APPRAISING THE PLAINS of Kansas

If you build it, we will come

A Publication of the Kansas County Appraisers Association

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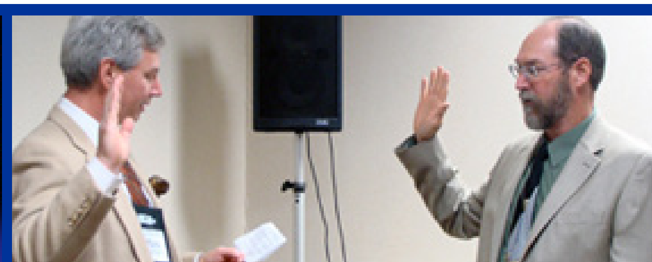


Top: Mark Hixon swears in Rod Broberg, who begins his term as KCAA President this month. Right: Board members Lori Reedy, Steven Miles and Dean Denning are sworn in.

Happy New Year!

This month marks the beginning of President Rod Broberg's term (welcome!) and what promises to be a busy and exciting new year at KCAA. Get the year off to a great start by joining us for the KCAA Legislative Reception on January 24 (see p. 4).

Also in this Issue. . .

I don't know about all of the rest of the folks who have been president of this organization, but I think the hardest thing about this job is writing this column. Rick wants to know what to call it. How should I know? I've thought of a few things, but they just don't seem right. How about Rod's Ramblings? That's probably pretty close to the truth, but I wouldn't want anyone to think I am … well, that my mind wanders…

What about The Gospel According to Rod? No, that might be overstating it just a little bit. At a recent KCAA board meeting I made a statement about something, I don't really remember what, and someone asked why. Before I could answer, my friend Barry Porter said, Because Rod says. So, with thanks to Barry, this column will be simply, Rod Says.

So, what does Rod say? First of all, Rod Says thanks to Past President Greg McHenry for a successful year as president. Thanks also to the board members, committee members, and all KCAA members who make our organization successful. We had a pretty good year last year. We had a good conference in the spring. Financially, we recovered nicely from the previous year when NCRAAO caused us to miss out on conference income. We tackled the Oil and Gas issue which has been bubbling for many years. All in all, a very good year!

Unfortunately, issues do not get resolved and new ones appear at the turn of a year. This being the case, several issues that arose last year will continue to be on the radar for the coming year. The review of the Oil and Gas guide will be completed in the spring, and we are all anxiously awaiting the results. What action to take will, of course, depend on the results of the review.

The elephant in the room this year will be the issue with the Coffeyville Resources case and the attempt by some to exempt trade fixtures. This kind of came out of nowhere in the 2012 legislative session and became a huge issue for counties. It will be the huge issue in the 2013 session also, and the Board and Legislative Committee will continue to work diligently to keep on top of this issue.

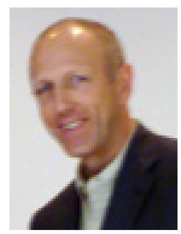
Also in the 2012 session, KCAA attempted to get a piece of legislation passed that would have made some beneficial statutory changes. We were unsuccessful, not because our ideas were bad or even unpalatable to most legislators, but because there were questions about some simple wording and we simply ran out of time to get it corrected. We will be attempting to introduce and pass a similar bill this year.

So, we will continue to work toward solutions to our existing problems, anxiously wait to discover the next new problem, and, like Chief Dan George in The Outlaw Josey Wales, we shall endeavor to persevere. Why? Because Rod Says!

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. Visit KCAA online at www.kscaa.net

Passing the torch: Incoming KCAA President Rod Broberg (l) and outgoing President Greg McHenry.

Parting Shots



Greg McHenry

By Greg McHenry,

AAS, RMA,
Riley County

Over the last 12 months or so I've learned a lot about the finer arts of leadership, communication, and patience. Being president of our fine organization has been different than I expected in some ways, difficult at times, but also very gratifying. The KCAA is a diverse group of individuals representing a variety of opinions, which leads to some challenges at times.

At the same time, our group is also very passionate about our role in county government and very dedicated towards professionalism. Our common goals of accurate appraisals, fairness and equity, and professionalism continue to provide substance and value to the constituents we serve. Those are some of the points I recently stressed with two newly-elected county commissioners while discussing the merits of my membership and involvement in KCAA.

It's been my great pleasure to serve as KCAA president during the last year. I sincerely appreciate your patience with me and for serving diligently in so many ways (committees, IAAO conference, NCCRAO conference, etc.). Kansas is very fortunate to have such a great group of dedicated appraisers. Again, thank you for the opportunity to serve!

In Memoriam

Marvin Galliart
Nov. 3, 1936 – Sept. 21, 2012

MOUNTAIN HOME, Ark.—Marvin Galliart, 75, died Friday, Sept. 21, 2012. He was born Nov. 3, 1936, in Beaver, Kan., to Albert and Clara (Cook) Galliart. He worked as the Russell County and also served as the Appraiser in Russell from 1985 to 1995 and as the CAMA System Operators in the Saline County Appraiser's Office from 1996–2004.

Survivors: wife, Margaret, stepdaughter, Sandra Ketterer, and mother-in-law, Flora Joneson, all of Mountain Home; sons, Steven, Michael, Robert and Brian Galliart, of Salina, Kan.; daughters, Laura Lowe and Shelly Long; stepson, Clarence David Casebolt; stepdaughter, Julie Confehr; and a sister, Verlaine Bender (Doran), of Russell. Preceded in death by: parents; and a son, Joseph Andrew.

Ann Papay
Dec. 2, 1935 – Sept. 9, 2012

ULYSSES—Ann Papay, 76, died Sunday, Sept. 9, 2012, at her home in Ulysses. She was born Dec. 2, 1935, to James and Lucy Paralee (Archer) Papay in Optima, Okla. She graduated from Elkhart High School. She began her professional career conducting door-to-door appraisals for Grant County.

She was the first licensed appraiser for Grant County and the first female county appraiser in the state of Kansas. She was also an oil and gas appraiser. She established the Grant County Appraiser's Office and was also the appraiser for Stanton, Morton, Stevens and Haskell counties.

She was a former president of the Kansas County Appraiser's Association and served a two-year term on the International Association of Assessing Officers, served on the Civil Rights Commission Board, was active in the Kansas Legislative Policy Group, eventually filing the position of executive director. She was one of the founders of Women of Purpose in Ulysses, a Grant County Republican Committee chairwoman, a city council member for the City of Ulysses, a stockholder of Trendsetters and a member of the American Legion Auxiliary.

She is survived by her two sons, Courtney Eslick and wife, Darlene, Ulysses; Shane Eslick and wife, Denny, Lakin; daughter, Jackie Peters and husband, Allan, Great Bend; brother, Larry Papay, Greenfield, Okla.; sisters, Elizabeth Kern, Elkhart, and Joy Foreman, Guymon, Okla.; nine grandchildren; and five great-grandchildren.

She was preceded in death by her parents; brothers, James Emmett Papay, Ed Lee Papay, Guy Papay, Kenneth Lee Papay, Gerald Mack Papay, Roy Papay and Neil Archer; and one grandchild.

—Obituary reprinted from the
High Plains Daily Online

Editor's Note: Ann was instrumental in a large number of county appraisers' careers. With her passing an era has ended. That era is the TAB group. TAB was Tim Hagemann, Ann Papay and Brad Welch, longtime fixtures at IAAO conferences and with the Kansas County Appraisers Association. I can only envision that they are reunited catching up and working on a bottle of scotch in the process. Ann will be missed.

Mark your calendar!

The 2013 KCAA Annual Business Conference will be held June 2-5 in Wichita at the Drury Plaza Hotel Broadview, 400 W. Douglas. Watch the KCAA website and newsletter for more conference information.

KCAA Legislative Reception

The KCAA will host a Legislative Reception on Wednesday, January 23, from 6:30 p.m.to 9 p.m. at the Topeka Ramada Inn, 420 SE 6th. An email invitation will be sent to all legislators from the KCAA, but you may also want to contact your legislators directly about the reception.

The Ramada has a block of rooms reserved for us at the government rate of $83, which includes full breakfast.

Keep in mind that County Government Day is Thursday, January 24th. You can find more information about this event at: http://www.kansascounties.org/

All county appraisers are strongly encouraged to attend and meet with their legislators!

2012 KCAA Audit Report

Submitted by
Leon Reimer

The audit committee of Dave Stithem, Mark Hixon, and Leon Reimer met to audit the 2012 KCAA financial records. The audit revealed no inconsistency with the financial reports. The audit committee determined that the financial records of the KCAA to be a true and correct representation of the financial standing of the KCAA.

The Director's Update…

By David Harper, RMA, Director, Property Valuation Division

As busy as 2012 was, I think 2013 looms as a more active and critical year.

The New Year is upon us and it promises to be a busy one for property tax and mass appraisal professionals in Kansas. The Kansas Legislature reconvenes on Monday, January 14, 2013, and it is likely discussions will quickly resurface on the topic of the classification of machinery and equipment in Kansas.

Roger Hamm, deputy director, and Bob Kent, field staff supervisor for PVD, have worked extensively in recent weeks with the Legislative Post Audit (LPA) team assigned to the Evaluating the Revenue Impact of Machinery and Equipment Classification and Valuation study. Discussions PVD has had with LPA have ranged from the listing of specific real and personal property for specific parcels, requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) for county and PVD appraisers, Orion and its usefulness in valuing special use properties, education and training requirements for county appraisers, and PVD's duties and performance as an oversight agency and education provider.

While we are uncertain of the impact the LPA's report will have in the upcoming legislative session, we are looking forward to reviewing their findings. It is our hope the report will provide us with beneficial feedback on how we at PVD can do our job better and improve the overall ad valorem tax process in Kansas.

PVD continues to receive frequent questions on the appraisal of severed mineral interests as outlined in K.S.A. 79-420. We held an open meeting on September 26, 2012, in Stafford County with about 55 in attendance to discuss the duties of county officials in this task and the challenges the county officials have identified in the process. Since the meeting, PVD has continued to work towards clarifying the work process for involved county officials, and our goal remains to work with counties to gain compliance with the requirements of Kansas statute.

However, in addition to the listing and appraisal challenges involved with severed mineral interests, many also share the concern of whether K.S.A. 79-420 is constitutional as applied. The statute originated in 1897, long before the changes in the 1980s to the classification of property for tax purposes, requiring land devoted to agricultural use to be valued on the basis of its agricultural income or productivity. All realize the valuation process is difficult and to accurately identify and value the severed mineral interest could be time-consuming and costly. PVD has agreed with taxpayers and counties that it is best to proceed cautiously until the constitutionality question is answered.

In December 2011, the Kansas Department of Revenue asked the Kansas attorney general to offer an opinion in this matter. In August 2012, with Kansas Attorney General Opinion No. 2012-18, the office of the attorney general opined severed and non-severed mineral interests may be separately classified for property taxation purposes without violating equal protection guarantees under the Kansas and United States Constitutions.

However, in recent weeks the question has been raised if AG Opinion No. 2012-18 addressed whether K.S.A. 79-420 is constitutional as applied. Following a request for clarification, the attorney general's office did state AG Opinion No. 2012-18 only addressed the facial equal protection analysis of the statute. On November 5, 2012, the Department of Revenue submitted a follow-up request to the attorney general asking for an opinion on the constitutionality of K.S.A. 79-420 in application. To date, a response has not been received, so, unfortunately, we are basically in the same position we were one year ago in the request for clarification of the constitutionality issue. PVD plans to continue to gather information on this topic and will distribute the new attorney general opinion when received.

In 2013, we have set several goals for ourselves at PVD. Please be advised at the top of the list is our plan to move forward with finalizing the maintenance specifications, finalizing the move to a requirement for compliance with current USPAP, and finalize and offer new compliance workshops for county appraisers. The plan to update the PVD USPAP directive has been challenging. We believe clarification of Kansas jurisdictional exceptions needs to accompany a USPAP change, and they must clarify the ad valorem property tax appraisal as required by Kansas statutes and regulations without weakening the professional standards set by USPAP. We will provide a draft for review, and plan to hold at least one more open meeting to discuss the USPAP change, before a directive is finalized.

We also will provide a draft of the revised maintenance specifications with the Kansas County Appraisers Association (KCAA) Maintenance Specifications Committee before they are finalized. We postponed the finalization and implementation of the specifications until the 2013 calendar year for several reasons, but primarily because we think it is critical to allow input from KCAA and work together to adapt reasonable and meaningful specifications. At the state and local level, we are all faced with budget and staffing challenges and need to adapt procedures to allow us all to operate most efficiently without harming the integrity of the Kansas appraisal system.

Looking back, I am very proud of our accomplishments in 2012. These included:

- 30 counties working through their first annual cycle of producing

Congrats New RMA Recipients!

David Harper, PVD director, presented RMA designations during KCAA's meeting at KAC to Kelly Deslauriers, PVD; Tanya Erichsen, Geary County; and Ronald Tidwell III, Sedgwick County (not pictured).

Director's Update, cont.

values in Orion

- Development and deployment of tools that provide appraisers another option for value analysis and quality control
- Continued emphasis by PVD for improved customer relations through communication with county appraisal staff in monthly meetings, conference attendance and PVD updates
- PVD's work with county tag offices to complete registration renewals and title work following the implementation of the new MOVRS program
- Updated tax unit boundary maps to go online to give easy access by the end user customers, in most cases large Kansas utilities
- Shift of the Neighborhood Revitalization Abstract to an online application
- Created and implemented an entirely new Irrigation Workshop
- Worked with Kansas State to implement two changes in methodology that will more accurately reflect the current farming and ranching practices
- PVD presented 84 courses, workshops and tests for 1,238 appraisers and clerks. These classes totaled 1,031 hours.
- Update of the directive for approved list of private appraisal firms

As busy as 2012 was, I think 2013 looms as a more active and critical year. The Legislative Post Audit study and the critique of the PVD Oil and Gas Guide sponsored by KCAA could provide meaningful feedback which PVD will need to address. We plan to continue to place an emphasis on communications with counties and taxpayers with open meetings and updates.

We had an all-time high attendance of 76 at our December Oil and Gas Guide meeting and over 100 in attendance at both the June and November director updates. We plan to continue to hold the updates at locations of the annual KAC and KCAA business conferences and have also placed meeting notes and copies of presentations on our website for those who cannot attend. I do apologize for the confusion with the fees for the November conference and will clarify policy with KAC and KCAA before the next update. Please know my goal is to provide updates at existing conferences to help reduce traveling expenses, not increase cost for attendees.

Happy New Year!

Oil & Gas Contract

By Greg McHenry, AAS, RMA

After seeking bids and proposals for a review of the current Kansas Oil & Gas Guide, the KCAA Executive Board met recently to review the bids and proposals. As a result, we decided to contract with Capitol Appraisal Group for a thorough review of the guide. Capitol is based in Austin, Texas, and has extensive experience in oil and gas valuation, doing oil and gas valuation work for many Texas counties. They bring a wealth of expertise in their field and come very highly recommended.

Capitol will start the project later this year and will provide their findings in June 2013. The information they'll provide will be available for the 2014 Oil & Gas Guide. PVD Director Harper has agreed to work with Capitol in providing any and all of their data as requested. Capitol agreed to also provide some training. They will be scheduling some workshops in 2013 for appraisers and staff.

See article on final Oil & Gas Meeting on next page.

COTA Moving to New Location

Effective Jan. 14, 2013, the Kansas Court of Tax Appeals will be relocating to the following address:

Court of Tax Appeals
Eisenhower State Office Building
10th Floor, Suite 1022
700 SW Harrison
Topeka, Kansas 66603

The entrance is on 7th Street, and everyone must check in as a visitor at the security desk.

