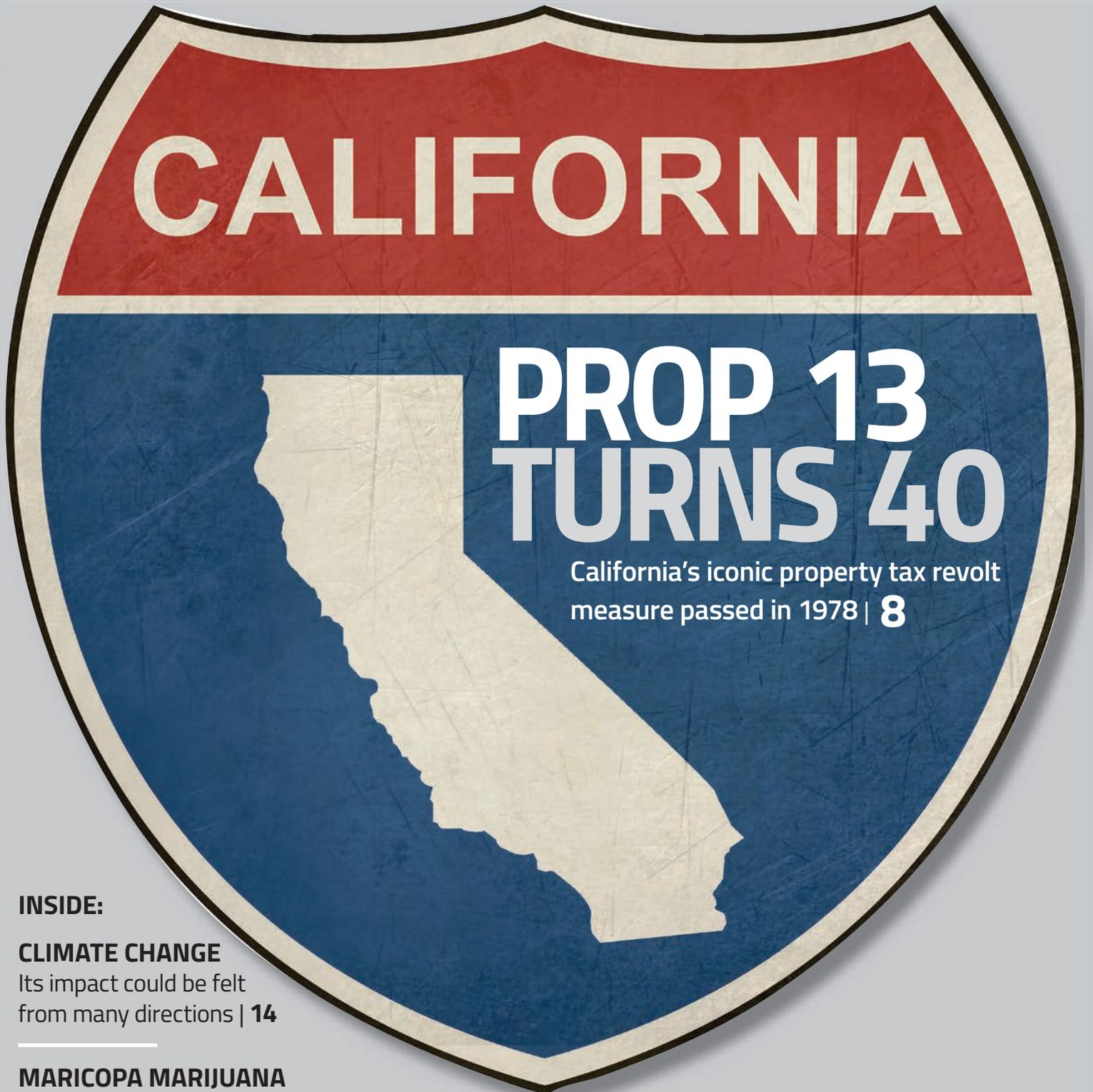


FAIR+EQUITABLE

JUNE 2018 | VOLUME 16 | NUMBER 5

A publication of IAAO on appraisal and appraisal management, within the property assessment industry.



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Valuing the World

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Overall, the association is in excellent financial shape, and we will continue to watch our revenues and expenses when planning our future, one that continues to look bright.

