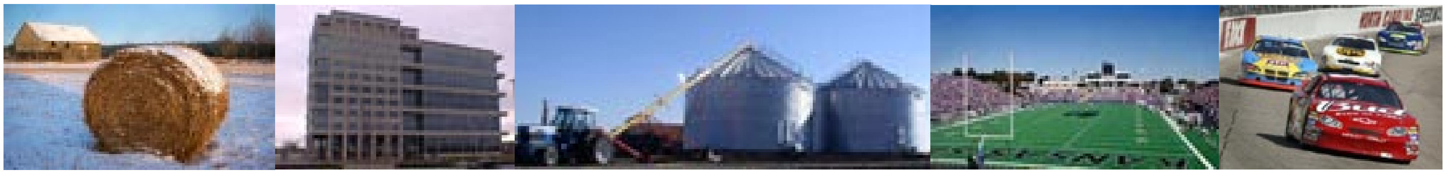


APPRAISING THE PLAINS

OF KANSAS

If you build it,
we will come

A Publication of the Kansas County Appraisers Association

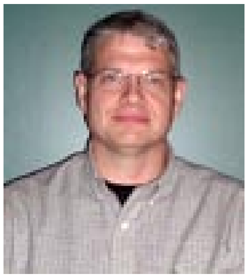
Volume 12, Issue 1 JANUARY 2008

Happy New Year!

Incoming Board Members Begin Their Term

New KCAA board members were sworn in at the recent KCAA business meeting. (Above, right) David Thornton, Mitchell/ Neosho Co., is sworn in as the 2008 KCAA president. (Left) Truette McQueen, Ottawa Co., who represents the North Central Region, and KCAA Vice President Mark Hixon, Shawnee Co., are sworn in.

Also in this Issue. . .



Okay—It's My Turn

David Thornton, RMA
Mitchell County Appraiser
KCAA President

Let's Not Procrastinate in 2008!

Here we are stepping into a new year again!

As we look back over the past year, we need to take time to reflect upon how we did concerning our goals.

Did I myself accomplish what I set out to do in my family or church? Did I accomplish what I set out to do in my occupation?

This will lead up to the next questions. Did I have any goals? Were my goals just for survival of another year? Or did I procrastinate putting off till 2008 what could have or should have been done in 2007?

Some of you have the luxury of putting off for a year or two and escaping the present responsibility as you are ready (and duly so) to jump into the next aspect of your life, retirement!!

From visiting with a few of those blessed individuals, I realize that if it were my time, I would be as ready as they are for a change. Sometimes I believe I feel that way now!!

Ready or not, 2008 is here and we must jump into it and get rolling. At the last meeting we had in November, there was quite a bit of discussion. Oil & Gas seemed to be the biggest concern or topic. The O&G committee will have met by the time this goes out, hopefully, and maybe have brought to the board or legislative committee some recommendations on some of the concerns expressed.

Many times the circumstances around us either open a window of opportunity or slam it shut! I believe that we may have an opportunity to implement some needed change in the O&G arena, if we do not procrastinate, and form a "united" effort to press the issues forward in a professional manner.

Another issue I believe we must all be concerned with is the issue the IAAO is addressing and has expressed in the recent issue of *Fair and Equitable*. Do we stay or do we go?

We have battled long and hard as MASS appraisers to have recognized the quality of our MASS appraisal work as well as establishing credibility in the appraisal industry to the work of mass appraisers. I personally believe that to withdraw from the AQB would be detrimental to the credibility of our profession. I believe that we should do all we can to stay with the AQB. They are currently working with us, and I believe that if we pull out, others in the appraisal profession would jump all over that opportunity to portray us as lower-quality appraisers and discredit our credibility and weaken the defense of our values in hearing or legal situations. (My opinion!)

As we enter the new year, let us not procrastinate in facing head on the challenges that we encounter with a determination to meet that challenge and to press it out the other side fashioned in a way which promotes fairness and equity.

We make a difference!!

Every individual makes a difference. We cannot live through a single day without making an impact on the world around us. And we all have free choice—what sort of difference do we want to make? Do we want to make the world around us a better place? Or not?

—Jane Goodall, wildlife researcher.

Larry on the Move

By Rick Stuart, CAE

Larry Clark, CAE, has resigned from his position with Johnson County effective Jan. 18, 2007. Larry was with Johnson County for 14 years in the position of Valuation Systems Manager. Bad news for Johnson County is great news for IAAO as Larry will be the director of Professional Development responsible for education, professional designation and instructor development and evaluations.

Larry was very involved with the KCAA and had served as past president and for several years as our lobbyist. Although a large number of us will continue to see Larry, those who wish to thank him for his years of service and wish him good luck can contact him at:

Johnson County Appraiser's Office
11811 South Sunset Drive
Olathe, KS 66061
(913) 715-0007
larry.clark@jocogov.org

KCAA to Offer RMA Reviews

RMA Reviews will be offered by the KCAA in 2008. All reviews will be located at the Shawnee County Annex in Topeka.

Residential Review dates:
May 14-16 Exam Date: May 20
October 8-10 Exam Date: Oct. 14

Commercial Review dates:
June 18-20 Exam Date: June 24
November 3-5 Exam Date: Nov. 13

See registration form on page 10 of this newsletter

KCAA Appraising the Plains of Kansas is a quarterly publication of the Kansas County Appraisers Association. KCAA invites readers to submit articles or topics of interest for inclusion in "Appraising the Plains." Send them to Cindy Brenner, KCAA, P.O. Box 988, Meade, KS 67864. Ph. (620) 873-7449. Fax (620) 873-2237. Email: kcaa@sbcglobal.net

Business Meeting Highlights

KCAA Business Meeting
Nov. 19, 2007, Wichita
Submitted by Cindy Brenner, KCAA Secretary

Approximately 75 people were in attendance for the business meeting held November 19 in Wichita during the Kansas Association of Counties (KAC) Annual Conference.

Alan Hale provided the findings of the 2007 Audit Committee. No discrepancies were found. Suggestions were given to Cindy for documentation to be provided to the audit committee. (See "2008 KCAA Audit Report" below.)

Cindy Brenner provided financial information. The KCAA has $84,378.38 in total funds.

Paul Welcome reported on the Education Committee. Dates for the RMA reviews and exams for 2008 were given. Cindy will be emailing a survey to counties regarding 2008 education wants and needs. The Education Committee will use the results of the survey as a guideline for selecting courses to offer in 2008.

Paul Welcome spoke regarding legislative issues. The homebuilder's association bill that exempts improvements until the home is occupied was discussed.

The KCAA was awarded the Zangerle Award for outstanding publication and the Virginia Cup for most new designees for 2007 at the IAAO Annual Conference in Atlanta.

The KCAA Handbooks that were to be distributed were delayed in production. Cindy will mail or distribute them at the 2008 Legislative Reception.

IAAO Ballots have been sent out. Everyone is encouraged to vote.

Rick Batchellor addressed the group regarding Oil and Gas and introduced Bob from T.Y. Pickett. Bob's company briefly reviewed the *Oil and Gas Guide*.

According to Bob, some equipment is up to standard but most is not. He estimated a third to a half of the guide needs some updating. Inter- and intra-county pipeline taxation was discussed. Bob suggested T.Y. Pickett or another company update the guide. If T.Y. did the updating, they would include ethanol plants. Rick B. suggested a collaborative effort to update the information/guide. Tony Folsom, PVD said they were open to updating the guide.

It was decided that the Oil & Gas Committee be involved in the collaborative effort.

The price per barrel of oil and how the price is arrived at was the next topic. It used to be a daily average. Tony indicated he is not familiar with what all factors go into arriving at the price.

Della Rowley urged all county appraisers to get documentation to Lynn Kent at PVD.

Gary Post suggested attendance at a Utility Workshop that is put on by Wichita State University.

Tony Folsom, PVD spoke on the following topics:

—Interim Tax Committee:

• Relief for storm damage—the disaster committee to look at (1) immediate cash needs; (2) property tax relief, including penalties and interest; (3) sales tax exemption for new construction.

• Property tax relief on new residential property—during construction time improvements would not be taxed, lot would be taxed as current. Constitutionality is being questioned. If attorney general finds it constitutional, it will go back to committee (SB2543).

• Property tax deferral—may appear this year

—Orion:

Statute states that CAMA system must be approved by director. Hopefully, there will be a meeting with Secretary Wagnon next week. No funds are available for a brand new system.

Gary Post questioned whether Mark Niehaus had received answers to his letter/questions presented at last year's meeting. Per Tony, the letter had not been answered.

Mark Hixon asked how the Director officially adopts a CAMA system. The fact that a contract is awarded is the current way of knowing.

David Stithem asked if statute states a single system. Tony F. indicated the wording is "a" and "the," which leads to the assumption of a single system, but that could be argued. Additional wording discussed was "prescribed" and "approved" in reference to the CAMA system.

It was asked, "What if a county paid for their own system?" Tony indicated all the requirements for choosing the system would have to be followed but not sure if it would be approved. Another question was whether BOTA has questioned the documentation from the Orion system. Marion Johnson answered that to his knowledge, the board had not questioned it.

Currently, there are 12 counties scheduled to generate values for 2008. Forty-two counties will have Orion in some form by calendar end, 2007. All counties are projected to have Orion in some form by 2010. Central host vs. local host was questioned. Local host would only be suited for those with some IT staff.

2008 KCAA Audit Report

The Audit Committee, consisting of Kathy Wagner, Mark Niehaus, and Alan Hale, reviewed the 2007 financial and accounting procedures of the KCAA.

All receipts, account registers, and bank statements were accounted for and were reviewed for accuracy.

A few minor suggestions were relayed to the executive secretary, Cindy Brenner, for consideration to implement in the accounting procedures of the KCAA to assist those in future audits.

In summary, all accounting functions have been determined to have been conducted in a professional and acceptable manner.

BOTA Tracking Committee Reports

By Kathy Wagner, RMA and Stephanie Odell, RMA

A Kansas Board of Tax Appeals Order of interest that Gary Post received from Miami County Appraiser Stephanie O'Dell concerns Section 42 low-income tax credit housing, and it is felt that all county appraisers will definitely want to read this decision. Gary's exact words were, "This is the most important case to come out of BOTA in the past 20 years." So please… read on.

"This is the most important case to come out of BOTA in the past 20 years."

Docket Nos. 2004-8772-EQ, 2005-9276-EQ & 2005-9277-EQ. In the Matter of the Equalization Appeals of Miami County Appraiser/Paola-Sundance Apartments for the Tax Years 2004 & 2005 from Miami County, Kansas.

The subjects of the appeals were "Sundance I" and "Sundance II" apartments. The Board conducted a hearing on August 10, 2006. The appeals were consolidated for purposes of hearing and making a decision. Both properties were developed as a Section 42 low-income tax credit housing project—for the purpose of providing affordable housing to individuals with low incomes.

Within the Board's Order it states, "The County's position is that the tax credits or financing should not be considered and that subsidized apartments should be considered no different than any other apartment buildings out there."

The Order goes on to also state:

> The Board finds that the use of market-derived evidence in this case is supported by the ample market rental data and the high occupancy rates of non-subsidized housing in the local market. Further, the Board finds that the subject properties do not suffer from an inordinate amount of external depreciation in comparison to other apartment projects because the local market in this case does include the purchasing power to pay rents that justify construction. These findings are consistent with guidance provided for the income approach and cost approach by the PVD Guide. After fully considering the effects of the low income housing contract in this case, the Board concludes that substantial competent evidence in light of the record as a whole supports the County's recommended values….

Below is a brief history of appeals and values on the properties at issue.

"Sundance I"

In 2003 the county originally valued the property at $2,103,890. A 2003 Informal was conducted, and the value was lowered to $1,543,800. The property went onto the Small Claims Division, where it was lowered to $924,960, and there was no further appeal by taxpayer or county. In 2004, the county valued the property at $1,543,800, and the county appealed the value to the State Board of Tax Appeals, where the value was put back to the 2003 decision at $924,960.

In 2005, the county valued the property at $1,554,500; it went onto the Small Claims Division and was lowered to $871,200. The county then appealed to the State Board of Tax Appeals. The Board's decision was $1,876,000 for 2005, based on county's appraisal conducted by Russell Dillon, a Kansas certified real estate appraiser.

"Sundance II"

The 2005 county value was $1,450,000. The property went to the Small Claims Division, where it was reduced to $923,600. The county then appealed the 2005 value to the State Board of Tax Appeals. The Board's decision was $2,115,300 for 2005, based on county's appraisal conducted by Russell Dillon, a Kansas certified real estate appraiser.

Petition on Reconsideration

The taxpayer then submitted a Petition for Reconsideration on January 16, 2007 to the State Board of Tax Appeals. A limited rehearing was then conducted on May 14, 2007. In the Order On Reconsideration the Board outlines in great length "Additional Findings of Fact" and "Conclusions of Law," whereas it states in part that "[u]pon further review of this matter, the Board continues to believe, as explained in its Original Order, that the highest and best use of the subject property is to operate the apartment complexes at market rental rates."

It also goes on to state that "[a]s the Board stated in its original Order, the owner of the subject parties freely entered into a contract in which it agreed to rent the property to low income tenants in exchange for tax credits used to finance construction. The owner transferred one of its rights from its bundle (specifically, the right to charge market rent) in exchange for substantial consideration in the form of tax credits." The Board also cited many case laws and reviewed cases from other states when rendering their decision.