Interesting COTA Order

If you are not aware of the COTA Docket No. 2012-3110-PR relating to COTA interpretations of Linda Terrill and Jerry Chatam, you might want to read this order. It can be found on the KCAA website, http://www.kscaa.net/kcaa/reports/2012-3110.pdf

Oil & Gas Meeting

By Richard E. Batchellor, RMA, CKA, Kingman County

On December 11th the final meeting for the Oil & Gas Guide was held in Topeka. The meeting was very well attended by both the industry and the counties in addition to various software vendors and the newly hired Capital Appraisal Group, who is currently reviewing the guide for the KCAA.

One of the topics of discussion was the discount factor. Lynn Kent presented information that showed this factor to have remained the same since 2007. Questions were raised as to how this was possible as the cost of money in particular is significantly less than it was in 2007 and the relative risk of production has lowered somewhat due to the new technologies available. Texas was given as an example of a state that has a significantly higher discount rate, which runs between 18-24%. In addition, how that factor is calculated in Texas was highlighted as well.

Mark Niehaus, CKA, RMA, put together a band of investment rates based upon information from local banks in Graham County which indicated a rate of 9.94%. Individuals from the public utility section of PVD were at the meeting and attempted to explain that this rate lacked what they referred to as a before income tax factor. The writer of this article is still unclear, as are other county appraisers, as to the meaning and implication of this factor. Additional information has been requested as to how this is calculated and even its validity in the appraisal process.

After lunch the meeting continued briefly with the introduction of the appraisal firm that is evaluating the Oil and Gas Guide for the association (KCAA). One of the individuals from the industry side commented that this particular firm was held in high esteem by him and was well known with a good reputation of being fair, reasonable, and unbiased. This unsolicited comment should make all in the KCAA feel good as this project moves forward.

Also, the Oil and Gas Committee would like to take this opportunity to encourage everyone contacted by Capital Appraisal Group to assist them to the best of your ability. They will be contacting various counties for information, documentation and other pertinent data needed to perform the task of evaluating the guide.

Finally, I would like to ask the readers of this material for explanations, articles, and information as to the generally accepted appraisal practice (GAPP) for calculating discount factors utilized for oil/gas valuation purposes. Numerous individuals confessed, as did the author of this article, that they have never heard of the term before or after income tax rate. We have several IAAO instructors at our disposal, including the editor of this newsletter, who actively teach income approach methodologies to our peer group. I am in hope that someone can shed some light on this subject.

The 6 guys and 2 pretty ladies

Submitted by Lisa Ree, RMA, Ellis County

We were at a class in Hays and I was surprised to see all six of them in the same room. That just doesn't happen that often. We tallied their years of experience in the county (including Terry's CLT time) and came up with 155 years of experience. I think it surprised us all.

From left to right are: Alan Hale, KM, Norton and Phillips counties; Mark Niehaus, CKA, RMA, Graham County; David Stithem, CKA, RMA, PKM, Sheridan County; Terry Ballard, Rawlins County; Dean Denning, CKA, RMA, Ellis County; and Randy Sangster, Logan, Wallace and Wichita counties.

155 years of experience

And then there stands Kathy Hansen, CKA, RMA, Smith County (l) and Jolene Karlin, RMA, Rooks County (r) with 70 years of county experience between the two. In fact, Kathy was recognized at KAC for 40 years of service.

70 years of experience

Milestones in the Making: Castillo Possibly First Female Appraiser in Finney County

By Scott Aust, Garden City Telegram, Nov. 15, 2012. Reprinted with permission

[T]here is some speculation that Castillo may be the first female county appraiser Finney County has had, and possibly the first Hispanic woman to hold the position in the state of Kansas.

Maria Castillo had no dreams of being an appraiser when she was young, but she has greatly enjoyed her career choice the past 17 years. This week, Castillo, 37, of Garden City was hired by the Finney County Commission to head the Finney County Appraiser's Office.

I'm excited, she said. When I first started, I really didn't envision myself as a county appraiser because I seriously thought that (former county appraiser) Alan Rupe was going to be here for a long time.

Castillo, a life-long southwest Kansas resident, was born in Dodge City, graduated from South Gray High School in Montezuma and studied business management at Garden City Community College. She and her husband, Salvador, have three daughters. She started working in the Finney County Appraiser's Office in the summer of 1995, after deciding she no longer wanted to attend school part time.

I didn't know the appraiser's office existed, Castillo said. I didn't know what they did when I first got the job. But I really, really liked it. It gives you a little bit of everything. After former County Appraiser Mark Low retired in September, Castillo decided to jump at the opportunity to run the department by applying for the job. I like this. I like working with people, and I'm really excited. I've got a bunch of ideas, she said.

In addition, there is some speculation that Castillo may be the first female county appraiser Finney County has had, and possibly the first Hispanic woman to hold the position in the state of Kansas. It's difficult to verify those milestones. Both Cindy Brenner, executive secretary for the Kansas County Appraiser's Association, and Della Rowley, past president of the KCAA, said there is a strong likelihood that Castillo is the first Hispanic woman in the state to become a county appraiser, though no records like that are kept.

Rowley, who has 20 years of experience in Kansas, and Brenner, who has 14 years, both said they were only relying on memory and couldn't think of another Hispanic county appraiser in at least the last two decades.

Prior to that, I'm not sure there's any kind of historical record, Brenner said. There's been very few Latino county appraisers at all, so I'm 99.9 percent sure there hasn't been a woman. But as far as records of gender or race, other than seeing their name, I can't think of anywhere we track that. But I think it's great. She'll do a fine job.

Castillo said she never really thought about her race in regards to her job, but the possibility of being the first female Finney County appraiser did cross her mind only because neither she nor anyone in the office could recall a female holding the job. She also wondered if the county commission would have an issue with a female appraiser, since the job seemed to have traditionally been held by a man. But her hiring sailed through Monday's commission meeting.

Across the state of Kansas, there are quite a few female appraisers. You're starting to see more of them, Castillo said. I've been in the office for 17 years, but back then I was really only paying attention to what I was doing, and really didn't focus on what was going on with other county appraisers.

Over the years, Castillo worked her way through the various divisions within the appraiser's office, learning about every aspect of the appraiser's work along the way. She started in personal property and eventually became the chief appraiser under Rupe and a deputy appraiser, where she oversaw commercial, agricultural and residential areas.

Finney County Appraiser Maria Castillo excited about her new job.

Castillo talks enthusiastically about everything the appraiser's office does. She said she has found the work includes variety, everything from learning about building construction and square footage to agriculture and the oil and gas industries.

Our goal is to be on market value. The value we put on your property are the values we think you can sell your property for, and everything we do is by statute, she said.

Castillo said she always keeps the taxpayer in mind. One of her goals is to improve how the appraiser's office is viewed by the public, an image that is somewhat negative because of an appraisal's impact on property value and taxes.

We work for the taxpayer, so my goal is to always treat them with kindness, dignity and respect. I want to work on our image and to let taxpayers know we're here to listen, she said. That's one of my goals is to have people realize we're here to help and to have a better image of us.

Welcome Heather Finney, RMA Morris County Appraiser

Why and how did you get started in the appraisal profession?
Like most, I was in need of a job after I graduated from college.

What did you want or intend to be when you grew up?
A veterinarian, until I learned that I don't like the sight of blood.

If you could change one thing associated with appraisal, what would it be?
Rude taxpayers.

What person(s) has had the greatest effect on your personal and professional life?
It would be hard to pick just one or two people as everyone I know has affected me in one way or another—good or bad.

What personal and/or professional goals do you have for yourself?
Live life and have fun.

What are your hobbies or ways you like to spend your spare time? (Okay, pretend you have spare time!)
I like to spend what free time I have doing a little team roping.

IAAO Board Candidates Send Thanks

Thank you Kansas! I would like to thank the Kansas Chapter and your Executive Board for their endorsement and support during the recent election. I would also like to thank Lisa Andres for her campaign. She is a super neat lady and will serve IAAO well in the years to come. I also wish our new President-Elect Kim Lauffer, RES, RMA, a big Rock Chalk! as she assumes a new role as our next Leader. Please call me or write me as I am here to represent you on the board. Again, thank you.
—Best Always,
Tim Boncoskey

To the members of the Kansas County Appraiser's Association,

I wish to share my gratitude for your endorsement and support in my successful election to the IAAO Executive Board. It means a lot to me to be endorsed by your association and the many respected professionals within it. I promise to give IAAO my best efforts. I would also welcome any questions or concerns that you may have in the future. My email address is scott.winter@milwaukee.gov and my phone number is 414-286-3137.
—Scott Winter, RES

79th Annual International Conference on Assessment Administration

August 25 – 28, 2013
Grand Rapids, Michigan

IAAO Member News

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

40-year Member: Eugene Bryan, Jr., CKA, RMA, Wyandotte County

35-year Member: Bruce Webb, CAE, Cheyenne County

25-year Member: Stephanie O'Dell, RMA, Miami County

15-year Member: Jami Clark, Greenwood County; Sherry Pike, RMA, Clark County; Margaret Sue Poltera, Reno County; DJ McMurray, RMA, Pratt County

10-year Member: Georgianna Rail, RMA, Montgomery County; Scott Palecki, Foulston Siefkin LLP, Wichita; Jeff Storie, RES, RMA, Wyandotte County

5-year Member: Patricia Israel, RMA, Ford County; David Stithem, CKA, RMA, Sheridan County; Ronnie Tidwell, III, RES, Sedgwick County; Mitchell Shaffer, Wyandotte County

New Members: Jeffrey Berg, Samuel Byrd, Michelle Clark, Briar Conner, Clint Haley, R. Jason Hensley, Brent Kliebert, Jr., Elizabeth Lattin, Michelle Sipes, Heath Venard and Dee Wood – all from Johnson County; DeLinda White, RMA, Labette County; Stephen Throckmorton and Jack Manion, Sedgwick County

Leis to Harper County

Lance Leis, RMA, made a change to become the Harper County appraiser after serving as the Morris County Appraiser. You can read more about Lance in the January 2012 issue of Appraising the Plains.

Heather Finney is the new Morris County Appraiser (see above).

Comments on The Appraisal Foundation's Strategic Plan

Editor's Note: In case you are not aware of some of the activity surrounding The Appraisal Foundation, you might want to read the following responses from the Appraisal Institute and the IAAO concerning The Appraisal Foundation's Draft Strategic Plan.

Response from the Appraisal Institute

September 28, 2012

The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Re: Draft Strategic Plan

Dear Members of the Board of Trustees:

On behalf of the 23,000 designated members, associates and affiliates of the Appraisal Institute, thank you for the opportunity to comment on The Appraisal Foundation Draft Strategic Plan.

We have reviewed the Draft Strategic Plan and wish to convey several serious concerns, which are outlined below. In sum, the Appraisal Institute respectfully requests that the Board of Trustees do the following:

• Avoid duplicating the efforts of professional appraisal organizations and standards-setting bodies.

• Withdraw the proposal for TAF to develop education.

• Refocus TAF's mission on the concerns of the profession by promulgating clear and enforceable appraisal standards and minimum appraiser qualifications criteria.

PRIMARY CONCERNS

The Draft Strategic Plan appears to be more of a business or tactical plan than a strategic plan, as it does not directly address systemic issues facing the profession (age attrition, uneven professionalism, lack of succession, professional irrelevance, etc.), but instead provides pathways for new TAF revenue streams. We find the continued emphasis on funding, rather than on the concerns of the profession, to be disconcerting given TAF's public role and mission. Therefore, we urge TAF to renew its focus on addressing critical and unresolved issues that stem from its original intended mission of promulgating clear, understandable and enforceable appraisal standards, and minimum qualifications requirements.

The Draft Strategic Plan would position TAF to duplicate activities already undertaken by the professional appraisal organizations, academic organizations and even other standards-setting organizations. In this regard, TAF appears to be positioning itself as a traditional professional association (or perhaps a traditional trade association) by ramping up public relations activities, outreach to non-real property professionals, and establishing its own voice. Concurrently, it appears another goal of TAF is to make traditional professional associations obsolete, even while it acknowledges the intellectual contributions of sponsors.

This is particularly true in the area of education, where TAF actually proposes to compete with private education providers in the development and delivery of education to appraisers. We find this proposal to be contradictory to TAF's original purpose, which was recognized by the United States Congress in Title XI of FIRREA. Further, we also are concerned that if TAF chooses to pursue this proposal, it will expend precious resources duplicating or overlapping the appraisal education created by the professional organizations. In our opinion, the precious resources of money, time and expertise are better directed toward TAF's original purpose of setting appraiser standards and qualifications.

It is interesting to note that TAF has cut back on funding to the Appraisal Standards Board and the Appraiser Qualifications Board, reducing the number of face-to-face meetings and, in doing so, the ability for these boards to resolve outstanding issues and concerns. This includes issuing guidance documents, such as Frequently Asked Questions, which were published regularly for many years, but have recently been issued very irregularly. We firmly believe that the development of education should not come at the expense of TAF's public mission and purpose.

The overlapping efforts and redundancies are not limited to the area of education, as the Draft Strategic Plan proposes a global reach, where it likely would compete with and offer parallel programs with such entities as the International Valuation Standards Council (IVSC). For example, TAF recently established an International Valuation Council that appears to run parallel with the IVSC's Valuation Professional Organisations Advisory Forum.

As you know, the IVSC promulgates the International Valuation Standards (IVS), which were revised and released in 2011. The IVSC's membership includes more than 70 organizations from 54 countries, and the IVS enjoys strong recognition and integration in international valuation circles. USPAP, on the other hand, is not adopted by any country other than the United States. Given the host of problems that remain unresolved with appraisal standards and appraiser qualifications in the United States, we question the merits or necessity of advancing USPAP and TAF programming abroad.

It is clear that no empirical evidence has been publicly presented that shows the need for TAF to develop education. In fact, aside from citing some proprietary interests of spon-

continued on next page

Appraisal Institute Response, cont.

soring organizations (I.e., reducing developmental and administrative redundancies, timely release of continuing education, etc.), the only justification publicly conveyed was a recent statement by the TAF President that TAF had been requested to do this by the sponsoring organizations. Advancing the proprietary interests of TAF and its appraisal sponsors is the wrong reason for such a major shift in mission. This is especially true given the fact that efficiently developed, timely and consistently produced education is available to all appraisers from an assortment of education providers. Appraisers have access to a broad array of education service providers in the market today. No shortage of appraisal education exists, as it is widely available to both professionally designated appraisers and non-affiliated appraisers.

When TAF established the Appraisal Practices Board, TAF made a conscious choice to compete with professional appraisal organizations and private education providers, arguing that non-affiliated appraisers did not have access to guidance materials. We disagreed with that assertion then and we disagree with TAF becoming involved in education development and delivery now, given that ample education exists and is widely available to appraisers today.

Barring evidence to the contrary, we recommend that if the TAF sponsoring organizations want to pursue collective initiatives to develop and deliver education, they should do so within a venue that does not also carry substantial public responsibilities bestowed by Congress. Such an effort would constitute a proprietary interest and, therefore, should not be undertaken with TAF, given its responsibility for maintaining the public trust.

The Appraisal Institute also believes that the move to develop appraisal education is incongruent with TAF's mission to be an independent, standards-setting organization. When Congress authorized TAF to promulgate appraisal standards and minimum appraiser qualifications for federally related transactions, it did so based on the understanding at that time that TAF was a legitimate representative of all professional appraisal organizations. This no longer appears to be the case, as TAF, in recent years, actually has moved to compete with those organizations.

TAF development of education and the advent of the Appraisal Practices Board are major departures from the consensus reached in the late 1980s between the Federal government and the appraisal profession. The Congress and appraisal stakeholders agreed that Federally Related Transactions needed a mandatory set of standards to increase confidence in the valuation of properties for federally related lending. Leading organizations in the profession contributed their existing standards to form a basis for a mandatory standard to be known as The Uniform Standards of Professional Appraisal Practice (USPAP). The contributed standards still form the core of USPAP.

The understanding between Congress and appraisal stakeholders, at that time, was that TAF would maintain the mandatory standards, and that voluntary guidance and voluntary standards related to methods and techniques, along with educational offerings related to the body of knowledge, would remain in the domain of the profession and academia. This consensus worked for almost 20 years. Unfortunately, TAF's embrace of education development, along with it establishing the APB, casts aside consensus, raising serious questions about whether TAF is capable of maintaining the unique responsibilities and privileges bestowed on it by Congress.