DOROTHY JACKS, AAS

IAAO President

In the history of property tax appraisal, there have been few events that can shape the industry for decades.

Forty years ago this month, there was one when California voters approved Proposition 13 to reduce property tax rates on homes, businesses and farms and potentially forever changed the way assessments are handled in California to a system based on cost when sold, with limited annual increases.

While only a few of us may have been in the industry at the time and the vote only changed California's property tax system, we are all aware of the significance of the decision. This month's cover story revisits Prop 13 to look at the impact on assessors, California residents, and any potential changes to the law.

Attendees of last year's Annual Conference may remember that Prop 13 was the subject of one of our emerging issues sessions, as IAAO always works to put on timely and cutting-edge programs.

One of this year's cutting-edge programs will be "Auditing Medical Marijuana Facilities," and in another article in this month's issue we preview the program and the unique issues that are not common to other industries.

We also review plans for the Women's Initiative Luncheon at the conference. Minnesota Supreme Court Justice Anne McKeig will be the guest speaker, and I hope you will be able to attend the Wednesday luncheon.

Registration is fully underway for the conference, set for Sept. 23-26 in Minneapolis, and the early-bird registration discount ends in mid-July. We expect another large attendance this year as we have many excellent programs and events. Besides the scheduled programs, the Minneapolis Local Host Committee is putting on the annual golf tournament and is finalizing plans for a night out at the ballpark to watch the Minnesota Twins. Check the website for the latest details.

The thought of baseball reminds me that with summer beginning, nearly half of the year is already gone! It's been a busy year for IAAO, and we are just completing another successful Prep



Minnesota Supreme Court Justice Anne McKeig will be the keynote speaker at the Women's Initiative Luncheon during the IAAO Annual Conference. Read a brief biography on page 23.

& Trial Seminar at the University of North Carolina. Education has always been important to our members and a major focus of the Executive Board, in particular how to deliver courses to all our members across the country and around the globe.

We are reviewing how to expand the capabilities of our Professional Development Department to handle and support additional offerings, potentially through more online courses and automating much of the work currently handled manually.

Another focus of the Board is

the annual budget. With close to half the year gone, we are looking both at where we are financially in 2018 and also planning our budgets for 2019.

In addition, in this issue we have included the 2017 financial reports to review.

The continued rapid changes in technology mean today's association and assessor's office have to continually reevaluate what our constituents want and need and adapt to meet those needs.

At the Board we are looking at all areas to see where we need to expand, and where to contract. I imagine this process will continue to be a driving factor for us and organizations of all types and sizes.

Overall the association is in excellent financial shape and we will continue to watch our revenues and expenses when planning our future, one that continues to look bright.

I enjoyed a visit to Quincy, Massachusetts, last month attending the Northeastern Regional Association of Assessing Officers Conference. It is always a pleasure to spend time with our members and this was no exception. It is great to see such successful assessor organizations doing the good work that we all strive to do every day.

All the best to you,
Dorothy Jacks

The continued rapid changes in technology mean today's association and assessor's office have to continually reevaluate what our constituents want and need and adapt to meet those needs.

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Valuing the World

National + International Press

COMPILED BY KEITH ROBISON

MICHIGAN, UNITED STATES

Escanaba continues its 'dark store' fight in Wisconsin

Officials from Escanaba, Michigan, will be heading back to the state tax tribunal later this year to once again argue against the "dark store" assessment method, which Menards and other big-box stores favor to determine their property values, the *Daily Press* in Escanaba reported.

Escanaba and its local Menards have been battling over the issue since 2014 when the retailer won a Michigan Tax Tribunal appeal that reduced its property value and in turn lowered tax revenues for government entities including municipalities, schools, colleges, and others that receive tax funding.

Menards claimed the store's value should be based on a closed and empty building, or "dark store," and the tax tribunal granted the appeal, spurring more local retailers to appeal their property assessments, too.

As a result of the tax tribunal ruling, Escanaba had to adjust Menards' 2012 property value for its 166,196-square-foot building on 18 acres from \$48.43 to \$20 a square foot, the 2013 value from \$49.54 to \$21 a square foot, and the 2014 value from \$50.88 to \$22 a square foot.

While the city, county, Bay College, public schools, and other agencies were forced to reimburse property taxes previously paid by Menards, Escanaba continued to file appeals despite high legal costs.