In conclusion to this 18-page Order On Reconsideration it states: "The Board believes that it has fully, and exhaustively, considered the effects of the low-income housing contract presented in this case in rendering its opinions of value. Upon reconsideration, the Board concludes that its original opinions of value are sustained."

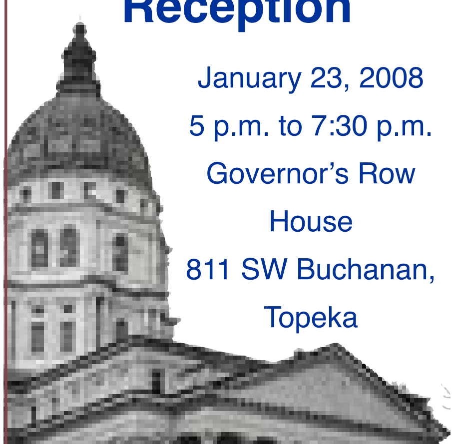
The case has been further appealed to the 6th Judicial District Court. The judge that the case has been assigned to is the Honorable Richard M. Smith. Judge Smith was on the appeals court panel that heard the Franklin County "Ottawa case" that has been used as the benchmark for a number of years.

The Ottawa case was remanded back to BOTA for revision but was never presented to the Board for completion. Miami County felt that the issue could be reconsidered since that case was not finalized. The county felt that the appeals court order did not fully consider all of the constitutional and statutory requirements of uniformity and equity; that property be appraised uniformly and equally as to class (79-1439); that the voluntary contract with the federal government was not included in the ownership limitations of taxation, eminent domain, escheat or police power since it is not a zoning issue; and that the limitation of ownership created by the contract was comparable to a mortgage on any residential property that must be repaid before or at the time of sale.

You can find the decision at www.accesskansas.org/bota/recent.html.

Please join us!

KCAA Legislative Reception



January 23, 2008

5 p.m. to 7:30 p.m.

Governor's Row House

811 SW Buchanan, Topeka

County Settles With Ex-Appraiser Radenberg

By Chuck Smith (Nov. 27, 2007)

Reprinted with permission from the Great Bend Tribune.

Barton County will pay former county appraiser Kyle Radenberg $115,000 to buy out the remainder of her contract, rather than go into further legal proceedings over her termination earlier this year.

Barton County commissioners approved the payment following an executive session during Monday morning's regular commission meeting. Commissioners had met in closed sessions with County Administrator Richard Boeckman and special counsel Allen Glendenning at the end of several recent commission meetings.

When Radenberg was fired by the commission last June, there was little discussion about the reasons. During the commission meeting on June 18, there were three executive sessions and after them, Commissioner Betty Chlumsky said, "I move to terminate the Barton County appraiser, effective immediately." There was no public discussion before the commissioners all voted for the termination. When asked by the Tribune if a reason for the action would be given, Commission Chairman Rick Scheufler said, "Upon our counsel's advice, we decline to make any statement." Boeckman is the county's legal counsel, as well as being the county administrator.

When the third executive session was drawing to a close last June, Radenberg exited the closed commission meeting, turned to gathered county department heads and said, "terminated" before walking up the stairs to her second-floor office.

Monday, however, Glendenning was more forthcoming about what led to the termination.

During the last year or two, he said, the commissioners had received complaints about how the public was treated by the appraiser, explaining there were complaints about the quality of appraisals, too. The commission, Glendenning said, had worked to address problems in the department, prior to the termination and had even attempted to "buy out" Radenberg's contract.

After she was terminated, Radenberg reported to the Tribune on her understanding of her legal rights. "In response to the decision ... terminating me as the Barton County appraiser, I want to refer you to Kansas statutes. "K.S.A. 19-430 states in part that county appraisers are appointed for four-year terms. My current appointment began July 1, 2005, and was to terminate June 30, 2009. K.S.A. 19-431 states in part that if the board of county commissioners terminates the county appraiser, the appraiser has 15 days in which to appeal that decision with the Director of Property Valuation. I intend to exercise my right to this hearing."

Glendenning referred Monday to state regulations, noting that they create an unusual situation in county employment. While the county appraiser is contracted by the commissioners, they are also under the direction of the Director of Property Valuation to insure state property appraisal regulations are adhered to. Through that system, Glendenning explained, a hearing could have been required and if it can go against the county's actions, Radenberg could have been awarded payment, and reinstated in office. That is why he recommended the negotiated contract buy-out to settle the matter.

Radenberg came to Barton County in January 2002, replacing former county appraiser Jack Baines, whose contract was not renewed the previous July. During that interim, the county paid for experts from the Property Valuation Division of the Kansas Department of Revenue to fill in while there was a search for Baines's replacement. Before moving to Barton County, Radenberg had served as a deputy Butler County appraiser.

The commissioners directed County Administrator Boeckman to begin advertising for a new county appraiser.

Submitted by Lisa Ree, RMA.

"Will the real NFM value please stand up"

By Rick Stuart, CAE

Most of us are familiar with or have seen the area in Wyandotte County called Village West. This is a very neat collection of retail businesses, hotels, restaurants, and is probably most recognizable for the Kansas Speedway, Cabellas and Nebraska Furniture Mart (NFM). This article will look at the Board of Tax Appeals decision dated April 18, 2007, for the valuation years of 2003 and 2004 relating to Nebraska Furniture Mart. The year of 2004 is the most prominent as that was the first year that the property was valued at 100% complete. Information has been extracted from the fee appraisals conducted for the county and property owner and from the BOTA decision.

Background:

The subject consists of a 1- and 2-story, single-occupant retail and warehouse property containing an aggregate area of 719,591 square feet including 292,276 square feet of warehouse space. The site covers 81.76 acres. The improvements were completed in 2003. Nebraska Furniture Mart opened on August 5, 2003.

A portion of the costs for the Village West development in general, and the subject property in particular, were financed with STAR Bonds. These bonds allow local governments to use future sales tax revenues to pay current redevelopment costs. STAR Bonds can be used to pay for certain costs of the redevelopment project including property acquisition, site preparation, and bond issuance, and financing costs.

State law specifically authorizes the use of STAR Bonds for a number of costs related to infrastructure, such as streets, sidewalks, sewers, and street lighting. In addition to infrastructure construction costs, this may also include some "soft costs" such as architectural and engineering design as well as some legal work. State law specifically prohibits using STAR Bonds to pay for a building that will be owned or leased to a developer.

An appraisal commissioned by Nebraska Furniture Mart and performed by Integra Realty Resources estimated the value of the land to be $17.8 million as of November 2001.

In February 2005, a Performance Audit Report was prepared by the Legislative Division of Post Audit of the State of Kansas. The purpose of this report was to review the use of STAR Bond moneys associated with the Kansas Speedway and the Village West Tourism District. According to this report, total project costs for the Nebraska Furniture Mart were $115.1 million, including $44.7 million in STAR Bonds and $70.4 million in private investment. The report further states that a total of $64.3 million was drawn down on the Nebraska Furniture Mart bond issuance. These funds were used for the NFM site, Village West improvements, and also included $5.9 million that were not used for the NFM site, which the UG (Unified Government of Wyandotte County) chose to use to help pay for other improvements within Village West.

County Valuation:

There are three parcels involved and all values will be a composite value for the entire property. The county fee appraisal was performed by Richard Marchitelli, MAI, CRE, FRICS, of Cushman & Wakefield, Inc.

Valuation Year	County Value	Fee Appraiser Value
2003	$28,484,500	$29,577,500
2004	$50,168,480	$68,900,000

Property Owner Valuation:

The property owner appraisal was performed by Gerald R. Maier, MAI of Mainland Valuation Services of Kansas with additional testimony from David C. Lennhoff, MAI, CRE, FRICS.

Valuation Year	Fee Appraiser Value
2003	$0
2004	$29,200,000

BOTA Valuation:

Valuation Year	BOTA Value
2003	$18,923,525
2004	$29,000,000

BOTA Decision:

Although the Unified Government satisfied its burden of production by presenting a prima facie case, the Board finds that the Unified Government's evidence is deficient in various important respects. The Board is persuaded by Lennhoff's rebuttal analysis. Lennhoff is a nationally recognized expert in the field of appraisals and USPAP. Because the property was a brand new building, Marchitelli's decision to omit a cost approach is suspect. His report does not explain why this approach was not utilized at least to test the accuracy of his income approach. Given that Marchitelli utilized comparable sales in his capitalization rate determination, it makes no sense to omit a sales comparison approach. In particular, the Board is perplexed that the Benchmark furniture complex in Olathe, Kansas was not addressed as a comparable property. Although the Benchmark sale occurred in December 2005, which is after the January 1, 2003 and 2004 effective dates of this appeal, the sale information was available by the time Marchitelli prepared his appraisal report. His omission of any analysis of the sale is dubious in light of the Benchmark property's similar size, location and use."

The Board agrees with Lennhoff that Marchitelli's income, vacancy and collection loss, and operating expenses were unsupported. The Board finds that all of the Marchitelli's lease comparables were substantially smaller and of a different magnitude of investment than the subject property. The Board also questions Marchitelli's utilization of out-of-area Kohl's comparables when there are a number of Kohl's department stores in the Kansas City metropolitan area. Overall, Marchitelli did not persuade the Board that he was adequately familiar with the Kansas City Metropolitan area market.

The Board is confined to the valuation evidence presented, which was sparse for tax year 2003. Nevertheless, there was testimony that a reasonable valuation for 2003 could be reached by reducing the 2004 total value by 5 percent time adjustment and applying a 35 percent completion factor to the improvement value. When this method is applied to the Taxpayer's 2204 value of $29,000,000, the value for tax year 2003 is $18,923,525 ($14,278,500 land value and $4,645,025 improvement value).

General Thoughts & Observations: Land Valuation

Property Owner 2001 Appraisal	$17,800,000
County Fee Appraisal	$10,680,000
Property Owner Fee Appraisal	$15,030,000
BOTA Value	$14,278,500

Not sure what the real value is, but the idea that it lost substantial value since 2001 does not really make sense.

2003 Valuation:

I am really confused by the property owner's fee appraisal that 2003 has no value. If according to his appraisal, the land has a value of over $15 million, and if the building was 35% complete with BOTA even saying it had almost $5 million in value, what happened to that? Give BOTA some credit for not buying into that.

2004 Valuation:

Hard to imagine why the county's fee appraiser did not perform a cost approach. BOTA stated they are limited to the information presented. I just wonder who is going to explain to the STAR Bond people and Legislative Post Audit that they are upside down on this investment. BOTA used the property owner's fee appraisal of $29 million. From background information above:

> According to this report, total project costs for the Nebraska Furniture Mart were $115.1 million, including $44.7 million in STAR Bonds and $70.4 million in private investment.

I wonder how you stay in business by spending over $115 million, $45 million of it your money, and then only have a property worth $29 million?

BOTA Ruling:

Two items really jump out at me: (1) Use of future sales and (2) trending.

(1) "In particular, the Board is perplexed that the Benchmark furniture complex in Olathe, Kansas was not addressed as a comparable property. Although the Benchmark sale occurred in December 2005, which is after the January 1, 2003 and 2004 effective dates of this appeal, the sale information was available by the time Marchitelli prepared his appraisal report. His omission of any analysis of the sale is dubious in light of the Benchmark property's similar size, location and use."

Sounds like the county can now use future sales to defend or even ask for value increases for retroactive values.

(2) Previous decisions by BOTA (personal experience here) have stated that trending is not an acceptable appraisal practice. Guess it would depend upon whether they or the county are using it.

Are we done yet?

The county has appealed to the District Court. Stayed tune for future events!

Greeley OKs Unification of City, County

By Jon Ruhlen, The Hutchinson News, jruhlen@hutchnews.com
Reprinted with permission.

TRIBUNE—The crowd in the Greeley County EMS station erupted into cheers and applause as Charles Moser announced the results of the special election on Tuesday."Yes!" Moser shouted as he pumped his fist in the air.

Voters approved a measure to unify the county and Tribune city governments by a total of 423 votes to 157 - a 73-percent approval. A crowd of about 30 supporters gathered in the EMS station on Tuesday night shared congratulations, hugs and applause well after Moser announced the results. "I had a pit in my stomach when I saw the number that was calling," Moser said. "I was a little numb."

The vote makes Greeley County only the second county in Kansas to approve a consolidation measure, after Wyandotte County. In order to pass, voters had to approve the plan in both Tribune and the county. The measure passed 224 to 51 in Tribune and 129 to 71 in the county. Unification boosters were uncertain of the county vote. The hamlet of Horace, with 89 registered voters, opted out of the unification proposal, but the city's residents voted as county residents.

"It shows that we are unified, and that's really good to know," said Clark Harris, who served on the original unification team. "I think everybody is pretty elated and probably anxious to go ahead and get on with it." Greeley County Commissioner Mike Thon said the vote is a historic moment for the smallest county in Kansas. "We'll see how history judges us in 100 years," he said. "I feel it may be a turning point for Greeley County, and it may be a turning point for rural Kansas."

With the passage of the vote, county and city officials face new deadlines. The voters will choose a Unified Board of Directors in April, which will replace the city and county commissions. The new directors will serve on

continued on next page

Greeley, continued

the transition committee as well, with the unification officially taking effect in 2009.

The 580 voters who turned out represented 60 percent of registered voters in the county. Voter interest in the measure ran high, with the 104 advance ballots alone outnumbering the number of voters who turned out for the city elections in April, said Greeley County Clerk Linda Firner.

The vote makes Greeley County only the second county in Kansas to approve a consolidation measure, after Wyandotte County.

