



**MITCHELL COUNTY ORDINANCE FOR THE DETERMINATION AND
ESTABLISHMENT OF THE METHODOLOGY, PROCESS, AND
PROCEDURES TO BE USED IN THE DEVELOPMENT OF THE APPRAISED
AND ASSESSED VALUATION FOR AD VALORME TAX PURPOSES
CERTAIN AND KNOWN MINERAL RESERVES AND ASSOCIATED LAND IN
MITCHELL COUNTY, NORTH CAROLINA**

BE IT ORDAINED, by the Board of Commissioners of Mitchell County, State of North Carolina:

- 1) Short Title: This Ordinance shall be know as the Mitchell County Ordinance for the establishment of appraised and assessed valuation for the property located within the limits of the boundaries of permitted mine sites in Mitchell County, and shall be codified as a chapter of the Mitchell County Code.

Section 1. Purpose and Statutory Authority

The Purpose of this ordinance is to establish the methodology, process and procedures to be used in the determination of the appraised and assessed valuation for ad valorem taxation for any and all property located within the limits of the boundaries of any and all land within Mitchell County that has been approved and permitted by the North Carolina Department of Environment and Natural Resources to allow mining excavation and extraction of minerals from the ground. This statute is adopted pursuant to North Carolina General Statute 105-317(a) (1) which reads as follows:

“In determining the true value of land to consider as to each tract, parcel, or lot separately listed as least its advantages and disadvantages as to location; zoning; quality of soil; water power; water privileges; dedication as a nature preserve; conservation or preservation agreements; mineral, quarry, or other valuable deposits; fertility; adaptability for agriculture, timber-producing, commercial, industrial or other uses; past income probable future income; and other factors that may affect its value except growing crops of a seasonal or annual nature.” (emphasis added)

Section II Definitions

The following definitions apply in the interpretation and enforcement of this ordinance:

- A. **Board:** Board of Commissioners of Mitchell County.

- B. Permitted Mine Site:** Any and all property located within the limits of the boundaries of any portion of Mitchell County which have been approved and permitted by the North Carolina Department of Environment and Natural Resources to allow mining excavation and extraction of minerals, ore or other valuable deposits from the ground.
- C. Mining Industry:** Any and all persons, individuals, companies, corporations and entities of every kind and description which are actively involved or which may become involved or which may become involved in mining excavation and extraction of minerals, ore or other valuable deposits from the ground anywhere within the limits of the boundaries of Mitchell County.
- D. Appraiser:** The person, individual, company or corporation who has been duly and statutorily authorized and assigned the duty or duties of the appraisal or valuation of land for the purpose of ad valorem taxation of each permitted mine site within the limits of the boundaries of Mitchell County.
- E. Appraisal or Valuation:** The determination in terms of money, the actual value of each and every acre or portion thereof, of land located within the limits of the boundaries of each permitted mine site within Mitchell County for the purpose of assessment and taxation. Said appraisal and valuation to be prepared and performed in strict compliance with all terms and requirements of North Carolina General Statute 105 and to be further prepared and performed in compliance with professionally recognized property appraisal standards and practices.
- F. Royalty Fees:** The average annual price paid by the Leasor to the Lessee for each ton of mineral, ore or other valuable deposit extracted from land owned by the Lessee.
- G. Assessment Code MB1:** Is used to identify appraise and assess the total and actual area of land within each active or permitted mine site that has been used for the extraction of minerals, ore or other valuable deposits for the year immediately preceding the year of portion thereof in which the appraisal of such property will be performed. It shall be the responsibility of each member of the mining industry to report this area or acreage in written form to the Mitchell County Tax Assessor on or before the last day of February each and every calendar year.
- H. Assessment Code MN2:** This area or acreage will be the same area or acreage as reported in Assessment Code MB1 and represents the area of each permitted mine site that will become actively involved in the extraction of minerals, ore or other valuable deposits at the point in time when the product has been depleted from the area currently identified as assessment COD MB1. The depletion period for each acre or portion thereof currently undergoing extraction on minerals, ore, or other valuable deposits shall be ten (10) years. This classification of property and the appraisal of same

is intended to address and comply with North Carolina General Statute 105-317 which mandates "PROBABLE FUTURE INCOME" must be considered in the appraisal of real property.

