



# APPRAISING THE PLAINS of Kansas



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## Growing Number of RMA's in Kansas



New RMA's were presented at the KCAA conference.

Nineteen new RMA's were presented at the KCAA Annual Business Conference in June, bringing the total number of RMA's in the state to 269. Congratulations to the following RMA recipients:

Belinda Robinson and Deborah D. Thompson, Atchison Co.; Jeremy Renford McCully, Chatauqua, Clark and Elk counties; Ryan John Varsolona, Crawford Co.; Laura Gettys and Shawn Showman, Douglas Co.; Cristina Petty, Graham Co.; Jerry Elbert Tolle II, Johnson Co.; Ryan Janzen, Lyon Co.; Brian Gough and Mark Adam Wilson, Montgomery Co.; Robin Knoblauch and Cynthia S. Collins, Pottawatomie Co.; Matthew W. Balocca and Michael Brooks, Reno Co.; Allen Todd, Riley Co.; Jennifer Archer, Jack W. Manion Jr., and Stephen J. Throckmorton, Sedgwick Co.

<b>Also in this Issue. . .</b>		NCRAAO Conference Presentation on Valuing Casino Properties..... 10	
Worth Mentioning .....	2	IAAO Member News.....	12
Gary Smith Passes.....	2	Greg McHenry for IAAO Executive Board .....	13
Board Meeting Highlights .....	3	Highlights From the 2014 KCAA Business Conference .....	14
The Director's Update.....	4	Educational Seminars:	
County Attorney, Appraiser Question If Cement Manufacturing Legislation is Constitutional .....	5	— Income & Expense Data.....	14
Life After .....	5	— Press Release & Media.....	15
These Are the 10 Best Small Cities for Education in America.....	5	— Subsidized Housing Valuation...	16
Insight Kansas: Governor's Experiment Wallops Rural Property Taxpayers.....	6	Retirements.....	15
BOTA Chairman Resigns.....	7	Golf Tournament .....	18
Tax Consultant Recants Claim .....	7	Bowling .....	19
Reno Co. Appraiser Leaving Post ....	8	Newlyweds.....	20
BOTA Directives .....	9	Real Estate Notes of Interest.....	21



## Worth Mentioning

*With all the changes facing us, we just have to figure out other ways and approaches to get the job done.*

Steve Miles, RMA, Douglas County Appraiser  
KCAA President

They say as you get older time seems to move faster. Or is it that I am moving slower? Either way, this year is flying by. There have been so many things happening that it has made my head spin.

A wild legislative session came to a close after the last newsletter. Several bills were passed and signed into law that will have an impact on our counties and how we conduct our business in the coming valuation rounds. Changes to the appeal process are already affecting how we will present the facts regarding valuations. While the watercraft bill cleared up some things, the timing has some of us scrambling to re-tool the valuation programs for these. The thought process regarding classification of property will need to adjust in some cases. And we should prepare to have discussions about whether a property is "complex" or not.

I know that many of these were cussed and discussed at the conference. They will probably be highlighted elsewhere in this newsletter as well.

Speaking of conference, I enjoyed having you all here in Lawrence. From the reports I have heard, the education content was well received, the fellowship was good and everyone had a great time. Thank you for the compliments! However, I must give credit to Cindy Brenner, Rick Stuart, and David Harper and many others for all that they did to make everything go so smoothly. As T. Texas Terry would say, "Yee Haw" and "Shore 'nuff"!

I think the theme of the conference was that no matter the circumstances we find ourselves in, we need to persevere and figure out how to attain

our goals. "Makin' it in life is kinda like bustin' broncs: you're gonna get thrown a lot. The simple secret is to keep gettin' back on."

With all the changes facing us, we just have to figure out other ways and approaches to get the job done under some new guidelines and rules. We may even have to figure out what those guidelines are! We can do this by communicating and working together to establish some continuity across the state.

**Working together.** I encourage all of the appraisers across the state to get involved wherever and whenever they can. Sometimes a person holds back because they don't feel they are experienced enough, knowledgeable enough or that their opinion matters. Let me tell you that you are and it does! Sometimes different individuals bring something new to the table. Those ideas may differ from the way it has "always been done." But that is what brings innovation and change.

Any great choir or orchestra is only as good as its smallest voice. So let yours be heard by taking part. Don't wait to be asked to help or give an opinion. Step up and volunteer! I know that Craig will be forming his committees before too long. Let him know which ones you would be willing to serve on. Give your leadership a call or e-mail and let them know what you think of things or if there is something you feel should be addressed by KCAA. This is your organization.

Until next time, always be a bit nicer than is called for, but don't take too much guff.

## Gary Smith Passes

Former Shawnee County  
Appraiser

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*The Topeka Capital-Journal*



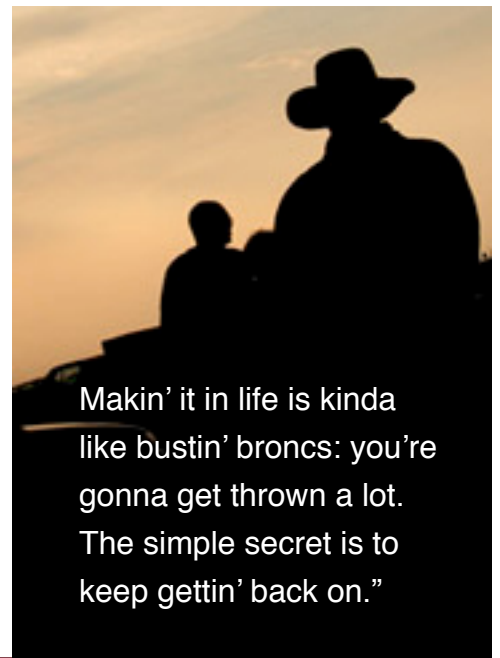
Gary M. Smith

Gary M. Smith, 73, of Topeka, passed away on Thursday, May 29, 2014, at his home. Gary married Delores M. Werner on April 2, 1965 in Great Bend, KS. She survives. Other survivors include their children, Tracy Martin (Venesa)

Smith, Teresa Marie Smith, Tiffany Marchele (Nicholas) Smith Traub and three grandchildren, Kristie (Matt) Campbell, Cameron Gary Smith, and Casey Delores Smith. Memorial services will be held at 1:00 p.m. Monday, June 2, 2014 at Penwell-Gabel Southeast Chapel. Private inurnment will take place at a later date.

In lieu of flowers, memorial contributions may be given to the DAV #3, P.O. Box 67684, Topeka, KS 66667.

**Editor's Note:** Gary Smith influenced a very large number of us in Kansas. During the reappraisal implemented in 1989, several very active appraisers, county appraisers and PVD staff were hired in Shawnee County.



Makin' it in life is kinda like bustin' broncs: you're gonna get thrown a lot. The simple secret is to keep gettin' back on."

# Board Meeting Highlights

**■ KCAA Executive Board Meeting  
11 a.m. Wednesday, January 29, 2014,  
Shawnee County Annex, Topeka**

**Attendees:** Steven Miles, Dee Carter, Kenton Lyon, Gene Bryan, Lisa Reeder, Greg McHenry, Philip Dudley, Craig Clough, Truette McQueen, Cindy Brenner, Della Rowley, Mike Borchard

**Previous Meeting Minutes:** Moved and seconded for meeting minutes to be approved with no opposed

**Financial Report:** Cindy gave financial standing of the association. KCAA funds total \$180,231.33, with Orion funds of \$138,475.85.

**Treasurer’s Report:** Lisa gave Treasurer’s report. Accounts in balance with Cindy.

**Hagemann Trust:** Della spoke about Hagemann Trust and the KCAA Golf Tournament. Greg spoke about how when he was President, the proceeds from the golf tournament went toward the Hagemann Trust. There is \$42,000 in the trust fund currently. Interest on this amount is what is given for scholarships. It is typically used for IAAO dues. Della is requesting that profits from golf tournament go toward the Hagemann Trust fund. First and second that net proceeds of golf tournament be distributed to Hagemann Trust from here forward. Motion passed.

Donated funds should be accounted for separately. Add line to registration for Hagemann Trust donation. Cindy to change registration form and get with tournament organizers to get info out to industry personnel.

**Legislation:** HB 2422 Watercraft bill heard yesterday. Original bill did not include all watercraft. New bill would include ALL watercraft and components. KAC and Parks and Rec. both testified in support of the bill. Personal Property committee will meet with Roger Hamm tonight to discuss watercraft.

HB 2456 Machinery and Equip. bill

will be heard tomorrow. KCAA does not support the bill as written. Greg gets the sense that it won’t make it out of the House as it the weakest of two or three bills. Neosho County projecting a \$7.5 million loss if this bill passes. State assessment bill (no number assigned yet) is out there and could crop up. HCR 5024 limits on the taxes paid for those over 65. No position on this bill; it is a tax policy issue.

Interim appraiser bill from PVD has been tweaked a bit based on information from counties. They changed the time frame from 12 months to 6 months.

COTA issues: No bill but suggestions are listed on sheet for discussion tonight with legislators. These suggestions are coming out of Johnson County. They have approx. 50% of cases at COTA. See attached document that will be provided for legislators at reception.

Steve mentioned the Mortgage Registration Fee bill hearing is tomorrow. Be prepared to address this bill if it comes up tonight.

**KAC:** Gene spoke regarding KAC functions. Legislative issues will be the focus of KAC this year. Issues are mortgage registration and boat issues. Conference reviews were discussed at the last meeting. Some responses indicated county appraisers feel like “second class citizens” at the KAC conference. The commissioners association board will be meeting in Manhattan. Gene will be there representing KAC since he is Vice President of that organization.

**Retirees:** Dean Denning, Nancy Herrenbruck, Dean Butrick, Teresa Hattermer, Shirley Ehrlich and Rod Broberg have all retired recently. There was a motion made, seconded and passed to invite these retirees to the conference to be honored. Cindy will send out invitations to these individuals. The Board will discuss Honorary members at a later date. We are in violation of the KCAA Bylaws

with regard to Honorary members as we already have more that what the by-laws allow. *\*Amended\* KCAA does not have a limit on the number of Honorary members.*

**2014 Conference:** Conference will be in Lawrence at Holiday Inn. Gene suggested maybe incorporating a tech round table discussion for session topic(s).

**Education:** Cindy provided information on what classes KCAA will offer. We have not scheduled TEAM Consulting classes yet, but we have a week blocked with Rick Stuart. Cindy was directed to go ahead and schedule the three TEAM Consulting courses in Manhattan.

**Other Business**

**Bylaws:** Board members are encouraged to review the bylaws and be prepared to discuss them at our next meeting. Gene has volunteered to spearhead the effort to get the bylaws current.

**PVD changes:** Dee brought this up because they discussed this at the regional meeting. PVD says they are making changes to try to bring consistency between the counties.

Meeting adjourned.



Find current or past issues of Appraising the Plains online <http://www.kscaa.net/newsletter-2/>





## The Director's Update...

By David Harper, RMA, Director, Property Valuation Division (PVD)

### Highlights from the PVD Update at the KCAA Business Conference

Thank you to all who attended the recent PVD update held at the 2014 Kansas County Appraiser's Association Business Conference in Lawrence. At the update we divided into several groups to discuss various topics, and the response we have received on the format has been positive. I liked the format and meeting with smaller groups. It seemed to provide more attendees the opportunity to join in the discussion and was beneficial for us to hear comments from so many. With a few modifications to the time allotment for each session and the room arrangement to limit noise distractions, we plan to continue this format at some of our upcoming meetings.

Bill Waters and I hosted a session focusing on changes which came from the 2014 legislative session. HB 2643 seemed to generate the most questions and comments, and I will take this opportunity to highlight a few key topics for those who were not in attendance.

**Section 1 of HB 2643** regarding the determination of the classification of property for ad valorem tax purposes is compromise language agreed to by PVD, industry, and county representatives involved in discussions on this topic during the past few legislative sessions. It includes language identical to K.S.A. 79-223, commercial and industrial machinery and equipment means property classified for property tax purposes within subclass (5) of class 2 of section 1 of article 11 of the constitution of the state of Kansas.

The requirement is also included for the county appraiser to conform to the definitions of real and personal property in Kansas law and to the factors set forth in the personal property guide prescribed by the director of property valuation. This continues to put increased importance on the PVD Personal Property Valuation Guide. We will hold an open meeting this fall

to discuss the Guide and encourage county participation.