Plan boosters have touted the measure as a way to improve the county's efficiency and as a necessary measure for survival. By sharing staff and resources, boosters hope Tribune and Greeley County can achieve some eventual cost savings over the long run. Supporters also point out that the measure will give the county home rule. Under the Kansas constitution, cities have home rule. The measure will grant home rule to the entire county as part of a unified government.

—Submitted by Lisa Ree, RMA

County Appraisers Face New System With Trepidation

By Mary Clarkin, The Hutchinson News. Reprinted with permission.

Kansas county appraiser offices generate numbers that send taxpayers' blood pressure soaring: Property valuations. Now, a statewide change to a new computer-assisted mass appraisal system is having the same effect on appraisers and staff.

Some counties want to be the 105th county - or dead last - to implement the system called Orion, said Tom Fuhrmann, appraiser for Grant, Haskell, Morton, Stanton and Stevens counties. Charlie Sowell, the computer-assisted mass appraisal manager in the Kansas Department of Revenue's Division of Property Valuation, has heard the criticism about the computer project and thinks the state is making progress in "closing the gaps." "We feel like we're rounding the bend on a lot of these issues," he said.

"Outmoded"

A couple of years ago, the Legislative Division of Post Audit scrutinized the property valuation process in Kansas, focusing on agricultural and commercial properties. It found, in part, that the computer system used by county appraisers had become "seriously outmoded." No one disagreed. The original computer-assisted-mass-appraisal system was implemented in the latter 1980s, but was developed in the 1970s, so it is pushing 30 years old. Technical support becomes less available for aging software, and the audit report also pointed to the need for more flexible software.

Years before the audit, the Kansas Department of Revenue was preparing for a new system. A contract with Tyler Technologies Inc., Dallas, to develop and implement Orion called for preliminary testing in some counties. An invitation went out, and Grant and Sheridan counties were the western Kansas counties that became part of the pioneering group. Atchison and Douglas counties produced their 2007 property valuations on Orion. Currently, 12 of the state's 105 counties are in the process of producing property values for the 2008 valuation year on Orion. The target deadline for statewide implementation is 2010. "It shouldn't affect the taxpayer at all," Sowell said, but it will improve data management.

"Cautiously optimistic"

Grant County is running parallel systems as it prepares to generate 2008 valuations on the new program. Fuhrmann said he is "cautiously optimistic" about the transition. "Pre-conversion work" is the key, according to Fuhrmann, noting that the ease of the conversion will depend on the condition of the data.

Reno County Appraiser Marvin Clements said something as simple as a comma - or the absence of a comma - between the last name and the first name, or the order of a street name - A Avenue/Avenue A - will be factors in the conversion. The biggest difference, Clements said, is Orion's use of cost data structure from the Marshall & Swift appraisal company - known as "the gold standard" in real estate appraisal, according to the 2005 report from the Legislative Division of Post Audit. "It's great," Clements said, but he wouldn't call it easy.

State support

The state is shouldering the bulk of the expense, providing computer hardware and software. The estimated total amount that will have been paid by the time all 105 counties have implemented Orion will be $6,447,578, according to Tony Folsom, deputy director of the Division of Property Valuation.

Clements told Reno County commissioners that the county's hardware costs could amount to $20,000, but he does not plan to hire more employees. He wants much of the work done in 2008, to "get the learning curve out of the way" by the time statewide implementation is reached.

Rumors, delays and technical problems have caused anxiety at the county level across the state, and that surfaced at the Kansas Association of Counties' annual conference in November. The KAC subsequently appointed a committee, and the Division of Property Valuation met with representatives of the KAC last week.

–Submitted by Dean Denning, CKA, RMA

Formal Rules of Etiquette During a Power Outage

Submitted by Robbie Graf,
Ellis County Appraiser's Office

1. All clothing rules such as matching and ironing are null and void during a power outage, and it is extremely rude to point out that navy blue pants, black shoes and a dark gray t-shirt don't really go together. Everything matches when it's pitch-black inside your closet, and nothing looks wrinkled in the dark.

Above: A scene from the Great Ice Storm of 2007, which downed trees and powerlines throughout the state last month and left thousands of Kansans without electricity.

The December ice storm was the last in a string of natural disasters in Kansas during 2007, which included a paralyzing blizzard in western Kansas, a devastating F5 tornado in Greensburg, and torrential rains and flooding.

Let's hope Mother Nature has much nicer weather in store for us in 2008!

2. If you are fortunate enough to have power, you should not fix your hair until all of your co-workers also have power. Nothing is more irritating to those of us with flat, straight hair than to sit next to Miss Bouncy Hair who had the advantage of a working hair dryer, curling iron, and hot rollers in a heated bathroom.

3. If your power comes back on but your neighbors' has not, it is in very poor taste to turn on all 100,000 of your outdoor Christmas lights. Give it a rest. We are sitting in the dark burning our one remaining candle and the glow of your Christmas lights across the street is not giving us a warm, fuzzy feeling.

4. If you have power, don't ask the have-nots, "Did you see the news last night?" Or "Did you watch Law and Order? It was the best show ever." Or "Did you read that article in the Joplin Globe?"

5. Don't call in to work to say you're running a few minutes late because the homemade cookies in your oven are not quite done. And don't come to work without at least two dozen of them.

6. You power (P) people stop telling us non-power (NP) people to stay warm—what don't you understand about "WE DON'T HAVE POWER"? There is no way to stay warm!

7. Don't be asking, "What's that smell?" when you are sitting next to a non-power person. Showers are a luxury that the NP's do not have unless one of you P's wants to give us access to yours.

RMA Review Classes

Name: ______________________________ SS#: ________-________-________

County ______________________ ❑ County ❑ State ❑ Private ❑ Contractor ❑ Other

Office Address: ______________________________

City-State-Zip: ______________________________

Office Phone#: ____________________ Fax: ____________________

Mark your choice of class/dates:

❑ Residential May 14-16, 2008 ❑ Residential October 8-10, 2008

❑ Commercial June 18-20, 2008 ❑ Commercial November 3-5, 2008

Location: Shawnee County Admin. Building
1515 NW Saline, Topeka, KS
Time: 8:30 a.m.-4:00 p.m.

Instructors: Rick Stuart, CAE
or Marion Johnson, CAE
Price: $300

Payment Enclosed: ❑ Yes ❑ No Amount: $300 (Payable to KCAA Education Fund)

Mail or Fax to:
KCAA
P.O. Box 988
Meade,KS
67864-0988
(620) 873-7449 Phone
(620) 873-2237 Fax
kcaa@sbcglobal.net

2008 PVD Classes

PVD will be offering the following courses in 2008:

CARTOGRAPHY
110510 Basic Mapping
212110 Applied Mapping
812422 Reading Legal Descriptions & Understanding Deeds
110512 Migrating to Geographic Information System (GIS) Technology

DATA COLLECTION
110420 Introduction to KSCAMA Residential/Agricultural Data Collection
211130 Residential Grade and CDU Application
860010 Sales File Development Workshop

PERSONAL PROPERTY
820000 Personal Property Workshop
220000 Personal Property Valuation and Assessment
820130 Motor Vehicle Valuation Workshop
123000 Oil and Gas Entry Level Course
323000 Oil and Gas Advanced Level Course
832300 Oil and Gas Seminar

KSCAMA
210210 Land Valuation

SPECIAL COURSES/WORKSHOPS
214440 Agricultural Use Valuation
698000 Kansas Property Tax Law
698001 Kansas Property Tax Law Update
820140 Exempt Economic Development
690001 National Standards of Practice & Professional Ethics
790011 National Standards of Practice & Professional Ethics Update
220001 Ratio Study Fundamentals

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS (IAAO)
400110 IAAO Course 101 Fundamentals of Real Property Appraisal
400210 IAAO Course 102 Income Approach to Valuation
430010 IAAO Course 300 Fundamentals of Mass Appraisal

For complete information on these courses, see the PVD website at www.ksrevenue.org/pvdeducation.htm

Kudos to new RMA recipients! (Back row, l-r): Rick Batchellor, Kingman Co.; Eugene Bryan, Wyandotte Co.; Eric R. Beer, Johnson Co.; and Mathew K. Gentry, Sedgwick Co. (Front row, l-r): Georgianna K. Rail, Montgomery Co.; and Diana Salazar, Sedgwick Co.

(In)Civility in the Workplace

By Lisa Ree, RMA, Ellis County Appraiser's Office

Civility is defined as the respectful behavior between people that makes a workplace relationship work. The Golden Rule,"Do unto others as you would have them do unto you," is the basis of civility.

Getting along in the workplace may require us to do more than simply follow this rule. Working relationships may need to be nurtured and reinforced constantly. According to KAC keynote speaker Ken Lerman, 20% of employees experience incivility. Also, managers spend 13% of their time mediating incivility.

Stress from outside and inside the workplace can produce incivility. With the increase of large companies folding, many may be concerned about how secure their job is. Stress may also be caused from workplace security issues resulting from the aftermath of 9-11. As the baby boomers near and enter retirement age, worry about having enough money for basic needs during retirement may cause stress. Also, technology may cause workplace stress. Not just being able to work a computer, but trying to keep up with technological advances can be stressful.

An erosion of the workplace relationships can also cause incivility. For example, by not encouraging trust, respect, care or tolerance, lower standards of employee behavior may occur. This behavior can be passed on to the public. If we personally are dishonest or cruel, we encourage others to do the same.

Being civil can mean being aware of others and including restraint, respect and consideration. We can attend to the workplace civility in daily interactions with co-workers and the public by simply "setting a good example." Again the Golden Rule applies: "Treat others only in ways that you're willing to be treated in the same exact situation."

As a young man, George Washington wrote the "Rules of Civility & Decent Behavior." His 110 rules make for fascinating reading. Interestingly, nearly 300 years later, a few of Washington's rules can pertain to the workplace today:

1. Every Action done in company ought to be with Some Sign of Respect, to those that are Present.

2. Shew nothing to your Friend that may affright him.

3. At Play and at Fire its Good manners to Give Place to the last Commer, and affect not to Speak Louder than Ordinary.

4. Be no Flatterer, neither Play with any that delights not to be Play'd Withal.

5. Let your Countenance be pleasant but in Serious Matters Somewhat grave.

6. Do not laugh too loud or too much at any Public Spectacle.

7. When a man does all he can though it Succeeds not well blame not him that did it.

8. Being to advise or reprehend any one, consider whether it ought to be in public or in Private; presently, or at Some other time in what terms to do it & in reproving Shew no Sign of Cholar but do it with all Sweetness and Mildness.

9. Wherein you reprove Another be unblamable yourself; for example is more prevalent than Precepts.

10. Use no Reproachful Language against any one neither Curse nor Revile.

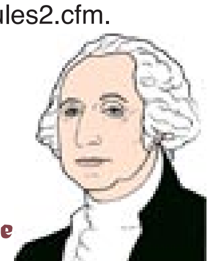
11. Be not hasty to believe flying Reports to the Disparagement of any.

12. Be not apt to relate News if you know not the truth thereof. In Discoursing of things you Have heard Name not your Author always A Secret Discover not.

13, Labour to keep alive in your Breast that Little Spark of Celestial fire Called Conscience.

You may see all 110 of Washington's rules by visiting: www.history.org/Almanack/life/manners/rules2.cfm.

Every Action done in company ought to be with Some Sign of Respect, to those that are Present.



Kim Lauffer

Kim is a Winner!

Comanche County Appraiser Kim Lauffer, RES, RMA, was elected to the IAAO Executive Board. Kim will serve a two-year term. Congratulations, Kim, and serve us well!

Others elected were:

President-Elect Josephine Lim (British Columbia, Canada)

Vice President Bill Carroll (Texas)

Board Members Barry Couch, CAE (Neb.), Wendell Ingram (Va.), and Rob Turner (Fla.); and Associated Board Member Ken Voss, MAI, SRA, CAE (Ken Voss & Associates).

IAAO Member News

Welcome new IAAO members and congratulations to those celebrating IAAO membership anniversaries.

New Members:
Travis Rozean, Infinitec, Hays; Patricia Israel, RMA, Ford County; Robert Rosenstiel, Sedgwick County

5 Years:
JoAnna Basgall, Wallace County; Ernestine Frame , Sedgwick County; Keyta Kelly, Leavenworth County; Thomas Scott, RMA, Greeley County; Angela Wright, Montgomery County

10 years:
Gerald Capps , Allen Gibbs & Houlik, Wichita; Kim Lauffer, RES, RMA, Comanche County

20 years:
Stephanie O'Dell, RMA, Miami County

30 years:
Bruce Webb, CAE, Osborne/Jewell County

35 Years (!!):
Eugene Bryan CKA, RMA, Wyandotte County

From the President's Desk

By Marion R. Johnson, CAE, IAAO President
Reprinted with permission from IAAO

Editor's Note: Marion provided great leadership in his extended 16 months as IAAO president and was a great representative for Kansas. Job well done!

It is hard to believe, but my year as President is winding down. The year has gone by fast and it has been an experience of a lifetime. I would like to take this opportunity to thank the members of IAAO for allowing me to serve as your president.

It has been an honor and a privilege to serve you and this great organization. I have had the opportunity to meet many of you during visits to local state-association and chapter meetings and I can tell you first hand that this organization has many outstanding people. IAAO members are dedicated to the mass appraisal profession and they are willing to work to ensure that IAAO continues to be the leader in mass appraisal activities around the world.

My interaction with members this past year has reinforced my belief that the greatest benefit of belonging to IAAO is the ability to network and share ideas with other professionals who comprise IAAO. It is through this sharing of ideas and yes even problems that IAAO continues to be a strong and a viable organization for everyone in the mass appraisal community. We must continue to spread the word about our organization so more mass appraisal professionals can reap the benefits of membership in IAAO.