In contrast to TAF, the IVSC does not currently develop – directly or indirectly – education for appraisers1. This is similar to other standards-setting organizations such as the Financial Accounting Standards Board and the International Accounting Standards Board, both of which restrict themselves in the area of education to constituent professionals. **TAF development of education would be incongruent with maintenance of the Course Approval Program of the Appraiser Qualifications Board.** While this is a voluntary program, the program is recognized by statute under the Dodd-Frank Act and is encouraged to be used by the Appraisal Subcommittee. Simply put, a serious conflict of interest exists for TAF to propose the development of education and the maintenance of a program that provides important services to appraisal education providers. The Draft Strategic Plan fails to recognize an obvious conflict of interest and only indirectly attempts to resolve this conflict of interest through the formation of a separate education committee. Such a move would fail to address the clear competitive advantage that TAF would have in the area of education over ***all*** other private education developers and providers.

We note that there is a precedent for Congress to establish limitations in the area of education for private organizations that have direct authorizations from Congress. When it authorized the National Mortgage Licensing System (NMLS), Congress prohibited the NMLS from directly or indirectly developing or offering any qualifying or continuing education to those whom they oversee2. This is an appropriate example that is comparable to the situation involving TAF, not just because TAF maintains a Course Approval Program that enables education providers to seek a single approval of education in all 50 states, but also because of the endorsement of TAF by Congress as the source for appraiser standards and qualifications.

Lastly, as we previously testified before Congress, the Appraisal Institute has strong reason to believe that the moves to position TAF to compete with private education providers was directed, in part, by the Appraisal Subcommittee or its influential members. These actions date back as far as three years prior to the formation of the Strategic Plan Task Force. Specifically, in the summer of 2009, a Federal Reserve Bank of Atlanta official participated in a phone conversation with the ASC executive director and an ASC board member from the Federal Reserve to discuss a TAF Task Force on Best Practices and appraisal methods and techniques. The Appraisal Practices Board was established, despite strong objection from at least one federal bank examination agency representative on the Best Practices Task Force. According to a memo written by a subject matter expert from the Federal Reserve Bank of Atlanta, and sent prior to the release of the TAF Task Force on Best Practices' Final Report:

> However, it is neither my recommendation to the Board staff as an assigned technical resource, nor the Board staff's position that the Federal Reserve would be in favor of the creation of a separate 'Best Practices Board. The structure of ASB and AQB being solely liaisons to this Board are also problematic and something I would advise against as a technical resource.[3]

During the same phone conversation referenced above, the parties reportedly discussed funding options for development of best practices, <u>and TAF involvement in the development and delivery of education</u>, including coordination on how TAF would issue Requests for Proposals. This begs the question of how long TAF has been considering direct involvement in education development, despite public statements to the contrary.

RECOMMENDATIONS

For the reasons cited above, the Appraisal Institute urges the TAF Board of Trustees to reconsider the Draft Strategic Plan. Specifically:

• We do not believe that the Board of Trustees should approve a Strategic Plan that places TAF in direct competition with professional appraisal organizations.

• Further, TAF should not do so at the expense of the public charges granted by Congress to the ASB and AQB.

• Finally, should the TAF Board of Trustees choose to ignore our first two recommendations, the TAF Board must reconcile the maintenance of the Course Approval Program with TAF's proposed new role in developing education. Simply forming a committee will be inadequate when it comes to maintaining the public trust.

• Lastly, assuming that TAF proceeds with its Draft Strategic Plan, as presented, the Appraisal Institute requests a clarification regarding the eligibility for the Education Committee outlined in the Draft Strategic Plan. It is not clear if this proposed entity would be meant solely for the TAF sponsoring organizations or if non-sponsoring organizations would be eligible to participate.

We wish to thank the TAF Board of Trustees and the TAF Strategic Planning Task Force for giving us the opportunity share our thoughts and concerns regarding the TAF Draft Strategic Plan.

Sincerely,

Appraisal Institute

Cc: The Honorable Judy Biggert, Chairman, House Subcommittee on Insurance, Housing and Community Opportunity
The Honorable Luis Gutierrez, Ranking Member, House Subcommittee on Insurance, Housing and Community Opportunity

[1] Tom Boyle suggested a new project relating to real estate and the misunderstanding of nonconforming uses and the highest and best use principle. However other Board members considered that this would bring the IVSC into an educational role, which is not its remit. From Minutes of the Meeting of the IVSC Standards Board Held in Hong Kong on 3 November 2011. Available at: http://www.appraisalinstitute.org/bg-pdfs/minutes_ivsb_20111103.pdf

[2] The SAFE Act limits the National Mortgage Licensing System established by the CSBS from directly or indirectly offering education for qualifying or continuing education for mortgage originators. See 12 U.S.C. 5104(c)(3) http://www.law.cornell.edu/uscode/html/uscode12/usc_sec_12_00005104----000-.html.

[3] Memo from K.C. Conway to David Wilkes regarding Response to Draft Task Force Report to the Appraisal Foundation Board of Trustees, August 17, 2009. Available at http://www.appraisalinstitute.org/bg-pdfs/aug17-09-memo-aug21-best-practices.pdf

Response from the International Association of Assessing Officers

September 25, 2012

The Appraisal Foundation
c/o Paula Douglas Seidel, Executive Administrator
1155 15th Street NW, Suite 1111
Washington, DC 20005

Via email: paula@appraisalfoundation.org

Re: TAF's Draft Strategic Plan

Dear Members of the Board of Trustees of The Appraisal Foundation:

The International Association of Assessing Officers' Executive Board carefully reviewed the Draft Strategic Plan presented by the Strategic Plan Task Force of the Board of Trustees (Plan). The IAAO is proud to be one of the original Sponsors of The Appraisal Foundation (TAF) and equally proud of the many years we have worked together. Additionally, the IAAO takes very seriously its leadership responsibilities in the assessment/appraisal community including all of those affected by property valuation. To that end we believe it is our obligation to speak to the content of the Plan before final consideration is given to its approval. We appreciate the opportunity to provide comments. The IAAO has grave concerns with much of the proposed Plan and therefore we strongly oppose its adoption. In our opinion the Plan is not in the best interests of the general public, the users of appraisal services, or the appraisal profession. We are in disagreement with the overall Plan and are especially troubled by several of its specific sections.

Future Education Role of The Appraisal Foundation

We find it conflicting for TAF to become a full-fledged course developer and wholesaler of education products given its rulemaking abilities relative to standards and qualifications as well as its specific authority by Congress regarding the real property appraiser regulatory system. This environment creates an unfair playing field and could well result in a monopoly which stifles creative advancement of the very education it is attempting to develop. The Plan suggests the Sponsors would provide many of the course developers (SMEs). As TAF becomes an imbalanced competitor, the Sponsors will cease to have the resources and incentives to produce SMEs.

The role of education is best left to appraisal associations, like the IAAO, that have a proven track record of success. We, like many of our fellow sponsors, were founded and legally incorporated on the very principle of education for our members ***over three quarters of a century ago.*** Our courses and designation programs have been created, written, re-written, updated and promoted for many decades, with the most prominent of those, the CAE designation, first being introduced 60 years ago.

Perceived problems, if any, with the current level of appraisal education will not be solved by TAF entering the field. Rather TAF's possible monopolization will diminish the good work of those current problem solvers.

Should TAF adopt this proposal it represents a radical shift from recent policy statements. In a July 26, 2011 letter to The Honorable Judy Biggert, Chairman of the Subcommittee on Insurance, Housing and Community Opportunity, Mr. David C. Wilkes, then Immediate Past Chair of The Appraisal Foundation stated in pertinent part:

> In fact, TAF has endlessly made it clear … that we view appraisal education (beyond those tasks specifically assigned to us by our Sponsors, such as the development of USPAP training) as the province of our Sponsors and not TAF. I repeatedly emphasized in Task Force meetings the TAF position that any eventual best practices work product could not stray into educational offerings that were beyond the TAF mission and that our goal should rather be to enhance and highlight the work of our Sponsors wherever possible in ways that promoted the public trust and increased the level of competence among appraisers.

Furthermore in another July 26, 2011 letter to The Honorable Judy Biggert, from Joseph C. Traynor, then Chairman of the Board of Trustees and David S. Bunton, President, TAF's policy was stated as:

> …the Foundation does not offer education to appraisers or the public. This is reinforced by a policy the Foundation has had in place since 1998 which limits its educational activities to state appraiser regulators and instructors of appraisal standards. As an aside, the Foundation has had a voluntary Course Approval Program to assist both educational providers and state regulators for many years. This program helps facilitate the review and approval of educational offerings by providers, but in no way establishes the Foundation as an educational provider or mandatory conduit through which appraiser education must be approved.

These policy statements have certainly led us to believe that TAF has no intention of entering the appraiser education arena beyond its current USPAP involvement. The wisdom of these policies as so stated above makes clear that appraisal education is the province of the Sponsors and not TAF. An attempt to now contradict those longstanding policies is illogical and clearly misguided. The IAAO strongly opposes this proposed change in TAF policy.

Proposed changes to the structure of the Board of Trustees

The Plan contains three options for restructuring the Board of Trustees (BOT). In each case the opportunity for Sponsors to appoint members is completely eliminated. The IAAO believes this is a serious error. TAF has stated many times that the Sponsors are a valuable resource. The Sponsor appointed members bring back valuable input to the associations who in turn have forums that can provide irreplaceable feedback to TAF. Denying the Sponsors an opportunity to appoint BOT members breaks that valuable interaction. Suggesting it can be replaced with a Sponsor's council is disingenuous and destroys the very footing upon which TAF was built. The IAAO strongly opposes discontinuing Sponsor appointed BOT members.

AVMs

The Plan twice mentions Automated Valuation Models or AVMs. First they are mentioned under the topic Future Funding Sources where it suggests developing standards for users of AVMs and second, under the topic Staying Abreast of Changing Valuation Products where it repeats drafting standards for users for Automated Valuation Models (AVMs).

The IAAO has a technical standard on AVMs originally adopted in 2003 and has longstanding experience with AVM and CAMA modeling. The IAAO is considered the pioneer and leading expert in this area. Given the established expertise the IAAO has in this area, TAF should defer the development and maintenance of AVM standards to the IAAO. At the very least TAF should depend on the IAAO to lead the effort in

IAAO Response, cont.

authoring any future materials relative to AVM standards.

Closing

In closing the IAAO Executive Board is adamantly opposed to the radical change in direction the Plan proposes for TAF. It would seem the responsibilities of professional standards and appraiser qualifications are challenging enough. Matters of appraisal education and technical standards should be left to those that have demonstrated skills in these areas. Relegating original Sponsors to a council is disrespectful considering all they have given to establishing and supporting TAF. We decisively call for the draft Plan to be rejected in total. Thank you for your consideration and we look forward to your reply.

Sincerely,

Debbie Asbury
President, IAAO

Lisa Daniels, CAE, MPA
Executive Director, IAAO

Oil Notes of Interest

By Rick Stuart, CAE

■ Tennille Tracy, *The Wall Street Journal*, Sept. 27, 2012. The Environmental Protection Agency (EPA) has released ground water testing results in Wyoming. The tests suggest that additional chemicals were found in the water as a result of fracking in the area. However, the EPA did not indicate if there were potential health issues associated with the find.

■ Fareed Zakaria, *Time*, Oct. 19, 2012. In 2011, for the first time since 1949, the U.S. became a net exporter of refined petroleum products. Several studies this year have projected that by the end of this decade the U.S. will surpass both Russia and Saudi Arabia and become the world's largest producer of oil and liquid natural gas. A large share of this comes from the changes in methods of extraction and what is currently called fracking.

■ Ryan Dezember, *The Wall Street Journal*, Nov. 20, 2012. SandRidge Energy Inc. is coming under a large amount of pressure from their largest shareholders to make changes at the top of the management structure. The company has recently announced it would seek to sell some of its most profitable oil fields. The stock has fallen nearly 33% this year and has lost more than three-quarters of its value since its 2007 IPO (Initial Public Offering).

■ Alison Sider, Russell Gold and Ben Lefebvre, *The Wall Street Journal*, Nov. 19, 2012. Can frack water be reused? It appears that companies are finding methods to recycle the water used in hydraulic fracking. The used water is being cleaned of chemicals and rock debris and then reused. This process is reducing the cost of production by reducing the amount of used water that must be hauled away and injected into licensed deposal sites plus the cost of purchasing water. Water alone can cost upward of $400,000 per fracturing attempt. Research is currently being conducted to replace the use of water with propane gel or compressed air.

Read current or past issues of Appraising the Plains online

http://www.kscaa.net/newsletter-2/

Camo Manufactured Home

Submitted by Barb Konrade, Barton County

Barb saw this somewhere around Cañon City, Colorado, but almost missed it—for good reason!

Assessing a Prospect: Reps Look at Oil-Gas Potential in Region

By John Green, The Hutchinson News, jgreen@hutchnews.com. Nov. 27, 2012. Reprinted with permission.

Between 500 and 600 people attended a day-long conference at the Kansas State Fairgrounds Tuesday to learn about potential opportunities in connection with the Mississippian Lime Play, a geologic zone nearly a mile underground in south central Kansas that's full of trapped oil and gas now being freed through hydraulic fracturing.

A panel made up of representatives from several major U.S. oil companies and a couple of independent regional ones that have been drilling in the area the past 18 months conveyed their excitement about what they're finding—and some of the challenges they're facing.

Gov. Sam Brownback introduced the event and moderated the panel discussion. That discussion and several brief presentations were then followed by a business to business networking opportunity for small businesses around the state to make contact with the oil and gas producers.

Growing numbers

Some figures offered Tuesday give a hint at the importance and potential for the zone, which in Kansas has seen concentrated production primarily in six counties along the Oklahoma border, but which is now moving northward. From Jan. 1 through Tuesday, the state has received 6,901 intent to drill notices, including 252 permits for horizontally drilled wells. For all of last year, the state received 4,604 notices of intent, including just 42 horizontal wells.

Traditionally, oil wells are drilled vertically. In Mississippian Lime, a geologic zone created some 330 million years ago, producers use a combination of horizontal drilling and hydraulic fracturing—breaking up the rock zone underground with a pressurized, chemically treated sand and water mixture—to tap the zone. While tremendously more expensive to drill and operate—averaging about $3.25 million per well—the wells are exponentially more productive.

From 1915 to 2000, the Mississippian zone has accounted for 17 percent of the state's total historical oil and gas production, Rex Buchanan, of the Kansas Geological Survey, informed the audience. In just the last year, the number of producing MLP wells went from 18 to 75, and production from MLP accounted for 4 percent of the state's total. We do know this thing is real, said David Todd, vice president of production for Shell Exploration.

Big investment returns

All of the panelists emphasized that there's a learning curve for production from the zone, and a price level oil must remain above to keep the development profitable. Mississippian rock formations are different throughout the state, said Wayne Woolsey, CEO of Woolsey Energy Corp. in Kansas, and producers have to learn about the specific rock in an area and how to drill and fracture before the operation can become profitable.

Eighty-four percent of the state has Mississippian rock, but you have to learn the rock. I've horizontally drilled 10 of these, Woolsey said. The first three (wells) never paid out. The fourth one will pay out this month—and the fifth one will pay for the first three.

With a submersible pump in that well, it produced 30 barrels of oil an hour and 6 million cubic feet of gas, Woolsey said. But we don't have the infrastructure to run the pump from the surface. So, using the pump occasionally to stir up production instead, the well is producing 350 to 425 barrels of oil per day, Woolsey said. In contrast, some 94 percent of Kansas oil wells are considered marginal and produce less than 10 barrels per day. Yet the industry supports 67,000 jobs and $2.7 billion in annual payroll.

Woolsey's company, which has been producing in Comanche, Barber and Harper counties since the 1970s, at one time had some 280,000 acres of mineral rights in the area leased. He's since sold the rights to all but 80,000 acres.