**Sections 2 and 3 of HB 2643** addresses the classification of property constructed with use of Industrial Revenue Bonds (IRB's) or Exempt for Economic Development Purposes (EDX). Effective July 1, 2014, the owner of any IRB or EDX project shall notify the county appraiser within 30 days of the completion of any improvement on the project. The county appraiser shall then classify the improvement as real property, personal property or a combination of both real and personal property within 180 days of receipt of the notice, and shall notify the owner of the classification.

The classification will generally be held for two years after the final determination unless there is a material change to the property or a significant change in applicable law.

**Sections 4-7 of HB 2643** create an entirely new option for the appraisal of complex industrial properties.

(1) Prior to October 16 of each year, the county appraiser or the taxpayer may request the director of property valuation to contract with an independent appraiser to classify and appraise complex industrial facilities listed in section 4 of HB 2643.

(2) Before either party makes the request, the county appraiser and the taxpayer are required to meet to discuss the property at issue.

(3) After the request, but before entering into the agreement, PVD is required to meet with the county appraiser to discuss the costs of an independent appraisal. ***The county shall be responsible for all reasonable and prior approved costs of the independent classification***

***and appraisal.***

(4) Following the completion of the appraisal, PVD will notify the taxpayer and the county appraiser of the value and classification of the property for the current tax year. PVD is to make this notification on or before March 1 for real property and May 1 for personal property.

(5) Within 15 days of receipt of the notification, either the taxpayer or the county appraiser may file a written appeal with the director of property valuation.

(6) Within 30 days of the receipt of the appeal, the director shall hold an informal meeting with the taxpayer and the county and shall issue a final determination.

PVD is required to maintain a list of approved appraisers and to issue rules and regulations necessary to administer the provisions of sections 4 through 6 of HB 2643. We are in the process of contacting firms which may be qualified and offering them the opportunity to submit an application.

These are significant changes which are bringing many questions. A more detailed summary of new 2014 legislation discussed at KCAA is available on our website. We will hold an open meeting(s) to discuss the rules and regulations this fall.

We will also soon have information available on our website for county appraisers, private appraisers and property owners regarding the procedures for the appraisal of complex industrial property in accordance with HB 2643. If you have a complex industrial property in your jurisdiction, I encourage you to work with the companies and us as early as possible if the options for a private appraisal are being considered.

## County Attorney, Appraiser Question If Cement Manufacturing Legislation is Constitutional

By John Giffin, reporter, The Chanute Tribune

Posted Friday, May 23, 2014, 7:12 pm.

Reprinted with permission from The Chanute Tribune ([www.chanute.com](http://www.chanute.com))

ERIE — Neosho County Attorney Linus Thuston, County Appraiser David Thornton and former County Appraiser LeRoy Burk said at Friday's Neosho County Board of Commissioners meeting that House Bill 2643 should be challenged as unconstitutional.

The real property exemptions for cement manufacturing equipment in HB 2643 is what Thuston and Thornton want to challenge.

HB 2643 goes into effect July 1 but is retroactive to Dec. 31, 2013. Ash Grove Cement Company had an informal appeal with Thornton May 1. Thornton sent Ash Grove the decision of the informal hearing. The cement manufacturer has 30 days to appeal the decision.

"My opinion was to essentially ignore the law and go forward," Thuston said. "Because they've already sent everything out on property taxes, that's already done. So for us to go out and reappraise, to me, would make very little sense, because we would already have our forum. They'll pay under protest and we'll contest it. That gets us before the Court of Tax Appeals to challenge the constitutionality."

Commission Chair Michael Schoenhofer believes forcing Ash

Grove in the appeals process was the best way to challenge the constitutionality. Commissioner David Bideau disagreed, saying HB 2643 should be recognized and followed.

"The Legislature has spoken," Bideau said. "We have to presume that the Legislature passes constitutional legislation. I'm definitely not in favor of ignoring the law. I've said since early January that I thought the law would pass and it's going to lead to massive reductions in spending. That's what I'm prepared to do."

Thuston said this particular legislation has attempted to pass unconstitutional legislation. "This present Legislature has thumbed their nose at the Constitution," Thuston said.

"This is the same Legislature that was going to pass one bill that said if a federal law enforcement agent came into the state of Kansas to enforce a federal gun law, that they wanted a state law enforcement officer to arrest and charge that person with a felony."

Thuston continued, "Had that made that through and passed, I'd pretty much tell you there would be 105 county attorneys that said we won't enforce it and 105 sheriffs that would have said we won't enforce it."

## These are the 10 Best Small Cities for Education in America

By Laura Allan, [www.movoto.com](http://www.movoto.com),

June 27, 2014

**Editor's note:** Manhattan, Kans., ranked number 8 in Movoto Real Estate Blog's rankings of small cities offering great education. Way to go Manhattan!

One of the first things people tend to ask when deciding where to move is "How are the schools?" If you're starting a family, already have one, or are a student yourself, that's a pretty valid questions.

It's also true that good schools increase your property value over time. But not everyone wants to live in a huge city with tons of schools, so where can the more peaceful sort go that still offers good education options?

We selected 140 small cities (populations between 50,000 and 60,000) then used the U.S. Census' American Community Survey, AreaVibes, and GreatSchools.org to collect what we deemed important education criteria. Those criteria were:

- Student-teacher ratio
- Money spent per year per student
- High school graduation rate
- GreatSchools.org rating (based on test scores for the area)

From there, we ranked each place in each category from one to 140, with one being the best. Then we averaged each place's scores into a Big Deal Score, with scores closer to one being the best. You can see the entire article at <http://bit.ly/1iN2MFq>.



Mark Low, RMA, former Finney County appraiser, is running for the Kansas House.

## Life After

By Rick Stuart, CAE, TEAM Consulting

Mark Low, RMA, has decided to try and shake things up. For those of us that know him, that will not be a shock! Mark retired as the Finney County appraiser and is now assisting Wilson County in the same position. This could all change in November. Mark filed his candidacy for State Representative of District #115. The reason for filing: the current office holder is not getting the job done.

On the back of Mark's campaign card are topics he believes are important for the public: Tax policy, quality roads, and schools. Mark's only election will be in the general as he does not have a primary opponent.

**Good luck, Mark! Can you imagine a former county appraiser in the Legislature?**

## Insight Kansas: Governor's Experiment Wallops Rural Property Taxpayers

By H. Edward Flentje, Insight Kansas

Posted Jun. 19, 2014 @ 12:00 pm. Reprinted from The Leavenworth Times with permission.

Submitted by Greg McHenry, AAS, RMA, Riley County

### Forward

In June 2013 we were privileged to have Ed Flentje speak at our KCAA Annual Conference. He discussed the recent changes in Kansas tax policy and warned us about the possible consequences. Now, one year later, his predictions are unfortunately coming true. Mr. Flentje discusses the consequences as they've occurred during the last year in his recent article below.

—Greg McHenry, AAS, RMA  
Riley County

**P**roperty taxes are on track to increase by more than \$400 million statewide during Gov. Sam Brownback's term in office.

This substantial increase, however, masks a more dramatic jump in property taxes across rural Kansas. For example, from 2010-2013, property taxes in rural counties increased three times faster than in the five largest urban counties. Property taxes for schools grew more than five times faster in rural counties.

Property tax increases for rural counties in this period may be summarized as follows:

- Seventy-one counties had property tax increases of 10 percent or more.
- Forty-five counties had property tax increases of 15 percent or more
- Twenty-eight counties with property tax increases of 20 percent or more.

So, what's the story? Two fundamental shifts are under way in state and local finance. First, Brownback's actions are pushing state obligations to the local level and moving the state and local tax burden from wealthy income taxpayers onto local property taxpayers. Second, as a result of state actions, property taxpayers in rural jurisdictions

**Brownback's actions are pushing state obligations to the local level and moving the state and local tax burden from wealthy income taxpayers onto local property taxpayers.**

across Kansas are bearing the primary burden of this shift, with tax increases dramatically higher than those in urban areas.

Brownback's tax experiment is driving these shifts. State income tax cuts are being paid for by abandoning, cutting, and restricting state obligations for education, corrections, public health, libraries, social services, mental health, and community arts, among others.

State lawmakers have made the local dilemma even worse by removing local revenue sources, other than the property tax. As a result, locally elected officials, primarily school board members and county commissioners, have been forced to assess whether these community services are essential, and then to make cuts in services, or to raise property taxes to maintain services, or both. Evidence suggests local officials are maintaining these services and filling in the gaps left by state abandonment with property taxes.

Why are property tax increases falling most heavily on rural areas? For most of state history, state government has leveled the playing field in the delivery of public services between wealthier jurisdictions and poorer ones. This leveling is most obvious in school finance, as state courts have demanded equity between wealthier and poorer school districts. Whether consciously or not, Brownback and his legislative allies are turning back the clock on this state role.

Less obvious in Brownback's actions are the shifts in the state and local tax burden from those with income wealth onto property taxpayers; for example, from higher-income residents of Johnson County onto property taxpayers in rural counties

with half the income, such as Norton, Cloud and Neosho. The political irony of Brownback's tax experiment is that the tax burden is walloping the reddest of red-state voters.

Rural property taxpayers—homeowners, farmers and ranchers, oil and gas producers and leaseholders, commercial property owners, and landowners, among others with property wealth—comprise the heart of the Republican electorate. Brownback will likely assert he has nothing to do with property tax increases. He may even claim President Barack Obama did it.

However, rural residents may just be seeing the tip of an iceberg. The disastrous condition of state finance, now Brownback's legacy, will not only continue to shift the tax burden onto property taxpayers, primarily those in rural jurisdictions, but will likely accelerate the trend.

### Online Comment:

*Dave Trabert, President of Kansas Policy Institute.* With all due respect to the professor, his comments are full of hot air. First of all, Kansas Policy Institute surveyed all 105 counties this year about their property tax increases. We asked them to identify the reasons for their increases and not a single response mentioned tax reform. Granted, only seven counties chose to respond but all 105 had the opportunity to say what prompted their increases.

The data also refutes claims that tax reform is causing local property taxes to increase. But since the professor conveniently didn't mention any specific data or cite his sources, I'll ask him to provide such before debunking it.

(View all comments at <http://bit.ly/1qwhe6P>)



## Board of Tax Appeals Chairman Resigns

State agency tasked with vetting appeals of tax appraisals has been under legislative fire

July 14, 2014

By Andy Marso, The Topeka Capital-Journal, andy.marso@cjonline.com  
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The chairman of the Kansas executive branch agency that resolves taxation disputes between taxpayers and state and local governments has resigned.

Sam Sheldon, leader of the three-member Kansas Board of Tax Appeals, resigned Friday, according to the board's executive director, Arlen Siegfried. His resignation is effective Sept. 15.

"The staff and members of the Board of Tax Appeals thank Mr. Sheldon for his contributions to the Board, and wish him the very best in future endeavors," Siegfried said in an emailed statement. Siegfried said Sheldon "will return to personal life and his hometown of Ottawa" and his resignation letter "expressed his

appreciation for the opportunity to serve Kansans on the state's highest administrative tribunal on tax matters."

Sheldon owns Haley Title Co. and practiced law for 27 years before he was appointed to the tax appeals board in 2012.

The board, previously called the Kansas Court of Tax Appeals, recently has come under increasing fire from legislators who say its procedures aren't transparent and are weighted against taxpayers. Legislators also said changes made by Sheldon accentuated the problems. Legislation meant to reform the board, contained in House Substitute for Senate Bill 231, passed the House 124-0 and the Senate 26-13 and became effective July 1.

## Tax Consultant Recants Claim Brownback's Office Helping Purge Tax Appeals Board

Chatam says 'final solution' to make Board of Tax Appeals 'taxpayer friendly' was personal conjecture, he 'misstated' role in picking replacements

Posted July 16, 2014 – 2:16pm

By Andy Marso, The Topeka Capital-Journal, andy.marso@cjonline.com  
Reprinted with permission.

An Overland Park tax consultant backtracked Wednesday on claims he worked with Gov. Sam Brownback's office on a "final solution" to his longtime grievances with the Kansas Board of Tax Appeals.

Jerry Chatam, president of J.W. Chatam & Associates, said Wednesday that a letter that suggested collusion with Brownback's office was meant for his clients' eyes only and said he wasn't actually working with anyone associated with the governor. In the letter, dated July 14, Chatam told his clients that once the agreement with the governor's office is carried out, neither

he nor lawyer Linda Terrill believe the remaining board members "will present any problems."