As a member, you get out of this organization what you are willing to put in. In my 2006 message at annual conference in Milwaukee I said, "If you are a member who just stands on the sidelines and lets someone else do the work then the benefits you receive are far less than those of the member who is active in their local chapter and in the international association." Based on what I have seen this past year, our members are not standing on the sidelines, but instead are both eager and willing to serve our organization. As one member told me this year, IAAO is a family—and he is 100 percent right. Like any family we have our ups and downs, our differences of opinion and so forth, but at day's end we are a family that continues to work toward the betterment of the association.

Thank you for allowing me to be a part of this family. It has allowed me to develop friendships that will last long after this year is done. I would like to thank the Executive Board for their excellent work this year. They came to board meetings prepared and provided excellent input and ideas. They represented the members very well. So, from me and the entire membership I say thank you for your hard work and dedication to our association.

I would also like to thank the staff at IAAO. Everywhere I went this year members told me how impressed and happy they were with the staff. I would hear things like "my questions were answered quickly," "the staff was always friendly," and "they always got back to me." Speaking for myself, the staff has made my year as president very easy and fun. To all the IAAO staff I say job well done.

I would like to thank my wife, Vicki, for her patience and understanding this past year. I know it wasn't always easy and I really do appreciate it. I would like to thank my staff in Douglas County. They did an excellent job keeping things on track in my real-world job at home. Also, a huge thank you to my county commissioners and county administrator for allowing me the time to serve as IAAO president.

Finally, I would like, one more time, to say thanks to the members. You gave me an opportunity that I will remember for the rest of my life.

Thank you,
Marion R. Johnson

IAAO Smackdown: Wrestling With Ethics II

By Della Rowley, RMA, Sumner County Appraiser

Smackdown is not a word you would associate with ethics. I looked up the word "smack" in the dictionary and it means:

1. a sharp noise made by parting the lips suddenly
2. a loud kiss
3. a slap

The word "down" means:

1. descending
2. in a lower place

"Smackdown" would then mean a loud slap in a descending place?

Well, in this case I believe it means to slap down an opponent and prove him wrong. Patrick Alesandrini, CAE; Steve Stanger; and our own Rick Stuart, CAE, did a wonderful job of making a necessary, but not always interesting, topic fun. (Rick did more laughing than he refereed!) They all got in the spirit of their characters as Steve tried to appeal to the female audience by removing his tie and shirt and telling us there was more where that came from. Geeky had fun just looking the part and "snorting" from time to time!

Steve wrote the skit (that was adlibbed from time to time), and he and Pat did a wonderful job presenting an exciting second round of debate; the first round was in 2006. Pat's character was what I will call the "Geeky Professor" and Steve was the Unethical Assessor that had been elected and knew his way was the right way. Rick was the referee and presented the questions for the debate. Geeky even started the session by going into the audience and sitting on Kim Lauffer's lap and asking for a kiss (not part of the script and rather unexpected on Kim's part)!

Discussion topics included:

• **Why was there anything wrong with hiring your family members?**

Unethical believed they would spy for him on his employees and that was a good situation as far as he was concerned. Geeky, after referring to Unethical's family in none-too-pleasant terms, pointed out the pitfalls of favoritism, and Canon 1 Members shall conduct their professional duties and activities in a manner that reflects credit upon themselves and their profession.

• **Why not accept a campaign "kick-back" of a vacation in a neighboring state?**

"No one would ever know, right?" asked Mr. Unethical. Geeky had real problems with this one. Canon 2 Members shall not make public statements, written or oral, that are untrue or tend to mislead or deceive the public in the course of performing their professional duties.

• (My personal favorite) **Why is telling off a taxpayer by directing him to "not let the door hit him in the butt" wrong?**

We all know we would like to do that, but, of course, Geeky won this round as well; again Canon 1. Can't do that either! Unethical had won a little support from the crowd, who were thinking this was a good idea—if not ethically, at least to make you feel better about revenge on not being able to respond. Maybe a daydream response?

The first time I saw this session was in Illinois at the NCRAAO Conference when Steve wrote the script and the three men gave the first performance. I am not sure Steve realized what a hit he had on his hands. The information, though laughed about in the way it was presented, was given out and put into real-life situations. Good job and enjoyment had by all!

Editor's Note: This should have been included in the last newsletter. I beg for articles and then miss one. OOPS!

Photo provided by the Buffalo County Assessor's Office in Kearney, Neb.

What Do You See?

By Rick Stuart, CAE

If you are preparing to re-inspect a property and you see the image shown below in the driveway, what do you think you are seeing? What would you do? We will make this a little fun. E-mail me your answer to what is happening in the photo. I will publish the responses, those that are printable (I know your appraiser minds), in the April issue. All winners will be given a free subscription to Appraising the Plains. Oh, I forgot…it is free. Maybe I can get the KCAA Board or a vendor will volunteer some prizes. My e-mail address is rstuart17@cox.net.

The Dam

Submitted by Paul Welcome, CAE, ASA, RMA, Johnson County Appraiser

This is an actual letter sent to a man named Ryan DeVries regarding a pond on his property. It was sent by the Pennsylvania Department of Environmental Quality, State of Pennsylvania. This guy's response is hilarious, but read the state's letter before you get to the response letter.

SUBJECT: DEQ File No.97-59-0023; T11N; R10W, Sec. 20; Lycoming County

Dear Mr. DeVries:

It has come to the attention of the Department of Environmental Quality that there has been recent unauthorized activity on the above referenced parcel of property. You have been certified as the legal landowner and/or contractor who did the following unauthorized activity.

Construction and maintenance of two wood debris dams across the outlet stream of Spring Pond

A permit must be issued prior to the start of this type of activity. A review of the Department's files shows that no permits have been issued. Therefore, the Department has determined that this activity is in violation of Part 301, Inland Lakes and Streams, of the Natural Resource and Environmental Protection Act, Act 451 of the Public Acts of 1994, being sections 324.30101 to 324.30113 of the Pennsylvania Compiled Laws, annotated.

The Department has been informed that one or both of the dams partially failed during a recent rain event, causing debris and flooding at downstream locations. We find that dams of this nature are inherently hazardous and cannot be permitted. The Department therefore orders you to cease and desist all activities at this location, and to restore the stream to a free-flow condition by removing all wood and brush forming the dams from the stream channel. All restoration work shall be completed no later than January 31, 2006.

Please notify this office when the restoration has been completed so that a follow-up site inspection may be scheduled by our staff. Failure to comply with this request or any further unauthorized activity on the site may result in this case being referred for elevated enforcement action.
We anticipate and would appreciate your full cooperation in this matter. Please feel free to contact me at this office if you have any questions.

Sincerely,
David L. Price
District Representative and Water Management Division.

The actual response sent back by Mr. DeVries follows on page 15 »

Re: DEQ File No. 97-59-0023; T11N; R10W, Sec. 20; Lycoming County

Dear Mr. Price,

Your certified letter dated 12/17/02 has been handed to me to respond to. I am the legal landowner but not the Contractor at 2088 Dagget Lane, Trout Run, Pennsylvania .

A couple of beavers are in the (State unauthorized) process of constructing and maintaining two wood "debris" dams across the outlet stream of my Spring Pond. While I did not pay for, authorize, nor supervise their dam project, I think they would be highly offended that you call their skillful use of natures building materials "debris."

I would like to challenge your department to attempt to emulate their dam project any time and/or any place you choose. I believe I can safely state there is no way you could ever match their dam skills, their dam resourcefulness, their dam ingenuity, their dam persistence, their dam determination and/or their dam work ethic.

These are the beavers/contractors you are seeking. As to your request, I do not think the beavers are aware that they must first fill out a dam permit prior to the start of this type of dam activity.

My first dam question to you is:

(1) Are you trying to discriminate against my Spring Pond Beavers, or

(2) do you require all beavers throughout this State to conform to said dam request?

If you are not discriminating against these particular beavers, through the Freedom of Information Act, I request completed copies of all those other applicable beaver dam permits that have been issued. (Perhaps we will see if there really is a dam violation of Part 301, Inland Lakes and Streams, of the Natural Resource and Environmental Protection Act, Act 451 of the Public Acts of 1994, being sections 324.30101 to 324.30113 of the Pennsylvania Compiled Laws, annotated.)

I have several concerns. My first concern is, aren't the beavers entitled to legal representation? The Spring Pond Beavers are financially destitute and are unable to pay for said representation—so the State will have to provide them with a dam lawyer. The Department's dam concern that either one or both of the dams failed during a recent rain event, causing flooding, is proof that this is a natural occurrence, which the Department is required to protect. In other words, we should leave the Spring Pond Beavers alone rather than harassing them and calling them dam names.

If you want the stream "restored" to a dam free-flow condition please contact the beavers—but if you are going to arrest them, they obviously did not pay any attention to your dam letter, they being unable to read English.

In my humble opinion, the Spring Pond Beavers have a right to build their unauthorized dams as long as the sky is blue, the grass is green and water flows downstream. They have more dam rights than I do to live and enjoy Spring Pond. If the Department of Natural Resources and Environmental Protection lives up to its name, it should protect the natural resources (Beavers) and the environment (Beavers' Dams).

So, as far as the beavers and I are concerned, this dam case can be referred for more elevated enforcement action right now. Why wait until 1/31/2006? The Spring Pond Beavers may be under the dam ice then and there will be no way for you or your dam staff to contact/harass them.

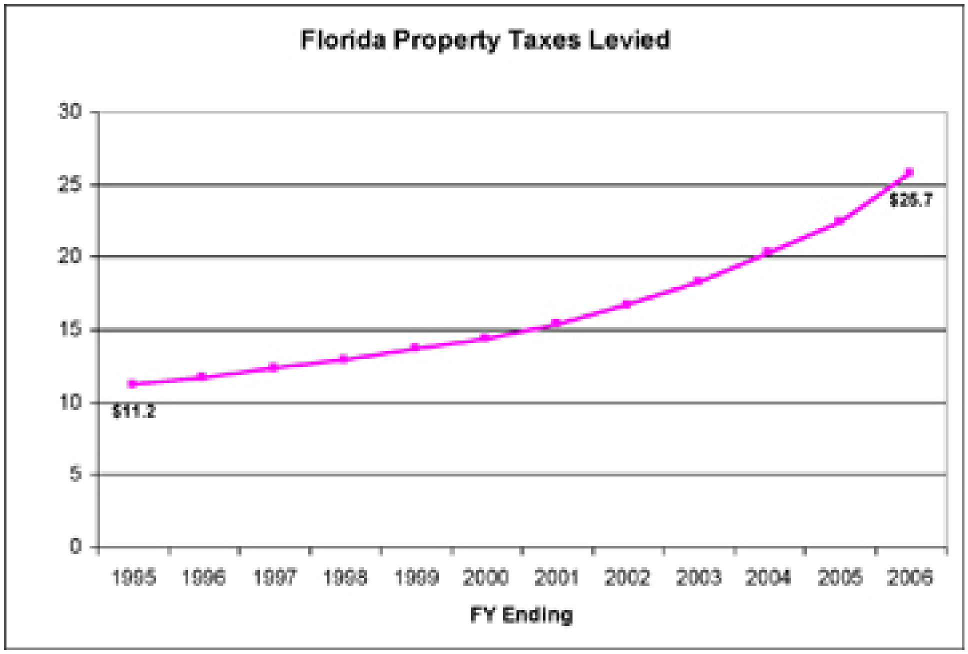
In conclusion, I would like to bring to your attention to a real environmental quality, health, problem in the area. It is the bears! Bears are actually defecating in our woods. I definitely believe you should be persecuting the defecating bears and leave the beavers alone. If you are going to investigate the beaver dam, watch your step! The bears are not careful where they dump!

Being unable to comply with your dam request, and being unable to contact you on your dam answering machine, I am sending this response to your dam office.

THANK YOU,
RYAN DEVRIES
& THE DAM BEAVERS

Property Tax in Florida: A State of Change

By Jim Todora, MAI, CAE, Sarasota County Florida Property Appraiser*



Introduction

Property taxes have skyrocketed over the past several years in Florida and as a result it is undergoing significant property tax reform. The state legislature has changed and created new statues that limit the amount of tax that can be levied. Additionally, to create further change, it has proposed modifications to the state constitution, which requires voter approval. Florida relies heavily on property taxes for school and local funding. Sales tax and property tax are the primary sources of government revenue. There is no state personal income tax.

How did we get here?

Property taxes levied against all property in Florida grew from $11.2 billion in 1995 to $25.7 billion in 2006, a 129% increase or about 12% per year. The biggest increases were experienced from 2000 through 2006 when property taxes levied grew by 80% whereas personal income grew by 39% and population by 32% over the same period. (See chart "Florida Property Taxes Levied" above.)

Frustrated and angered taxpayers demanded relief. In 2006 several members of the state legislature traveled the state conducting town-hall style meetings listening to complaints from property owners. Political campaigners promised tax relief.

Florida's Property Tax Law and Its' Role Players

Property is assessed at its market value each year as of January 1st, unless the state constitution provides otherwise. Two noted exceptions include homestead exempt property, where annual assessed value increases are limited to 3% or the change in the Consumer Price Index, whichever is less, and agricultural property, which is assessed subject to its actual use. Upon sale or abandonment of a homestead, the property value is reset to its current market value.

Property taxes levied against all property in Florida grew from $11.2 billion in 1995 to $25.7 billion in 2006, a 129% increase or about 12% per year.

