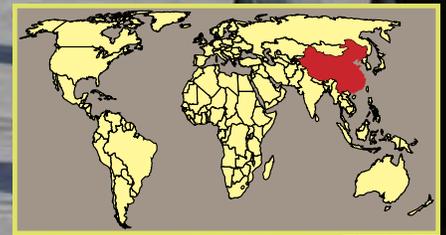


China: Looking to the Future

by Michael Lomax



(all article photos by Michael Lomax)

The statements made or opinions expressed by authors in Fair & Equitable do not necessarily represent a policy position of the International Association of Assessing Officers.

Official Name: People's Republic of China

Total Area: 9,572,900 square kilometers

Administrative Divisions: 22 Provinces, 5 Autonomous Regions, and 4 Municipalities

Head of State: President

Head of Government: Premier

Current Head of State: Hu Jintao

Capital: Beijing

Major Cities: Shanghai, Beijing, Tianjin, Guangzhou,

Language: Mandarin Chinese (Putonghua)

Currency: Renminbi (Yuan)

Population: 1.3 billion (UN Estimate, 2006)

The People's Republic of China is home to about 20 percent of the world's population, making it an influential force on the world's economy. China's size and influence in today's global marketplace is immense. There is one area, however, where China is deep in the learning curve, the real estate industry.

Until 10 years ago, private ownership and real estate transactions were not allowed; then changes were made that allowed private owners and the public the ability to buy, sell, and ultimately own a form of real estate tenure, commonly known in other parts of the world as a long-term lease. This change led to a dramatic movement of capital into real estate in China, resulting in massive price escalation.

Currently, much of the funding of local government in China is by way of the sale/disposition/auction of government-owned land to developers. The influx of land disposition money has allowed local government to finance infrastructure and services in their communities. There is some concern among educators and authorities that this type of local government funding is not sustainable in the long term.

Over the last three years, government officials in China have been educating themselves on the best international practices in the field of real estate assessment and property taxation/fees.

In support of this endeavor, Dr. Joyce Yanyun Man, Professor and Director for the Peking University-Lincoln Institute Center for Urban Development and Land Policy, has been instrumen-

tal in offering various conferences and learning workshops to bring together international educators and practitioners. Her aim is to assist officials in China in determining what practices they should consider in order to ensure the stability and longevity of property-related fees.

I have attended some of these workshops and conferences to deliver presentations on practices in British Columbia and the assessment industry in Canada. During my visits to China, IAAO is frequently mentioned.

As a member of the IAAO Education Subcommittee, I have had the opportunity to convey the importance of assessment education and best practices to Chinese authorities. In the past, the involvement of IAAO in China has been minimal to nonexistent. There is some awareness of the organization in China because some key government officials have been educated in the West and some have previously been members.

During one of my previous trips, senior government officials asked whether the president of IAAO would be willing to visit China and meet with them. In addition, Dr. Man inquired whether the president could also deliver a keynote address at a land conference being organized for top officials in Beijing in September 2010. Bill Carroll graciously accepted the invitation, reorganizing his travel schedule to accommodate this historic request.



From left to right: Weidong Qu, Zhou Yin, President Carroll, Dr. Joyce Man, Jin Weisheng, Michael Lomax at the Honorary Membership Presentation Dinner.

I escorted Bill on this trip to ensure that key introductions were made and that he felt comfortable in the unique surroundings of mainland China. Very little English is spoken in China; without support it can be overwhelming for Westerners. Officials from the Lincoln Center did an excellent job attending to details, arranging brief visits to the Forbidden City, Summer Palace, and the Great Wall in between a hectic business schedule designed to accomplish our goals. Westerners can learn from our Eastern friends about how business relationships are developed and maintained. There were many meetings, dinners, and endless questions, all with

the intent of learning more about each other. Work is not 9 to 5 as in the Western world; rather it often continues after the close of the workday.

Several official dinners were held prior to the conference. At one of these dinners, Bill presented honorary IAAO memberships to three top Chinese officials:

- Zhou Yin, Deputy Director-General of the Property and Behavior Taxes Department, State Administration of Taxation, China
- Jin Weisheng, Deputy Director of the Property and Behavior Taxes Department, State Administration of Taxation, China
- Professor Weidong Qu, Department of Land & Real Estate Management, School of Public Administration, Renmin University of China.

These memberships were viewed as an opportunity to build up IAAO's presence within China.

The conference was titled, "Land-Related Taxation and Fees International Experiences and Implications for China's Reforms" and was held at the Shournen Conference Center on the beautiful grounds of Peking University. Speakers at the conference included various international professors and Chinese government officials.

The conference was cohosted by the Peking University-Lincoln Institute Center for Urban Development and Land Policy;



The Great Wall is a mandatory sightseeing destination in China



President Carroll delivering his keynote address to conference attendees

the Department of Regulation and Supervision, Ministry of Land and Resources; and the China Land Surveying and Planning Institute.

The conference agenda was as follows:

- Keynote Speeches
 - Bill Carroll, President, IAAO
 - Jia Kang, Director, Research Institute for Fiscal Science, Ministry of Finance
- Session 1, Land and Real Property Taxation—International Experience
- Session 2, Land and Real Property Taxation—Comparative Research
- Session 3, Land Transfer Mechanisms and Land Capitalization

- Sessions 4 and 5, Land and Property Tax Reform in China—Land Revenue Distribution
- Session 6, Property Tax Demonstration Project Introduction and Model Overview.

Bill's keynote address highlighted the components of an efficient property assessment system, specifically, one that is based on market transactions (ad valorem) and that is easily understood, transparent, and stable. He discussed the previous demonstration pilot work conducted on office buildings located on Financial Street in Beijing and how it models the components of an effective assessment administration framework. He also explained the role of IAAO and how it is the leading source of content expertise in the field of real property assessment. He invited all officials to draw on this expertise. Finally, he thanked Dr. Man for assisting Chinese officials in their exploratory work in the field of property assessment and taxation.

During breaks between sessions, both Bill and I were busy answering questions from various officials on the merits of IAAO and the processes used in property assessment internationally. These conversations helped establish important relationships and sincere friendships with our colleagues in China.

If China opts to install an ad valorem property assessment system, the size and magnitude of the endeavor is astounding,

given the size of their population, the size of the country, and the diversity of property types. I have discussed some preliminary estimates with other international experts. It is estimated that approximately 20,000 assessment staff members would be needed if commercial property is the only property type valued. More than 100,000 assessment professionals would be needed if all property types were assessable, based on assessment systems and structures found internationally.

More than 100,000 assessment professionals would be needed if all property types were assessable, based on assessment systems and structures found internationally.

Government officials in China are very bright and are keen to learn; they have been consulting many international experts with the assistance of the Peking University–Lincoln Institute Center. I think that with this willingness to learn and the cooperative efforts of all involved, the People's Republic of China will be able to develop, if they choose to do so, a property assessment or similar taxation and fee structure that will work well for their needs and be based on the mechanics of the industry in China.

Bill's visit is a major step toward building and reinforcing a relationship with key officials in China. Establishing a relationship between IAAO and the Chinese authorities is vitally important, as we witness the most populous nation on earth explore the area of property assessment, taxation, and fees. ■



(l to r) Dr. Joyce Man, President Carroll and Michael Lomax during day 1 of the conference

Michael Lomax, R.I., is acting Regional Assessor for B.C. Assessment's Fraser Valley Region. Michael is the course instructor for the Mass Appraisal & Assessment Administration course at the University of British Columbia. He also sits as a representative of B.C. on the Canadian Property Assessment Benchmarking Team and has visited and presented to senior government officials in China numerous times.