"As part of the negotiations of the 'final solution,' the governor's chief of staff agreed that all 'stays' placed on any appeals will be immediately removed," Chatam wrote. "All employees of the agency (Board of Tax Appeals) are under review for their involvement in the board/court's antics that created this mess. We will see several additional board employees depart the agency in short order. All remaining board employees will meet with the governor's office and, per governor's chief of staff,



NOVEMBER 2012 FILE PHOTO/THE CAPITAL-JOURNAL

Overland Park-based tax consultant Jerry Chatam said in a letter to clients that he worked with Gov. Sam Brownback's office to rid the Kansas Board of Tax Appeals of board employees who aren't "taxpayer friendly."

they will be taxpayer friendly. So ends an 18 month battle for justice."

Chatam and Terrill have worked together on "hundreds (if not thousands) of tax appeal cases" according to a 2012 ruling, pocketing a percentage of settlements.

In his letter, Chatam wrote that he and Terrill had been "asked by members of the Legislature to select a replacement" for the board's recently resigned chairman, Sam Sheldon. Terrill and Brownback's chief of staff, Landon Fulmer, both disavowed the contents of Chatam's letter. "I didn't know anything about it before (it was sent) and it certainly doesn't represent the truth of my involvement whatsoever," Terrill said. "I have not been asked to do anything."

Fulmer said he didn't know what Chatam was talking about. "I have spoken with Mr. Chatam only once and it was months ago," Fulmer said. "Since then, I have maintained no correspondence with him. Further, I do not have the authority to determine operational or staffing matters at the Board of Tax Appeals, and I have no plans to meet with members of the board's staff."

In a phone interview Wednesday, Chatam said the letter wasn't for public distribution and his predictions about the departure of more board employees weren't statements of fact. "I sent a letter out that was what I understood,"

**continued on next page**

**Tax Consultant Recants, continued**

Chatam said. "Some of it was my opinion. I was probably a little overzealous and happy that we were having changes up there that were going to be fair." Chatam clarified that he didn't "have any open communication with the governor's office" and was merely relaying what was told to him secondhand by legislators about a "final solution."

"Maybe it wasn't the chief of staff, maybe I got the name wrong," Chatam said. "I wasn't sure. I didn't have any conversation with anybody in Brownback's office."

Chatam said Rep. Jerry Lunn, R-Overland Park, and Sen. Jeff Melcher, R-Leawood, who pushed for changes to the tax board last session, weren't the sources of his information.

Chatam said he "misstated" Terrill's involvement and when he wrote that legislators asked the two of them to "select" a replacement, he meant that legislators had asked the two of them to encourage qualified people to apply. He sent a followup letter to county appraisers saying his original correspondence "incorrectly states she or I were asked to select a replacement for Sam Sheldon."

"As far as misstating about who's going to select the next person to take Sheldon's place, I don't know who's going to take his place," Chatam said by phone. "It's certainly not my job to fill that position."

Sheldon, the chairman of the tax appeals board, was appointed in 2012. Under his leadership the board's rulings and pace drew the ire of the Kansas Chamber of Commerce, the Kansas Policy Institute, the Kansas Association of Realtors and attorneys who successfully lobbied in the 2014 session for legislation to change the board's procedures and its name, which was formerly the Kansas Court of Tax Appeals.

Chatam was among those who testified, saying he had 350 real estate tax appeals under stay because the board had "gone rogue" and unfairly targeted Terrill. "The governor has been of no help despite many requests for him to remove Sheldon and others that are

biased," Chatam testified.

Opponents of the bill included representatives of the court of tax appeals, the Kansas Association of Counties and the Kansas County Appraisers' Association, who "noted the bill could trigger the development of a market for private fee appraisers who are willing to undervalue property." The bill, House Substitute for Senate Bill 231, passed the House 124-0 and the Senate 26-13, and Brownback signed it. It went into effect July 1.

In his letter, Chatam claimed the tax board "refused to follow Kansas state law per Senate Bill 231" and he complained to "select members of the House and Senate" and the governor. "Within forty-eight hours of the selective distribution of my correspondence, a complete overhaul of the Board of Tax Appeals (the final solution) was initiated," Chatam wrote.

Steven Miles, Douglas County

Appraiser and president of the Kansas County Appraisers Association, said he had seen Chatam's letter, but he and his colleagues doubted its veracity from the beginning. "I guess my personal first impression was shock and frustration that somebody could even feel they had that much power to sway things as he purports in the letter," Miles said. "I think from the association's standpoint we felt that, what was said, how could it be true?"

Shawnee County counselor Rich Eckert said he didn't believe the letter when he saw it and was "personally offended" by Chatam's use of the term "final solution," which has roots in Nazi Germany. He said the letter would be cited when Chatam challenges county appraisals. "We look forward to interrogating Mr. Chatam about this letter in future cases we have with him," Eckert said.

## Reno County Appraiser Leaving Post

By John Green The Hutchinson News, jgreen@hutchnews.com  
June 13, 2014. Reprinted with permission

Reno County Appraiser Michael Brooks is resigning his post, effective June 20, less than 10 months after taking the job. "I've decided to move on," Brooks said Friday. "It's for my own personal reasons."

The Reno County Commission on Tuesday will consider appointing Brad Wright, Personal Property supervisor, as interim appraiser. Wright was Barber County appraiser for 25 years before coming to Reno County in October.

Brooks, who declined to say what he's doing or where he'll go after leaving the county, had praise for County Administrator Gary Meagher and the county commission, and Meagher returned the praise.

"Michael has done a great job for us while he's been here," Meagher said. "It has nothing to do with his performance. For personal reasons, he's moving to another area and taking another position. He's done a great job for us.

**He's done a great job for us. We really hate to see him go.**

**— Gary Meagher  
Reno Co. Administrator**

We really hate to see him go."

"A lot of it has to do with The News itself," Brooks said of his decision to resign. "There are a lot of reasons, but mostly I've had enough."

The News reported in April that Brooks failed to tag his vehicle in Kansas, seven months into the job, and in May when he finally obtained a new tag. State law requires vehicle owners register their vehicle in Kansas within 90 days after establishing residency in the state. The county treasurer advised Brooks of the violation after she received a tip from the public, The News previously reported.



# Kansas Board of Tax Appeals Directives

Pursuant to K.A.R. 94-5-1(b), the Board hereby adopts the following Directive relating to practice and procedure before the board:

## **DIRECTIVE 2014-02 Motions for Continuance and Requests for Extension of Board Schedules and Deadlines**

Our regulation—K.A.R. 94-5-20—addresses the requirements of motions for continuance. Consistent with and elaborating on K.A.R. 94-5-20, the Board hereby adopts this Directive to provide additional guidance and elaboration about the Board's expectations regarding motions for continuance. In addition, the Board hereby directs that, to the extent applicable and appropriate to consideration of requests or motions for extension of the Board's schedules and deadlines, the Board will apply K.A.R. 94-5-9, K.A.R. 94-5-20, and this Directive to such requests or motions for extension.

The Board provides the following guidance:

(a) A party may file a written motion for continuance of any hearing scheduled on the Board's calendar. The Board will not approve a request for continuance without a written motion. Such motion shall be granted only in exceptional and unforeseeable circumstances. Such motion shall clearly and specifically state the reason for the requested continuance. Before filing a written motion for continuance, the moving party shall consult with all other parties and shall state in the motion the position of the other parties with respect to the continuance request.

(b) A written motion for continuance must be filed with the Board at least 30 days before the date of the scheduled hearing. This 30-day requirement may be waived by the Board at its discretion upon a showing of good cause.

(c) Neither parties nor their represen-

tatives shall contact Board staff in an attempt to reschedule a matter before the Board. Any rescheduling or continuance shall not become effective until the issuance of an order by the Board. In the Board of Tax Appeals State of Kansas

(d) A motion for continuance of a scheduled evidentiary hearing will be looked upon by the Board unfavorably if (i) meaningful discovery has not been immediately and consistently pursued from the time of the appeal or application; (ii) meaningful discovery has not, at the time of the motion, adequately progressed in light of the amount of time that has transpired since the filing of the appeal or application; (iii) the moving party intends to rely on expert testimony at the hearing and has not retained an expert by the time of the motion, or (iv) the moving party intends to rely on expert testimony at the hearing and the deadline for exchanging the expert report has passed and such deadline has not been met. Any such motion must include a detailed listing of any and all actual discovery sought or responded to at the time of the motion - including applicable dates of issue and response, and whether completed or pending - as well as any additional discovery anticipated. Any such motion must include detailed information and documentation about the expert (if the moving party intends to rely on expert testimony at the hearing), including the expert's identity and address, the status of the expert report, and a copy of the party's engagement contract with the expert. Failure to provide adequate detail about past, current, and anticipated discovery may result in such motion being denied by the Board. Failure to provide adequate details and documentation regarding the moving party's expert may result in such motion being denied by the Board.

(e) For any motion or request resulting from medical or family emergencies, the motion must set forth the specific details of the emergency and should

attach any available documentation relating thereto. Failure to provide adequate details or documentation may result in such motion or request being denied by the Board.

BY ORDER AND DIRECTIVE OF THIS BOARD, this 1st day of July, 2014

Pursuant to K.A.R. 94-5-1(b), the Board hereby adopts the following Directive relating to practice and procedure before the board:

## **DIRECTIVE 2014-03 Required Expert Disclosures and Exchanges of Expert Information and Documentation**

Our regulation— K.A.R. 94-5-21 — addresses the deadlines for exchange of evidence and witness lists. This regulation does not separately address required expert disclosures and exchanges of expert information and documentation because those matters were, prior to this date, typically set forth in the standard discovery and exchange schedule previously used and in pretrial orders. Because of the Board's new scheduling procedure taking effect on July 1, 2014— which eliminates the standard discovery and exchange schedule previously used and the standard scheduling of a pre-hearing conference—it is appropriate and necessary for the Board to set forth the requirements and deadlines for expert disclosures and exchange of expert information and documentation.

Consistent with and supplementing K.A.R. 94-5-21, the Board hereby adopts this Directive and establishes the following requirements and deadlines: <sup>1</sup>

(a) Required expert disclosures and exchanges of expert information and documentation will be generally controlled by K.S.A. 60-226 with the following modifications of time deadlines: (i) the expert's identity must be disclosed at least 60 calendar days before the scheduled hearing; (ii) any expert re-

**continued on next page**

**BOTA Directives, continued**

port (or summary of expert testimony if no expert report will be used), as well as any evidence to be presented in support of the expert's testimony and report, must be exchanged at least 30 days before the scheduled hearing; and (iii) the identity of any rebuttal expert and any rebuttal report (or summary of rebuttal expert testimony if no rebuttal expert report will be used), as well as any other rebuttal evidence to be presented in support of the rebuttal expert's testimony and report, must be disclosed or exchanged at least 10 days prior to the scheduled hearing.

(b) In computing the time periods specified in section (a), the day of the scheduled hearing shall not be included. If the 10th, 30th, or 60th calendar day before the hearing falls on a Saturday, Sunday, or legal holiday, the last business day before the day shall be the deadline for the exchange of information or evidence.

BY ORDER AND DIRECTIVE OF THIS BOARD, this 1st day of July, 2014

1 **See also** Directive 2014-02, issued this same date, which sets forth how failure to comply with the requirements and deadlines for expert disclosure and exchange of expert information and documentation may adversely affect the Board's consideration of any motion for continuance of a scheduled evidentiary hearing.



Appraisers from the North Central Region gathered in Deadwood, South Dakota, last month for the annual NCRAAO Conference.



## NCRAAO Conference Presentation on Valuing Casino Properties

By Cindy Magill, RMA, Sumner County

As part of my employment as the Sumner County appraiser, I am able to attend the NCRAAO conference each year. I want to thank my county commissioners for allowing me to attend to broaden my appraisal knowledge. This is the second NCRAAO conference that I have attended, and it was held in Deadwood, South Dakota.

One of the sessions available during the conference was entitled "Valuing Casino Properties?" The speaker was Mr. Charles King, MAI, who owns his own appraisal firm, King Appraisals, in Deadwood, South Dakota. This session proved beneficial for me to attend as the Kansas Star Casino is a property that I, as the new Sumner County appraiser, now have the responsibility to annually value. (Thanks Della!!)