In Florida, all but one of the 67 county property appraisers are elected; each is responsible for developing an annual assessment roll for their respective counties. The property appraiser is required to appraise all real and tangible personal property within the county, administer tax exemptions and maintain certain records. The property appraiser mails a Proposed Notice of Property Taxes [referred to as the TRIM (truth in millage) Notice] to each property owner that includes a listing of property values for the current and previous year as well as an enumeration of taxes as proposed, as levied in the prior year and what they would be if no budget changes were made.

The responsibility of establishing the tax levy resides with the taxing districts including counties, cities, schools and special districts. For the most part, school district levies are established by the state under a funding formula that determines a required local effort from each school district. To this end, once the property appraiser provides the taxable values, the taxing districts set the tax millage rates.

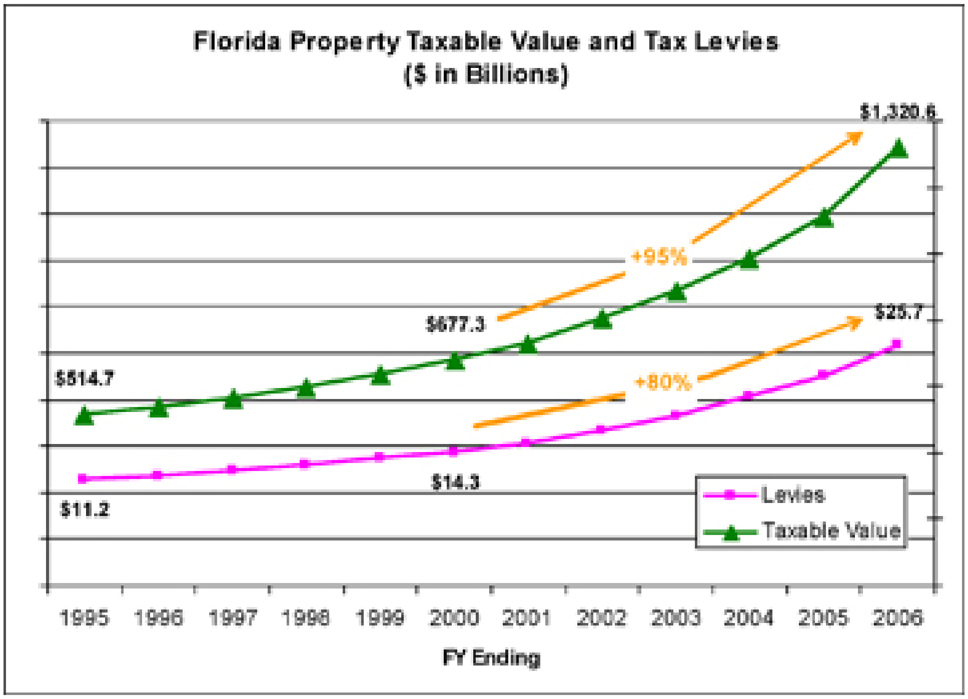
Taxes are billed and collected by the tax collector. Revenues collected are then distributed to each respective taxing district based upon their respective levies.

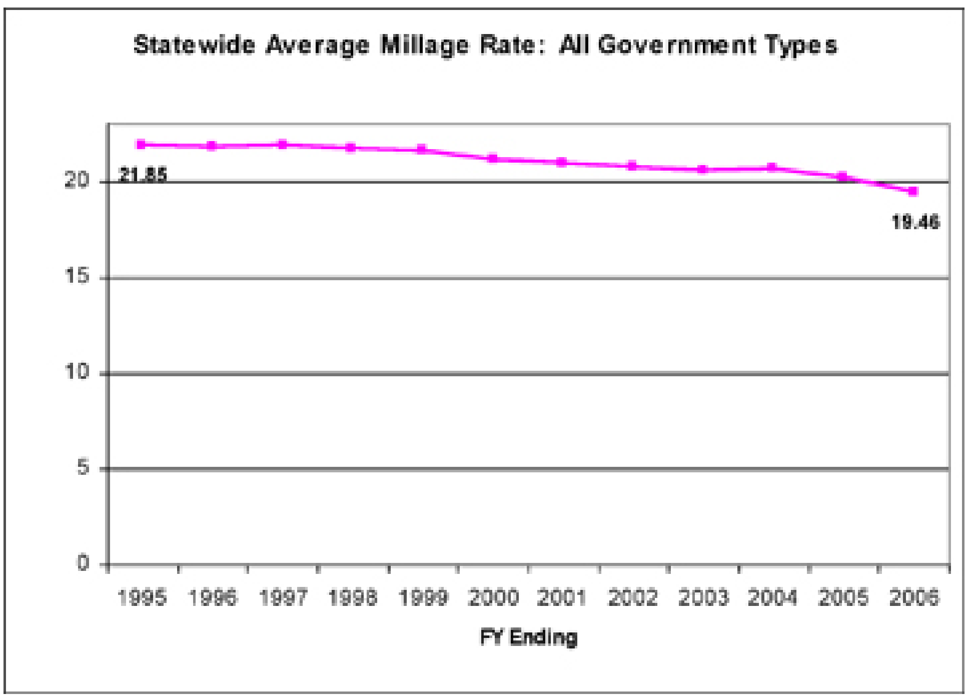
Taxable Values, Tax Rates & Taxes

From 1995 through 2006, taxable property values grew from $514.7 billion to $1.321 trillion. This 157% increase was largely fueled by staggering property value appreciation as reflected by rapidly rising selling prices of real estate. In addition, record-setting new construction was witnessed. (See chart "Florida Property Taxable Value & Tax Levies" on next page.)

[**Editor's Note:** For additional information pertaining to property tax concerns visit www.realestatejournal.com/buysell/taxesandinsurance/20071219-merrick.html.]

During this same period, tax millage rates statewide went from 21.85 to 19.46, or a 10.9% decrease. The Florida property tax system is budget





driven not rate driven. Clearly the reluctance of the taxing districts to reduce tax rates commensurate with rising property values resulted in enormous tax increases, especially to non-homestead exempt properties. (See chart "Statewide Average Millage Rate" on next page.)

Immediate Statutory Changes

Outraged taxpayers insisted upon tax relief. In 2007 the state legislature took action and mandated cities, counties and special districts roll back their tax levies to the prior year less 3% to 9%, depending upon how much their taxes were increased from 2001 through 2006. Furthermore, it limited future tax levy increases to no more than the average change in Florida personal per capita income. It did allow for an override of the roll back and limitation by an extraordinary vote of the local governing body.

Proposed Changes

The Florida Legislature also proposed numerous other changes that required revisions to the state constitution. All amendments to the Florida Constitution require 60% voter approval. These proposed changes by the legislature did not come easily. In 2007, in addition to a regular session, the Florida Legislature met in four special sessions, two exclusively dealing with property tax issues. In the first of the two special property tax sessions, the following constitutional changes were proposed:

- A Super Homestead Exemption that would have ultimately phased out the 3% assessed value increase limitation with an exemption of 75% of the first $200,000 of Market Value and 15% of the next $300,000.
- An increased exemption for Low Income Seniors
- A $25,000 exemption for Tangible Personal Property
- A classified use value for water-dependent property
- A classified use value for affordable housing
- Increased legislative authority to limit property tax revenue

To determine these changes, a special election was scheduled for January 29, 2008, which would coincide with the Presidential Primary Election. Following a lawsuit filed by one of the taxing districts, a court ruling determined the ballot language for the Super Homestead Exemption was incorrect and misleading. Thus, the court prohibited the proposed changes from appearing on the ballot.

An appeal of the court's ruling was initially filed but later withdrawn after the legislature decided to conduct another special session, redo its work and propose other changes. The following proposed changes resulted from the

continued on next page

PROPERTY TAX IN FLA., continued

latter special session:

- An additional $25,000 Homestead Exemption (The first $25,000 of assessed value is currently exempt and would remain so. This proposal would exempt the third $25,000; i.e., first $25k is now exempt, 2nd $25k would be taxable and the 3rd $25k would be exempt.) The exemption would apply to all levies except school taxes.

- Portability of Homestead Differential (The difference between the maximum 3% annually constrained assessed value and the current market value of homestead exempt property is referred to as a differential, or cap. Currently, upon resale the property is assessed at its current market value. Upon relinquishing a homestead, this proposal would permit the cap to be ported by the seller to a newly acquired homestead property, thus reducing its Assessed Value.)

- Assessed Value Cap of 10% for Non-homestead Property (This proposal would limit annual Assessed Value increases to non-homestead property to 10%. If a change of ownership occurs or a qualifying improvement is made, the property's Assessed Value is reset to its current Market Value. This limitation does not apply to school taxes.)

- Tangible Personal Property Exemption of $25,000 (This proposal permits the exemption of the first $25k of assessed value for all personal property accounts.)

Unless something intervenes, these changes will appear on the January 29, 2008 ballot for voter consideration.

Further Change is Anticipated

While the above issues represent a summary of the 2007 activity, it is far from a complete picture of the debate and testimony that took place during the legislative sessions. Nor does it represent the independent plans from various voter initiatives that require sufficient petitions from signed registered voters which can then be placed on a statewide ballot for determination. Furthermore, Florida law requires that a Taxation and Budget Reform Commission meet once every 20 years to consider changes to Florida tax and budget laws. This commission is now meeting and might propose further changes.

Florida finds itself in the midst of an emotional state of tax reform. While the future of property tax in Florida is cloudy at best, change is likely.

Regardless how the January 29, 2008 vote turns out, further tax reform is expected. Among those items commonly heard are actual use appraisals and removing from consideration the highest and best use of property; removing or diminishing the legal presumption of correctness afford the property appraiser's value; preferential assessments through classified land uses; further limitations on property taxes; and a number of administrative changes.

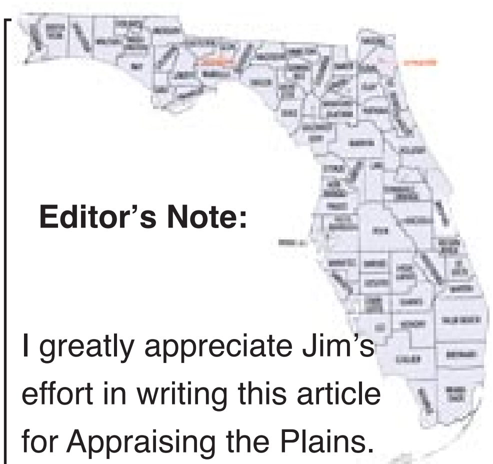
Conclusion

Florida finds itself in the midst of an emotional state of tax reform. While the future of property tax in Florida is cloudy at best, change is likely. Taxpayers continue to distrust government and are attempting to secure safeguards against rising taxes. The Market Value standard is being replaced, or at least becoming more distant as constrained assessed values is becoming more common. Use Value Appraisals are becoming more popular, and Highest & Best Use may be removed from consideration in arriving at assessed values.

Unpopular property taxes may be replaced, in part or entirely, by additional sales taxes, user fees or other more voter-tolerable revenue sources. Certain services may be cut or eliminated, and struggles where to place the available revenues will take place. All government units are coming under greater scrutiny.

Following several years of intense sales activity and astonishing price increases, market values in much of Florida have been declining recently. That change in market conditions coupled with the recent spikes in property taxes are causing property appraisers to feel more pressure than ever for accurate appraisals. And while much confusion surrounds the property tax system, we can just hope that unintended consequences do not result.

*Jim is also a past IAAO Executive Board member and current chair of the Education Subcommittee.



Editor's Note:

I greatly appreciate Jim's effort in writing this article for Appraising the Plains. If you have questions, I know Jim would try to answer them and, of course, a thank you would be great, too.

Jim's e-mail address is:

JimTodora@sarasotaproperty.org

Real Estate Notes of Interest

■ Mark Scott, *Business Week's* London Reporter, Oct. 10, 2007. "The European economy with the closest ties to the U.S., Britain is feeling the impact of the U.S. mortgage and housing crash more acutely than counterparts on the Continent. But as credit dries up in Britain and the domestic housing market stutters, the pain is also popping up elsewhere. Major writedowns due to subprime exposure (BusinessWeek.com, 10/1/07) from the likes of Switzerland's UBS (UBS) and Deutsche Bank (DB) have shaken Europe's financial sector. Similarly, home price appreciation in Europe, which had previously hit double digits in countries such as Spain and Ireland, now looks to have stalled (BusinessWeek.com, 8/31/07) as the cost of consumer lending increases."

■ Jeanne Sahadi, CNNMoney.com, Oct. 9, 2007. The chair of the Federal Deposit Insurance Corporation (FDIC) has publicly proposed that mortgage companies freeze the adjustable rate mortgages (ARM's) and not allow for the higher rates to kick in. This proposal would be for owner-occupied homes where the ARM has not already been adjusted. The chair is suggesting the mortgage companies take a financial hit now versus going through the process of foreclosure of properties later. It is projected that around 1.3 million subprime ARM's will come due between October 2007 and the end of 2008.

■ CNNMoney.com, Oct. 10, 2007
Editor's Note: Remodeling Online has now started charging to review the annual survey of remodeling cost versus return in the market. Money online as of the date above allows limited access by the following web link http://cgi.money.cnn.com/tools/renovation/renovation.html.

■ **Editor's Note**, Oct, 2, 2007. In previous issues there have been times that the headlines alone have told the story. This is one of those times, as shown by the articles from one day of Internet stories:

"Pending Home Sales Index Hits Record Low," "New Home Sales Drop to Seven Year Low," "Price Decline Steepest in 16 Years," "KB Home Reports Net Loss of $35.6 Million."