- I. **Assessment Code MN3:** This area or acreage will be the same area of acreage as reported by the mining industry and described in Assessment Code MB1, and represents the area or acreage as reported by the mining industry and described in each permitted mine site that will be actively involved in the extraction of minerals, ore or other valuable deposits upon the depletion of each acre or portion thereof of that property identified and described in Assessment Code MN2. The depletion period for the extraction of all minerals, ore or other valuable deposits for each acre or portions thereof described in Assessment Code MN3 each acre or portions thereof described in Assessment Code MN3 shall be twenty (20) years. This classification of property and separate consideration of value is intended to address and comply with North Carolina General Statute 105-317 which mandates "PROBABLE FUTURE INCOME" must be considered in the appraisal of real property.

- J. **Secondary Industrial Site:** That portion or area of each permitted mine site that is occupied and used for the purpose of refining or processing the minerals, ore or other valuable deposits, which have been, extracted from the active mine sites in Mitchell County. This property will be appraised and assessed using the same schedules, process and methods as would be applied to other comparable property within the same geographic area of Mitchell County whether located within the limits of the boundaries of an active mine site or not.

- K. **Residual Area of a Permitted Mine Site:** All that acreage or area within the limits of the boundaries of each and every permitted mine site that is not described and included in Assessment Code MN2, Assessment Code MN3 and Secondary Industrial Sites. All land or property in this category shall be appraised and assessed for ad valorem tax purposes using the same schedules, rules and standards that are applied to all other comparable property located outside of the limits of the boundaries of each permitted mine site and in the same general geographic location of each permitted mine site.

Section III. Appraisal and Valuation

The methodology, process, activities and approach to value to be used in the determination of the appraised and assessed values for any and all property located within the classification of Assessment Code MB1. Assessment Code MN2 and Assessment Code MN3 shall be appraised and assessed for ad valorem tax purposes as follows:

- (1) a complete and comprehensive survey and study will be performed by the appraiser, the product of such study will determine the average annual royalty rate paid to the lease by the lessor on a per ton basis for the calendar year immediately preceding the year in which the appraisal is to be used for the assessment for ad valorem taxation. This survey and study shall include but is not limited to contacts and discussions with those members of the mining industry that have current lease agreements wherein compensation is paid to the lease in the form of a royalty fee for each ton of mineral, ore, or other valuable deposits extracted from property owned by the lease. The product of this study and survey must provide the current average market royalty fee on a per ton basis and the total average royalty amount paid to the lease by the lessor for the entire calendar year immediately preceding the year in which the appraisal is being conducted.
- (2) Following the determination of the total average royalty fee paid on each applicable permitted mine site for the calendar year the appraiser must divide the total average royalty fee paid by the average per ton royalty fee which will generate the total number of tons of mineral, ore, or to other valuable deposit that has been extracted for each applicable permitted mine site for that particular calendar year.
- (3) The total number of tons of mineral, ore, or other valuable deposits for each applicable permitted mine site divided by the total area contained in Assessment Code MB1 for each applicable permitted mine site will determine the total tons of mineral, ore, or other valuable deposit extracted from each acre or portion thereof for the preceding calendar year.
- (4) The appraiser must then multiply the total tons of mineral, ore, or other valuable deposit by the previously determined average royalty fee per ton to produce the actual royalty fee paid on an acreage basis for the calendar year.
- (5) The appraiser must at this point in the appraisal compute and generate a capitalized rate. The initial portion of the capitalized rate will be the United States of America Treasury Bill Rate as of the first day of January of the year immediately preceding the year in which the appraisal and assessment is to be used for ad valorem tax assessment purposes. The appraiser must compute and add to the above-described Treasury Bill Rate an additional discount as a business risk factor for the mining industry. This additional added discount rate shall consist of the typical and usual discount rate applied by the North Carolina Department of Revenue when said North Carolina Department of Revenue is performing appraisals using the in come approach to value for the year in which the appraisal is being conducted. Due to the fact that the mining industry maybe more volatile and may be subject to more business risk than most typical businesses and in an effort to assure that the appraisal process achieves a fair and equitable appraisal and valuation an additional business risk discount factor of not less than .50 per centum and not greater than 1.00 per centum will be added to the business risk factor being used by the North Carolina Department of Revenue at the time of the appraisal and valuation.