The session started by presenting an overview of "gaming." At the end of 2012, 39 states had at least one of the following five forms of gaming in the United States:

(1) Land based / Riverboat casinos — 17 states, 464 locations;

(2) Racetrack casinos — 14 states, 49 locations;

(3) Tribal casinos — 28 states, 466 locations;

(4) Card rooms — 5 states, 413 locations; and

(5) Video lottery — 7 states, 12,042 locations.

In 1989, South Dakota and Iowa became the third and fourth states to legalize non-Indian casino gaming after Las Vegas did in 1931 and Atlantic City in 1976. Kansas' first year of non-Indian commercial casinos was 2009. Revenue rankings for the state of Kansas casinos show a ranking of 15th compared to the other 16 states, with only the state of Maine being lower. Other states that have non-Indian owned casinos include: Nevada, Pennsylvania, New Jersey, Indiana, Louisiana, Mississippi, Missouri, Illinois, Iowa, Michigan, West Virginia, Colorado, Ohio, Maryland, South Dakota and Maine.

Mr. King's expertise and perspective was from his client being the casino and establishing "market value" for loan purposes. He has done a number of casino appraisals. The biggest hurdle that he has had to deal with was the SBA (Small Business Administration) loan guarantees post-2008 recession economy, which typically requires that an allocation is made between the casino's realty inventory and non-realty portions that would include personal property. Sound familiar? And believe it or not, there are no actual industry standard instructions or guidelines on how to do this! Again, sound familiar?

Some of the tangible non-realty items are frequently found on the gaming balance sheet and can consist of some of the following items:

- (1) Gaming devices (unless they are leased and operated by a third party)
- (2) Furniture, fixtures, and equipment (FF&E)
- (3) Financial assets:
  - a. Minimum cage cash required by regulation
  - b. Prepaid assets (device stamp fees, insurance)
  - c. Supplies and Inventory

Some identifiable intangible assets are non-monetary assets that are also frequently found on the balance sheet that can be separated from the business by sale or transfer:

- (1) Hotel franchise fee
- (2) Liquor license
- (3) Workforce
- (4) Trade name/trade mark
- (5) Leases/contracts
- (6) Patents/copyrights

The definitions of fee simple estate, going concern value, business enterprise value and goodwill were also discussed. Mr. King did refer to the IAAO's definition of business enterprise value, which states: "a term applied to the concept of an intangible, non-realty component of a property's value probably ascribable to supra-marginal

## Revenue rankings for the state of Kansas casinos show a ranking of 15th compared to the other 16 states, with only the state of Maine being lower.

management competence."

Following below is the approach that Mr. King utilizes to value casinos, which is one of several different methods being presented in the appraisal industry. As always, when there are no clear guidelines to an accepted appraisal method, challenges are filed in the court system, which is what Sumner County is experiencing with the Kansas Star Casino. Other jurisdictions throughout the U.S. are experiencing this litigation as well.

### **COST APPROACH**

Cost approach to value can be difficult if there are not enough usable or few vacant land transactions. For instance, in Deadwood most of the casinos were built on or around Main Street, where properties were renovated and not built from the ground up.

If a cost approach to value can be executed, it can provide a fee simple value on the gaming property that will later provide a basis to allocate between its realty and non-realty components. He further went on to explain that soft costs relating to the planning plus costs to obtain approval from state gaming commissions along with entrepreneurial incentive should be considered in the cost approach.

### **SALES COMPARISON APPROACH**

The sales comparison approach is more applicable than the cost approach to value, but it has significant limitations as well.

Units of comparison include price per square foot of the building area, number of gaming devices, gross revenue multipliers, and number of hotel rooms or apartments. When looking at the price per square foot method, the price per square footage of the ground floor area can be persuasive since gaming takes place upon it rather than the upper floors. Market participants will use a benchmark referred to as a property's win per unit per day (WPUD)

to compare the subject property to averages compiled by the State Gaming Commission.

Gaming properties differ in amenities such as parking availability, profitability levels, and amenity packages that might include a bar, hotel rooms, restaurant, meeting rooms, swimming pool, etc. This makes direct comparisons between gaming properties more difficult to make and justify market adjustments. Typically a plus (+) or (-) ranking system is utilized.

A casino with a hotel will have a competitive advantage over casino-only properties, since rooms are offered for both gaming and non-gaming guests. Typically the lodging is not as profitable as the casino gaming. Bar and gift shop will also contribute to profit, but a restaurant typically does not, as it is more for guest convenience and/or to keep them gambling on the property.

However, done properly the sales comparison approach can give a relevant range of value for gaming property that assists with and provides additional support for the market value of the going concern that is indicated through the income approach. Some discussion was held on how sales of non-gaming or retail-only properties can provide a lower limit of value per square foot of building area to older gaming properties as well as could possibly be used as a basis to allocate the realty portion of its value.

### **INCOME APPROACH**

An income approach to value on a casino property must be done in two steps since most gaming properties are typically owner-occupied rather than leased.

First step is to estimate a market or economic rent for the property based upon comparisons to nearby retail/non-gaming properties of similar age

continued on next page



**Casino Valuation, continued**

and condition. Then after deducting an appropriate vacancy/collection loss allowance and estimated operating expenses paid by the owner, the result is then capitalized into a value indication for the gaming property's realty.

The second step is to determine the market value of the going concern related to the subject gaming business. Typically this is done with a review of the annual profit and loss statements and gaming device counts for the last three to five years. Any fluctuations can be confirmed with the Gaming Commission. Then a wins per unit per day (WPUD) after payouts such as gaming tax, device stamp fees and royalty/participation fees are deducted is calculated. This figure then can be compared to other net WPUD's extracted from the sale comps to see how the subject compares in terms of the economic characteristics.

The appraiser will then estimate revenues and expenses for the next 12 months based upon historical information and owner projections. Expenses along with a reserve for maintenance on the structure and replacement of gaming devices/FF&E are deducted from revenues to arrive at the subject's net operating income (NOI). The NOI is then capitalized into value by overall rates extracted from the sale comps to

arrive at an indication of the "market value of the going concern." If the owner's year NOI projection is used but seems optimistic, a higher capitalization rate might be necessary.

**RECONCILIATION**

The subject property's fee simple value is deducted from the market value of the going concern to arrive at the value of the subject's non-realty portion, which includes both tangible and intangible assets.

Goodwill is a residual "catch-all" intangible asset that basically expresses the repeat business to a firm that, in turn, generates a profit in excess of a reasonable/typical return on all the other assets of the business.

Discussion was held on how to compile the different information required to develop the different approaches, such as how a gaming property's fee simple value is determined and what might be expected as a typical percentage allocation between the realty, FF&E and intangible assets to a gaming property. The general consensus is it varies greatly between subjects.

Even though I left the session with my head spinning, and not from the roulette wheel, I did learn quite a bit from the presentation. At least, maybe I will sound somewhat knowledgeable when asked about casino valuations?



## IAAO Member News

Thanks for your support of the IAAO. What a great number of names!

**New members:**

Ryan DeLeon, Sedgwick County;  
Wendy Prosser, Barton County

**5-year Member:**

Melinda Latham, RMA, Mitchell County; Kenton Lyon, RMA, Russell County; Lori Sturdy, Coffey County

**10-year Member:**

Daniel Cubbage, Wyandotte County

**15-year Member:**

Gary Stapp, Lyon County; Kathryn Myers, Johnson County; Rhonda Wright, RMA, Lincoln County; Leon Reimer, RMA, Meade/Cherokee County; Robert Weber, RMA, Leavenworth County;

**20-year Member:**

Jeff Holsapple, CAE, RES, RMA, Johnson County

**25-year Member:**

Cindy Magill, RMA, Marion County



## *80th Annual International Conference on Assessment Administration*

**August 24–27, 2014**

**Sacramento, California**

<http://conference.iaao.org>

## Greg McHenry for IAAO Executive Board

Yeah! Greg McHenry is a candidate for the IAAO Executive Board. This is a chance for Kansas to continue to have a presence on the Board. Look for emails and articles closer to the time when ballots are available. See Greg's campaign card below.

**IAAO Candidates:** W.A. (Pete) Rodda, CAE, RES, president-elect; Randy Ripperger, CAE, vice president; Marsha Standish, vice president; Greg McHenry, AAS, Region 1; Roger A. McCarty, Region 2; and Tina W. Stone, PPS, Region 3.



**Greg  
McHenry**  
**AAS**  
County Appraiser

Riley County  
Manhattan, Kansas

I respectfully ask for your vote for IAAO Executive Board from Region 1. During my 26 year career in the assessment profession IAAO has provided many great opportunities for education, mentoring, and networking. I've been blessed by these opportunities and they've been crucial to my career development. I hope to give back by putting my experiences to work as a member of the Executive Board.

### My goals if elected are:

- Promotion of IAAO to future members & leaders.
- Providing relevant, affordable, and flexible education programs.
- Maintaining IAAO's position as the preeminent professional & educational organization for our profession.
- Enhanced mentoring opportunities for IAAO members & leaders.
- Fiscal responsibility of IAAO funds.

### IAAO Activities

- IAAO Conference Content Committee, 2012-present
- IAAO Local Host Committee, 2012
- IAAO Hageman Trust Committee, 2012
- Specialty Instructor

### Local/State Activities

- Kansas County Appraisers Association – President, 2012
- Kansas County Appraisers Association – Executive Board member, 2008-present
- Kansas County Appraisers Association Legislative Committee – Chairman & Lobbyist, 2013-present
- Kansas County Appraisers Association CAMA Enhancement Committee, 2007-present
- Kansas County Appraisers Association Personal Property Committee – Chairman, 1997-2000, 2002-2006
- Appointed by Director of Property Valuation to serve on statewide New CAMA Review Committee, 2002-2006
- Kansas City Chapter IAAO – member
- Flint Hills Regional Leadership Program – alumni class of 2002-2003, Board of Trustees 2005-2008

### Designations, Certifications, and Awards

- Assessment Administration Specialist (AAS), 2012
- Kansas Registered Mass Appraiser (RMA), 1998
- IAAO Instructor Certification, 1996
- Certificate in Effective Supervisory Skills (Kansas County Government Institute), 2009

### Professional Experience

- Riley County Appraiser's Office, Manhattan KS –  
– County Appraiser, 2006-present  
– Deputy County Appraiser, 2001-2006  
– Business Specialist, 1988-2000
- Clay County Appraiser's Office, Clay Center KS –  
County Appraiser, 1999-2005

### Education

- Kansas State University, Agricultural Economics/ Finance (BS)

**VOTE**  
**GREG**  
**McHenry**



IAAO  
**REGION 1**

# Highlights From the 2014 KCAA Business Conference in Lawrence

## Quick Recap of the 2014 Conference

We had 101 registrations for the June KCAA Annual Business conference in Lawrence, with an additional 30 people attending just the education sessions. Ten vendors participated in the Vendor Fair, and we had contributions for golf and bowling from these vendors and others.

Bowling on Sunday night had 32 participants, and 40 golfers turned out on Monday morning. Bill Cordes, aka the “YOGOWYPI” guy, kicked off the conference with an entertaining motivational session. Monday evening’s entertainment, T. Texas Terry’s Wild West Show, was great fun, and the BBQ dinner provided by Bum Steer was exceptional.

Tuesday’s educational sessions were well-attended and received many compliments on the instructors and subject matter. Kim Lauffer, IAAO president and Cherokee County appraiser, was our dinner speaker Wednesday evening. KCAA retirees were recognized, and Rick Stuart and Lisa Ree both did an exceptional job honoring Rod Broberg and Dean Denning. (Congratulations to all those retiring this year!)

RMA’s were presented first thing Wednesday morning, with 19 individuals receiving their RMA’s.

PVD changed things up this year and did five 30-minute roundtable sessions on topics of interest.

### Financial Recap:

Income: \$39,615.50  
Expense: \$18,911.85  
Profit: \$20,703.65

Our thanks to all who attended this year’s conference, including the vendors, speakers and sponsors. We couldn’t have done it without you!



Motivational speaker Bill Cordes, the “YOGOWYPI guy.”



Presenter Jim Shontz

Kathy Hansen celebrated her birthday at conference and received a “Happy Birthday” serenade from everyone in attendance.



Melissa Wangemann with KAC presented “Communicating Effectively with Legislators.”



IAAO President & Cherokee County Appraiser Kim Lauffer

### EDUCATION

## What’s Normal About Income and Expense Data?

By Allen Todd, RES, RMA, Riley County

In an effort to bridge the gap between the theory and reality of the income approach, Brad Eldridge, MAI, Douglas County commercial appraiser, presented, “What’s Normal About Income and Expense Data?”