Escanaba is among several cities in Michigan, as well as in other states, fighting the "dark store" tax theory that favors big-box retail stores, as well as smaller businesses and some organizations that are seeking the same reductions in their property values.

Regarding the most recent court action, in October the Michigan Supreme Court refused to hear an appeal from Menards,



which was requesting the justices reverse a Michigan Court of Appeals ruling that favored the city earlier last year.

The appeals court had ruled the state tax tribunal "committed an error of law" when it re-assessed the value of the local Menards store and reduced the city's tax assessment on the property by more than 56 percent for three years.

Following the Michigan Supreme Court's denial to take on the Menards appeal, the Michigan Court of Appeals remanded the case back to the state tax tribunal to allow the two parties to present more testimony on the Escanaba Menards' property value.

— Jenny Lancour, the *Daily Press*

CHINA

China property tax push could spark sell-off

Two decades after the privatization of China's housing market, the government is moving cautiously toward imposing a property tax to combat a potentially destabilizing increase in debt. Beijing's squeamishness is understandable; over a fifth of real estate investors would consider selling if a tax were levied, a survey by FT Confidential Research has found.

The survey of 2,000 urban consumers found 57 percent of respondents who own at least one vacant property would rent out their unoccupied holdings, while 22 percent said they would pay the tax but keep their property empty.



Lava from a fissure advances to the northeast on Kīlauea Volcano's lower East Rift Zone.

USGS photo

Some 21 percent said they would sell in the event of a tax, and this proportion rose among first-tier city residents, while more investors in smaller cities indicated they would rather pay and leave their property empty.

After years of dragging their heels, authorities are vacillating. Premier Li Keqiang's work report, a broad statement of policy intentions, said the government would "prudently advance legislation on real estate tax." However, it is not a legislative priority for the National People's Congress, the body charged with drawing up the tax, possibly out of concern for its impact on the economy.

The tax could be based on the appraisal value of a property and is considered a solution to the skewed incentives that underpin China's housing markets. But the government is sensitive to the risk of a sell-off. At least one financial commentator has warned that a tax would cause the "Minsky moment" — when investor exuberance gives way to a sudden and sharp drop in asset prices.

— asia.nikkei.com

HAWAII, UNITED STATES

Lava disaster could force property tax hikes

Property tax hikes could be back on the table as county expenses increase even as property values erode thanks to lava inundation in Puna, Hawaii.

The decrease in taxes because of depressed property values was estimated at \$1.2 million, but continued volcanic activity during means the number could climb closer to \$6 million, county officials said.

And that's just the property tax loss from affected properties.

Agricultural losses over a broader geography could contribute even more to the negative revenue balance, they said. At the same time, county overtime, road construction, and other costs are increasing.

Finance Director Deanna Sako said, "There are a variety of options. All options are on the table."

Property tax rates must be set by June 20 and a balanced budget presented in time for the July 1 start of the fiscal year.

"We've got a big problem ahead of us," said Kohala Councilman Tim Richards. "Everybody was working on the budget and then we have a curve ball thrown us by Madame Pele."

— Nancy Cook Lauer, *West Hawaii Today*

TEXAS, UNITED STATES

Seven from Travis County tax assessor's office jailed after fraud investigation

Texas Department of Public Safety officials announced last week that an investigation related to alleged fraudulent activities within the Travis County tax office was underway, according to the *Austin American-Statesman*.

Officials identified seven people, including four tax office employees, who were arrested on various charges, including engaging in organized crime, forgery, and bribery, the newspaper reported.

Officials declined to provide more detail about the scope of the investigation, and arrest affidavits detailed theft of less than \$1,000 per person, and actions that led to uncollected state tax for reasons yet unclear, though the reports indicated investigators think bribery was involved.

Travis County Assessor Bruce Elfant said he was "angry and sickened" by the violation of the public trust and thanked the county auditor, the District Attorney's office, the Texas Department of Public Safety, and the Department of Motor Vehicles "for their efforts to identify fraud occurring in this office and to bring these perpetrators to justice."

Two of the employees were charged with engaging in organized crime. The other two are charged with forgery.

— The *Austin-American Statesman*

BY SANDRA PATTERSON

Nebraska high court adds conservation sites to exempt charitable properties

A conservation organization dedicated to the preservation of whooping cranes is entitled to a charitable exemption, the Nebraska Supreme Court has ruled.