Major players

Oklahoma City-based SandRidge Energy have leases on about 800,000 acres in Kansas, company president and COO Matt Grubb advised the audience. Prior to developing in the MLP last year, all its investments were in vertical wells in the Permian basin.

Now we have 507 wells in Mississippian Lime Play, 45 percent of all the wells drilled in the entire play, he said. We have about 100 producing now in Kansas. In 2013, we plan to drill 180 to 200 wells in the state. In all, we're probably talking about $700 million gross investment in Kansas.

It's a big commitment and we've had varied success, but we like the Mississippian Lime Play so much we're putting all our Permian assets up for sale. The company hopes to use proceeds from that sale to pay for its Kansas production in 2014.

Shell Exploration and Production has between 600,000 and 700,000 acres leased in nine counties in Kansas, Todd said, and the dozen wells drilled so far have had mixed results.

Of all the places we've got operations, not many are as industry-friendly as Kansas, Todd said. We're active in unconventional resources in six or seven states and provinces, as well as emerging growth in China, the Ukraine, South America and South Africa. All are based on what we're learning in North America.

Every single horizontal well they drill is difficult, Todd said, but with the learning curve, they become more economical. And compared to production in the Bakken formation in North Dakota, Todd noted, the cost to drill in Kansas is about one third. The first well traditionally takes about 60 days, he said. Some wells we can drill today in 13 or 14 days.

Tug Hill Operating, a year-old company formed by several major producers including BP, has some 850,000 acres under lease in MLP and has two rigs operating in Kansas, said Michael Radler, president and CEO. We like what we see, Radler said. It's a great opportunity for the industry and for stakeholders, landowners and mineral rights owners.

He believes the investments necessary for production will build up multigenerational infrastructure for communities in the region, but also people infrastructure, Radler said, with additional training and opportunities.

Also on the panel was Robert Murdock of Hutchinson, CEO of Osage Resources. We have 20,000 acres in Barber County (where) we're developing our assets, he said. We have seven horizontal wells in process. Our average 30 days (production) rate is 100 barrels a day or 60,000 cubic feet of gas. His company plans to keep one rig operating in the state, with plans to drill 12 wells in the next year.

Big challenges

Potential bottlenecks to production in Kansas which the CEOs identified during Tuesday's panel were issues of water, waste water, electricity and

All of the panelists emphasized that there's 'a learning curve' for production from the zone, and a price level oil must remain above to keep the development profitable.

trained manpower. Issues identified by members of the audience also included housing, though the panelists indicated solutions often quickly follow the need. Production through hydraulic fracturing requires immense amounts of water, and the waste water resulting from the operation—potentially 3,000 to 4,000 barrels of water per day—must then be disposed of either by hauling it off or injecting it deep into the ground.

Large amounts of electricity are also needed for a fracturing operation, but rural sites often must rely on gas-powered generators. Murdock said serious issues facing his company's drilling schedule were electricity at remote sites, the availability of sufficient water over the next 10 years, and developing ways to handle waste water from production.

We're developing new ways to handle water so it can be reused in fracking, he said. We're able to conserve freshwater by reusing and recycling the water we're using.

Another audience member raised a concern about the amount of water the companies are allowed to use without regulation, threatening municipal water sources in areas that have suffered multiple years of drought.

Potential new regulations are being drafted that would require an offset from a water appropriation area if water is threatened with being over-appropriated, a Kansas Water Resources officials advised.

As far as manpower, the skilled needs will be in welding for pipeline construction, electricians, heavy equipment operators, truck drivers and management.

PR Tips

KCAA Public Relations Committee

Turn Mistakes into Positives

The beauty of mistakes and failing is that you will ***gain the knowledge of how not to do something***. This is crucial knowledge. Not only that, anytime you do anything you learn. Over time and with the correct effort, the odds of success dramatically increase as experience and knowledge eliminate guessing and unknown circumstances. I believe that more is learned from our mistakes and failures than could ever be learned from what is deemed as a success.

How to Prevent Mistakes

Preventing mistakes 100% of the time is, at the very least, close to impossible. However, ***we can prevent mistakes a high percentage of the time***, even if it isn't 100%. The way to do this is to simply think before you act. That's right, think before you act. When you wake up in the morning, don't frantically go to the kitchen and dump a bowl of cereal and start scarfing down those honey nut cheerios. Wake up and think. Find your clothes, brush your teeth, get cleaned up, take your vitamin, tell your spouse you love them, pet your cat/dog, feed your gold fish, or meditate. Think carefully about what to do. Whatever situation you are in, focus your mind on what it is you are doing. Here are some simple steps to preventing mistakes.

- Focus clearly
- Write things down
- Get other people's perspective
- Move forward with courage and confidence

—Source:http://www.drjerm.com/Learn-From-Mistakes/Learn-From-Mistakes.php

Less Stress in 2013?

We are all soooo busy this time of year. Now at the end of another year and the beginning of a new year, let's take time to reflect on the good things from 2012, mourn those who have passed, cherish the memories, and move on to a more pleasant, maybe calmer, less stressed NEW YEAR!!!

Customer service is the discipline of providing the best possible solutions and support to your valued customer—being everyone.

—From answers.ask.com

Editor's Note: The following articles from the Montgomery County Chronicle and the Ottawa Herald discuss some very important and dangerous property tax legislation expected to be debated in the 2013 session. I recommend that you read them to have a working knowledge of the issue if asked by a property owner or legislator.

Tax Bombshell: Proposal would jolt all wallets

By Andy Taylor (chronicle@taylornews.org), Montgomery County Chronicle, Dec. 6, 2012. Reprinted with permission.

INDEPENDENCE — All Montgomery County taxpayers would be saddled with a property tax rate hike of at least 38 percent—with taxpayers within Coffeyville city limits facing as much as a 45 to 50 percent increase in property taxes—under proposed legislation that is expected to be debated in the 2013 Kansas Legislature, which convenes in early January.

That was the assessment from a Coffeyville certified public accountant Monday as he spoke to Montgomery County commissioners about anticipated legislation dealing with the tax classification of manufacturers and industries. Larry Wright, a longtime Coffeyville accountant who also serves as the commission's budget preparer, raised alarms Monday when he presented a spreadsheet from the Kansas Association of Counties showing the estimated tax impact of legislation that, if passed, would alter the definition of personal property as it applies to manufacturing businesses and industries in Kansas. *(See KAC spreadsheet on pages 20–21.)*

That legislation was instigated by CVR Energy, the parent company of the Coffeyville Resources refinery and nitrogen fertilizer plant, and lobbied heavily by the Kansas Chamber of Commerce and Industry during the 2012 legislative session. However, the legislation was stalled in committee after the Montgomery County delegation in the state legislature sought more time to study the ramifications of the bill. Legislative leaders ultimately agreed to seek an interim study on the legislation's tax impact. That study is expected to be released in March 2013.

However, the KAC's spreadsheet, which was sent to all Kansas counties on Nov. 28, gives a preliminary view of what the legislation would do to local pocketbooks if it is passed and signed into law by Gov. Sam Brownback. Local taxpayers' share of county-only property taxes would likely increase by as much as 38 percent because the legislation would grant a sizable tax break to manufacturing-related industries, thereby forcing the tax levy to increase due to a drop in property valuations, Wright said.

Because all taxpayers pay a portion of their taxes to county-only programs and services, all Montgomery County taxpayers could see their county levies rise from 42.177 mills to 58.191 mills, or 38.10 percent, according to the spreadsheet.

The spreadsheet showed Montgomery County having the greatest increase in tax shift of any Kansas county. Wright said he assumed the volume of increase was due to Montgomery County having several major industrial manufacturers, including a refinery and a nitrogen fertilizer plant. Montgomery County is the only county in Kansas to have a refinery and a nitrogen fertilizer plant, he said.

The volume of tax increase would be greater in the Coffeyville area, which is home to the Coffeyville Resources nitrogen fertilizer plant and refinery. The proposed legislation, if enacted, would dramatically alter the tax bases not only for the county but also for city, school, community college and all other tax-supported governments. If those taxing entities have to adjust their tax valuations due to the tax breaks that will be granted to the manufacturers and industries, then tax levies would have to increase to make up the difference.

So, what would the impact be for a Coffeyville city property owner? Wright projected, using numbers that he said were best estimations, that the total ad valorem tax rate for a property owner in Coffeyville would increase from the current 166 mills to about 245 mills — which is a 47.5 percent increase.

He showed the impact of the legislation using his own house, which is located outside the Coffeyville city limits. Wright said his current property taxes were about $2,810 per year (based on a total ad valorem mill levy of about 133 mills). If the legislation is passed, then Wright's property taxes would increase to $4,000 per year (based on an projected mill rate of 188 mills) — which is an increase of 41 percent.

We're talking about major, major shifts in taxes, said Wright.

The KAC spreadsheet showed all Kansas counties experiencing some form of property tax shift—and ultimately a property tax hike—under the proposed legislation. However, most Kansas counties would see an increase from anywhere from 2.35 percent to 10.0 percent. Large-population and heavy-manufacturing counties would experience the greatest shifts with Montgomery County experiencing the greatest burden. Other Kansas counties that could experience dramatic increases in tax shifts, according to the KAC information include:

- Wyandotte County: 18.08 percent,
- Saline County: 17.10 percent,
- Neosho County: 15.13 percent,
- Butler County: 15.06 percent
- Thomas County: 14.23 percent,
- Bourbon County: 13.83 percent,
- Ford County: 13.68 percent,
- Crawford County: 13.48 percent,
- Shawnee County: 13.43 percent,
- Sedgwick County: 13.22 percent,
- Johnson County: 12.74 percent.

County commissioners expressed concern about the proposed legislation and the tax impact. They also noted that the information from the KAC may aid Montgomery County as it tries to lobby

Tax bombshell, cont.

legislators to defeat the legislation from passage during the 2013 session. Montgomery County, which already has a professional lobbyist on its payroll to fight the legislation, might consult with other counties and organize a team effort in stopping passage of the bills, said Wright.

We need to talk to our lobbyists and do what we can, but it will be an uphill fight because of most other counties will see much smaller shifts in their tax valuations, advised Wright. Larger counties like Sedgwick County and Johnson County will see large increases under this legislation, but it's nothing like what Montgomery County could face.

Melissa Wangemann, KAC legislative services director, said the fight to stop legislation concerning the reclassification of manufacturing properties to be the top priority for the organization and its county members across Kansas.

We'll have our work cut out for the 2013 session, she told the Montgomery County Chronicle. The problem with this legislation in the 2012 session was that no one could calculate the impact. Now that we've had time to study it, it's become obvious that this legislation would have a far-reaching impact on all Kansas taxpayers.

The total volume of county-only property taxes that could be written off the tax rolls across Kansas as a result of the proposed legislation could be more than $401 million, Wangemann said. That does not include the property tax breaks that would have to be granted by cities, schools, community colleges, townships, sewer districts or the governmental entities—meaning the overall statewide tax impact would likely be much greater than $401 million.

On a related note, commissioners agreed with a recommendation from Lonnie Addis, a Labette County commissioner, to hold a meeting with Labette County and Neosho County commissioners in the next several weeks to share their common concerns about the proposed legislation with State Sen. Jeff King, R-Independence. King's district includes Neosho, Labette and most of Montgomery County.

The total volume of county-only property taxes that could be written off the tax rolls across Kansas as a result of the proposed legislation could be more than $401 million…

Money Trail Connects Legislators With Major Parties in Tax Dispute

By Andy Taylor (chronicle@taylornews.org), Montgomery County Chronicle, Dec. 6, 2012. Reprinted with permission.

The legalities of a property tax dispute that emanated from a Montgomery County industry reaches not just into the court system. It reaches directly into the campaign coffers of Montgomery County's state senators and state representatives—as well as other candidates who have sought state offices.

Major players in the tax dispute are Coffeyville Resources, which owns a Coffeyville-based refinery and nitrogen fertilizer plant, and the Kansas Chamber of Commerce Political Action Committee (PAC), which lobbied the Kansas Legislature in 2012 to approve legislation that would grant sizable tax breaks to major industries like Coffeyville Resources.

According to campaign disclosure statements that are filed with the Kansas Governmental Ethics Commission and made available to the public via the commission's website, a money trail exists between local lawmakers and those two groups.

State Sen. Jeff King, R-Independence, who was elected as the Kansas Senate Vice President on Monday, received two $250 contributions from Coffeyville Resources, one on Oct. 4, 2011, the other on Dec. 6, 2011, according to campaign disclosure documents. The Kansas Chamber of Commerce PAC issued a $500 contribution to King's campaign on Dec. 9, 2011.

The National Cooperative Refinery Association, which owns a refinery in McPherson, Kan., also has a stake in the tax debate because it, much like the Coffeyville Resources refinery and nitrogen fertilizer plant, would benefit greatly from the tax legislation. The association contributed to King's war chest with a $400 campaign donation on Sept. 6, 2012.

The Kansas Chamber of Commerce PAC gave a $100 donation to State Rep. Jim Kelly's primary election campaign on June 21, 2012. Kelly is a Republican from Independence. CVR Energy, Inc., also contributed $500cto the campaign for Darrel Harbaugh, who was the Democrat Party nominee for the house seat held by Kelly. CVR Energy's contribution was issued on Sept. 27, 2012, according to campaign disclosure statements.

State Rep. Virgil Peck, R-Tyro, received a $500 campaign contribution from the Kansas Chamber of Commerce PAC on Sept. 25, 2012, according to the campaign statements.

Another prominent player in the tax discussion is Ash Grove Cement Company of Chanute, which, like Coffeyville Resources, seeks removal of the barriers that forces it to pay personal property taxes on fixtures at its Chanute-based plant. Ash Grove Cement Company issued a $500 campaign contribution to Jack Kopfman, Jr., who was a Republican candidate for the Kansas House of Representatives, 12th District. Kopfman, a Caney resident, lost that Republican primary challenge to incumbent State Rep. Virgil Peck, Jr., R-Tyro.

Kopfman's campaign also benefited from a $500 contribution from Coffeyville Resources on July 20, 2012. Ash Grove Cement Company also gave a $250 campaign contribution to State Rep. Richard Proehl, R-Parsons, whose district in Montgomery County encompasses the Coffeyville Resources refinery complex. That contribution was made on July 30,2012.

Proehl also received a $250 campaign contribution from the Kansas Chamber of Commerce PAC on Sept. 2, 2012.

Property Tax Dispute Has Been Multi-Year Saga

Reprinted with permission from the Montgomery County Chronicle, Dec. 6, 2012.

The nuts and bolts of a debate concerning the property tax classification of manufacturing industries literally has to do with nuts and bolts—those things that make manufacturing equipment pieces a permanent part to an industry's real estate.

In 2009, CVR Energy protested its tax assessment of its 2008 taxes on its Coffeyville-based nitrogen fertilizer plant. That tax protest was heard in the Kansas Court of Tax Appeals in 2011; in January 2012, the court rendered a decision that favored Montgomery County's position on the tax assessment.

CVR Energy's contention was that the value of its nitrogen fertilizer plant's real estate in 2008 was $420,000 and the value of the personal property, which is all of the machinery, equipment and other mechanizations on top of the real estate, was $25.9 million. Various components in the plant were originally used in a power generation plant in California known as the Coolwater plant.

CVR Energy contended that because the company's components were movable, the property should be assessed taxes at the rate of personal property.

However, the Montgomery County Appraiser's Department contended that the property was all inclusive of one larger real estate property and that the machinery and equipment should be valued as real estate instead of personal property. Therefore, the county applied a fair market value to the property of $303 million—a difference of almost 1,069 percent from the nitrogen fertilizer [sic]

In a 2-1 ruling, the tax appeals court ruled that CVR Energy built its nitrogen fertilizer plant, the net result was a newly created industry that is affixed to the real estate itself.