If you’ve ever wondered what real numbers look like when gathering income data compared to the data used in a classroom setting, this presentation answers that question. Brad provided numerous sources of data as well as how to collect it through interviews from individuals connected to the property. In addition, suggested practices to follow and some to avoid when gathering data from interviews were also given.

Moving on from data collection, Brad presented examples of how the data was compiled and analyzed. Once

again, going from theoretical to real, using actual multi-family income and expense data, the information was stratified and compiled. Of interest, Brad demonstrated how they discovered the need to account for different incentives apartment owners were offering and how they did it.

Time was also spent on the analysis of industrial, office, and retail leases. The need to know what kind of lease, despite what others might call it, was underscored. Just because someone calls it a triple net lease does not make it a triple net lease. Several leases with atypical terms were displayed and how adjustments were made for each one.

The presentation handouts are available via email from [beldridge@douglas-county.com](mailto:beldridge@douglas-county.com)





**Retirements**

During the conference, KCAA President Steve Miles presented gifts to recent retirees Dean Denning (top) and Rod Broberg (bottom) in recognition of their outstanding contributions to the profession and the association.

**EDUCATION**

**Press Release & Media Basics**

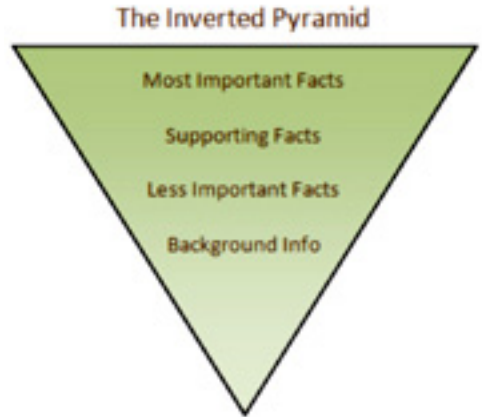
By Lisa Ree, RMA, Ellis County

Jeannine Koranda, KDOR’s public information officer, presented a conference session on “Managing the Media,” whether through a press release or talking with the media.

A press release can be a credible way to get your message to the public and can lead to a follow-up conversation. Before you begin working on a release, first consider if what you want to convey is actually newsworthy. What you believe to be important may not be important to the general public.

Using the example of mailing CVNs, Jeannine had participants break into groups and order six statements in level of importance. To do this, she recommended following the Inverted Pyramid Method. This method lists the most important facts first, and working down to background information. Following this order hopefully ensures the pertinent information at the beginning of the release will stay intact if a portion of the article must be edited out.

Important information to include in a press release, which is often forgot-



ten, can include your county logo or letterhead, the date of the release, your name and all contact information.

When talking with the media, try to avoid common mistakes, such as speaking before you think or stating “no comment.” Doing this may lead to misinformation being presented. Instead, be prepared by gathering your thoughts and pertinent information. This includes thinking about what you want to say as well as what you *don’t* want to say. It can be as simple as jotting down an outline of the information you want to discuss.

With just a little preparation you will be able to use a press release or a media interview to get your information to the public efficiently and accurately.



The “Cow Belles” join in on the act.

Ed Crane was an enthusiastic assistant for T. Texas Terry!

## EDUCATION

# Changes in Subsidized Housing Valuation

Brad Eldridge, MAI, Douglas County

## Committee recommends revisions to PVD's Subsidized Housing Valuation Guide.

At the end of the 2012 KCAA annual conference, attendees informally discussed concerns regarding valuation issues and the wide variety of subsidized housing types that challenge each county. Both PVD and county personnel acknowledged that PVD's Subsidized Housing Valuation Guide (from October 1998) may need an update. PVD has asked that the counties and PVD work together on addressing these valuation issues and gathering information so that PVD could possibly update its directives on the various types of subsidized housing, and a committee was formed.

Also of concern was the impact of the revised definition (2009) of market value:

**K.S.A. 79-503a (excerpt) "Fair market value"** "...Sales in and of themselves shall not be the sole criteria of fair market value but shall be used in connection with cost, income and other factors including but not by way of exclusion: ....

(f) productivity taking into account **all restrictions** imposed by the state or federal government and local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families as authorized by **section 42** of the federal internal revenue code of 1986, as amended; ....

(h) **rental or reasonable rental values or rental values restricted** by the state or federal government or local governing bodies, including, but not limited to, restrictions on property rented or leased to low income individuals and families, as authorized by **section 42** of the federal internal revenue code of 1986, as amended; ....

(j) **restrictions or requirements**

**imposed upon the use** of real estate by the state or federal government or local governing bodies, including zoning and planning boards or commissions, and including, but not limited to, restrictions or requirements imposed upon the use of real estate rented or leased to low income individuals and families, as authorized by **section 42** of the federal internal revenue code of 1986, as amended. ...

Below is a summary of the committee's findings. Please note that **these are only recommendations of the committee—PVD has not issued revised Subsidized Housing Guide or supplementary directives** on the matter.

- Although the existing Subsidized Housing Appraisal Guide is dated (10/1998), most of the housing program background information is still accurate and applicable today. However, there are certain aspects regarding the employable approaches to value and general market observations that need to be removed or revised. Sales have occurred and some appraisers do have the opportunity to develop a Sales Comparison Approach.

- Lack of contemporary Court of Tax Appeals (COTA) decisions since state statute was revised, but no major cases after the revision of K.S.A. 79-503a, which occurred after Miami County's Sundance case. The Economic Condition formula provided by PVD to be applied in the Orion Cost Approach has reportedly held up in most recent Small Claims appeals.

- We surveyed appraisers and brokers from the private sector whose practices include subsidized housing and found that opinions/practices vary among real estate practitioners. One

common denominator is that all employ an Income Approach to value and consider it to be the most reliable method of valuation.

- With consideration of the common practice among our private sector peers surveyed by the committee and the 2009 revision to K.S.A. 79-503a (f), (h), and (j), the committee recommends that an Income Approach be developed for Section 42, 515, 202, and 811 projects. The issue of tax credit valuation is still a complex issue and there are several different methodologies in practice in the appraisal community. We suggest that the development of the Income Approach include the following:

- Rents based on median of similar income-restricted properties in market area. In cases of no competing properties in market area, expanded geographic area for market extraction, actual rents, or developer pro forma rents (for proposed projects) can be applied.

- Application of market-extracted vacancy rate is preferred based on similar income-restricted properties in market area, or use of expanded geographic area or actual vacancy rate can be applied in case of limited local data.

- Application of market-extracted expense ratio is preferred (with inclusion of replacement reserves as outlined by the (typical) Land Use Restriction Agreement). Expense ratio ranges may be included in recommended capitalization rate study.

- Capitalization rate based on outsourced study by third party. Capitalization rate needs to reflect typical replacement reserves for various property ages (investment grades) and be employable state-wide. Survey participants interviewed by the committee

indicated that typical expense ratios could be included as part of the capitalization rate study in order to provide market-extracted expense ratio data for counties with limited or no market data available and as a test of reasonableness to actual expense ratios that may need to be applied.

– In the case of SECTION 515 properties, a built-up cap rate using Mortgage-Equity or Band of Investment methodology and applied to actual NOI may be preferred given the profit (NOI) restrictions. Actual SECTION 515 interest rate and loan terms may be used since allowed sales for this type of property are typically only with the assumption of the existing note.

- Are the tax credits considered intangible? The valuation of the intangibles is a tax policy issue with opinions that vary from county to county and has a variety of perspectives through the public and private sectors. Since these properties are sensitive to cash flow changes and unplanned assessments, it is recommended that a jurisdiction opting to tax these intangibles should communicate the assessment procedures to the developer at the beginning of the project so that the appropriate accounting adjustments can be made in the 15-year forecast of the project that is required of the applicant to the state housing agency (Kansas Housing Resources Corporation, [www.kshousingcorp.org](http://www.kshousingcorp.org)).

Should a county opt to include the tax credits with the real property valuation, it is recommended that a third party appraiser be contracted to handle the assignment.

- The 2015 Valuation Specification for Kansas counties is moving in alignment with the contemporary version USPAP. In light of the USPAP Competency requirements and Advisory Opinion-14 that addresses the identification, competency, property rights and valuation definition issues. Counties appraising subsidized housing properties need to be aware of this compliance issue and addressing the Competency Rule.

### Suggestions for Counties:

- Ensure that LBCS Function code “Federally subsidized apartment complex” (1171) is applied to each appropriate parcel. This will allow for better future tracking of data and properties in the state.

- Will need to make sure 1171 LBCS code is tied to appropriate cap rate and apartment valuation tables for correct application of ETR, etc.

- May require adding an additional apartment rent model for subsidized housing properties based on actual/annual rent study for subsidized properties.

- Obtain annual rents, income and expenses from subsidized housing projects via survey. Direct phone correspondence and scheduled meetings may be necessary with on-site property managers to introduce changes in the valuation methods and open the line of communication with the taxpayer.

- Obtain a copy of LURA (Land Use Restriction Agreement), construction costs, and 15-year proforma from the Kansas Housing Resources Corporation on projects within your county.

### Subsidized Housing Resources

#### IAAO Low Income Housing Tax Credit (LIHTC) Subject Guide

Listing of articles and books available in the IAAO LibraryLink Catalog, as well as online reports and articles

<http://www.iaao.org/sitePages.cfm?Page=494>

#### HUD Websites

U.S. Department of Housing and Urban Development assists in the regulation of subsidized housing projects. The HUD.gov website has a substantial amount of resources on these projects.

*Affordable Housing*

<http://www.hud.gov/offices/cpd/affordablehousing/>

*HOME and Low Income Housing Tax Credits (LIHTC)*

<http://portal.hud.gov/hudportal/>

[HUD?src=/program\\_offices/comm\\_planning/affordablehousing/training/web/lihtc](http://www.hud.gov/offices/cpd/planning/affordablehousing/training/web/lihtc)

*HOME Reports*

<http://www.hud.gov/offices/cpd/affordablehousing/reports/>

#### Rent and Income Limit Calculator (Courtesy of Novogradac & Co.)

Online application that assists in estimating maximum rent charges based on geographic area, program type, when the project was placed in service, and Area Median Gross Income (AMGI) restrictions

<http://www.novoco.com/products/rentincome.php>

*Online LIHTC Lexicon*

[http://www.novoco.com/low\\_income\\_housing/resources/index.php](http://www.novoco.com/low_income_housing/resources/index.php)

#### FDIC Financial Institution Letters Regarding Affordable Housing Appraisals

Guidance provided by the Office of the Comptroller of the Currency Federal Deposit Insurance Corporation Federal Reserve Board Office of Thrift Supervision on key ingredients for affordable housing loans

<http://www.fdic.gov/news/news/financial/1995/fil9522.html>

#### Affordable Housing Real Estate Professionals, Listings & Other Subsidized Housing Resources

Conduct an Internet search on the website of your choice with “affordable housing brokerage” to see the results for your region. Additional search topics may include “tax credit group brokerage,” “LIHTC brokerage,” “LIHTC real estate appraiser,” or search for the specific subsidized housing program in question.

#### State of Kansas Housing Resources Corporation

An example of the type of easily accessed information that can be garnered from similar agencies in your jurisdiction such as a complete list of projects in the State of Kansas with their address, complex name, city and on site phone numbers.

<http://www.kshousingcorp.org/>



## 3rd Annual Timothy Hagemann Memorial Golf Tournament

By Melinda Latham, RMA

Forty of our finest played golf at the Eagle Bend Golf Course for the 3rd Annual Timothy Hagemann Memorial Golf Tournament. It was a beautiful day for golf with some great scores turned in. Proceeds from the golf tournament will go to the Hagemann Trust. \$367.40 is the amount that will be contributed to the trust.

### Trophies:

#### 1st Flight:

► **1st Place** (Score of 63) Steve Thompson, Matt Sorensen, Sean Robertson, Chuck Latham

► **2nd Place** (Score of 65) Barry Porter, Anna Porter, Mark Hixon, Bob Lott

#### 2nd Flight:

► **1st Place** (Score of 70) Janet Duever, Gary Duever, Brian Baker, Gene Bryan

► **2nd Place** (Score of 74) Bruce Hardesty, Sandra Drake, Phil Dudley, Greg McHenry

#### High Score Champions:

Larry Reynolds, Tracy Henry, Ryan Michaelis, Ed Crane

#### Hole Prizes:

- Sandra Drake – Women's Longest Drive
- Bob Lott – Men's Longest Drive
- Brad Eldridge – Longest Putt
- Todd Wilson – Closest to Pin

#### A big *Thank You* to our sponsors:

Apex, Kimble Mapping, R & S Digital, Computer Information Concepts, Tyler Technologies, The Sidwell Company, and Midland GIS Solutions.