■ Steve Zurier, Builder Online News Service, Oct. 16, 2007. The Housing Market Index (HMI) of builder confidence dropped two more points in October to 18, the HMI's lowest point since NAHB and Wells Fargo began issuing the report in January 1985, and a slide of 41.9% compared with the same time last year.

■ Robb Crocker, Builder Online News Service, Oct. 11, 2007. Although the foreclosure rate was down 8% in September, it is still 99% above last year with Nevada still leading the way in foreclosures. One in every 185 homes is being foreclosed on in Nevada.

■ Paul Leavitt, *USA Today*, Oct. 17, 2007. The U.S. House passed a four-year moratorium extension exempting Internet sales from local sales tax. The bill still has to be approved by the Senate.

■ Esther Shaw, *The Independent*, Oct. 17, 2007. Bank of England rates rose from 4.5% to 5.75% since August 2006. Rejection for loans have increased by 60% in the last six months ,and all this attributed to the subprime mortgage problems in the United States.

■ Damian Paletta, *The Wall Street Journal Online*, Oct. 16, 2007. U.S. Treasury Secretary Henry Paulson offered a sobering view of the pressure the housing market was having across the country, saying the decline stood "as the most significant current risk to our economy. The ongoing housing correction is not ending as quickly as it might have appeared late last year."

■ Sudeep Reddy, *The Wall Street Journal Online,* Oct. 17, 2007. In a speech to the New York Economic Club Monday night, Federal Reserve Chairman Ben Bernanke said the housing sector is expected to deteriorate further and is likely to be a "significant drag" on economic growth through early 2008.

■ Sam Roberts, *The Wall Street Journal*, Oct. 17, 2007. Nearly 39.8 million Americans moved in 2006, about half for housing-related reasons, like desire for a different-sized home, the U.S. Census Bureau says. The West had the highest moving rate (16%), followed by the South (15%), the Midwest (13%) and the Northeast (10%). Hispanics had the highest moving rate (18%), followed by African-Americans (17%), Asians (14%) and non-Hispanic whites (12%).

■ Associated Press, *USA Today*, Oct. 18, 2007. The decline in housing construction continues with a drop of over 10% in September, which was more than twice what industry experts predicted. New home construction is now at a 14-year low.

■ The American Institute of Architects AIA), Oct. 17, 2007. **Editor's Note:** In the last issue of "Real Estate Notes of Interest," it was noted that commercial construction remains strong with the AIA being on the front of any changes. Well, that has changed quickly.

Following a six-point decline in August, the Architecture Billings Index (ABI) for September dropped to its lowest level since June 2006. As a lead-

REAL ESTATE NOTES, continued

ing economic indicator of construction activity, the ABI shows an approximate nine- to twelve-month lag time between architecture billings and construction spending. The American Institute of Architects (AIA) reported the September ABI rating was 51.1, down from the previous mark of 53.9 (any score above 50 indicates an increase in billings), and inquiries for new projects was 61.4.

"While there is plenty of non-residential construction activity in the pipeline over the coming months, the demand for new projects is tapering off a bit," said AIA Chief Economist Kermit Baker, PhD, Hon. AIA. "The fallout from the subprime mortgage meltdown in the residential market has seeped into the nonresidential sector causing project delays and a tightening market for financing. There is also emerging concern in the industry that this situation will extend into 2008."

■ Reuters, Oct. 23, 2007. The Federal Reserve thinks the so-called super SIV could help beleaguered financial markets, and its silence on the matter should not be seen as indicating a lack of support for the plan, a senior Fed official said Monday. The SIV stands for "Structured Investment Vehicles" and is a fund that buys mortgages. With the subprime problems, Bank of America, Citigroup and JPMorgan Chase are proposing to purchase some of the funds in the SIV to avoid any fire-sale of these subprime mortgages.

■ Reuters, Oct. 23, 2007. The largest U.S. mortgage lender said it will initiate a program to refinance or modify up to $16 billion of Countrywide loans for borrowers who are facing an adjustable-rate mortgage reset through the end of 2008. Countrywide said borrowers currently in a subprime loan with a strong payment history it will offer options to refinance into prime or Federal Housing Administration loans.

■ CNBC News, Oct. 23, 2007. **Editor's Note:** Moving to New York just as soon as you help me with my mortgage. Have my eye on a 20,000-square foot home on 263 acres that has five other residences and a chapel. With your contributions, I am confident we can find the $95 million they are asking for the property.

■ Associated Press, Oct. 24, 2007. Investor Warren Buffett, Berkshire Hathaway, stated he believes the subprime mortgage problems will continue for another six months to two years.

■ Walter Molony, National Association of Realtors, Oct. 24, 2007. OUCH! NAR released September number of sales and median sale prices versus one year ago. The results by regions are shown above and it does show that the volume of sales is down in the Northeast and Midwest but prices are stable.

Source: NAR, October 24, 2007

	Northeast	Midwest	South	West
# of Sales	-10%	-7%	-6%	-9.9%
Median S. Price	0.5%	1.4%	-5.5%	-8.8%

■ Vinnie Tong, Associated Press, Oct. 30, 2007. According to the S&P/Case-Shiller index, home prices fell nationwide in August for the eighth consecutive month. Price index in 10 cities fell 5% from a year ago and was the biggest drop since June 1991.

■ Ken Fuson, The Des Moines Register, Oct. 31, 2007. The Iowa Department of Revenue determined that the large majority of pumpkins were not being used for food and thus was not exemption from taxation. Anyone whowas going to use them for food could complete a state form requesting exemption. They later became exempt, but the state will now have to issue refunds.

■ Noelle Knox, *USA Today*, Nove. 2, 2007. New York Attorney General Andrew Cuomo has sued a major appraisal company saying it participated in inflating value of properties for loans made by Washington Mutual. His lawsuit states that First American and First American's appraisal subsidiary, eAppraiserT, gave into the pressure from the lending institution to use preferred appraisers who would inflate home values. The lawsuit was based upon information obtained from e-mails between the parties. Washington Mutual expressed surprise and has stopped working with the appraisers. President of the Appraisal Institute, Terry Duncan, stated that "Pressure on appraisers to come up with valuations that make the deal work is an issue across the country."

■ *USA Today*, Nov. 8, 2007. New York Attorney General Andrew Cuomo further expanded his investigation by issuing subpoenas to government-backed lenders Fannie Mae and Freddie Mac seeking information on loans bought from Washington Mutual.

■ Sally Beatty, *The Wall Street Journal*, Oct. 26, 2007. Although new construction and home sales are falling, the rich are taking advantage of the labor available and speeding up the construction on their mansions. Impatient to get their new home built, they are hiring builders to complete the homes faster. An example was a 10,000-square foot home in New York that would normally take two years to build was completed in 10 months. The builder charges a premium of between 20% and 100% depending on the scope of the project.

■ *USA Today,* Nov. 6, 2007. The Federal Reserve warned that the housing slump is not over but did not indicate if they were planning to further cut interest rates. This comes at the same time that foreclosures in the third quarter set record levels.

■ Diana Olick, Realty Check, Nov.6, 2007. In September 2005, the then president of the National Association of Realtors listed his home for sale at

$1.45 million and left it at that price for over a year. When asked about it, his response was he did not listen to his agent about what the market was doing.

Editor's Note: His agent? Thought he is one! As president of the NAR, how could he not know what the market was doing? He took the house off the market in early 2007 and now reduced the price by $165,000. So if you start from the top, that's approximately 766 days on the market, $165,000 price cut, and still no bites. In the words of the Diana Olick, "Talk about a REALTY CHECK!!"

■ *USA Today*, Nov. 9, 2007. Federal Reserve Chairman Ben Benanke is suggesting that Fannie Mae and Freddie Mac temporarily invest in larger home loans to help stabilize the troubled mortgage market. Also in that same paper was Toll Bros.' announcement that their home-building revenue fell 36% to $1.2 billion last quarter. They are the nation's largest builder of luxury homes. But the good news just below these articles was that "Disney Profit Rises." At least Mickey and Minnie will be able to pay their mortgage.

■ Noelle Knox, *USA Today*, Nov. 9, 2007. Everyone should have seen this coming: "Con artists circle over homeowners on the edge." This article talks about people desperate to save their homes from foreclosure are being sucked into scams by some companies promising to save them. Most of the scams require people to pay $500 to $1,200 up-front and then these companies will work with the mortgage company to get more reasonable financing. As you can imagine, often times the money and the company just disappear.

■ Barbara Hagenbaugh, *USA Today*, Nov. 13, 2007. Looking for that vacation home for a week? Try going to wwwrentalo.com. This site has become so popular that even online travel agencies such as Expedia, Travelocity and Hotels.com are displaying vacation home rentals.

■ Broderick Perkins, Realtytimes.com, Nov. 15, 2007. I am sure most of you are anticipating some appeals stating that the number of neighborhood homes in foreclosure is reducing the value of their homes. The Center for Responsible Lending (CRL), which reported in "Losing Ground" that more than 2 million households will face foreclosure due to risky loans, now says the story doesn't stop there. CRL's latest report, "Subprime Spillover," says for each of the millions of foreclosures on home loans originated in 2005 and 2006, the home values of more than 22 homes will suffer. They state the average loss per home is $5,000, or 0.9%.

■ Sal Alfano, Remodeling Online, Nov. 1, 2007. Remodeling Online has produced their annual report on the return on investment for the most common remodeling home projects. The report provides national results plus breaks the information down into nine regions. You can see the report at www.costvsvalue.com.

■ Karen McCormack, BusinessWeek.com, Nov. 19, 2007. Lowe's followed in Home Depot's steps by cutting its outlook for the final quarter of 2007 and warned that this trend will likely persist well into 2008 because of the depressed housing market and downturn in new construction.

■ Reuters, Nov. 20, 2007. Just as a couple of years ago, all the news on the housing market was up, up and up; now all the stories are down, down and down. Goldman Sachs issued a gloomy report on the U.S. financial services sector, saying housing prices are likely to fall a lot further, write-downs will mount and some mortgage insurers and guarantors will be forced to raise capital just to survive. To continue that bad news, Freddie Mac may report a loss of between $1 billion to $5 billion on its subprime AAA portfolio, Credit Suisse said on November 18, sending shares in the second-largest U.S. mortgage finance company sharply lower.

The National Association of Home Builders said its preliminary NAHB/Wells Fargo Housing Market index was unchanged at 19 in November, the lowest reading since this gauge started in January 1985.

The latest look-ahead from the National Association for Business Economics says the gross domestic product is on track to expand at just a 1.5 percent pace from October through December. If that proves correct, it would mark a sizable decline from the July-September rate of 3.9 percent. This retraction results from the decline in the housing sector.

Minneapolis Federal Reserve Bank President Gary Stern said on Monday he expected the U.S. housing market to weaken further because of a large pool of unsold homes. "The adjustment in the housing market has still some way to go. The reason I say that is because of the huge inventory of unsold homes," Stern told reporters. "I would expect new home building to remain quite constrained. It is also true foreclosures will go up rather than down over the next several quarters."

■ Ismat Sarah Mangla, *Money Magazine*, December 2007. The reverse mortgage has been around for years and is receiving more and more attention. Now there is a new twist to that: a family reverse mortgage. In a reverse mortgage a lending institution makes a monthly payment to the homeowner and then upon the death of the homeowner, the lender receives the property. In the family reverse mortgage, you play the banker to your parents and it keeps the house in the family and can reduce estate taxes.

■ Stephen Gandel, *Money Magazine*, December 2007. With the large increase in home foreclosures, people are again wondering if now is the time to buy some investment property. Whenever this happens in the real estate cycle, there are always books and seminars that become available on how to be successful buying foreclosure properties. This article mentioned a three-day seminar costing $9,000.

Editor's Note: As a course developer and instructor, I am really

continued

REAL ESTATE NOTES, continued

missing the boat!

■ www.progressivefarmer.doc, Nov. 27, 2007. Although Kansas is not included in this report (see right), still some interesting information on increasing agricultural land values.

■ Reuters, Nov. 27, 2007. The housing news is not getting any better. Home sale prices were down 4.5% in the third quarter as compared to the same period last year. The S&P/Chase-Shiller National Home Price Index fell 1.7%, the largest one-quarter change in the index's 21-year history. The largest value decreases were in Florida with prices down 10%–11% around Tampa and Miami and decreases just under 10% in San Diego and Michigan.

■ Commercial Real Estate Direct, Nov. 28, 2007. "The housing crisis is affecting occupancies in the senior's property sector as prospective tenants are postponing plans to move because they are having trouble selling their residences. The National Investment Center for the Seniors Housing & Care Industry suspects that the issue is having an impact throughout the seniors sector, particularly for properties that require upfront fees for tenancy or are in the weakest housing markets such as southern Florida, Detroit and Las Vegas."

■ Jane Sasseen, BusinessWeek.com, Nov. 28, 2007. Discussions between the federal government and lending institutions continue on the mortgage crisis. The federal government continues to push the lenders to renew the due subprime mortgages at the lower rate until the market settles. The scary part is that, according to Moody's Investors Service, mortgage servicers have adjusted just 1% of the subprime loans on which rates reset in the first half of 2007.

■ Marilyn Lewis, MSN.com, Nov. 29, 2007. Homes price are down for the third quarter in 147 of 287 major cities, according to a government study, but the overall reduction is not severe. Cities listed for Kansas are shown in the chart below.