It was the first time the issue of conservation as a charitable activity has been addressed by the state's courts.

The decision reverses the ruling of the Nebraska Tax Equalization and Review Commission (TERC), which determined that although the nonprofit conservation group offered myriad educational, scientific, and recreational opportunities, it did not provide "relief to the poor and distressed," which traditionally has been Nebraska courts' standard for charitable exemption.

The dispute involved six parcels along the Platte River in central Nebraska. The parcels were dedicated to providing a protected habitat for whooping cranes and other migratory birds.

Among the services the organization offered at the site were free public tours during crane season and educational programs for local public school students on conservation of wildlife and natural habitat. The group hosted researchers and scientists from across the country on a weekly basis as well as conducted its own research on the property. The organization also maintained a network of hiking trails so that the public could explore the property independently year-round.

In addition, a portion of the property was leased for cattle grazing. The organization claimed the grazing supported conservation efforts because it made the habitat more suitable for the cranes' use. The lease payments also helped defray the property's maintenance costs.

In Nebraska, to qualify for a charitable exemption, a property must be owned by a charitable organization and must be used exclusively for a charitable purpose. A charitable organization is defined in the statute as an organization operated for "the mental, social, or physical benefit of the public or an indefinite number of persons." A charitable organization is allowed to use its property for for-profit activities so long as the profits are spent on the organization's work and not distributed to owners, users, employees, or other private individuals.

The supreme court found that the conservation group was entitled to the charitable exemption because it was providing a benefit to the public similar to those expected of other charitable organizations. The statutory requirement of a mental benefit, the court explained, can be interpreted as an "intellectual" benefit, which, in turn, can be defined as engaging in "creative literary, artistic, or scientific labor." From the evidence, the organization conducts a variety of programs

intended to educate the public about whooping cranes and migratory birds, their habitat, and conservation practices, the court said. It also opens its property for scientific study.

Furthermore, the conservation organization was entitled to a charitable exemption because its work lessened a burden of the state, the court said. In the Nongame and Endangered Species Conservation Act, the state established a public policy to protect endangered wildlife and plants. Because the legislature saw this conservation work as state policy, and groups like this organization assist the state in achieving its policy goal, the legislature must have intended for conservation groups to be treated as charitable organizations as long as they met all the other exemption criteria, the court stated.

Finally, the lease of a portion of the property for cattle grazing did not disqualify the land from exemption, the court said, because the monies went toward site maintenance and did not enrich any individual connected to the organization. Further, even if the cattle grazing did not produce the conservation benefits the organization claimed, this activity was incidental to the group's primary work of preserving natural habitat for migratory birds for the public's benefit.

(Platte River Whooping Crane Maintenance Trust, Inc. v. Hall County Board of Equalization, Nebraska Supreme Court, No. S.-17-389, February 9,)



Florida bill tackles tax issues of divided-ownership mixed-use high rises

The Florida legislature has enacted new rules for assessing mixed-use high-rise buildings with separate owners for the different uses.

The legislation was drafted in response to a recent real estate development trend that shows property investors are now seeking to specialize in the individual components of mixed-use high-rise buildings rather than participate in ownership of the property as a whole.

These projects, dubbed vertical subdivisions, typically feature various combinations of retail, office space, entertainment venues, hotels, and residences.

Under the new law, each component of a multi-use building that is recorded as a separate ownership interest with the county must be assigned a separate parcel number.

If a building includes a residential component, any condominium or cooperative units must be assigned their own parcel numbers. This provision mirrors how these properties are currently assessed in residential-only structures.

The value of the land must be allocated among the various components based on their relative share of the total building value. The land cannot be assessed separately. For condominiums and cooperatives, the land value assigned to the residential area must be allocated among the various units.

If a component must be sold for delinquent taxes, the tax sale purchaser receives the same ownership interests and is subject to the same provisions as a voluntary buyer would be. The law goes into effect for the tax year.

(Florida State Legislature, 120th Regular Session, FL H 7087, signed March 23,)





Houses line the beach along a boardwalk in Santa Monica, California

After 40 years, Prop 13 reviews are in

The verdict: It's tax stability vs. tax fairness

BY KEITH ROBISON

On June 6, 1978, 40 years ago this month, California voters passed by a 2-to-1 margin what is likely the most well-known property tax law in the United States.