Funds from the Hagemann Trust are "awarded to help assessing officers from smaller rural jurisdictions become members of IAAO or maintain membership in IAAO."



**1st Flight, 1st Place:** Steve Thompson, Matt Sorensen, Sean Robertson, Chuck Latham.



**1st Flight, 2nd Place:** Barry Porter, Anna Porter, Mark Hixon, Bob Lott



**2nd Flight, 1st Place:** Gary Duever, Janet Duever, Brian Baker, Gene Bryan



**2nd Flight, 2nd Place:** Sandra Drake, Bruce Hardesty, Greg McHenry, Phil Dudley



**High Score Champions:** Larry Reynolds, Tracy Henry, Ryan Michaelis, Ed Crane

*Golf is a day  
spent in a round of  
strenuous idleness.*

*~William Wordsworth*

## Somewhat Bowling

By Trudy Kamphaus,  
Cowley County

The KCAA kicked off their annual conference at Royal Crest Lanes in Lawrence on the 22nd of June. We had 29 participants and several spectators, who started off the evening with a few appetizers and moved on to one game of “funky” bowling and two normal games.

In the Funky Bowl, they were required to bowl frames of right-handed, left-handed, granny style, backwards, sitting or kneeling on the floor, bowling between the legs of their team mates, holding hands with a team mate, and normally. The high score, achieved by Jeff Holsapple, was a 113. A fun and interesting time was had by all.

We then moved on to two games of serious bowling, where we gave away \$91 for 91 strikes in those games. The team of Jeanie Frasier, Greg Wellbrock, Letisha Esquible, and Tom Scott bowled on lane 13 and received 13 dollars for 13 strikes, despite the fact that they were not “lucky” enough to win.

The winning team consisted of Lisa and Taylor Ree, Deb Zeigler, Chris Gibson, and Lori Reedy. The individual high bowlers were Jeff Holsapple and Jeff Ramsey with a



**Winning Bowling Team:** Lori Reedy, Deb Ziegler, Chris Gibson and Lisa Ree.



Individual high score winners Jeff Ramsey (l) and Jeff Holsapple (r) with bowling tournament coordinator Trudy Kamphaus.

score of 173.

We could not do this without our sponsors, TEAM, APEX, Postal Presort, and Thomson-Reuters; so a big thanks to them as well as all participants. I invite everyone to join us next time for a fun and entertaining evening.



Jeff Holsapple, high score for Funky Bowling, shows off his form!



## A Big Thank You to All of This Year's Vendors & Sponsors

### Vendors

Apex Software  
Computer Information Concepts  
GIS Workshop, Inc.  
Kimble Mapping  
Midland GIS Solutions  
Pictometry  
Postal Presort  
The Sidwell Company  
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R & S Digital  
Postal Presort  
The Sidwell Company  
TEAM Consulting  
Thomson Reuters  
Tyler Technologies





Cindy Brenner, Kim Laufer, Rick Stuart & Melinda Latham enjoying the evening

### Newlyweds at Conference

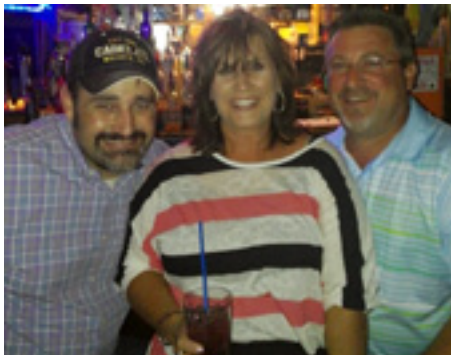
Congratulations to newlyweds Barb and Rob Esfeld. Barb is the Barton County appraiser. Like, how much better does it get than to come to the Kansas County Appraiser's Annual Conference shortly after getting married?



Woodson County Appraiser Jerry Mentzer and his wife Linda



Betty Roeder, Lois Schlegel and Melinda Latham



Looks like Lance Leis, Mindy Harting & Bruce Hardesty are having a good time!



Retired appraiser Rod Broberg catches up with Greg McHenry and Jeff Holsapple



Even Elvira made an appearance for Rod's retirement celebration!



The hospitality room is always a great place to meet up with friends





## Real Estate Notes of Interest

By Rick Stuart, CAE

■ Randy Drummer, *www.costar.com*, March 19, 2014. "As growing numbers of tourists and business travelers check into hotels, the U.S. lodging occupancy rate is finally expected to reach pre-recession levels this year, according to the March forecast by PKF Hospitality Research, LLC. Revenue per available room, meanwhile, should increase by 6.6% this year to \$73.20 and by another 7% in 2015, continuing a streak in which RevPAR has increased by 5.4%, 6.7% and 8.1%, respectively, in the last three years."

■ Eva Ruth Moravec, *www.my-san-antonio.com*, April 1, 2014. "About 30 people attended a Tuesday afternoon rally for commercial property tax reform at a hotel downtown whose owners are among about 600 property owners who sued the Bexar Appraisal District to protest their tax valuations."

By law, property owners are permitted to protest the values assigned to their properties using a variety of methods. For commercial properties valued over \$1 million, a system is in place that allows owners to sue their local appraisal district, claim that it is unfairly valued when compared to others that are "equal and uniform," and have their values reassessed by a judge. If the value is lowered, other commercial owners can then use the new valuation as a reason to have their value lowered, too, claiming that it is comparable to the one recently reduced." <http://bit.ly/1pWQJmv>



Rick Stuart, RMA, is a senior consultant with TEAM Consulting LLC and lives in Topeka, Kan. Email: [rstuart17@cox.net](mailto:rstuart17@cox.net).

■ Katie Weeks, *www.ecobuilding-pulse.com*, March 28, 2014. "It's official: Indiana's energy efficiency program, Energizing Indiana, will cease operations on Dec. 31, thanks to a bill passed by the state Senate and House of Representatives. Yesterday, Governor Mike Pence announced that he will not veto or sign Senate Bill 340 (SB 340), which means the bill will take effect, according to The Indy Star. As we previously reported, under SB 340, the end of the year will also mark the end of Energizing Indiana, which currently provides weatherization for low-income households, subsidies for residential lighting products, heating and cooling retrofits in schools, energy efficiency education, and commercial industrial retrofit rebates."

**Editor's Note:** I will express dismay at this action or lack thereof; however, there is a growing trend in state legislatures to stop programs such as this and to stop government from building green.

■ Gilberto Mendez, *www.corelogic.com*, April 1, 2014. "CoreLogic reported that in February 2014 national home prices increased by 12.2 percent year over year, and increased by 0.8 percent month over month from January. Colorado, District of Columbia, Nebraska, North Dakota, and Texas reached new highs in home prices, and South Dakota and Louisiana are within a tenth of a percent of their peak index levels." <http://bit.ly/1eeDJDo>

■ Conor Dougherty, *The Wall Street Journal*, March 10, 2014. The ratio of new house construction to apartments is shifting. "The move toward apartment construction reflects the convergence of several trends. Mortgage credit is still tight. Also, Americans have seen

muted wage gains and others have high student loans, forcing people who otherwise would have bought homes to rent instead."

■ *The Wall Street Journal*, March 20, 2014. Okay, it has happened. A property in Bali, Indonesia, has sold for bitcoins instead of dollars. The selling price for the unfinished home was 860 bitcoins, or over \$500,000.

**Editor's Note:** Maybe I can get retired before I have to start converting bitcoins into cash equivalency.

■ Nick Timiraos, *The Wall Street Journal*, April 5, 2014. "Zillow Inc., said it would begin providing real-estate listings for a Chinese real-estate portal, giving Chinese investors more access to the U.S. housing market."

■ Ken Hudson, *The Wall Street Journal*, April 3, 2014. "Sales of vacation homes are surging again, the result of rising wealth in higher-income households and renewed confidence in the housing market."

■ Robert Whelan, *The Wall Street Journal*, April 3, 2014. "Owners of shopping centers and malls raised rents for the 12th consecutive quarter, a sign that retail landlords are getting a boost from the slowly improving economy and low level of commercial real-estate construction."

■ *www.trends.com*, April 2, 2014. Key findings from the 2014 Hotel Transaction Almanac, a report from STR Analytics:

- Hotel transactions up 30% in 2013.
- Pricing remains strong with the average price per key in 2013 at US\$192,000.
- The volume of distressed asset sales continues to decline with only 7 percent of transactions involving distressed assets.
- The average interest rate for financing acquisitions was 4.6 percent, the lowest point on record.
- Additional capital injected into

continued on next page

**REAL ESTATE NOTES, continued**

properties post-acquisition averaged \$27,000 per room.

- The average cap rate declined to 8.8 percent in 2013 from 9.4 percent in 2012. <http://bit.ly/1g09EIs>

■ Richard West, [www.nerionline.com](http://www.nerionline.com), March 31, 2014. “Cap rates have hit new lows by most measures. This means buyers are willing to accept less current income relative to the purchase price.”

■ Darren Bloomquist, [www.realtytrac.com](http://www.realtytrac.com), March 31, 2014. “Cash-flowing rental properties allow investors to build wealth over the long term in the form of an appreciating asset while also generating monthly income. Good cash-flowing rentals can be found in many U.S. markets, but rapidly appreciating home prices are making it more difficult. The heat map below shows where median home prices and average rental rates make for good—and not so good—returns on rental properties.” See map at <http://bit.ly/1kGUNG4>

**Editor’s Note:** Wyandotte County was shown as the 6th best with an annual return of 22%.

■ Randy Drummer, [www.costar.com](http://www.costar.com), April 9, 2014. “With the era of retail medicine fast approaching, health care providers and medical specialists are increasingly opening facilities in shopping centers, which offer an attractive combination of affordable space, good patient access and ample parking.

Stores left vacant by the demise of big-box retailers and struggling strip centers are turning out to be reasonably priced options for many health care facilities, which are increasingly moving away from the centralized service delivery model centered on a traditional hospital campus and trending toward mixed-use properties where medical office buildings (MOBs) and retail stores and restaurants co-exist, according to Laura Lee Garrett, a partner with Hirschler Fleischer in Richmond, VA,

and member of the firm’s real estate and retail practice group.” <http://bit.ly/1hko5vp>

■ Camile Salama, [www.zillow.com](http://www.zillow.com), April 9, 2014. Property owners are always complaining they pay the highest tax in the country. Now you can give them a source to see if they are correct.

“The second biggest cost of home ownership — following the mortgage — is usually property taxes. In 2012, U.S. homeowners paid an average of about \$2,800 in property taxes, according to a recent Zillow study.” <http://bit.ly/1oTcLv4>

“Nationally, the typical homeowner is spending approximately 1.4 percent of their home’s value on annual property taxes. See the full rankings below.”

#### **Highest Property Taxes as a Percent of Home Value**

1. Allegany County, NY (3.76%)
2. Milwaukee County, WI (3.68%)
3. Kendall County, IL (3.57%)
4. Sullivan County, NY (3.56%)
5. Orleans County, NY (3.49%)

#### **Lowest Property Taxes as a Percent of Home Value**

1. Caroline County, VA (0.17%)
2. Catahoula County, LA and Randolph AR (0.2%)
3. Iberville County, LA and Cumberland County, TN (0.21%)
4. Butler County, PA and Maui County, HI (0.22%)
5. Elmore County, AL and De Soto County, LA (0.23%)

■ Charlotte, O’Malley, [www.ecobuildingpulse.com](http://www.ecobuildingpulse.com), April 10, 2014. “When home buyers are shopping around for a new home, are they looking for sustainable features? Yes, according to a recent report from the National Association of Realtors that identifies the who, what, when, where, and why of home buyer and seller behavior, and breaks down the trends by each respondents respective generation.” <http://bit.ly/1gS5odr>

■ [www.thewallstreetjournal.com](http://www.thewallstreetjournal.com), April 8, 2014. One Seattle builder is

breaking the mold by building smaller apartments that are designed as more affordable housing. There are three buildings, a total of 200 apartment buildings are currently under construction, and the three buildings will have a total of 287 units.