It has long been held that certain unattached items may become part of the real property by means of 'constructive annexation', wrote chief judge Bruce F. Larkin. In this instance case, we acknowledge that most of the assets in dispute are movable, are equipped with design features that make them movable and are in fact moved from time to time. We nonetheless find the assets in dispute are annexed to the real estate. All of the assets in dispute are interconnected, according to unique design specifications, to function as a working system—a system that has been operating efficiently since October 2000.

As a result of that decision, CVR Energy appealed to the Kansas Court of Appeals (not to be confused with the Kansas Court of Tax Appeals), where the company also filed a protest against its 2009, 2010 and 2011 tax assessments.

CVR Energy's chief argument is that the fixtures, or manufacturing equipment, of the nitrogen fertilizer plant should be classified as personal property because of its mobile, movable nature and, therefore, qualify for tax exemption under a 2006 state law that allows for the purchase of new machinery and equipment in Kansas manufacturing plants to be exempt from taxation.

Following the tax court's decision, attorneys from CVR Energy worked with the Kansas Chamber of Commerce and Industry to propose a bill in the 2012 Kansas Legislature that would define fixtures used by manufacturers as personal property instead of real estate. Under that definition, most equipment used by any Kansas manufacturer would be exempt from taxation.

However, as the legislation was being debated in the legislature, lawmakers agreed to hold off on a vote until the bill's property tax impact could be evaluated and studied. The tax issue was sent to the Legislative Post-Audit Division, where auditors are currently examining the bill's impact on Kansas counties, cities and other local units of government. That study is expected to be finished in March 2013.

Under [the proposed] definition, most equipment used by any Kansas manufacturer would be exempt from taxation.

Chronicle Editorial:

Citizens Should Give Full Attention When Legislature Debates Bill

By Andy Taylor

Prospects that a proposal in the 2013 Kansas Legislature would raise all Montgomery County taxpayers' property taxes anywhere from 38 to 50 percent ought to be enough to make any citizen frightfully concerned about the future of Montgomery County.

That's why it is imperative that all citizens and businesses pay heed to the news coming from the state capitol when the Kansas Legislature convenes its 2013 session in early January.

Because the tax debate centers around the tax classification of equipment used by manufacturers, Montgomery County will be front and center in the fray. That's because Montgomery County has a tremendous volume—perhaps the highest of any county in Kansas—of manufacturing equipment used by industries. That claim is a feather in our cap. But when it comes to taxing that equipment, the manufacturing owners desire a tax break.

That means the tax burden has to be shifted elsewhere. Residential homeowners, small business owners and industries that do not qualify for such tax breaks will assume that massive burden.

While local government officials should be welcoming in their approach as they deal with local manufacturers, they also should remember that there are many other people who foot the bill. And, Monday's disturbing news from the county commission showing the tax impact of the legislative proposal that was debated in 2012 (and will likely be heard again in 2013) ought to make citizens take a second look at those tax breaks that are being discussed, the money that is given to politicians from big business, and the state lawmakers themselves who undoubtedly walk an awfully tight line on this particular tax issue.

So, too, should residents keep abreast of the political atmosphere

continued on next page

Chronicle Editorial, continued

that has enveloped Topeka in the past year. A hardnosed, conservative movement has taken over both chambers of the state capitol, which has an arch-conservative governor at the ship's wheel. Look for the majority party to carry a pro-business, pro-growth, anti-tax stature in most of their discussion. Just be wary that the rhetoric never matches the reality. It always sounds good to cut taxes, encourage business expansion, and get rid of government. However, those virtues rarely happen without the saddle belt getting cinched tighter around the belly of the local taxpayers.

One thing for sure: should any proposal dealing with the tax classification of manufacturing equipment gain approval in the state capitol, it will have a massive impact on the property tax structure in Montgomery County. The numbers have confirmed it.

Reprinted with permission from the Montgomery County Chronicle, Dec. 6, 2012.

It always sounds good to cut taxes, encourage business expansion, and get rid of government. However, those virtues rarely happen without the saddle belt getting cinched tighter around the belly of the local taxpayers.

Proposal Could Raise Tax Rate By Nearly 10 Percent

By Crystal Herber, Ottawa Herald staff writer, Dec. 7, 2012. Reprinted with permission.

Economic stimulation comes at a price. And that price could arrive in the form of higher property taxes for Kansans.

Franklin County taxpayers might see a more-than-9.5-percent mill levy increase under legislation proposed for debate in the 2013 Kansas legislative session. The bill up for consideration would further shift the tax burden from manufacturers to residents. Such an increase for county taxpayers would have profound effects—for better or worse—on county government and the people it serves, local officials said.

It would be a bad effect for the county. We'd be losing money, David Hood, Franklin County Board of Commissioners chairman, said. We'd have no choice [but to raise local property taxes] in order to provide services. Or we're going to have to start cutting services, and nobody wants to do that.

The legislation would allow industries and manufacturers in Kansas to receive a tax exemption on the valuation of their property based on fixed machinery and equipment, effectively altering the definition of personal property. In other words, a manufacturer would not pay property taxes on machinery that was so affixed to the property that it affects the assessed valuation of the property. The legislation was considered in the 2012 session, but died in committee before the Legislature could vote on it. A study on the legislation was ordered and is expected to be released in spring 2013.

The Kansas Association of Counties recently sent a spreadsheet to all 105 county governments in Kansas that estimated the fiscal impact of such a fixture exemption on the county-only mill levy, which is used to figure a portion of local property taxes. All Franklin County taxpayers could see their county property taxes rise from 59.207 mills to 64.839 mills—an increase of 9.51 percent, according to the spreadsheet. That cost likely would shift more than $2.6 million in taxes to individual

All Franklin County taxpayers could see their county property taxes rise from 59.207 mills to 64.839 mills—an increase of 9.51 percent, according to the [KAC] spreadsheet.

taxpayers to make up the difference in revenue that was lost from the fixture exemptions.

It's not a good deal, Hood, who has been part of four county budget processes. Somebody's got to pick up the slack, and that's probably what'll happen. More than 60 percent of Franklin County's revenue comes from ad valorem, or property, taxes.

While KAC's figures are based on 2011's property tax rate, the figures provided insight into what rates in 2013 might look like. For a person who owns a $100,000 home, his or her county portion of 2013 property taxes would be $745.93, compared to $607.99 in 2011—an 18.5-percent increase.

The bulk of debate over the fixture exemption began with two large Kansas manufacturers, as well as lobbyists with the Kansas Chamber of Commerce, that argue such an exemption would promote economic development throughout the state. The Kansas Association of Counties, however, maintains the companies are only looking to decrease their taxes—not boost the local economy. Such large manufacturers can survive without the exemptions, Melissa Wangemann, KAC legislative services director, said, while local governments likely will feel the strain if the legislation passes. The real hit, of course, is to local government since the lion's share of our tax base is property taxes, Wangemann said.

Increased mill levies will raise the property tax on homeowners, agricultural land owners and other taxpayers who do not have affixed machinery

continued on next page

Proposal, continued

and equipment, Wangemann said. The value of county-only property able to be written off tax rolls statewide if the legislation passes, Wangemann said, is more than $400 million. No county can make up that kind of a hit, unless you start cutting law enforcement and road and bridges, which is the primary part of the county budget, she said. It's going to fall on the people who remain—and who remains is going to be your smaller commercial properties who don't have equipment and residential homeowners.

An expansion of the property tax exemption on machinery/equipment also impacts the statewide mill levy on railroads and utilities, and decreases the availability of funding for education, Wangemann added. Republican Blaine Finch, representative-elect for Kansas' House District 59, said he would need to see the bill relating to the fixture exemptions before he took a solid position on it. A change that would push up the mill levy in a county typically is not a good thing, Finch said.

Given that local governments are often struggling to try to make their revenue—probably just on the face of it—it's not something that I'm interested in exempting at this point, Finch said. But that could be subject to change depending on the language of the bill and if there was a way to protect revenues for local governments.

With Kansas Gov. Sam Brownback's tax plan set to take effect in 2013, county governments have experienced decreased funding from the state. The idea behind Brownback's plan, his administration has said, is to offer businesses incentives, including tax breaks such as the fixture exemption, to draw them into the state—thus improving the economy. Finch, however, is not convinced such efforts will benefit the state or taxpayers in the long run.

We've just come off a year that we've been told over and over again by certain elements in Topeka that we need lower taxes in order to drive people to the state, he said. Increasing property taxes by trading off an exemption on fixtures isn't going to do that. I don't know that the trade-off would be nearly enough to drive the type of economic development it would take to make up for that kind of difference in taxes versus fixture taxation.

We've just come off a year that we've been told over and over again by certain elements in Topeka that we need lower taxes in order to drive people to the state, said [Rep-elect Blaine Finch]. Increasing property taxes by trading off an exemption on fixtures isn't going to do that.

Outgoing state Rep. Bill Feuerborn, D-Garnett, said the fixture exemption legislation could have a dramatic impact on Franklin County and Ottawa because of the businesses in Ottawa's industrial park. The lawmaker agreed with Hood that the outcome would mean finding new ways to pay for services to which residents have grown accustomed.

Nobody is going to come in [to the county commissioners] and say 'I can do without this service now that you're providing it, whether it's fire or police or rock on my county roads, Feuerborn said. It's the same thing with the city. They're not going to be asked to reduce what they do for the taxpayers.

Feuerborn, who serves House District 5, but was defeated in the general election by Kevin Jones, R-Wellsville, said the lack of revenue from manufacturers' property taxes would have to result in an increase in the local mill levy. While Feuerborn will not be voting on the proposed legislation, he predicted it will at least get out of committee, if not face a floor vote by the state House of Representatives.

Local economic development officials said it would be wise to take a watch-and-wait stance on the proposed legislation before anyone starts worrying too much about it. As Franklin County Development Council executive director Jeff Seymour said, he understands the concerns of county government, but many things could change before the bill becomes law.

I think it's really preliminary, though, to jump out on a position on this particular topic when there is so much left from this Legislature to kind of weed through, Seymour said. Incentives given to manufacturing businesses also should provide some type of economic benefit back to the state, Seymour said. It's too early to tell, he said, whether the proposed fixture exemption incentive would provide that kind of mutual benefit.

Part of his job, Seymour said, is to make Franklin County enticing to manufacturers and businesses, but that involves a delicate balancing act between the many entities involved in the conversation. Our stance is we are very cognizant of the needs of the county and what they do for us, but we're trying to balance open business environments as well, Seymour said.

John Coen, Ottawa Area Chamber of Commerce director, agreed that several steps remain before a decision will be made on the exemption. How the bill looks now, and how it might look after the votes have been cast in the Legislature could be two very different pieces of legislation, he said.

This is a look at possible legislation that will receive full vetting by the new Legislature when they convene, Coen said. The debate always starts some place, and it usually doesn't end up where it started, because there is a lot of give and take.

The chamber likely would back a piece of legislation that supports both commerce and industry, and that can go forward at an affordable rate—all while ensuring residents aren't bearing extra economic burdens, Coen said. Tax incentives are a means of attracting industry to an area, Coen said, but the community itself also is an incentive. Our organization is going to be for supporting what will raise the standard of living, raise the payroll available to our citizens, Coen said.

The KAC has vowed to continue lobbying the Legislature against the proposed fixture exemption legislation, Wangemann said, largely because every county in the state would see an increase in their county-only mill levies, ranging from less than 2 percent to nearly 40 percent, according to the KAC spreadsheet.

Note: The following spreadsheet was prepared by the Kansas Association of Counties and given to [Montgomery] County members last week [on Nov. 28.]. It was presented to the Montgomery County Commission on Monday, Dec. 3. See Tax Bombshell on p. 16.

Estimated Fiscal Impact of Fixtures Exemption on 'County Only' Levy & Total County Levy

County	[1] 2011 Total Assessed Valuation	County-only Levy	C&I Imp Assessed Value	[2] Value lost / shifted	Revised Total valuation	New Levy	% increase	Tax Shift: County Levy Only	Tax Shift: All Tax Units in County [3]
Allen	92,391,297	67.635	15,753,787	9,452,272	82,939,025	75.343	11.40	$639,304	$1,534,463
Anderson	71,587,151	90.686	5,154,777	3,092,866	68,494,285	94.781	4.52	$280,480	$488,759
Atchison	126,468,464	48.722	23,291,615	13,974,969	112,493,495	54.775	12.42	$680,888	$2,046,494
Barber	135,168,599	43.158	4,369,114	2,621,468	132,547,131	44.012	1.98	$113,137	$317,344
Barton	258,096,286	32.558	33,289,041	19,973,425	238,122,861	35.289	8.39	$650,295	$3,048,644
Bourbon	91,228,883	61.492	18,476,119	11,085,671	80,143,212	69.998	13.83	$681,680	$1,825,012
Brown	120,572,729	36.356	12,562,358	7,537,415	113,035,314	38.780	6.67	$274,030	$881,350
Butler	613,175,833	35.775	133,739,823	80,243,894	532,931,939	41.162	15.06	$2,870,725	$11,899,929
Chase	40,180,577	63.790	1,551,915	931,149	39,249,428	65.303	2.37	$59,398	$127,940
Chautauqua	28,960,622	106.904	1,093,348	656,009	28,304,613	109.382	2.32	$70,130	$116,180
Cherokee	134,121,776	53.221	16,420,471	9,852,283	124,269,493	57.440	7.93	$524,348	$1,180,717
Cheyenne	37,761,641	82.519	2,439,023	1,463,414	36,298,227	85.846	4.03	$120,759	$217,301
Clark	45,324,514	65.497	1,394,568	836,741	44,487,773	66.729	1.88	$54,804	$134,198
Clay	77,114,059	58.977	8,913,866	5,348,320	71,765,739	63.372	7.45	$315,428	$793,316
Cloud	77,171,519	58.565	8,866,220	5,319,732	71,851,787	62.901	7.40	$311,550	$857,541
Coffey	390,467,451	47.788	6,638,682	3,983,209	386,484,242	48.281	1.03	$190,350	$351,263
Comanche	45,924,452	84.952	1,078,566	647,140	45,277,312	86.166	1.43	$54,976	$88,046
Cowley	211,610,784	43.420	34,851,467	20,910,880	190,699,904	48.181	10.97	$907,950	$3,496,174
Crawford	232,471,626	49.115	46,015,042	27,609,025	204,862,601	55.734	13.48	$1,356,017	$3,713,994
Decatur	33,231,568	75.036	2,693,152	1,615,891	31,615,677	78.871	5.11	$121,250	$268,763
Dickinson	177,526,417	42.941	17,925,229	10,755,137	166,771,280	45.710	6.45	$461,836	$1,344,855
Doniphan	99,499,347	44.035	10,620,189	6,372,113	93,127,234	47.048	6.84	$280,596	$734,412
Douglas	1,142,640,080	35.773	172,047,260	103,228,356	1,039,411,724	39.326	9.93	$3,692,788	$12,830,149
Edwards	43,484,314	75.592	2,892,563	1,735,538	41,748,776	78.734	4.16	$131,193	$264,352
Elk	19,846,986	125.180	764,178	458,507	19,388,479	128.140	2.36	$57,396	$91,636
Ellis	378,693,579	34.389	55,648,608	33,389,165	345,304,414	37.714	9.67	$1,148,220	$3,469,168
Ellsworth	70,886,013	57.696	9,219,245	5,531,547	65,354,466	62.579	8.46	$319,148	$741,382
Finney	487,216,391	36.977	77,741,831	46,645,099	440,571,292	40.892	10.59	$1,724,796	$5,657,911
Ford	251,838,777	40.994	50,523,980	30,314,388	221,524,389	46.604	13.68	$1,242,708	$5,196,523
Franklin	208,109,137	59.207	30,128,796	18,077,278	190,031,859	64.839	9.51	$1,070,301	$2,611,606
Geary	221,130,468	53.349	39,804,466	23,882,680	197,247,788	59.808	12.11	$1,274,117	$3,366,980
Gove	60,822,745	53.853	8,964,151	5,378,491	55,444,254	59.077	9.70	$289,648	$603,370
Graham	74,036,988	80.030	1,570,891	942,535	73,094,453	81.062	1.29	$75,431	$127,501
Grant	285,758,089	48.968	36,466,340	21,879,804	263,878,285	53.028	8.29	$1,071,410	$2,090,484
Gray	70,403,670	74.129	13,399,613	8,039,768	62,363,902	83.685	12.89	$595,980	$1,158,868
Greeley	27,130,389	126.031	1,295,457	777,274	26,353,115	129.748	2.95	$97,961	$154,860
Greenwood	54,661,051	70.975	3,184,908	1,910,945	52,750,106	73.546	3.62	$135,629	$315,054
Hamilton	47,005,849	101.952	3,265,688	1,959,413	45,046,436	106.387	4.35	$199,766	$342,501
Harper	79,597,782	77.329	7,000,164	4,200,098	75,397,684	81.637	5.57	$324,789	$679,786
Harvey	254,632,746	31.316	41,368,923	24,821,354	229,811,392	34.698	10.80	$777,306	$3,229,606
Haskell	216,938,182	32.587	10,689,390	6,413,634	210,524,548	33.580	3.05	$209,001	$576,303
Hodgeman	38,266,647	104.922	1,648,209	988,925	37,277,722	107.705	2.65	$103,760	$170,248
Jackson	90,461,057	71.056	6,514,907	3,908,944	86,552,113	74.265	4.52	$277,754	$568,286
Jefferson	146,415,820	67.852	9,109,456	5,465,674	140,950,146	70.483	3.88	$370,857	$774,972
Jewell	33,588,917	117.704	1,122,955	673,773	32,915,144	120.113	2.05	$79,306	$115,861
Johnson	7,551,985,565	17.700	1,422,433,903	853,460,342	6,698,525,223	19.955	12.74	$15,106,248	$103,056,190
Kearny	195,102,263	59.583	3,855,216	2,313,130	192,789,133	60.298	1.20	$137,823	$251,953
Kingman	112,872,898	52.504	7,164,956	4,298,974	108,573,924	54.583	3.96	$225,713	$583,878
Kiowa	88,923,316	59.935	5,072,607	3,043,564	85,879,752	62.059	3.54	$182,416	$384,271
Labette	119,055,712	55.431	19,557,486	11,734,492	107,321,220	61.492	10.93	$650,455	$2,143,809
Lane	51,624,632	82.787	2,625,641	1,575,385	50,049,247	85.393	3.15	$130,421	$226,646
Leavenworth	576,420,547	35.513	59,983,116	35,989,870	540,430,677	37.878	6.66	$1,278,108	$4,708,447
Lincoln	35,958,645	110.720	1,753,107	1,051,864	34,906,781	114.056	3.01	$116,462	$188,041
Linn	161,579,642	56.690	4,971,480	2,982,888	158,596,754	57.756	1.88	$169,100	$369,240
Logan	58,002,895	60.179	3,172,765	1,903,659	56,099,236	62.221	3.39	$114,560	$252,577
Lyon	228,964,850	57.304	39,854,283	23,912,570	205,052,280	63.987	11.66	$1,370,286	$3,551,232