Proposition 13, the populist tax revolt measure, limited commercial and residential property taxes to 1 percent of a property's value at the time of purchase and capped any increase to a maximum of 2 percent a year, no matter how much a property's market value goes up.

Also under Prop 13, if property taxes are to be increased, there has to be a vote by the property owners affected, and it must pass by a two-thirds or greater majority.

Prop 13, which is considered an untouchable political "third rail" in California, is also credited with setting off a national anti-tax revolution in the late 1970s and early 1980s.

Officially called the Jarvis-Gann Property Tax Initiative, Prop 13 was meant, its creators Howard Jarvis and Paul Gann said, to protect older homeowners from huge tax bills when they retired.

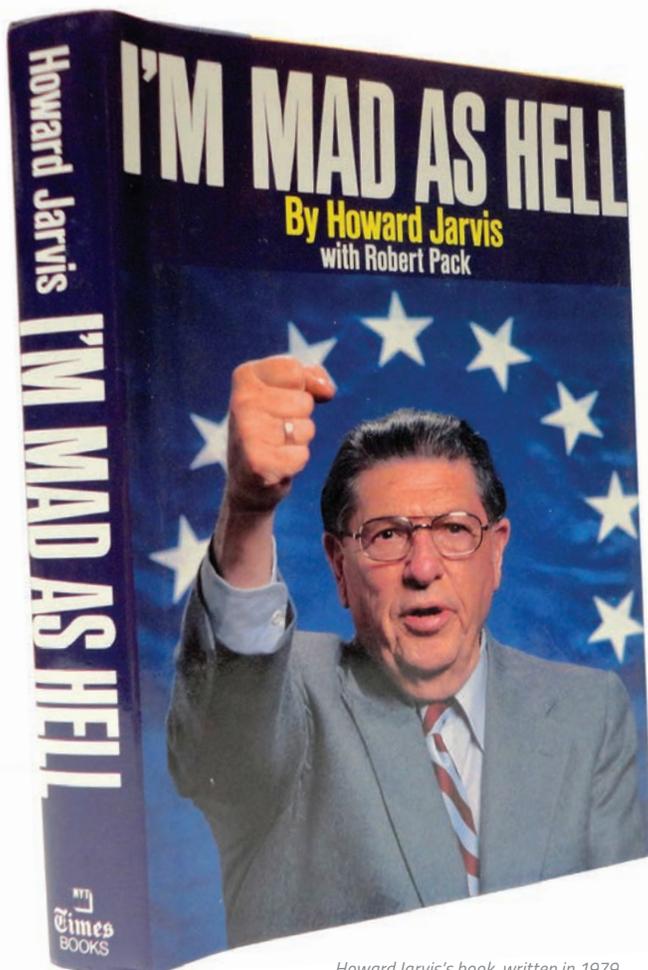
Has it worked?

Yes. Most agree the measure has done what it was created to do.

Susan Shelley is vice president of communications with the Howard Jarvis Taxpayers Association.

"Prop 13 has protected Californians from being taxed out of their own homes, which is exactly what Mr. Jarvis intended," she said. "He often said that property taxes were the most unfair form of taxation because they are assessed without regard to ability to pay.

"Proposition 13 created certainty and predictability by setting the assessed value of a property at the purchase price, and limiting the annual increase in



Howard Jarvis's book, written in 1979

the assessed value to no more than 2 percent. In one respect, however, Prop 13 did not do what Mr. Jarvis hoped, which was to restrain the growth of government.”

UNINTENDED CONSEQUENCES

But others say Prop 13 created a range of unintended consequences, from creating huge disparities in tax bills among neighbors living in similar houses to disincentivizing new housing development.

An accompanying interview with Los Angeles County Assessor Jeffrey Prang (page 12) details how Prop 13 affects California assessors, what measures regarding Prop 13 are coming to the state's ballot, the pros and cons of the measure, and the debates about its fairness.

Santa Clara County Assessor Larry Stone said that before Prop 13, California and its municipalities were sitting on budget surpluses. Meanwhile, property taxes were fluctuating amid an extreme housing shortage.

California's population in the 1970s was booming, causing housing demand

to skyrocket. Also, inflation was at a historical high.