■ Jane Sasseen, BusinessWeek.com, Dec. 6, 2007. "The centerpiece of the initiative is an agreement by lenders to freeze interest rates for up to five years for at least some portion of the 1.8 million subprime borrowers in danger of losing their homes as their mortgage payments spike up by the end of 2009. Borrowers who qualify for assistance will have their interest rate frozen at the initial starter rates, which generally run between 7% and 9%."

Homeowners could be very disappointed when they realize that this is not a federally mandated program and that lenders can decide whether they wish to participate or not. Criteria being used on who qualifies and who does not:

1. Adjustable-rate subprime loan made between the dates of January 2005 and July 2007 and resets between January 2008 and July 2010. Resets means that the initial loan period is ending and then it will renew at a higher rate.

2. If someone can afford to pay even after the reset, they would not qualify to have their rate frozen.

3. If the homeowner is already not making the payments, then they will not qualify for the program.

4. Must live in the home. This program is not designed to help the investors and those who purchased to flip the homes.

Finding those that qualify for the frozen loan rate will be a large task and very difficult. Searching for the qualifiers will be:

1. No more than 30 days delinquent. If current delinquent past 30 days or in foreclosure, they will not qualify.

2. Equity of 3% or less at time of loan.

3. Review of the credit score. This would be on a bank-by-bank basis and on each loan. No set or base required credit score was given.

Announcement of the program created some buying in the stock market of the depressed home-builder stocks.

Source: www.progressive farmer.doc, Nov. 27, 2007

State	Average 2007 Value	Increase Over 2006	Average Cash Rent
Illinois	$4,460	15.8%	$141
Indiana	$4,050	10.4%	$120
Michigan	$3,450	15.0%	$73
Iowa	$3,650	17.4%	$140
Georgia	$4,440	19.0%	$60
Ohio	$3,920	10.7%	$91
Texas	$1,470	16.7%	$30
Alabama	$3,400	15.3%	$41
Pennsylvania	$6,000	17.4%	$48
Virginia	$6,000	13.2%	$45

Source: MSN.com, Nov. 29, 2007

City	Quarter Change	1 Year Change	5 Year Change
Kansas City	-0.44%	2.41%	20.19%
Lawrence	0.55%	2.29%	25.49
Topeka	1.44%	3.70%	23.67%
Wichita	0.04%	4.44%	18.97%

Increases after the announcements were:

Toll Brothers (TOL) +13%
Lennar (LEN) + 15%
KB Home (KBH) +16%
Centex (CTX) +13%
S&P Homebuilder Index +12%

Of the nearly 3 million subprime adjustable-rate loans surveyed by the Mortgage Bankers Association in the third quarter, a record 18.81% of them were past due. A record 4.72% of the loans entered into the foreclosure process during that period. How many homeowners will benefit from the new programs varies widely from the federal government estimate of 1.2 million down to some private estimates of 145,000. No doubt, the number will probably be somewhere in-between.

The announcement comes on the same day that the Mortgage Broker's Association stated that foreclosures are at a record high and late payments are the highest since 1986. Additionally this week, Moody's Economy.com is predicting that the housing market will crash with some areas of the country suffering value declines by as much as 30%. Price levels of the RPX Index, a derivative index based on home prices in 25 U.S. metropolitan residential property markets, indicate an expectation that prices will decline for the next three years.

■ *USA Today*, Dec. 7, 2007. The percentage of home equity slipped slightly for the third quarter from 51.1% to 50.4%. Home equity is the difference between home value and the amount of remaining debt.

■ Laura Bly, *USA Today*, Dec. 7, 2007. Having a long lay-over in an international airport and don't want to venture out into the city? Try looking for a new option of "pod hotels" called Yotel. The smallest ones are typically 75–100 square feet with stays of four hours to overnight. Some of the airports you can find these are London's Gatwick, Zurich and Amsterdam. Prices for the four-hour stay in London are $52 and $115 for overnight.

■ Jade Olubayo and Elizabeth N. Brown, *AARPBulletin*, Dec. 2007. An American Institute of Architects (AIA) survey of residential architecture firms found that homebuyers are increasingly requesting homes built with features that will appeal to them as they age. Some of these features include single-floor design for ground level entrances and wider doorways. One of every five homes sold will be for people aged 55 and over. You may see this advertised by builders under the program name of EasyLiving Home.

■ Commercial Real Estate Direct, Nov. 29, 2007. The Federal Reserve reported that demand for office, industrial and retail space remained solid across the country and even improved in some areas. According to the Fed's survey, vacancy rates for commercial space remained low, even in areas where "substantial new space" has been added. But it cautioned that some of the 12 Federal Reserve districts it surveyed reported "emerging signs of declining demand."

■ Hotel transaction volume hit another record high this year but may slow in 2008, according to Jones Lang LaSalle Hotels. U.S. hotel transactions totaled $45 billion through October, marking the fourth straight year of record deals. But JLL Hotels expects the credit turmoil, that's slowed deals since August, will continue to hamper the market in '08. It further projected that deals will be forced to rely on fixed-rate financing in 2008.

■ Meredith Lidard, Building Products Magazine, Nov. 8, 2007. According to the "Digital Kitchen Study" conducted by the CABA Internet Home Alliance Research Council, some of the high-tech features consumer's desire are listed below. The study was based on a survey of 602 homeowners between the ages of 25 and 64 who have broadband Internet access and household incomes of more than $35,000 per year.

Of the 22 concepts presented in the survey, the study found that some of the most desired kitchen innovations are a digital calendar that allows users to add appointments and notes for everyone in the household to see, a recipe projection system that would let users look up a recipe online, a universal charging station, and an energy usage and monitoring control system.

■ Jeannine Aversa, Associated Press, Dec. 12, 2007. The Federal Reserve dropped its key rate, federal funds rate, by one-quarter percentage point to 4.25% due to the deepening housing slump, slow economic growth and some softening in business and consumer spending. The rate is the Fed's most important tool for influencing economic activity and affects many interest rates on individuals and businesses.

■ Ben Steverman, BusinessWeek.com, Dec. 12, 2007. On the same day that the Fed reduced a prime rate by one-quarter percentage point, three companies announced major losses and/or job losses because of their exposure in the sub-prime market.

Washington Mutual (WaMu) kicked off the latest round after the market close on Dec. 10 by announcing that given the losses on loans, it needs to cut costs, including 3,150 jobs, raise an extra $2.5 billion in capital, and cut its generous dividend to shareholders.

Editor's Note: Reference the articles above dated November 2 & 8 about WaMu and the New York State attorney general.

Then H&R Block chimed in by reporting a loss in its second quarter of $1.55 per share vs. a 49-cents loss a year ago. Most of that loss was due to H&R Block's closed-down subprime mortgage business. It tried to sell its Option One Mortgage Corporation to Cerberus Capital Management in April, but that deal fell through earlier this month.

The third loser of the day was IndyMac, the nation's ninth largest originator of mortgages, that has been hurt both by the housing market slowdown and rising losses on riskier mortgages.

continued on next page

REAL ESTATE NOTES, continued

On December 11, Standard & Poor's Ratings Service lowered its ratings on IndyMac's debt to junk status.

? **Editor's Note:** I know people hate surveys, but just for fun, and to see if anyone is really reading this, let me know your answer to the following:

1. Do you think the proposed government plan for bailing out the high rate of mortgage problems is the answer? Yes or No.

2. When will the bad news on the sub-prime mortgages stop?

2008 1st Quarter, 2nd Quarter
3rd Quarter, 4th Quarter

2009 1st Quarter, 2nd Quarter
3rd Quarter, 4th Quarter

After 2009

E-mail your responses to rstuart17@cox.net, and I will show the survey results in the next issue.

■ Jane J. Kim, Wall Street Journal Online, Dec. 13, 2007. Not all loans will benefit from the rate cut by the Federal Reserve. Subprime loans and most ARMS (adjustable rate mortgages) are often based upon the Libor. Libor, which is an interest rate banks charge on loans to each other, normally tracks the federal-funds rate closely. But continuing worries over the credit crisis have kept Libor unusually high—partly because banks are reluctant to lend to one another—even as other short-term interest rates have fallen in recent months. If the ARM is based upon the Libor, when the loan resets it may not benefit from any rate changes made by the Federal Reserve.

■ James R. Hagerty and Ruth Simon, *The Wall Street Journal*, Dec. 11, 2007. Even borrowers with decent credit are beginning to feel the mortgage crisis pinch. Fannie Mae, soon to be followed by Freddie Mac, has imposed an extra 0.25% upfront charge on all new mortgages that it buys or guarantees. In a statement, Fannie said the new fee is needed "to ensure that what we charge aligns with the risk we bear." The National Association of Home Builders labeled the fee "a broad tax on homeownership" because more than 40% of all mortgages outstanding are owned or guaranteed by Fannie or Freddie.

■ National Association of Realtors, Dec. 11, 2007. The average price of condominiums has finally slowed:

2002	$180,900
2003	$205,700
2004	$234,100
2005	$260,800
2006	$259,300

■ Chris Kahn, AP Business Writer, Dec. 17, 2007. With the weaker U.S. dollar, Canadian currency is final equal to the dollar for the first time since 1976. As a result, Canadians are coming to the U.S. and buying as the real estate market is in a downturn. It is not surprising that the Canadians are purchasing in the warmer climates, in Arizona in particular. Investment in the commercial markets in the U.S. is also coming from the Arab counties that have high oil revenues.

■ Associated Press, Dec. 18, 2007. According to the Commerce Department, housing starts in November were the lowest in 16 years.

■ Sue Kirchhoff and Noelle Knox, *USA Today*, Dec. 19, 2007. After considerable criticism that the Federal Reserve just sat and watched while subprime loans created a crisis, they are now making proposals to control, "dicey policies of some lenders, such as approving 'no-document' loans based on stated income and penalizing borrowers who repay loans early."

The proposals not only pertain to existing mortgages but would tighten policies on advertising, servicing and appraisals for conventional mortgages also.

Subprime loan volume according to the Center for Responsible Lending:

Year	Loans in Billions
2000	$136
2001	$167
2002	$211
2003	$332
2004	$530
2005	$660
2006	$632

■ *USA Today*, Dec. 20, 2007. U.S. homeowners increasingly failed to keep up with their home loan payments in November, with the number of foreclosure filings surging 68% compared with the same month a year ago, according to RealtyTrac, a mortgage research company.

■ Bloomberg News, Dec. 20, 2007. Nevada has the highest percentage of foreclosures measured on per 1000 households. The five highest are shown below.

State	% of foreclosures
Nevada	6.6
Florida	3.5
Ohio	3.3
California	3.1
Colorado	3.1

Foreclosure filings information for Kansas was:

Total filings: 352
Change from October: - 29.9%
Change from 1 year ago: - 15.2%

■ Haya El Nasser, *USA Today*, Dec. 27, 2007. The housing slump is having other effects on the economy and our lives. As it is more difficult to sell an existing home, fewer people are moving. The population growth in states such as Arizona, Texas and Florida has slowed substantially. Because of the general economy, states such as Michigan and Minnesota are at risk to lose a U.S. legislative position.

■ Noelle Knox, *USA Today*, Dec. 27, 2007. Home prices in 11 large metro areas posted record declines in October, according to the S&P/Case-Shiller composite index of home prices, and 20 cities slid 6.1% as compared to October of last year. Fewer and fewer mortgage applications are being approved, and those with a credit score of 620 or less, which was subprime lending territory, cannot get a loan or will have a very high interest rate.

■ Les Christie, CNN.Money.com Dec. 21, 2007. The United States is deep in its worst housing slump since the Great Depression, and according to a new report, it's not going to get better any time soon.

In a new survey, Moody's Economy.com says many metro areas will record losses of 20% or more during the downturn, with the national median price for single-family homes dropping 13% through early 2009. Factoring in discount offers from sellers, the actual price decline would be well over 15%.

■ Walter Molony, National Association of Realtors, Dec. 19, 2007. The fundamentals in commercial real estate remain healthy, with only slight increases in vacancy rates expected for the office and industrial sectors during 2008, although credit restrictions have recently slowed overall investment activity, according to the latest Commercial Real Estate Outlook of the National Association of Realtors®.

A record $325 billion was invested in commercial real estate in the first 10 months of 2007, up from $306.8 billion for all of 2006; that total does not include transactions valued at less than $5 million or investments in the hospitality sector, based on analysis of data from Real Capital Analytics.

Anticipated changes in vacancy rates are shown below.

Property Type	3rd Quarter	End of 2008
Office	12.9%	13.2%
Industrial	9.4%	9.5%
Retail	8.2%	8.9%
Multi-Family	5.4%	5.1%

Editor's Note: A recent Atlanta mortgage scam article about fraudulent loans and over-inflated appraisals brought several responses, but I found this one interesting:

"We have the same problem around Dallas, but with the added twist that the insides of the houses are used as marijuana farms and crack kitchens. They even hire lawn mowing services and people to put up and take down Christmas decorations to keep up appearances."

■ Kelly Greene, The Wall Street Journal Online, Dec. 27, 2007. Here is a real twist for older homeowners caught in the subprime mortgage market: Use a reverse mortgage to pay off the home loan. "The strategy, which is relatively novel but gaining popularity among legal-aid attorneys and housing advocates around the country, calls for persuading lenders to take the cash generated by a reverse mortgage in lieu of foreclosing on older homeowners."