11/28/12 **Estimated Fiscal Impact of Fixtures Exemption on 'County Only' Levy & Total County Levy**

County	[1] 2011 Total Assessed Valuation	County-only Levy	C&I Imp Assessed Value	[2] Value lost / shifted	Revised Total valuation	New Levy	% Increase	Tax Shift: County Levy Only	Tax Shift: All Tax Units In County [3]
Marion	109,080,811	66.107	9,353,254	5,611,952	103,468,859	69.693	5.42	$370,989	$851,889
Marshall	118,654,681	51.565	9,704,175	5,822,505	112,832,176	54.226	5.16	$300,237	$805,252
McPherson	323,499,091	30.036	59,235,688	35,541,413	287,957,678	33.743	12.34	$1,067,522	$4,266,676
Meade	104,554,937	42.585	4,972,146	2,983,288	101,571,649	43.836	2.94	$127,043	$369,146
Miami	348,726,477	42.177	25,442,692	15,265,615	333,460,862	44.108	4.58	$643,858	$1,884,678
Mitchell	58,409,210	86.154	9,926,295	5,955,777	52,453,433	95.936	11.35	$513,114	$993,709
Montgomery	372,776,517	42.138	171,391,335	102,834,801	269,941,716	58.191	38.10	$4,333,253	$15,168,853
Morris	64,595,748	66.180	4,210,556	2,526,334	62,069,414	68.874	4.07	$167,193	$352,171
Morton	134,971,701	48.818	5,253,273	3,151,964	131,819,737	49.985	2.39	$153,873	$319,549
Nemaha	119,398,168	50.525	9,032,740	5,419,644	113,978,524	52.927	4.75	$273,828	$631,405
Neosho	123,647,233	52.883	27,088,747	16,253,248	107,393,985	60.886	15.13	$859,521	$2,886,934
Ness	86,705,470	53.983	3,236,964	1,942,178	84,763,292	55.220	2.29	$104,845	$255,231
Norton	43,193,272	83.928	3,185,451	1,911,271	41,282,001	87.814	4.63	$160,409	$294,473
Osage	124,044,815	53.698	9,343,128	5,605,877	118,438,938	56.240	4.73	$301,024	$795,261
Osborne	36,905,985	74.739	3,037,798	1,822,679	35,083,306	78.622	5.20	$136,225	$298,276
Ottawa	60,879,824	76.533	2,368,980	1,421,388	59,458,436	78.363	2.39	$108,783	$224,747
Pawnee	61,610,627	79.861	5,634,275	3,380,565	58,230,062	84.497	5.81	$269,975	$584,094
Phillips	49,211,511	114.814	5,900,447	3,540,268	45,671,243	123.714	7.75	$406,472	$660,002
Pottawatomie	412,060,321	25.986	46,109,240	27,665,544	384,394,777	27.856	7.20	$718,917	$2,550,238
Pratt	136,551,302	60.381	20,540,112	12,324,067	124,227,235	66.371	9.92	$744,140	$2,052,216
Rawlins	30,709,287	79.961	2,021,980	1,213,188	29,496,099	83.250	4.11	$97,008	$196,493
Reno	495,182,017	38.594	86,383,776	51,830,266	443,351,751	43.106	11.69	$2,000,337	$8,124,394
Republic	47,991,800	105.599	3,674,276	2,204,566	45,787,234	110.683	4.81	$232,800	$394,589
Rice	119,900,335	43.934	7,814,327	4,688,596	115,211,739	45.722	4.07	$205,989	$642,591
Riley	515,546,230	34.782	88,011,074	52,806,644	462,739,586	38.751	11.41	$1,836,721	$6,566,929
Rooks	89,756,920	60.729	4,493,137	2,695,882	87,061,038	62.609	3.10	$163,718	$366,858
Rush	42,076,091	93.131	5,392,450	3,235,470	38,840,621	100.889	8.33	$301,323	$514,550
Russell	109,685,227	77.497	10,698,103	6,418,862	103,266,365	82.314	6.22	$497,443	$1,007,704
Saline	532,147,877	32.576	129,511,991	77,707,195	454,440,682	38.146	17.10	$2,531,390	$9,230,760
Scott	87,468,686	67.098	10,479,542	6,287,725	81,180,961	72.295	7.75	$421,894	$920,800
Sedgwick	4,308,572,438	29.428	1,036,891,447	622,134,868	3,686,437,570	34.394	16.88	$18,308,185	$76,093,316
Seward	286,134,202	34.634	55,682,875	33,409,725	252,724,477	39.213	13.22	$1,157,112	$4,080,196
Shawnee	1,495,749,201	43.165	295,089,443	177,053,666	1,318,695,535	48.961	13.43	$7,642,521	$25,081,599
Sheridan	44,124,107	83.048	2,876,974	1,726,184	42,397,923	86.429	4.07	$143,356	$251,303
Sherman	65,629,709	66.058	11,927,300	7,156,380	58,473,329	74.143	12.24	$472,736	$952,249
Smith	32,049,968	131.354	3,461,386	2,076,832	29,973,136	140.455	6.93	$272,800	$450,508
Stafford	83,534,228	53.529	4,263,621	2,558,173	80,976,055	55.220	3.16	$136,936	$371,127
Stanton	81,115,278	108.224	3,319,493	1,991,696	79,123,582	110.948	2.52	$215,549	$305,223
Stevens	294,137,716	46.904	7,266,019	4,359,611	289,778,105	47.610	1.50	$204,483	$405,248
Sumner	180,386,172	61.270	19,659,940	11,795,964	168,590,208	65.557	7.00	$722,739	$1,950,616
Thomas	91,224,377	34.596	18,942,789	11,365,673	79,858,704	39.520	14.23	$393,207	$1,714,603
Trego	50,803,182	78.237	3,485,558	2,091,335	48,711,847	81.596	4.29	$163,620	$311,385
Wabaunsee	68,386,973	56.995	2,612,469	1,567,481	66,819,492	58.332	2.35	$89,339	$228,931
Wallace	30,874,611	93.298	1,984,860	1,190,916	29,683,695	97.041	4.01	$111,110	$194,605
Washington	64,457,176	81.006	5,766,818	3,460,091	60,997,085	85.601	5.67	$280,288	$571,586
Wichita	28,414,125	97.077	4,792,294	2,875,376	25,538,749	108.007	11.26	$279,133	$488,633
Wilson	81,220,690	63.318	8,112,040	4,867,224	76,353,466	67.354	6.37	$308,183	$625,273
Woodson	29,651,661	103.503	1,679,558	1,007,735	28,643,926	107.144	3.52	$104,304	$170,257
Wyandotte	1,101,851,502	36.399	281,247,829	168,748,697	933,102,805	42.982	18.08	$6,142,284	$29,569,665
Totals:	**30,002,371,724**	**37.382**	**5,114,465,576**	**3,068,679,346**	**26,933,692,378**	**41.642**	**11.39**	***$114,713,371***	***$401,051,841***

[1] Figures are based on 2011 Kansas Statistical Report of Property Assessment and Taxation

[2] Value loss is based on reduction of commercial/industrial improvement valuation by 60% due to proposed legislation; This may be a loss or a shift in value depending upon

[3] Shift to all taxing units is based on the average county levy for all taxing entities published in the Statistical Report

Thoughts to Ponder

By Terry V. Brown

In reality, all it does is shift the tax burden. I feel I have been shifted on about all I can economically stand.

I have spent most of my adult life working in appraisal, assessment and taxation. I started as a deputy assessor in the early '60s working under Hugh Austin, Montgomery County assessor. I worked for Montgomery County for approximately 21 years. I retired as county appraiser for Elk and Chautauqua counties January 15, 2006.

When I started, 40^+ years ago, the taxation laws in Kansas were relative as set up in the 1860s. Everything was taxable except a few enumerated items such as churches, parsonages, schools, government buildings, cemeteries, etc.

In the mid-60s, some well-meaning legislators decided the household tax was unfair. As I recall, the logic was it was an unfair burden to the lower-income taxpayers. Actually the lower-income taxpayer didn't pay taxes, as for most of them, the assessed value did not exceed the household exemption even with an old car. The main ones that benefited were the upper- income households that had value in art, diamonds, guns, collectibles, etc.

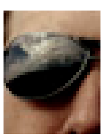
This exemption in and of itself was not a burden to the taxation system; however, it did open the door to exemptionitis and it has never closed. I have watched the taxation system deteriorate to its present level of a very narrow tax base.

In the past four decades, for a very good cause (?) we have exempted farm equipment, livestock, intangibles, business aircraft, antique aircraft, merchants' and manufacturers' inventories, motor-vehicle inventories, grain, hay and silage, solar energy systems, construction hand tools, low-production oil leases, business equipment with an initial cost less than $250, and business machinery and equipment purchased after July 1, 2006. (This amounted to 13% of county total tax base.)

New businesses have the advantage of 10-year exemption on land, buildings, machinery and equipment purchased with Industrial Revenue Bonds, Economic Development Bonds, etc. Grain handling and storage buildings can be exempted for eight years. New hay storage buildings (they don't have to be used exclusively, minimal amount of hay qualifies the building for exemption) can be exempt for 10 years. Perhaps there are more that I don't recall. Most of these exemptions were prefaced with economic development, competitive fairness with adjacent states, or because it was the proper thing to do.

Now we are at the doorstep of additional tax breaks afforded to manufacturers. I don't recall any legislation that has effectively reduced taxes. In reality, all it does is shift the tax burden. I feel I have been shifted on about all I can economically stand.

I assume that the aforementioned is why we have such low taxes and why we are enjoying the economic development advantages we have in this area. Been there, done that.



Reflections

By Rod Broberg, CKA, RMA, KCAA President

It happened to me again last night. I was talking to a person I know outside the sphere of county appraiser-dom. At one point during this conversation he made reference to the fact that being a county appraiser was a tough job and he said, as many others have said, I wouldn't do your job for all the money in the world. I'm sure that you have heard this also. I'm also sure that for literally all the money in the world he would at least attempt it, but that is kind of beside the point. More to the point is why do we do this bad, nasty job?

A person who was a mentor to me early in my career told me once that people work for three things: money, a leader, or a cause. Obviously, we all work for money, that is, we don't work for free, but I think if money was our only motivation we could find things that pay better. Some of us may work for a leader, but I can't think of who that would be. I have in the past worked for people who inspired great loyalty and motivation in their employees, but again, I don't think as a group we identify anyone that fits this category.

Lastly, there is the cause. It's right there in our Constitution, in Article 11, The Legislature shall provide for a uniform and equal rate of assessment and taxation. It's not a very big sentence, but it is a lofty goal, a high ideal, a thing that we can all identify with and agree that we should strive to provide. It's a pretty simple thing to grasp in theory, but proves to be much harder to achieve in practice.

The funny thing is that almost anyone you meet on the street would agree with the principle, but yet in their heart of hearts, want to be just a little fairer than the next guy. How many times have you heard a property owner say, I just want to pay my fair share, but…. That's the thing that makes this job so hard, and so rewarding. Not just anyone can do it. A county appraiser must be a unique combination of talents. They must be intelligent enough to grasp some fairly complicated concepts of math and law. They must be very self-confident. Most importantly, they must derive their own sense of self worth internally and not rely on outsiders for that validation.

When county appraisers gather at conference or KAC or directors update, the talk inevitably goes to our bad property owners or the appeals we have won or lost. It gives us a great sense of belonging to our little group. We slip easily into the role of victims. It's us against them.

But is it really? No, it's just us doing a job that nobody else wants to do. We will continue to have appeals, and win, and lose. The legislature and special-interest groups will continue their attacks on property tax and attempt to change our corner of the world in ways that we think are very wrong. So, when you go home at the end of the day, take with you the knowledge that not everyone can do this job, nor do it so well. You know, and the rest can just wonder.

Spotlight on Wilson County

By Lisa Ree, RMA, Ellis County

Along with 34 other eastern counties, Wilson County (county code WL) was formed in 1855. It was named in honor of Hiero Tennant Wilson, the first white person to settle in the county. An 1860 U.S. census indicated the county had 27 white inhabitants, who, according to the law, were trespassers since a large portion of the county was still a part of the Osage Reservation.Considered masters of warfare, the government entered into several treaties with Osage tribes. Although they lived peaceably with the whites, they were eventually moved to Oklahoma.

Originally attached to Allen County, Wilson County's boundary description was confusing and listed as being about 40 miles long and 24 miles wide. In 1865 the boundaries were redefined as being 50 miles long and 28 miles wide, with nearly 10 miles of Woodson County being absorbed into Wilson County. Two years later, Montgomery County was formed out of the south half of Wilson County, and in 1868 the county lost a two-mile strip to Woodson County, giving it its current 24 x 24 mile boundary.

The county was officially organized in 1864 with the county seat being the town of Syracuse, although it only consisted of a single log cabin. Several sites were declared county seats: Coyville, Hillsboro, Twin Mounds and, eventually, Fredonia in 1869. In 1871 the battle for the county seat began with the new towns of Altoona, Neodesha and Guilford vying for the honor. A May 6, 1871, election included Fredonia, Altoona, Neodesha and Geographical Center on the ballot for county seat designation. Since no majority was reached, Fredonia and Neodesha faced off in a second election on May 23rd, with Fredonia gathering the most votes.