■ Daniel Gilbert and Alison Sider, [www.thewallstreetjournal.com](http://www.thewallstreetjournal.com), April 12, 2014. “Ohio officials are limiting hydraulic fracturing — or fracturing — in a small area of the state after finding that the technique for tapping oil and gas may have triggered a series of minor earthquakes in March. But other states, including Kansas, are looking at the links between oil and gas activity and small quakes.” **Editor’s Note:** We are?

■ Lisa Ward, [www.thewallstreetjournal.com](http://www.thewallstreetjournal.com), April 14, 2014. Jumbo mortgages are becoming more difficult to obtain. These are loans in excess of \$417,000 to \$625,000, depending upon where you live. “Under the new guidelines, a safe mortgage is generally defined as one where the borrower’s total monthly debt payments, including the new mortgage, don’t exceed 43% of the borrower’s gross monthly income.”

Lending institutions will still make some loans that do not meet the “safe loan” definition for wealthier clients or when recruiting businesses for other loans.

■ Andrew Blackman, [www.thewallstreetjournal.com](http://www.thewallstreetjournal.com), April 14, 2014. Crowdfunding is now being used in real estate. Crowdfunding is defined as, “the sale of shares in a venture, in this case real estate projects.” This concept is normally associated with new business start-ups where the owner(s) seek funding via the Internet. Think of this as a REIT (Real Estate Investment Trust) only on a smaller scale and probably far greater risk.

■ [www.nreionline.com](http://www.nreionline.com), April 15, 2014. “Investors are once again proving that their confidence in commercial real estate remains steadfast. Exclusive results from the NREI/Marcus & Millichap Investor Sentiment Survey indicate

that a majority of investors expect both core fundamentals and property values to continue to rise in the coming year. That positive outlook is fueling a desire to further expand real estate holdings.” <http://bit.ly/1mccyid>

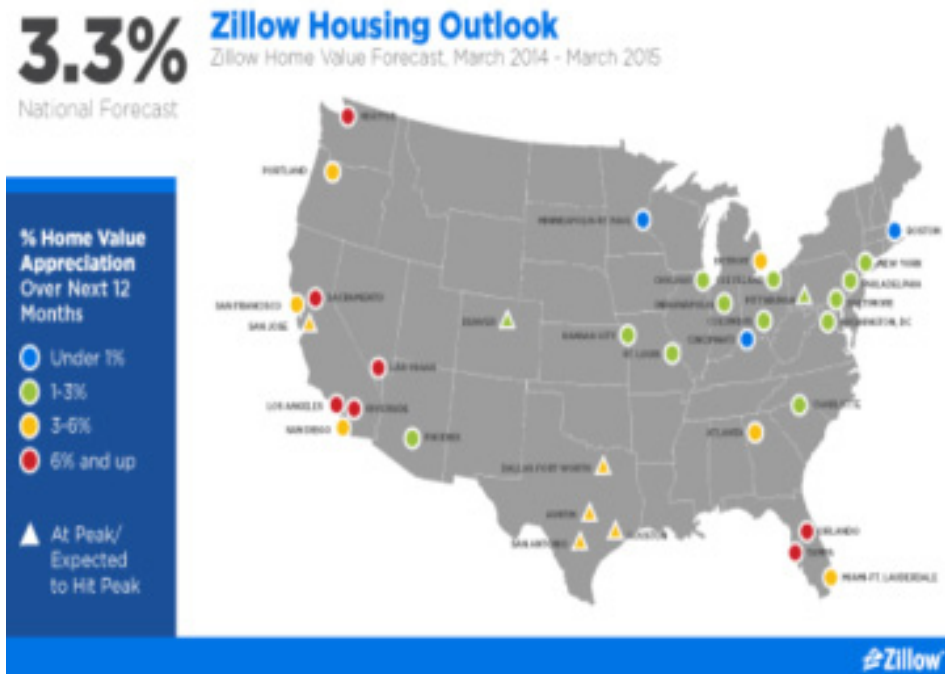
■ Chester Dawson, *www.thewallstreetjournal.com*, April 16, 2014. Okay, still another new problem for the shale boom. In a remote area of North Dakota, they have found hundreds of garbage bags filled with mildly radioactive waste. “These bags contained what are known as oil socks, three-foot long, snake like filters made of absorbent fiber. The shale-oil industry uses the socks to capture silt from waste water resulting from hydraulic fracturing.”

■ Bob Davis & Esther Fung, *www.thewallstreetjournal.com*, April 15, 2014. “Economists have worried for years that China is setting itself up for a housing market bust. In big international cities like Beijing and Shanghai, prices continue to rise. But evidence is mounting that in dozens of third- and fourth-tier Chinese cities rarely visited by foreigners, overbuilding is out of control and a major property-market slowdown is now under way.”

**Editor’s Note:** Some of you at this point are probably saying, well that’s interesting, but why do we care? Over the last several years some of the largest dollar volume of foreign real estate investments in the U.S. has come from the Chinese.

■ Andrew Johnson & Saabira Chaudhuri, *www.thewallstreetjournal.com*, April 17, 2014. “Banks are boosting their lending to businesses, providing fuel for companies to increase spending on workers and equipment as the economy improves. The rise is being driven both by banks, which are loosening their lending standards, and companies, which are seeking more money, bank executives said.”

■ *www.hotelmanagement.net*, April 14, 2014. “The total active U.S. hotel development pipeline comprises 3,127 projects totaling 381,503 rooms, according to the March 2014 STR Pipeline



■ *www.zillow.com*, April 14, 2014. “Homes in more than 1,000 cities and towns nationwide either already are, or soon will be, more expensive than ever, erasing any losses in value experienced during the recession, according to Zillow. U.S. home values climbed 5.7 percent year-over-year in the first quarter, to a Zillow Home Value Index of \$169,800. National home values have climbed year-over-year for 21 consecutive months, a steady march upward that has helped put the housing recession almost entirely in the rearview mirror in 1,080 of the more than 8,700 cities and towns covered by Zillow.” <http://bit.ly/1f31eVG>

Report. This represents a 14.7 percent increase in the number of rooms in under contract compared with March 2013 and a 41.9-percent increase in rooms under construction. The under contract data includes projects in the In Construction, Final Planning and Planning stages but does not include projects in the Unconfirmed stage.” <http://bit.ly/1gTFKJK>

■ Donna Kardos Yesalavich, *www.thewallstreetjournal.com*, April 23, 2014. The world of man camps are changing. “Target Logistics, a Boston-based builder and operator of dormitory-style housing, recently landed a nearly \$30 million contract to provide lodging for hundreds of oil-field workers in North Dakota over the next three years. The deal is the latest example of rising demand for professionally managed “man camps,” sprawling barracks that house mostly male workers



at American and Canadian oil sites.” The complex above is very different than one shown below or the very large



continued on next page



## REAL ESTATE NOTES, continued

sprawling company-owned camps.

■ Sarah Portlock and Chris Hudson, *www.thewallstreetjournal.com*, April 24, 2014. “A surge in prices helped drive down sales of newly built homes in March, the latest indication that the housing market is struggling to regain traction. Harsh winter had shut construction sites and softened the housing market in recent months. But the latest data raise the prospect that new-home sales are being hampered by more than rough weather.”

■ Randy Drummer, *www.costar.com*, April 22, 2014. Maybe grocery stores are the key to a successful shopping center. “Blackstone Group LP raised eyebrows in 2011 when it acquired the U.S. shopping center portfolio owned by Australia-based Centro Properties Group in a \$9 billion transaction. After two years of balance sheet cleaning and portfolio repositioning, Blackstone took its shopping center portfolio back to Wall Street with great acceptance. Seventy percent of Brixmor’s shopping center portfolio is anchored by major grocers.” <http://bit.ly/1f9X12P>

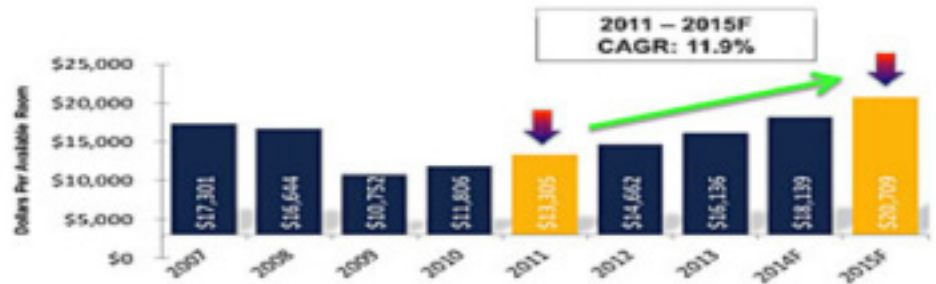
■ Nick Timiraos, *www.thewallstreetjournal.com*, April 25, 2014. “Mortgage lending declined to the lowest level in 14 years in the first quarter as homeowners pulled back sharply from refinancing and house hunters showed little appetite for new loans.”

■ Paul Davidson, *USA Today*, April 30, 2014. This article discusses five reasons why the housing recovery is stalling:

1. Home prices have risen more than 20% in the past two years.
2. Higher mortgage rates.
3. Low supply of homes for sale
4. A new generation of potential first-time buyers is shouldering more student loan debt.
5. Slow hiring pace and modest economic growth.

■ *hotelmanagement.net*, April 30,

### U.S. Hotel Performance Nominal Dollar Operating Profits\* Five Years of Double Digit Growth



Note: \* Before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization.  
Source: PKF Hospitality Research, LLC. Trendset in the Hotel Industry: March 2014 Hotel Monthbook forecast

■ *www.hotelmanagement.net*, April 25, 2014. Hotel profits are on pace to exceed pre-recession levels in 2014, according to the 2014 edition of “Trends in the Hotel Industry,” an annual report released by PKF Hospitality Research, LLC. <http://bit.ly/1jQIULP>

2014. “Hyatt Hotels Corp. revealed its first-quarter profits surged as rates, occupancy and revenue shot up, with results topping expectations. According to the Wall Street Journal, Hyatt’s RevPar rose 6.5 percent at comparable owned and leased hotels during Q1 2014, while the company’s occupancy rose 71.3 percent, up from 70.3 percent one year earlier. Hyatt’s ADR also rose 5.1 percent to \$191.51.”

■ Prashant Gopal, *www.bloomberg.com*, May 2, 2014. “Million-dollar homes in the U.S. are selling at double their historical average while middle-class property demand stumbles, showing that the housing recovery is mirroring America’s wealth divide. Purchases costing \$1 million or more rose 7.8 percent in March from a year earlier, according to data released last week by the National Association of Realtors. Transactions for \$250,000 or less, which represent almost two-thirds of the market, plunged 12 percent in the period as house hunters found few available homes in that price range.”

■ Conor Dougherty, *The Wall Street Journal*, April 30, 2014. “The U.S. homeownership rate hit its lowest level since the mid-1990’s, according to a Census release that showed that

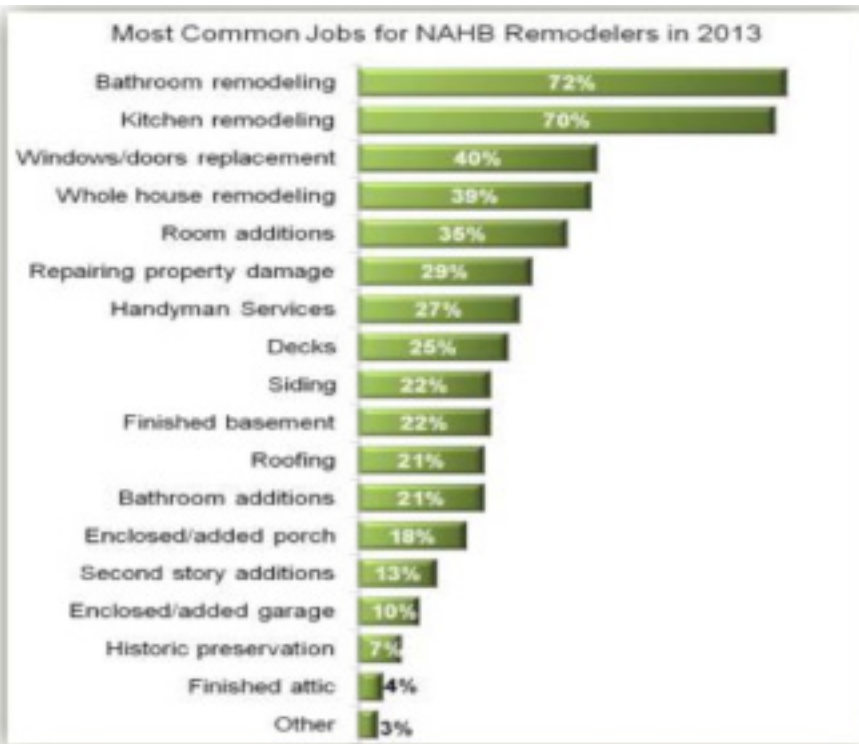
despite two years of recovery in the housing market there are still fewer homeowners than there were before the recession.”