Some of the characteristics of this transaction are:

1. The bank makes payments to the homeowner instead of vice-versa.

2. The loan is repaid with interest upon moving, death or selling the home.

3. There is a high set-up fee, as much as 7% of the home value.

4. Makes it almost impossible to pass the property to heirs.

■ Loopnet.com, Jan. 3, 2007. A whopping $188.6 billion, or 83%, of the $228.3 billion of the year's domestic CMBS (Commercial Mortgage Backed Securities) issuance was comprised of conduit transactions. Given the hefty investor appetite and loan-origination activity, transactions ballooned in size to an average $3.3 billion in 2007 from $2.6 billion in 2006. Of the $188.6 billion in conduit loans, $109 billion require only interest payments for their entire terms.

Editor's Note: It is probably just me, but I found the above interesting, even though I did not know what conduit transactions were. Inquiring minds want to know, so the website below has a large amount of information. Below is an explanation from the site http://structuredcap.com/501_conduit.htm:

"Conduit" vehicles offer low-cost, third-party ownership and financing solutions to not-for-profit Healthcare and Higher Education institutions who do not wish to use their own debt to finance real estate assets or who wish to preserve working capital and bond debt capacity for activities that more directly support their core mission. When applied to specific types of property assets and properly structured and documented, these transactions can achieve both Off-Balance Sheet outcome under all applicable FASB (Financial Accounting Standard Board) accounting rules and "Off-Credit treatment" from the Rating Agencies reviewing these transactions.

TOO-GOOD-TO-BE-TRUE FILES

Christmas for Your Wife

Submitted by Lisa Ree, RMA , Ellis County Appraiser's Office

This is it!! Beautiful 3 bedroom, 2 bath, sided house on a double lot. This is the Christmas present your wife's been waiting for. This home has a brand new kitchen, central air, heat and carpet. The home comes fully furnished with everything you will need except your clothes and a Christmas tree. Equipped with a new washer, dryer, refrigerator and stove. Everything a person would need in the kitchen: pans, dishes, flatware, wine glasses, blenders, etc. Bedroom sets with linens. Beautiful living room furniture with all the extras you could ever want. This is a must see! House also comes with a screened porch, shed, two cars, a boat and a motorcycle. All you really need to move in are your clothes! This is a once-in-a-lifetime. Needs no work. A steal at $49,900.

Editor's Note: What more could she want!? Do you think this could fall under one of those too-good-to-be-true categories?

Intelligence Not Required

Source: KC Star Blog, September 25, 2007

Rural Missouri lawmakers today defended the practice of keeping secret the purchase price of land against calls for accurate tax assessments that ensure everyone pays their share.

The latest comments, which have become a refrain for rural Missouri lawmakers, came at a Kansas City meeting of the legislature's Joint Committee on Tax Policy. They came in reaction to testimony from a local assessor and the chairman of the state Tax Commission, both of whom explained how accurate sales prices would lead to more accurate assessments and a fairer tax system.

Eddie Whitworth, the Camden County assessor and vice president of the state assessor's association, (IAAO Member) said he tries to compensate for the lack of price information by sending letters to real estate buyers and asking them to disclose the sale price. He typically gets responses from 30 to 35 percent of the buyers. But he has to throw out some responses because those land owners are obviously lying to try to keep their taxes low.

Property owners in Jackson County and several counties in the St. Louis area require that buyers disclose the price in a document known as a certificate of value. But rural areas have steadfastly refused to adopt certificates of value, saying the price they paid is a private matter.

Yet those prices determine the amount of taxes that will be owed on the property. When some property is undervalued, other property owners pay more. That is because the tax rate has to be higher to generate a given amount of tax revenue.

Rep. Mike Sutherland, a Warrenton Republican who is the committee's chairman, said he opposed any requirement that landowners disclose the price paid for property. He said a 30 percent return rate on surveys was a good sample, even if some of the information is deliberately inaccurate.

Wouldn't 100 percent be a better sample?

"You can't assume that because you have more data that it is more accurate," Sutherland said.

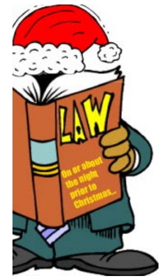
Sen. Brad Lager, a Maryville Republican, said he also objected to price disclose as a violation of privacy. But he said he could be amenable to a system that disclosed the price to the tax officials, but kept the price otherwise confidential.

Rep. Shannon Cooper, a Clinton Republican, agreed. However, both lawmakers said they would oppose any reforms of the assessment methods until laws are changed to require taxing jurisdictions such as cities, counties and school districts to roll back their tax rates if assessment values increase.

Under current law, when undervalued property is brought up to market prices as required, local governments get a windfall in tax revenue unless they roll back their tax rates to reflect the higher assessments. School districts have been especially blatant at keeping such windfall revenues, they said.

Lager said current law requires taxing jurisdictions to roll back their rates only if they are charging the maximum rate. In that case, they can keep a revenue increase of no more than 5 percent. But since most school districts to not charge the maximum rate, they just keep the windfall, he said. Commercial property in Nodaway County, he said, has virtually doubled this year, pushing property taxes up substantially. "It's nothing but a backdoor tax increase without going to the voters," Lager said.

Editor's Note: David Reed, IAAO staff, was kind enough to pass this on to me and give permission to reprint.



The Night Before Christmas (Legal Style)

Submitted by
Larry Clark, CAE

Editor's Note: Although this newsletter arrives after Christmas, this article is still timely.

Whereas, on or about the night prior to Christmas, there did occur at a certain improved piece of real property (hereinafter "the House") a general lack of stirring by all creatures therein, including, but not limited to a mouse.

A variety of foot apparel, e.g., stockings, socks, etc., had been affixed by and around the chimney in said House in the hope and/or belief that St. Nick aka St. Nicholas aka Santa Claus (hereinafter "Claus") would arrive at sometime thereafter.

The minor residents, i.e., the children, of the aforementioned House were located in their individual beds and were engaged in nocturnal hallucinations, i.e., dreams, wherein visions of confectionery treats, including, but not limited to, candies, nuts, and/or sugar plums, did dance, cavort, and otherwise appear in said dreams.

Whereupon the party of the first part (sometimes hereinafter referred to as "I"), being the joint-owner in fee simple of the House with the parts of the second part (hereinafter "Mamma"), and said Mamma had retired for a sustained period of sleep. (At such time, the parties were clad in various forms of headgear, e.g., kerchief and cap.)

Suddenly, and without prior notice or warning, there did occur upon the unimproved real property adjacent and appurtenant to said House, i.e., the lawn, a certain disruption of unknown nature, cause, and/or circumstance. The party of the first part did immediately rush to a window in the House to investigate the cause of such disturbance.

continued on page 29

2008 KCAA Committee Members

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Bruce Wright .... Dickinson County
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Mark Hixon .... Shawnee County

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Laurie Walta .... Sumner County
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2008 KCAA Budget

The KCAA Executive Board approved the 2008 budget on November 19, 2007, during the KCAA meeting at KAC.

ACCOUNT	ACCOUNT DESCRIPTION	2008 BUDGET
01	**APPRAISER REVENUE**	
01-01	**APPRAISER OTHER**	$500.00
01-02	Appraiser KCAA Revenue	$15,500.00
	TOTAL APPRAISER	$16,000.00
01-03	**APPRAISER DUES**	
01-03-01	County Dues	$15,100.00
01-03-02	Non-county Dues	$400.00
01-03-03	CKA Dues	$500.00
	TOTAL APPRAISER DUES	$16,000.00
01-04	**CONFERENCE & MEETINGS**	
01-04-01	Symposium	$35,000.00
	Technology Seminar	$7,000.00
	TOTAL CONF & MEETINGS	$42,000.00
01-05	**INTEREST**	
01-05-01	Bank Interest	$900.00
	TOTAL APPRAISER REVENUE	$74,900.00
02	**EDUCATION REVENUE**	
02-01	Education Other	
02-03	Education Classes	$75,000.00
	TOTAL EDUCATION REVENUE	$75,000.00
	TOTAL REVENUES	$149,900.00
01	**APPRAISER EXPENSES**	
01-01	**OFFICE & SUPPLIES**	
01-01-01	Telephone	$1,000.00
01-01-03	Postage	$400.00
01-01-04	Supplies	$700.00
01-01-05	Miscellaneous Other Exp.	$500.00
	TOTAL OFFICE & SUPPLIES	$2,600.00
01-02	**LEGISLATIVE**	
01-02-01	Legislative Expenses	$1,000.00
	TOTAL LEGISLATIVE EXPENSES	$1,000.00

ACCOUNT	ACCOUNT DESCRIPTION	2008 BUDGET
01-03	**CONFERENCE & MEETINGS**	
01-03-01	Symposium	$25,000.00
01-03-02	KAC	
01-03-03	Directors Update	
01-03-04	IAAO	$3,750.00
01-03-05	NCRAAO	$5,750.00
	TOTAL CONF & MEETINGS	$34,500.00
01-04	**TAXES**	
01-04-01	Personal Property	$150.00
01-04-02	Other	
	TOTAL TAXES	$150.00
01-06	**CONTRIBUTIONS**	
01-06-01	Hageman Trust	$500.00
01-06-02	IAAO	
01-06-04	Other Contributions	$1,000.00
01-06-05	Scholarships	$1,500.00
	TOTAL CONTRIBUTIONS	$3,000.00
01-07	**PROFESSIONAL**	
01-07-01	Accounting	$300.00
01-07-02	Legal	
01-07-03	Newsletter	$3,800.00
	TOTAL PROFESSIONAL	$4,100.00
01-08	**CONTRACTS**	
01-08-01	Executive Secretary	$30,600.00
01-08-02	Executive Secr. Travel	$2,400.00
	TOTAL CONTRACTS	$33,000.00
01-09	**DUES**	
01-09-01	KAC Dues	$2,000.00
01-09-02	IAAO Affiliate Dues	$200.00
	TOTAL DUES	$2,200.00
01-10	**FEES & REGISTRATIONS**	
01-10-01	Fees & Registrations	$50.00
01-11	**BANK SERVICE CHG.**	
01-11-01	Bank Serv. Chg.	$50.00

ACCOUNT	ACCOUNT DESCRIPTION	2008 BUDGET
01-12	**SPECIAL PROJECTS**	
01-12-01	Shirts	$3,000.00
01-12-05	Computer Purchases & Maintenance	$750.00
01-12-07	Handbook	$250.00
01-12-08	IAAO Trip	$2,000.00
01-12-09	NCRAAO Trip	$1,500.00
01-12-11	Tech Seminar	$1,000.00
01-12-12	Retirement Gifts	$200.00
	TOTAL SPECIAL PROJECTS	$8,700.00
	APPRAISER OTHER	
01-13-01	KREAB	$400.00
01-13-02	Appraiser Other: RMA and Non-PVD	$20,000.00
01-13-03	PVD Split	$24,000.00
	TOTAL APPRAISER OTHER	$44,400.00
	TOTAL APPRAISAL EXPENSES	$133,750.00
02	**EDUCATION EXPENSES**	
02-02	Instructor Fees	$5,300.00
02-04	Meeting Rooms	$250.00
02-05	Classes Other	$12,000.00
	TOTAL EDUCATION EXPENSES	$17,550.00
	TOTAL EXPENSES	$151,300.00
	TOTAL REVENUES	$149,900.00
	OPERATING BALANCE	($1,400.00)

Hmm…Who is this well-dressed County Appraiser-Lady? Find out at the 2008 KCAA Conference!

Mark Your Calendar for the 2008 KCAA Conference

Don't miss the 2008 KCAA Annual Conference on June 8-11 at the Ramada Inn in Topeka. Be assured, *this* Deputy County Appraiser will be there!

Watch upcoming newsletters and the KCAA website for more information.

Night Before Christmas, cont. from p. 26

At that time, the party of the first part did observe, with some degree of wonder and/or disbelief, a miniature sleigh (hereinafter "the Vehicle") being pulled and/or drawn very rapidly through the air by approximately eight (8) reindeer. The driver of the Vehicle appeared to be, and in fact was, the previously referenced Claus.

Said Claus was providing specific direction, instruction, and guidance to the approximately eight (8) reindeer and specifically identified the animal co-conspirators by name: Dasher, Dancer, Prancer, Vixen, Comet, Cupid, Donner, and Blitzen (hereinafter "the Deer"). (Upon information and belief, it is further asserted that an additional co-conspirator named "Rudolph" may have been involved.)

The party of the first part witnessed Claus, the Vehicle, and the Deer intentionally and willfully trespass upon the roofs of several residences located adjacent to and in the vicinity of the House, and noted that the Vehicle was heavily laden with packages, toys, and other items of unknown origin or nature. Suddenly, without prior invitation or permission, either express or implied, the Vehicle arrived at the House, and Claus entered said House via the chimney.

Said Claus was clad in a red fur suit, which was partially covered with residue from the chimney, and he carried a large sack containing a portion of the aforementioned packages, toys, and other unknown items. He was smoking what appeared to be tobacco in a small pipe in blatant violation of local ordinances and health regulations.

Claus did not speak, but immediately began to fill the stockings of the minor children, which hung adjacent to the chimney, with toys and other small gifts. (Said items did not, however, constitute "gifts" to said minor pursuant to the applicable provisions of the U.S. Tax Code.)

Upon completion of such task, Claus touched the side of his nose and flew, rose, and/or ascended up the chimney of the House to the roof where the Vehicle and Deer waited and/or served as "lookouts." Claus immediately departed for an unknown destination.

However, prior to the departure of the Vehicle, Deer, and Claus from said House, the party of the first part did hear Claus state and/or exclaim: "Merry Christmas to all and to all a good night!" Or words to that effect.

The party of the first part witnessed Claus, the Vehicle, and the Deer intentionally and willfully trespass upon the roofs of several residences…