“The people in 1978, residential property owners, primarily seniors or people on a fixed income, were literally being taxed out of their homes,” Stone said. “The residential property values five or six years before 1978 had dramatically increased. Many of us in local government were pushing to reduce the tax rate to not minimize, I guess, but to ‘mediumize’ the impact so people on limited income or seniors on a fixed income weren't taxed out.”

Howard Jarvis, the man behind the Prop 13 populist movement, was an anti-tax lobbyist and a Los Angeles apartment landlord.

“He managed to work up a head of steam in the political environment, and Prop 13 passed,” Stone said. “It cut property tax revenue by 50 percent overnight.”

Stone said Prop 13 caused some harmful things to happen.

“No. 1, the worst thing, was the limit on annual increases across the board,” he said. “In California, we have one tax rate, 1 percent. Also damaging was limiting assessment increases to 2 percent. So property values for residential and commercial/industrial have increased over the 40 years much greater than just 2 percent. Another insidious part of it established a necessary two-thirds vote to increase taxes at any level, so now all the control belongs to one-third of the voters.”

Los Angeles Times reporter Liam Dillon covers California state government. He said there are two schools of thought among Californians on Prop 13.

“Property taxes in California are much lower than in other states, so Prop 13 has done that, and those who benefit

would argue that's a good thing. Given the explosion in home values in the state, folks threatened with rising taxes are able to not have that be the case anymore.”

At the same time, Prop 13 completely changed the state's revenue stream.

“Prop 13 revolutionized how the state gets its money, how all the governments in the state get their money,” Dillon said. “Gov. Jerry Brown has long worried about the state's reliance on income taxes, which is a much more volatile source than property taxes, which are much more stable, and much more local. As it stands, the state has to backfill all the shortfalls in school funding.”

But because of California's high real estate prices, even with Prop 13's limits, the state's property tax receipts per capita are about average in the United States, ranked 21 among the 50 states, according to the Tax Foundation, a tax-policy nonprofit.

Larry Stone said another consequence of Prop 13 was the tax cap set on commercial and industrial property.

“Jarvis and Gann sold to the voters the fact that the elderly and low-income were being taxed from their homes, and they were right,” Stone said.

“But the Bank of America, Safeway, and Hewlett-Packard weren't being taxed from their homes. Howard Jarvis made a lot of money off his initiative sold to the public as seniors being taxed from their homes. The savings went to all property, but their argument only focused on residential property.

“Before Prop 13, 65 percent of property tax was borne by commercial property,” Stone said. “That, over 40 years, has completely flipped. Now, 35 percent is from commercial/industrial property. And that certainly doesn't turn over as rapidly has homes.”

Demand is higher than supply

A report on the high cost of housing in the state by public radio station KPCC partly blamed Prop 13. Over the past 30 years, California simply hasn't built enough housing to keep up with

the number of people who live there, the report said.

According to the KPCC report, the California housing department estimates 180,000 new housing units need to be built each year to keep housing costs stable. Over the past 10 years, the state has averaged less than half of that.

So why hasn't California built enough housing to keep up with demand?

KPCC reporters found that most housing researchers agree part of the problem is Prop 13. They illustrated the issue like this:

Imagine you're a city, sitting on a huge plot of vacant land. You could zone that land for housing or for commercial use, like a hotel or a Target. Your city obviously needs more housing — prices are sky high. Easy decision, right?

No.

Prop 13 has made development decisions much more complicated. Because property taxes are capped, local governments have to rely on other revenue sources. That vacant land is much more valuable to the city's coffers if a big-box retailer goes in as opposed to a multifamily apartment building. Housing nerds call this the "fiscalization of land use."