■ Kris Hudson, *The Wall Street Journal*, April 30, 2014. D.R. Horton, Inc. based in Fort Worth, Texas, has created a new division called Express Homes to build low-priced homes they hope will bring first-time buyers back into the housing market.

■ Al Yoon, *The Wall Street Journal*, May 1, 2014. “Freddie Mac is financing residential trailer park developers, a sign the mortgage giant is facilitating more types of affordable housing by expanding in the commercial real-estate market.”

■ Kris Hudson, *The Wall Street Journal*, May 2, 2014. “A labor shortage of skilled labor in many markets has spurred contractors to boost pay scales, often to boom-time levels and beyond—expenses that have been passed on to buyers for as long as they will tolerate the higher prices. In recent months, buyers finally have balked, resulting in sluggish sales of new homes so far this spring.”

■ Kermit Baker, *www.aia.org*, April 29, 2014. “Billings at U.S. architecture



■ Source: [www.builderonline.com](http://www.builderonline.com), May 2, 2014.

firms dipped in March to a score of 48.8, the third decline over the past five months. While the modestly positive ABI scores for January and February suggested that the end of the year weakness might have been just a weather-related blip, and that architecture firms could see a recovery in billings in the spring, the weak March reading indicates a broader soft spot in design activity.” <http://www.aia.org/index.htm>

■ [www.ccim.com](http://www.ccim.com), May 1, 2014. “CCIM Institute members nationwide reported increases in transaction flow, rising property prices, and growing interest from serious buyers across all five major commercial real estate property sectors, according to the organization’s 1Q14 Quarterly Market Trends report. The report, which features transactional and market data from CCIM members, is produced in conjunction with the National Association of Realtors®.

The rise in deal flow was greatest in the hospitality sector, with 80 percent of CCIMs reporting more transactions year over year in 1Q14, followed by re-

tail (63 percent), industrial (60 percent), multifamily (58 percent), and office (55 percent).” <http://bit.ly/QhJmed>

■ Paul Davidson, and Meghan Hoyer, *USA Today*, May 13, 2014. “Rising home prices and stagnant incomes are pushing homeownership beyond the reach of middle-class Americans in more cities, a new study finds. In 20 of the 100 largest metro areas, a majority of homes on the market are not affordable for middle-income buyers, according to a study released Tuesday by real estate research firm Trulia. A home is considered affordable, by Trulia’s definition, if total monthly costs after a 20% down payment — including mortgage, insurance and property taxes — are less than 31% of a region’s median household income.”

■ Alana Finn, [www.redfin.com](http://www.redfin.com), May 13, 2014. “It’s no surprise that homes with “hot” features tend to sell faster than homes that have less desirable attributes. Knowing if your home is hot or not can help you determine your list price. With that in mind, Redfin surveyed 435 of our real estate agents

across the country to find out what the biggest real estate trends are right now.” <http://bit.ly/1or56mN>

■ Anne Postle, [www.builderonline.com](http://www.builderonline.com), February 2014. **Editor’s Note:** We all recognize that curb appeal adds value but is not a separate component that we use in the valuation process. Although it did require some structural change, I really liked the way they changed the house in this article for better curb appeal. It is worth five minutes to look at this.

“With respect to great flow and room design, elevations are why homes sell. More than a pretty face, curb appeal is your first chance to engage the buyer’s imagination. No matter how well your floor plan lives, they’ll never see it if you don’t get them to walk through the door.” <http://bit.ly/1hMIEy1>

■ Jacob Bunge, [www.thewallstreetjournal.com](http://www.thewallstreetjournal.com), May 16, 2014. “Farmland values fell in the first quarter in much of the Midwest. Average prices for agricultural land in the Federal Reserve Bank of St. Louis’s district, which includes parts of Illinois, Indiana and Missouri fell 6%. Prices for farmland without irrigation systems in the Kansas City Fed district, which includes Kansas and Nebraska, declined 1.4%.”

■ Nick Timiraos and Deborah Solomon, [www.thewallstreetjournal.com](http://www.thewallstreetjournal.com), May 14, 2014. “The Obama administration and federal regulators are reversing course on some of the biggest post-crisis efforts to tighten mortgage-lending standards. Fannie Mae and Freddie Mac should direct their focus toward making more credit available to homeowners, a U-turn from previous directives to pull back from the mortgage market.”

■ Josh Peter, *USA Today*, May 22, 2014. The controversial owner of the Los Angeles Clippers, Donald Sterling, is now being probed by the Los Angeles County Assessor’s Office on two properties that were owned by his grandmother and mother. The

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## REAL ESTATE NOTES, continued

name was never changed into anyone else's name after their death and that in most states is no big deal. But with Proposition 13 in California it automatically triggers an appraisal update to market value. The deaths were in 1966 and the 1980s.

■ *The Wall Street Journal*, May 17, 2014. A potentially interesting court case on eminent domain may be in the future for Atlantic City, New Jersey. In 1996, the Casino Reinvestment Development Authority attempted to take some properties for casino and parking expansion but was denied by a New Jersey District Court. In a famous 2005 U.S. Supreme Court ruling in favor of eminent domain, a town condemned older homes for a shopping center. Now we are back to New Jersey where the same Authority wants to use eminent domain to replace some homes and businesses with unspecified private development.

■ [www.htrends.com](http://www.htrends.com), May 20, 2014. "The U.S. hotel industry reported positive results in the three key performance metrics during April 2014, according to data from STR. Overall, the U.S. hotel industry's occupancy was up 3.2 percent to 65.7 percent, its average daily rate rose 4.0 percent to US\$114.67, and its revenue per available room increased 7.4 percent to US\$75.30." <http://bit.ly/1mk7tDs>

■ [www.chiefexecutive.net](http://www.chiefexecutive.net), May 20, 2014. "In Chief Executive's tenth annual survey of CEO opinion of Best and Worst States in which to do business, Texas continues its 10-year historical position as the best state overall; but Florida, which ranks No. 2, is edging up and even overtaking Texas in its quality of living environment. Kansas is ranked #26 for 2014 and was #19 in 2013." <http://bit.ly/1s7ZA5P>

■ Lawrence Yun, [www.realtor.org](http://www.realtor.org), May 27, 2014. "The outlook for all of the major commercial real estate sectors is slightly improving despite disappointing economic growth during the first quarter

**REDFIN** Growth in the Number of Homes Sold


■ Troy Martin, [www.redfin.com](http://www.redfin.com), May 27, 2014. Home sales so far this year are lower than they were in 2013, but there's one sliver of the housing market that's going strong: the very top of it. Sales of the priciest 1 percent of homes are up 21.1 percent so far this year, following a gain of 35.7 percent in 2013. Meanwhile, in the other 99 percent of the market, home sales have fallen 7.6 percent in 2014." <http://bit.ly/1mupe31>

of 2014, according to the National Association of Realtors® quarterly commercial real estate forecast." <http://bit.ly/1rg0Cli>

■ Peter Miller, [www.realtytrac.com](http://www.realtytrac.com), May 27, 2014. "By now the housing market was supposed to be booming. Combine a growing population, low mortgage rates, years of pent-up demand, fewer foreclosures, lower unemployment plus a generally-better economy and the stage should be set for a very nice real estate lift-off."

- First, we're not as cuddly as we used to be. Household formations are down.
  - Second, fewer of us are entering the real estate marketplace.
  - Third, the impact of the foreclosure meltdown is not over.
  - Fourth, lower mortgage rates have not helped sales.
  - Fifth, new home builders have missed the mark.
- <http://bit.ly/1nuRAPD>

■ [www.myappraisalinstitute.org](http://www.myappraisalinstitute.org), May 28, 2014. "Fixed mortgage rates fell for the fourth consecutive week, hitting

new lows for the year, Freddie Mac reported May 22 in its weekly Primary Mortgage Market Survey. The 30-year fixed-rate dropped 0.06 percent to 4.14 percent (up from 3.59 percent a year ago). The 15-year fixed-rate fell 0.04 percent to 3.25 percent (up from 2.77 percent a year ago). The one-year adjustable-rate remained unchanged at 2.43 percent (down from 2.55 percent a year ago). The five-year Treasury-indexed fell 0.05 percent to 3.96 percent (up from 2.63 percent a year ago)."

■ [www.myappraisalinstitute.org](http://www.myappraisalinstitute.org), May 28, 2014. "The number of available office properties nationwide at the end of the first quarter fell 10 basis points to 16.8 percent, suggesting that the market sector is tightening, according to analysis from commercial real estate research firm Reis, MBA NewsLink reported May 22.

"While this seems like a miniscule movement, other indicators suggest a market that's beginning to tighten, with improvement in fundamentals beginning to accelerate," Victor Calanog, chief economist with Reis, told MBA NewsLink. Reis expects vacancies to continue to fall at a moderate pace,



but the firm sees signs that market participants may look to the office sector to catch the recovery wave before pricing and fundamentals really reflect renewed strength.”

■ Joe Light and AnnaMaria Andriotis, *www.thewallstreetjournal.com*, May 30, 2014. Home equity lines of credit (Helocs) are back. “A rebound in house prices and near record low interest rates is prompting homeowners to borrow against their properties, marking the return of a practice that was all the rage before the financial crisis.”

■ *www.time.com*, June 17, 2014. “Roughly 1% of the homes insurance agent Matthew Ramirez insured in October 2011 had earthquake insurance. Today, he says, more than 40% of the homes he insures are covered for earthquake damage. Statewide, according to the Insurance Information Institute, the number of homes with earthquake policies has more than doubled between 2009 and 2013, to 12,407.” The suspected cause of the earthquakes: fracking. <http://ti.me/1kNvDnw>

■ *www.calculatedriskblog.com*, June 18, 2014. “On the heels of consecutive months of decreasing demand for design services, the Architecture Billings

Index (ABI) has returned to positive territory. As a leading economic indicator of construction activity, the ABI reflects the approximate nine to twelve month lead time between architecture billings and construction spending. The American Institute of Architects (AIA) reported the May ABI score was 52.6, up sharply from a mark of 49.6 in April. This score reflects an increase in design activity (any score above 50 indicates an increase in billings). The new projects inquiry index was 63.2, up from the reading of 59.1 the previous month.” <http://bit.ly/1jEnn9F>

■ Doug Carroll, *USA Today*, June 24, 2014. “Existing home sales rose for the second-straight month in May with the median home price was up 5.1% from a year ago and the existing home sales were up 4.9%.”

■ Joseph De Avila, Mike Vilensky and Russell Gold, *The Wall Street Journal*, July 1, 2014. “New York state’s highest court struck a blow Monday for home rule and against fracking, deciding that municipalities can use zoning laws to ban the natural-gas extraction method that has fueled a U.S. energy boom.”

■ Kris Hudson, *The Wall Street Journal*, July 3, 2014. “Shopping center owners continued to increase rents in

the second quarter as a host of retailers in expansion mode jockeyed for dwindling available space in exiting high-quality centers. Vacancy rates at U.S. malls and strip centers remained minimal in the second quarter.”

■ Jan Hromadko and Harriet Torry, *The Wall Street Journal*, July 5, 2014. “Germany plans to halt shale-gas drilling for the next seven years over concerns that exploration techniques could pollute groundwater.”

■ Charlotte O’Malley, *www.asla.org*, Feb. 25, 2014. Submitted by Sherry Sammons, RMA, Saline County. “Outdoor living spaces for entertaining and relaxing will be in high demand during 2014, according to the Residential Landscape Architecture Trends Survey conducted by the American Society of Landscape Architects in January-February 2014. The survey gathered responses from 179 landscape architecture professionals across the country who specialize in residential design, and asked them to rate the expected popularity of outdoor design elements as well as popular features for each. Check out the breakdown at <http://bit.ly/1kOVwHo>.