Number	Site Address	Occupied By – Property Type (SF-Single Family)	Year Granted
1	006-272-27	2330 Banbury Drive	Allen Prevo – SF	2006
2	006-272-62	2021 Banbury Circle	Tony Smith-SF	2006
3	005-113-33	3014 Sunflower Street	Tom Cobaugh-SF	1999
4	006-224-17	7121 Foothill Drive	Chris Carter-SF	2000
5	006-281-45	5900 Camrose Drive	Ben Smith-SF	2003
6	006-353-03	2311 Chandalar Drive	Vacant (was Darryl Nelson) – SF	1990
7	006-355-26	7500 Eastbrook Circle	Glenn Clary-SF	2005
8	006-382-96	2410 Scarborough Drive	Stu Karpiuk- SF	1990
9	007-214-61	2928 Donington Drive	Tim Volstad- SF	2007
10	007-214-76	3136 Baxter Road	Jerry Prevo - SF	1995
11	006-061-75	7623 East 4 th Avenue	ABT Teachers – Apartment Bldg.	2007
12	006-246-19	2302/2304 Success Drive	ABT Teachers – Duplex	2007
13	006-246-24	2346/2348 Success Drive	ABT Teachers – Duplex	2007
14	007-213-28	6005 Camden Circle	ABT Teachers – Single Family	2007

Review of ABT’s accounting and personnel files for the properties in Table 1 did not reveal any additional ownership documentation conveying interest properties owned by ABT and occupied by educators or ministers of ABT.

Review of Jerry Prevo’s employee file included a 1994 Real Estate Installment Sales Agreement (REISA). The CFO met with Mr. Prevo and was shown documentation indicating the recession of the REISA in 2005 by the ABT Board of Directors. Further, the CFO was provided with an affidavit from the ABT Board of Directors confirming the recession of the REISA in 2005.

Property Appraisal requested that the ministers occupying the properties numbered 1 to 11 be interviewed directly. The interview questions included background information concerning the individual's employment with ABT, compensation packages, housing maintenance, and details concerning the disposition of the housing if the individual left employment with ABT. Interviews were conducted with ministers occupying the properties owned by ABT and used as religious residences except Ben Smith, Chris Carter, Volstad and Jerry Prevo. Responses to the interview questions indicated that the ministers of ABT did not have a written agreement with ABT for all ministers except Tom Cobaugh that was provided by ABT's attorney Kevin Clarkson on January 4, 2012 and titled "Real Estate Installment Sales Agreement" signed by Jerry Prevo and Tom Cobaugh in 2002. Responses to the individual questions concerning the ministers understanding of the housing arrangement rested on a verbal agreement between the minister and Jerry Prevo allowing them to occupy a home owned by ABT.

None of the ministers indicated that they had any perception that they "owned" the property that they occupied. Further ministers noted that any maintenance issues that arose concerning the properties would be addressed by staff at ABT. Ministers indicated that they did not have any expectation of payment from ABT if they left employment with ABT, they died or retired from the organization. Several of the ministers maintained personal insurance policies for their belongings. ABT provided a copy of the home owner insurance policy for the structures owned by ABT indicating all properties were insured under a blanket home insurance policy.

Specific questions were asked of Allen Prevo concerning the information conveyed during his divorce proceedings. Mr. Prevo indicated that his statements made concerning his perceived ownership and equity regarding the property he and his former wife occupied were not accurate and he incorrectly indicated that he had an ownership interest in the property he occupied during the divorce proceedings. Mr. Prevo indicated that he understands that the properties he has and currently occupied are owned by ABT and he has no expectation of the development of his personal equity in the properties. Mr. Prevo indicated that the document titled "Allen Prevo's Housing Agreement with Employer Anchorage Baptist Temple" identified as "Defendant Exhibit number P" was created by his father, Jerry Prevo, for purposes of the divorce proceedings to clarify his living arrangements in ABT's properties while employed at ABT.

Overall Evaluation.

Property Appraisal's investigation of properties owned by ABT and occupied by educators or ministers for religious housing did not reveal documents that established an ownership interest by any other individual except for two instances as noted below. Information Property Appraisal obtained concerning an ownership interest in property owned by ABT was provided for the property occupied by Allen Prevo via public information and information provided by ABT's attorney for the property occupied by Tom Cobaugh. The use of these two residences, for the benefit of an individual, violates the exclusive use for religious purposes required by State law.

FINDINGS AND RECOMMENDATIONS

Findings. The property owned by ABT and used as religious residences by educators and ministers of ABT are in conformance with exemption determinations issued by Property Appraisal with the exception of the two residences mentioned herein.

All of the properties included in this investigation have recorded deeds to ABT as confirmed by the ownership records recorded in the State of Alaska Recorder's office. The properties in use by ABT as religious residences were confirmed as occupied by religious educators employed by ABT or ministers employed by ABT.

Though not recorded with the State of Alaska, information received by Property Appraisal through public information or from ABT's attorney indicates that there is documentation that could establish an ownership interest in the properties occupied by ABT ministers as identified below.

Exception 1: Property number 3, parcel identification number 005-113-33 at 3014 Sunflower and occupied by Tom Cobaugh. Review of the document provided to the MOA by ABT's attorney Kevin Clarkson titled "Real Estate Installment Sales Agreement" between Jerry Prevo and Tom Cobaugh signed in 2002 indicates that there is a perception of an "equity" transfer.

Recommendation 1: Remove the religious exemption for Property number 3, parcel identification number 005-113-33 at 3014 Sunflower, back six years to include 2007 to 2012 tax years. Property Appraisal will issue a notice of value for tax years 2007 to 2012 for this property and Treasury will issue tax bills for the taxes that would have been charged had the property been taxable.

Exception 2: Property number 1, parcel identification number 006-272-27 at 2330 Banbury Drive and occupied by Allen Prevo. Review of the document presented during the divorce proceedings titled "Allen Pervo's Housing Agreement with Employer Anchorage Baptist Temple

Recommendation 2: Remove the religious exemption for Property number 1, parcel identification number 006-272-27 at 2330 Banbury Drive, back six years to include 2007 to 2012 tax years. Property Appraisal will issue a notice of value for tax years 2007 to 2012 for this property and Treasury will issue tax bills for the taxes that would have been charged had the property been taxable.