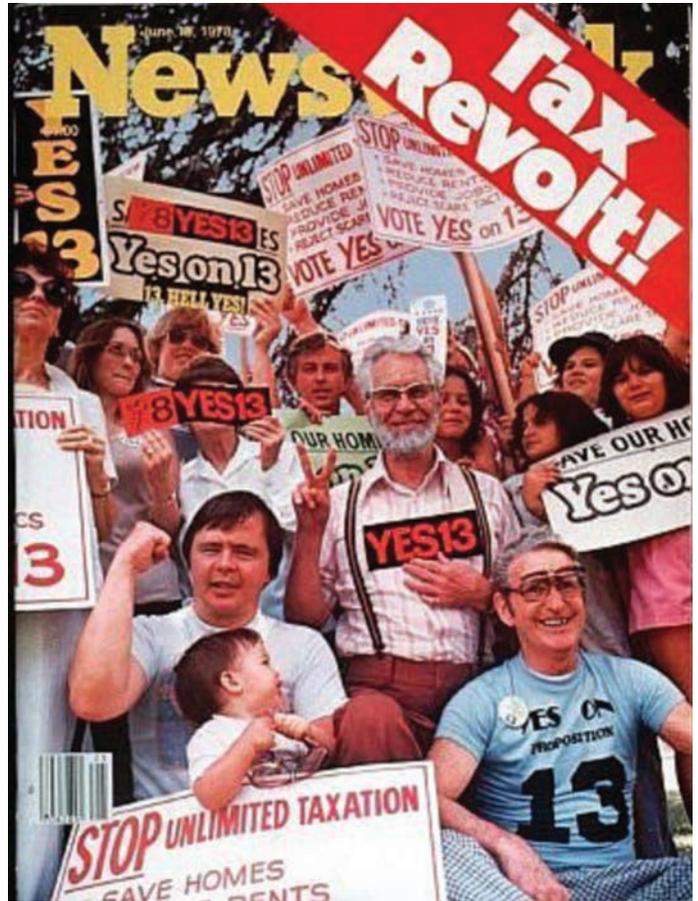
The California Political Review, a conservative-leaning news site, listed some of what they call unintended negative consequences of Prop 13.

Local governments are missing out on billions of dollars because of a homeowners exemption to Prop 13 that allows children and grandchildren to inherit up to \$1 million in property without its having to be reassessed.

Over the past decade, the analyst with the website found that 650,000 properties, or 5 percent of properties in the state, were passed down without triggering reassessment — and many of their beneficiaries have used those properties as rentals. That trend is expected to grow as baby boomers age.

Another unintended consequence of Prop 13 is how it has added to the cost of building and owning new homes. With property tax revenue capped, local governments have imposed more sales, hotel, and utility taxes. They have looked to home builders and land developers for impact fees, a charge for bringing public services to the new development. Impact fees have been easy to impose because they don't require voter approval.

Local governments have also increased the use of Mello-Roos assessments to pay for new infrastructure, a cost that's often passed on to new homebuyers. Mello-Roos is a special tax district approved by two-thirds of voters in the district, often in a new development. The money is used to finance



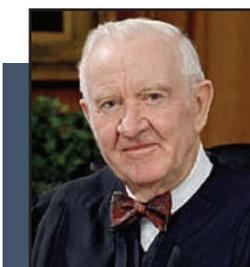
The June 1978 cover of Newsweek

everything from roads and street lights to water and sewer systems.

Neighborhood disparity

The provision that property can be reassessed only when it's sold has resulted in some Californians paying much more in taxes than what are imposed on similar properties in the same neighborhoods.

Billionaire Warren Buffett used his own situation to discuss aspects of Prop 13 with the *Wall Street Journal*. Back in 2003, Buffett said there was a 10-fold difference in property tax on two of



"Moreover, as Proposition 13 controls the taxation of commercial property as well as residential property, the regime greatly favors the commercial enterprises of the (wealthiest), placing new businesses at a substantial disadvantage."

— U.S. Supreme Court Justice John Stevens in dissent on *Nordlinger v. Hahn* (1992)



Santa Clara County Assessor Larry Stone

his multimillion-dollar properties in Laguna Beach simply because of when he bought the houses. He also said that those property tax bills were still less than the bill on his house in Omaha, Nebraska.

Buffet added that a typical family buying a house for \$300,000 in Chico, California, would pay more in property taxes than he does.

"This family, because of Proposition 13, has been selected to subsidize me," Buffett said.

Santa Clara County Assessor Larry Stone illustrated the point with his own house in Sunnyvale, California.

"I've owned my home since 1975, in the 43 years I've owned my home, the total property tax I've paid for 43 years is about \$72,000, and that's on a 3,000-square foot house on a 10,000-square-foot lot, a single-family home. I paid \$75,000 for it in 1975. It's assessed at \$258,000 and it's worth about \$3 million now."

He said such a large discrepancy in tax bills between neighbors isn't fair.