- (6) The appraised and assessed value on a per acre basis of the property located within the limits of the boundaries of all permitted mine sites that complies with the description contained in the classification of Assessment Code MB1 will be determined by dividing the heretofore computed total royalty fee paid per acre on an annual basis by the total sum of the three parts of the capitalized rate.
- (7) Property described in Assessment Codes, MN2 and MN3 will be appraised and assessed on an per acre or portion thereof basis. The total area or acreage contained in Assessment Codes MN2 and MN3 shall be the same identical area as reported by the mining industry or otherwise determined that is contained and reflected within the description of Assessment Code MB1 for each separate permitted mine site. The appraised and assessed valuation of all property described in assessment Codes MN2 and MN3 shall be determined on an acreage or portion thereof basis using a percentage of the per acre valuation determined as heretofore described for Assessment Code MB1. The actual percentage to be used in the computation of the appraised and assessed valuation for Assessment Codes MN2 and Assessment Code MN3 will be derived from the most current edition of the International Association of Assessing Officers Appraisal Manual. The International Association of Assessing Officers Appraisal Manual will contain charts, documentation and projections reflecting future worth of money or a current dollar for numerous annual percentage rates. The appraiser will use the chart reflecting the projections that are equal to or the same as the heretofore described capitalized rate. Using this table or chart the appraiser will determine the percentage of the total per acre valuations of the property appraised and described in Assessment Code MN2 and Assessment Code MN3. Property described in Assessment Code MN2 will be appraised and assessed using the percentage derived from the ten year schedule as reflected in the above referenced chart or table and under the column labeled "Present Worth of \$1." Property described in Assessment Code MN3 will be appraised and assessed using the Percentage shown on the twenty year schedule as reflected on the above referenced chart or table and under the column labeled "Present Worth of \$1."
- (8) Following determination of the appraised and assessed valuation of all property herein described and before any schedule of values are submitted for review and approval to the Mitchell County Board of Commissioners, it shall be the duty of the Mitchell County Assessor to give notice of a meeting to each and every member of the mining industry who is affected by the appraisal and assessed valuation of property described herein. At this meeting the Mitchell County Assessor and the described herein. At this meeting the Mitchell County Assessor and the Appraiser shall explain in detail the process, procedure activities considered and applied in making a determination of the appraised and assessed valuation of the herein described properties. This meeting is intended to allow an opportunity to members of the mining industry to consideration or additional consideration in the development and determination of final appraised and assessed valuations for all property herein described. At the conclusion of this meeting and discussion the Mitchell County Assessor and appraiser shall give proper and reasonable evidence presented by the mining industry that may have any impact upon the total appraisal and assessed valuation of the property herein described.

Section IV. Responsibility to Report

It shall be the responsibility of each and every person, individual, corporation or entity who own or leases any area of Mitchell County within the limits of the boundaries of a permitted mine site to provide an annual report to the Mitchell County Assessor of the area of each permitted mine site which contains property identified and described in Assessment Code MB1. This report is to be delivered to the Mitchell County Assessor on or before the last day of February of each and every calendar year.

Section V. Enforcement

Any person, individual, corporation or entity who owns or leases any area of Mitchell County within the limits of the boundaries of a permitted mine site who fails to properly and completely report the required information to the Mitchell County Assessor shall be in violation of North Carolina General Statute 105. In the event the Mitchell County Assessor discovers that any person, individual, corporation or entity fails to report or fails to report correctly and completely and all property as herein describe, said failure to report or report correctly and completely will result in the assessment of late listing and all fees and taxes described in North Carolina General Statute 105 will be assessed upon that property that has not been reported or that has not been correctly and completely reported.

This ordinance shall become effective upon adoption, as provided by law.

This the 7th day of November, 2002.