The battle over the county seat began in 1871 and ended in 1875.

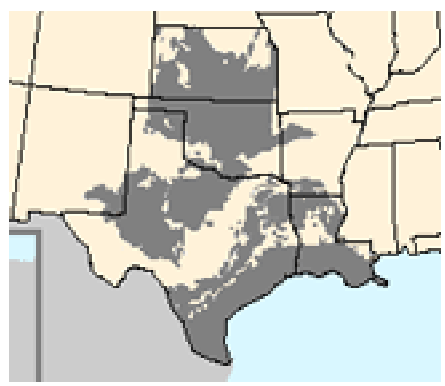
Hiero Tennant Wilson

The two towns had agreed to conduct a fair election and that the citizens would use proper means to prevent illegal voting. But Neodesha claimed Fredonia had ignored this agreement and had not held an honest election. Charges were filed and the case was heard one year later in District Court. The court's ruling stated the election held in Center Township was void and was to be set aside, and the legal votes cast in the other precincts were in favor of Neodesha, making it the county seat. Fredonia appealed this decision to the Supreme Court and worked on securing another county seat election between Fredonia, Altoona and Section 35.

Neodesha did not enter the election but favored Section 35, believing that since no town existed there, and if it won the election, the Supreme Court would rule in Neodesha's favor. A January 13, 1873, vote resulted in Section 35 having the most votes but not the majority. Another election was held on January 28 with Fredonia receiving 27 more votes than Section 35. Once again, illegal voting, ballot box stuffing and fraud accusations were made in regard to the election.

In June 1873 the Supreme Court upheld the District Court's decision declaring Neodesha the county seat. During this time, the county records and business had been held in Fredonia. In the spring of 1874, Neodeshans and allies, armed with a copy of the court's last decision, descended upon Fredonia. After publicly reading the court mandate, they began to remove the courthouse records to their wagons. An alarm was sent out in Fredonia and a restraining order was served stopping the removal of county records, forcing the issue back to the courts.

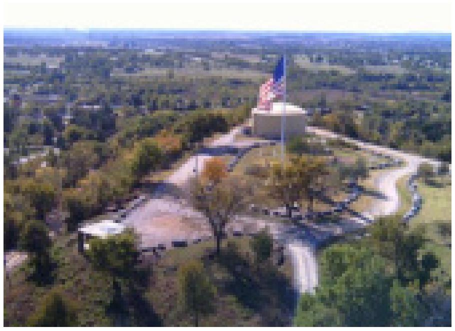
The legalities of prior elections were questioned, including the election held prior to the original Supreme Court decision. The District Court ruled the January 28 election was valid and prevented the county offices being removed from Fredonia. Neodesha appealed the decision to the Supreme Court. A September 1875 decision upheld Fredonia as the county seat.



Mid-Continent oil field.

The Norman No. 1 Oil Well Site in Neodasha was drilled in November 1892 and was the first commercial oil well of the Mid-Continent Field. This began the continuous development of the nation's largest oil field, which covers Kansas, Oklahoma, and Texas. The well produced for 26 years, before being abandoned. Norman No. 1 is listed on the National Register of Historic Places and has been declared a

Wilson County, cont.

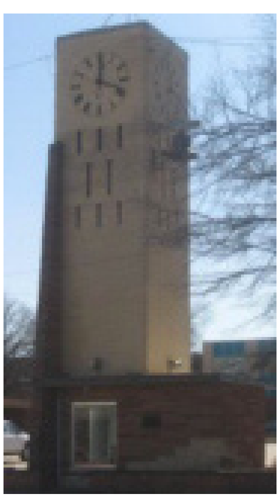


The Mound

National Historic Landmark.
A 100-foot flag sits atop The Mound, which rises approximately 1,005 feet above sea level. The mounds became landmarks to early day settlers, and Twin Mounds was one name proposed for Fredonia.

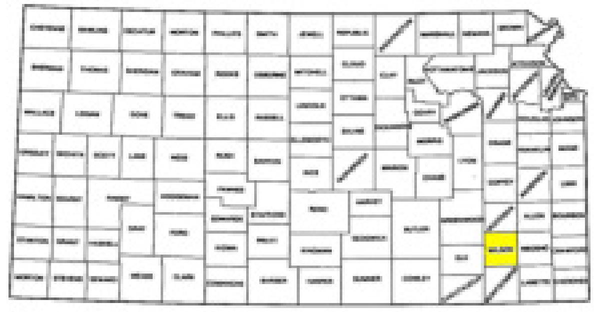
The town of Buffalo is well known for the Buffalo Brick Company, which produced millions of bricks from 1902 to 1966. For many of those years, it was considered the larges brick plant west of the Mississippi River. Today Buffalo's industry is Micro-Lite Inc., which mines and processes a mineral that is used in livestock feed supplements.

The Clock Tower located in the Fredonia square was erected in the 1960s. The original clockworks were saved from the 1886 courthouse when it was demolished. Visitors can watch the paddles and gears turn as the clock chimes on the hour.



The Clock Tower in Fredonia

Wilson County



2011 Population Estimate: 9.300
1900 Population: 15,621
Area: 575 square miles
Persons per square mile: 16.5

Median Household Income: $39,301
2011 Assessed Real Estate: $46,684,849
2011 Assessed Personal Property: $5,497,446
2011 Assessed Oil & Gas: $11,053,918

KCAA Education Calendar

Course	Date	Location*	Instructor	Cost
IAAO 101Fund. of Mass Appraisal	July 8-12	Wichita	Rick Stuart	$410
RMA Residential Review	July 30-Aug 1	Topeka	Marion Johnson	$300
Residential Quality, Condition & Effective Age	Sept. 4-5	Manhattan	Rick Stuart	$200
Valuing Mobile Home Parks	Sept. 6	Manhattan	Rick Stuart	$100
IAAO 260 Valuation of Ag Land	Sept. 24-26	Manhattan	Kevin Bradshaw	$225
RMA Commercial Review	Oct. 22-24	Topeka	Marion Johnson	$300

Classes to be scheduled:
IAAO 191
Uniform Stds of Prof. Appr. Practice Update
Students will be responsible for bringing the USPAP 2012-13 Publication

KCAA Class Locations:

*Topeka
Shawnee County Annex Bldg.
1515 NW Saline
Blvd.
Topeka, KS 66618

*Wichita
Office This
Fagetaboutit Room

4031 E. Harry St.
Wichita, KS 67218

*Manhattan
Public Works Bldg.
6125 Tuttle Creek

Manhattan, KS

Register Online
http://www.kscaa.net/education/online-education-registration/

Real Estate Notes of Interest

By Rick Stuart, CAE

■ Jeannette Neumann, *The Wall Street Journal*, Sept. 17, 2012. The discussions have been on-going for months or even years and finally the first big loan has been made. Citigroup has loaned $65 million to Waypoint Real Estate Group, LLC for the sole purpose of buying foreclosed single-family residential property, renovating them and then renting the properties. Waypoint currently owns 2,200 homes with aspirations of owning up to 11,000.

■ Julie Jargon and Kris Hudson, *The Wall Street Journal*, Sept. 19, 2012. Some restaurant chains continue what they started a few years ago: leasing empty space and renovating versus building new. That process is greatly increasing as a large amount of space is available, particularly in strip-centers. Some of the largest chains and the space they are occupying are shown below:

• Darden Restaurants (Olive Garden)—closed Circuit City stores

• Longhorn Steakhouse—closed Blockbuster and Borders

• Buffalo Wild Wings—closed Sears automotive and other parking lot stores around malls

• Chipotle Mexican Grill—closed Starbucks and Boston Markets. Approximately 70% of the new Chipotle stores have gone into previously occupied space.

■ Kris Hudson, *The Wall Street Journal*, Sept. 19, 2012. Lodging Econometrics is reporting that U.S. hotel room new construction is up 32% by room count from one-year ago. Smith Travel Research states that the average hotel room rate is up 6.6% over July of 2009.

■ *USA Today*, Sept. 25, 2012. Is this really an apartment? San Francisco has just changed their building codes to allow construction of apartments as small as 220 square feet. That is equivalent to a 10 x 22 foot room. You can get a 300 square foot unit where the window box turns into a spare bed and the kitchen table converts to a bed. Oh yes, the rents for these units will be from $1,200 to $1,700 per month.

■ Nick Timiraos, *The Wall Street Journal,* Sept. 26, 2012. Standard & Poor's Case-Shiller 20-city index is stating that housing prices increased by almost 6% for the first six months of 2012. That is the largest year-to-date gain since 2005.

■ Dan Fitzpatrick, T*he Wall Street Journal*, Sept. 27, 2012. If you need a loan, live in the central part of the United States—and particularly in the Midwest and Northern Midwest. The ability to get a loan has improved the most in Cedar Rapids, Ia., and Madison, Wis.

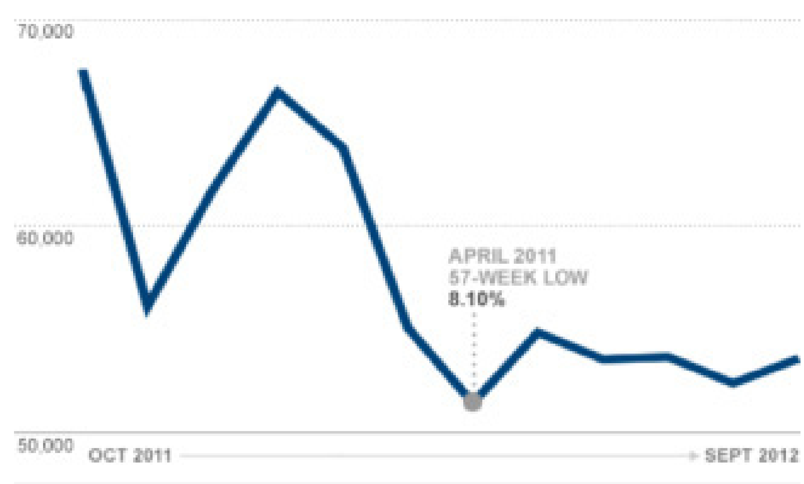
■ Commerce Department, *The Wall Street Journal*, Sept. 27, 2012. The number of new homes for sale is down 12%, or 144,000, from August 2011 to August 2012.

■ Kris Hudson, *The Wall Street Journal*, Oct. 4, 2012. In somewhat of a surprise, mall vacancies are going down. In the top 77 markets, mall vacancy is around 8.7% as compared to 9.4% in the third quarter of 2011. Rents are showing small increases also.

■ Craig Karwin, Robbie Whelan and Jeanne*tte Neumann,* The Wall Street Journal, Oct. 4, 2012. Blackstone Group LP has become the largest owner of single-family residential properties in the United States. They have spent more than $1 billion to purchase more than 6,500 foreclosed homes. This is the same group that recently purchased the Motel 6 chain from Accor for $1.9 billion with the intention of spending an additional $2 billion to update the motels.

■ Kermit Baker, Hon. AIA, *www.aia.org*, Sept. 28, 2012. Foreclosure filings—including default notices, scheduled auctions and bank repossessions—were reported on 180,427 properties in September, a 7% decline from August and down more than 16% from a year earlier, according to a report released Thursday by RealtyTrac, an online marketer of foreclosed properties. That's the lowest number of filings since September 2007. (See chart below.)

Realty Trac: Foreclosures Down



■ *Daily Real Estate News*, Oct. 10, 2012. The Appraisal Institute is teaming with the Colorado Energy Office to asses energy efficiency and green features on the value of existing homes. Although energy improvements can have a significant impact on the total cost of owning real estate, a lack of recognition of potential value can prevent buyers and sellers from making cost-effective upgrades, according to a document detailing the Appraisal Institute's agreement to work with the Colorado Energy Office.

■ Mark Heschmeyer, *www.costar.com*, Oct. 10, 2012. There is more good news in the market. Through the first six months of this year, CoStar has tracked nearly $11.9 billion in land sales compared to $9.9 billion for the same time last year—a 20% increase. This is the first increase in volume in seven (7) years.

■ Claire Easley, *www.builderonline.com*, Oct. 16, 2012. Builders' confidence in the new, single-family home market moved up for the sixth month in a row in October, according to the latest reading of the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI). The index edged up 1 point for the month with a reading of 41, the highest seen since June 2006.

■ Jessica Silver-Greenberg, *New York Times*, Oct. 16, 2012. Once again, the slimey aretaking advantage of the elderly on reverse mortgage loans. Some lenders are aggressively pitching loans to seniors who cannot afford the fees, not to mention the property taxes and maintenance. Some widows are facing eviction after they say they were pressured to keep their name off the deed without being told that they could be left facing foreclosure after their husbands died.

■ Peter Coy, *www.businessweek.com*, Oct. 17, 2012. Oh yes, the residential housing market continues to show signs of revival. I would suggest you read the short article at http://www.businessweek.com/articles/2012-10-17/why-the-homebuilding-rebound-has-legs#r=hpt-ls. Homebuilding is gaining speed because there are shortages of housing in places like the Midwest and Plains states that have stronger job growth and relatively little excess housing stock. The U.S. Census Bureau on Oct. 17 reported a 15 percent jump in the seasonally adjusted annual rate of starts on construction of privately owned housing (PDF) for September, compared with the August rate. Bloomberg reports that the September rate was the highest in four years.

■ John Gittelsohn, www.businessweek.com, Sept. 13, 2012. For the past year, the Obama administration has been grappling with how to unload thousands of government-owned foreclosed properties without wreaking more havoc on the housing market (BBW—Sept. 5-11, 2011). In September, Fannie Mae (FNMA) closed on its first bulk sale—699 homes in Florida. The buyer, Pacifica Companies, will manage the properties as rentals and is limited in what it can sell to others for three years. Fannie Mae says the sale is worth $78.1 million, or 96 percent of the houses' appraised value. The deal doesn't make much of a dent in the government's portfolio of distressed real estate, though. As of June 30, Fannie Mae, Freddie Mac (FMCC), and the Federal Housing Administration owned 202,765 properties—or roughly half the nation's repossessed homes.

■ Praschant Gopal and John Gittelsohn, www.businessweek.com, Oct. 17, 2012. Colony, Blackstone, Waypoint Real Estate Group LLC and American Homes 4 Rent have converged on Atlanta in search of low-priced properties to buy and rent out, after helping drive prices up 34 percent in Phoenix from a year ago. Their goal is to take advantage of the burgeoning U.S. housing recovery, earning annual returns of at least 6 percent on rents until home prices rise enough to make a lucrative exit.

■ ***Editor's note:*** I found this article, Where Have All the For-Sale Net Leased Properties Gone?, about a shortage of commercial properties for sale interesting, and you can read it at: http://www.costar.com/News/Article/Where-Have-All-the-For-Sale-Net-Leased-Properties-Gone-/142431?ref=100&iid=302&cid=16BD626F9E2B00A75C4683B028D9C5CC

■ Conor Dougherty and Dawn Wotaipka, *The Wall Street Journal*, Oct. 15, 2012. A surprising group of home buyers are currently in the market and they have been labeled as boomerang buyers. These buyers are individuals who lost their home to foreclosure or were involved in a short-sale, have been out of home ownership for at least three years and are now qualifying for another home loan.

■ *www.realtor.org*, Oct. 24, 2012. Generally, there is more good news from the residential marketplace. September existing-home sales declined modestly, but inventory continued to tighten and the national median home price recorded its seventh back-to-back monthly increase from a year earlier, according to the National Association of Realtors®. The decline was only 1.7%.

The national median existing-home price for all housing types was $183,900 in September, up 11.3 percent from a year ago. The last time there were seven consecutive monthly year-over-year increases was from November 2005 to May 2006.

You can read the entire article at http://www.realtor.org/news-releases/2012/10/september-existing-home-sales-down-but-prices-continue-to-improve.

■ Robbie Whelan, *The Wall Street Journal*, Oct. 25, 2012. Sales of new homes jumped in September to their highest level in more than two years, September sales were 5.7% higher than in August and 27.1% higher than September a year ago.

■ David Eisen, *www.hotelmanagement.com*, Oct. 25, 2012. Starwood Hotels and Resorts Worldwide beat Wall Street. The Stamford, Conn.-based hotel operator reported that its third-quarter net income rose 4 percent

REAL ESTATE NOTES, continued

on higher room rates and occupancy. http://www.hotelmanagement.net/starwood-hotels-resorts-worldwide/higher-room-rates-and-occupancy-boost-starwoods-q3-18112.

■ Robbie Whelan, *The Wall Street Journal*, Oct. 26, 2012. It is not really a surprise to see a headline of High Costs Bedevil Builders. When the housing market started taking a severe downturn, a large number of timber companies and lumber companies laid-off staff or closed. Now that new construction is picking up, there is a shortage of materials and thus prices are going up. The cost of framing lumber has risen by 21% in the last year and drywall by 25% since January.

■ Lorraine Woellert, *www.bloomberg.com*, Oct. 30, 2012. The S&P/Case-Shiller index of property values in 20 cities rose 2 percent from August 2011, the biggest year-to-year gain since July 2010, after climbing 1.2 percent the prior month, the group said today in New York. The median forecast of 25 economists in a Bloomberg survey projected a 1.9 percent gain.

■ Brad Tuttle, *Time Magazine*, Nov.5, 2012. No big surprise with this title: Home cheap home, why house flipping is suddenly hot again. According to real extate research firm RealtyTrac, nearly 100,000 U.S. homes were flipped in the first half of 2012, up 25% over the same period a year before.

■ Lawrence Yun, www.realtor.org, Nov.7, 2012. The national median existing single-family home price was $186,100 in the third quarter, up 7.6 percent from $173,000 in the third quarter of 2011, which is the strongest year-over-year price increase since the first quarter of 2006 when the median price rose 9.4 percent. In the second quarter the price increased 7.2 percent from a year earlier. See the article at http://www.realtor.org/news-releases/2012/10/metro-area-home-prices-show-stronger-increases-in-third-quarter-sales-up.

■ *www.realtor.org*, Nov.19, 2012. The volume of homes sales rose by over 2% in October from the previous month, and the national median existing-home price for all housing types was $178,600 in October, which is 11.1 percent above a year ago. http://www.realtor.org/news-releases/2012/10/existing-home-sales-rise-in-october-with-ongoing-price-and-equity-gains

■ Nick Timiraos, *The Wall Street Journal*, Nov.16, 2012. Foreclosures have always taken longer in states with judicial review, but in recent years, courts have been overwhelmed by the sheer volume of cases and the robo-signing scandal that those states continue to work through foreclosures, slowing the ability to get homes back onto the market.

■ Liam Denning, *The Wall Street Journal*, Nov.17, 2012. Farmland prices are at record highs without any indication they will go lower in the near future. Greg Page, who owns a farm in Iowa and runs food and crop giant Cargill, says the rise in farmland isn't completely irrational. He estimates the multiple of farmland value to rents in his region has climbed from about 10 times 12 years ago to 22 times of more today.

■ Beth Braverman, *cnnmoney.com*, December 2012. Reverse mortgages are starting to become popular again and that means there are some less-than-desirable people pushing home-owners into reverse mortgages when they should not be participating. Here are some of the current trends with these mortgages:

- Borrowers are becoming younger
- A growing number are taking their payments in lump-sums

■ Julie Schmit, *USA Today*, Nov.27, 2012. Market researcher Reis is projecting that apartment rents will increase of 4% next year and for the years of 2014 and 2015. If their projections are correct, this would mean six straight years of rent increases.

■ Paul Davidson, USA Today, Nov.29, 2012. This will surprise a large number of people: Lack of workers plagues construction industry. Over 2 million construction jobs were shed between January 2007 and last year. Now states such as Texas, Arizona, Iowa and Florida are struggling to find workers. Many construction workers left the industry for other jobs and will not return, and the number of new entries into the profession has declined. Building permits are also up over 30% from 2011. Let me see: high demand, low supply, results in higher wages that results in higher construction costs. Add this to the October 26 article above titled High Costs Bedevil Builders and changes are coming.

■ Craig Karmin, *The Wall Street Journal*, Nov. 28, 2012. The Chinese are coming! Chinese residential developers are starting to purchase land and build in the United States. One developer purchased land in the state of New York and will build a 216-unit condominium building with 40% of the units pre-sold to Chinese still on the mainland.

■ Phoebe Chongchua, *RealtyTimes.com*, Nov. 30, 2012. The closer your home is to shops, restaurants, community parks, and the easier it is to get around on foot, increases buyer interest in your neighborhood and maybe your home. The growing interest in walkable neighborhoods also favors the healthy living trends that are increasingly becoming popular. More people are taking an interest in walking or bicycling to work and other activities. Ride sharing is also gaining favor. http://realtytimes.com/rtpages/20121130_walkable-hoods.htm

■ www.cbre.com, Dec. 3, 2012. The U.S. multi-housing market vacancy rate is expected to rise modestly to 5.3% in 2013, according to a new analysis from CBRE Group, Inc. The increase, from a rate of 4.5% in Q3 2012, will be driven by new construction completions and a slight tapering off of demand from historically robust levels in recent years. CBRE forecasts that the multi-housing vacancy will fall back to 5.2% in 2014. The multi-housing vacancy rate is projected to be 5% for 2012, down from 5.4% in 2011 and from 7.3% at its 2009 peak. Read the article at http://www.cbre.us/aboutus/mediacenter/mediaarchives/Pages/1203121203-4710.aspx.

■ Julie Schmit, *USA Today*, Dec. 5, 2012. In the 12 months through October, the nation's least-expensive homes have seen prices rise 10% vs. 7.6% for the most-expensive homes, and home prices were 6.3% higher in October than a year earlier, the biggest 12-month increase since June 2006, according to market researcher CoreLogic.

■ Diana Olick, *cnbc.com*, Dec. 17, 2012. Eighty-four percent of homeowners ages 18-59 surveyed by Pulte said they did not have plans to downsize, which was particularly surprising, given that Baby Boomers have been expected to downsize en masse; many have been unwilling or unable to sell their large homes, however, due to the huge drop in home prices over the past five years. http://www.cnbc.com/id/100321206

Gasoline Tax Not Enough

By Rick Stuart, CAE

In IAAO 402 – Tax Policy, all forms and types of taxes are discussed so the relationship between available funding sources and expenditures can be shown and discussed. The tax on gasoline when you fill up at the pump is included in that discussion.

Motor fuel or gasoline tax is a user's-fee. It is a somewhat hidden tax as it is included in the price shown at the pump. As the tax is a flat rate, it is considered to be inelastic in that as the price of gasoline changes, the tax amount does not. This is because it is so many cents per gallon and not based upon a percentage of the price like sales tax is.

Most people, including a large share of elected officials, do not understand this. When gas prices become higher, someone wants to cut the tax on gasoline so it will be cheaper. Obviously, as it is a flat rate per gallon, it would not have that effect. Being a flat rate does cause potentially greater problems than some small pain at the pump.

Highway construction and maintenance is greatly supported by the motor fuel tax that is collected, and there are some major problems with that funding already, but they could magnify in the near future. A very good and thorough article was written by Michael Totty in *The Wall Street Journal* on Sept. 17, 2012. When I teach the 402 course, I discuss with students some potential problems with the motor fuel tax in the future, but this article expands that discussion. The main points are below with some quotes from the article.

Running on fumes. Although the gasoline tax has paid for most of the four million road miles currently in service, it is not keeping up. But now there is agreement across the political spectrum that the gas tax is broken and needs to be replaced, or at least overhauled. The problem is twofold: First, the tax has failed to keep up with the rising cost of highway construction and repair. And second, improved fuel economy and the rise of hybrid and electric vehicles means that more driving won't be matched by higher gasoline sales, and that how much people pay for the roads won't necessarily reflect how much they use them.

Some of the ways to help provide sufficient fuel taxes are discussed below.

Tax the miles. A user fee based on the number of miles you drive. The biggest problem is how do you track the miles? With today's technology you could place a GPS unit in every car. Even if this could be funded, you know the public is not going to stand for this invasion of privacy as the government would be able to track where you are at all times.

Tax the roads. Under this proposal more of the major roads would be toll roads. There are a large number of toll roads in various states. Some of the roads are nickel-dime in that you drive two miles, pay a toll, drive a few more miles and pay another toll. In Kansas we are used to the turnpike and from my experience, we have the best maintained road that our money can buy. Texas recently made the news when the state Department of Transportation set an 85 mph speed limit on a 41-mile toll road between Austin and San Antonio. The fee for the toll road is expected to be similar to other roads in the state at around 20 to 30 cents per mile. Maybe this is the answer to a reduction of the motor fuel tax—just raise all speed limits, burn more gas and thus more taxes. Well, maybe not.

Index the tax to inflation. It seems that every time someone speaks about indexing they suggest using the Consumer Price Index (CPI). From my point of view this would never work. The CPI is made up of various items with the price of gasoline being one of them. If you are going to index the fuel tax, it needs to be a newly created index that is composed of items that are used directly in road construction, such as fuel, steel, concrete, construction equipment, etc. This would have to be a nationally calculated and applied tax and then each state would still be responsible for their state fuel tax.

Tax oil, not gasoline. Another way to fill the gap in transportation revenue and needs is to broaden the tax base, replacing the current federal tax on gasoline and diesel fuel with a levy on every barrel of oil consumed in the U.S. The recommendation would be a floating rate so a certain amount of funds would be raised as needed.

Tax cars. Perhaps this would be a somewhat less noticeable method of collecting the needed revenue. The 2009 transportation finance study estimated a federal fee of $2.75 for cars and light trucks and $5.50 a year for heavy trucks could raise $1 billion per year. My concern is the lack of discussion about how this would be collected and the cost of collection.

Trying not to be a pessimist, I am afraid the needed corrections, fixes or modifications will be delayed until such a point that we are far behind needed road repairs. I hope I am wrong because this is not a short-term fix.

2013 KCAA Budget

ACCT #	ACCOUNT DESCRIPTION	2013 Budget
01	**APPRAISER REVENUE**	
01-01	**APPRAISER OTHER**	1,000
01-02	APPRAISER KCAA REVENUE	30,000
	TOTAL APPRAISER	31,000
01-03	**APPRAISER DUES**	
01-03-01	COUNTY DUES	14,400
01-03-02	NON-COUNTY DUES	300
01-03-03	CKA DUES	130
	TOTAL APPRAISER DUES	14,830
01-04	**CONF & MEETINGS**	
01-04-01	SYMPOSIUM	35,000
	TECHNOLOGY SEMINAR	-
	TOTAL CONF & MEETINGS	35,000
01-05	**INTEREST**	
01-05-01	BANK INTEREST	600
	TOTAL APPRAISER REVENUE	81,430
02	**EDUCATION REVENUE**	
02-01	EDUCATION OTHER	-
02-02-03	EDUCATION CLASSES	80,000
	TOTAL EDUCATION REVENUE	80,000
	TOTAL REVENUES	**$161,430**
01	**APPRAISER EXPENSES**	
01-01	**OFFICE & SUPPLIES**	
01-01-01	TELEPHONE	1,400
01-01-03	POSTAGE	1,000
01-01-04	SUPPLIES	1,000
01-01-05	MISCELLANEOUS OTHER EXP.	1,000
	TOTAL OFFICE & SUPPLIES	4,400
01-02	**LEGISLATIVE**	
01-02-01	LEGISLATIVE EXPENSES	1,000
	TOTAL LEGISLATIVE EXPENSES	1,000

ACCT #	ACCOUNT DESCRIPTION	2013 Budget
	APPRAISER EXPENSES (cont.)	
01-03	**CONF & MEETINGS**	
01-03-01	SYMPOSIUM	28,000
01-03-02	KAC	-
01-03-03	TECHNOLOGY SEMINAR	-
01-03-04	IAAO	2,000
01-03-05	NCRAAO	2,000
	TOTAL CONF & MEETINGS	32,000
01-04	**TAXES**	
01-04-01	PERSONAL PROPERTY	-
01-04-02	OTHER	100
	TOTAL TAXES	100
01-06	**CONTRIBUTIONS**	
01-06-01	HAGEMAN TRUST	
01-06-02	IAAO 2012 CONFERENCE COMMITMENT	
01-06-04	OTHER CONTRIBUTIONS	
01-06-05	SCHOLARSHIPS	500
	TOTAL CONTRIBUTIONS	500
01-07	**PROFESSIONAL**	
01-07-01	ACCOUNTING	260
01-07-02	LEGAL	-
01-07-03	NEWSLETTER	6,275
	TOTAL PROFESSIONAL	6,535
01-08	**CONTRACTS**	
01-08-01	EXECUTIVE SECRETARY	32,877
01-08-02	EXECUTIVE SECR. TRAVEL	2,000
	TOTAL CONTRACTS	34,877
01-09	**DUES**	
01-09-01	KAC DUES	2,000
01-09-02	IAAO AFFILIATE DUES	200
	TOTAL DUES	2,200
01-10	**FEES & REGISTRATIONS**	
01-10-01	FEES & REGISTRATIONS	50

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ACCT #	ACCOUNT DESCRIPTION	2013 Budget
01-11	**BANK SERVICE CHG.**	
01-11-01	BANK SERV. CHG.	50
01-12	**SPECIAL PROJECTS**	
01-12-01	SHIRTS	
01-12-05	COMPUTER PURCHASES & MAINTENANCE	1,000
01-12-07	HANDBOOK	
01-12-08	IAAO TRIP	
01-12-09	NCRAAO TRIP	
01-12-11	TECH SEMINAR	
01-12-12	RETIREMENT GIFTS	500
	TOTAL SPECIAL PROJECTS	1,500
	APPRAISER OTHER	
01-13-01	KREAB	205
01-13-02	APPRAISER OTHER: RMA AND NON-PVD	24,000
01-13-03	PVD SPLIT	23,000
	TOTAL APPRAISER OTHER	47,205
	TOTAL APPRAISER EXPENSES	**130,417**
02	**EDUCATION**	
02-02	INSTRUCTOR FEES	8,000
02-04	MEETING ROOMS	210
02-05	CLASSES OTHER	23,000
	TOTAL EDUCATION EXPENSES	31,210
	TOTAL EXPENSES	**161,627**
	TOTAL REVENUES	**161,430**
	OPERATING BALANCE	**(197)**

2013 KCAA Committee Chairs

For a complete list of committee members, please visit the KCAA website http://www.kscaa.net. Select the About tab.

Ratio .... Jerry Denney, Gray Co.
Structures/Ethics ....Lori Schlegel, Pottawatomie Co.
Legislative.............................. Greg McHenry, Riley Co.
Ag Use.................................... Pam Palmer, Chase Co.
Maintenance Specs...........Gene Bryan, Wyandotte Co.
Professional Designations........................Kim Lauffer, Comanche Co.
Audit/Budget......................... Mark Hixon, Shawnee Co.
Education................... Mike Montgomery, Crawford Co.
Oil & Gas .... Rick Batchellor, Kingman Co.
Public Relations.......................... Gary Stapp, Lyon Co.
Personal Property......Barb Konrade-Stierlen, Barton Co.
Newsletter....................................... Lisa Ree, Ellis Co.
Orion Enhancement........... Chris Morlan, Sedgwick Co.
ORKA Database .... Brad Eldridge, Douglas Co.
Subsidized Housing............ Brad Eldridge, Douglas Co.
COTA...............................Larry Reynolds, Jackson Co.
Grant In Aid.......................... Mark Hixon, Shawnee Co.

NCRAAO Board Members

Della Rowley, Sumner Co. (2014)
Jami Clark, Greenwood Co. (2015)
Steve Miles, Douglas Co. (2016)