"One person in your neighborhood can pay up to 20 times more in property taxes, but dial 911 and the police and fire come at the same speed to your house as his.

"Our kids go to the same schools, we have the same libraries, and the same streets ... but some neighbor is paying 20 times as much for the same public services.

"In my case, I have a \$258,000 assessment on a \$3 million home, which I can sell for \$3 million, buy another for \$3 million plus 5 percent, and carry my old assessment to the new house as long as I'm over 55.

"I've spent more money on tickets for sporting events than I've paid in property taxes.

That's insane. You could not devise a more unfair property tax system than we have here in California," Stone said.

Shelley, with the Jarvis taxpayers association, disagrees.

"There is no disparity between neighbors who buy their houses at the same time," she said.

"There is simply a limitation on how much the assessed value of property can rise in any one year.

"That doesn't favor the wealthy. It protects people who are not wealthy from being taxed out of their own homes by rising real estate values, an unpredictable factor over which they have no control.

"A property owner's tax liability is based on the voluntary act of purchase and is not subject to the vagaries of the real estate market."

But Paul Gann, Jarvis' partner in working for the passage of Prop 13, later acknowledged the disparity.

"My only regret is there isn't some way, and I keep looking for a way, that we can adjust this thing so my neighbor doesn't pay more property tax on the same valued piece of property than I pay," Gann told the *Los Angeles Times* in 1988.

"The reason we did that, and I can remember as if it was yesterday, was simply because you bought a home that fit within your budget."

Gann died in 1989, and Jarvis died in 1986.

A young person's punishment?

Stone said the tax revolt measure pits young against old.

"Prop 13 punishes younger people and it punishes first-time home buyers, punishing our younger folks while all our older folks enjoy the benefit."

Shelley counters that, saying the property tax cap protects first-time buyers.

"Before Proposition 13 passed, the statewide average property tax rate in California was 2.67 percent, and the assessed value rose with the market value," she said. "Prop 13 cut the tax rate on property to 1 percent. Would younger families and first-time homebuyers be better off today if the tax rate on property was 2.67 percent of the assessed value, with no limit on how high or how fast the assessed value could rise? Of course not.

"Proposition 13 protects every property owner in California from the day they close escrow. New homeowners have the certainty that their tax rate will be consistent and reliable and that their assessed value cannot rise more than 2 percent per year."

Stone said most California politicians know better than to talk about changing anything about Prop 13.

But he said he voices his opinion on the matter.

"I'm elected, and I've been talking about Prop 13 like this for 15 years," he said. "People agree with me, and they feel guilty. But not guilty enough to give up the benefit.

"They shake their heads and say, 'Yeah, it's unfair. But I like it.' "



KEITH ROBISON is publications manager at IAAO. Reach him at robison@iaao.org or 816-701-8135.

Prop 13: A Q+A with Los Angeles County Assessor Jeffrey Prang

Has Proposition 13 done what it was intended to do?

Forty years ago when California voters approved Proposition 13, they were seeking property tax relief and stability from rapidly rising property taxes.

The amendment to the State Constitution was approved by 62.2 percent of the voters in the June 1978 primary election, and provided the promised property tax relief.

Officially named the "People's Initiative to Limit Property Taxation," the constitutional amendment mandated that properties be assessed at 1 percent of market value at the time of sale or change in ownership.

All assessed values were rolled back to their 1975 value to establish base year assessments. Proposition 13 restricted annual property tax increases to an inflation factor, not to exceed 2 percent per year.

Reassessment of a property can occur only when there is a change in ownership or there is new construction.

As the Assessor of Los Angeles County, the role of my office is to administer Proposition 13 and the various additional measures that implement and amend the law.

Are there unintended consequences?

Like most policy reforms that are sweeping and significant, there have been unanticipated impacts. Most observers will point to the revenue impact of Proposition 13 and the significant shift of funding from local governments to the state. From the perspective of property valuation, the most obvious impact is the disparity in assessed value of residential properties. What exists today, 40 years after enactment, are properties that may be situated side-by-side, but with one having a value tens or hundreds-of-thousands of dollars less than the neighboring house. This occurs because one home has not sold and retains a Proposition 13 base value set many years ago, while the adjacent home has sold and now carries the updated assessment based upon market value.



Los Angeles County Assessor Jeffrey Prang

What challenges does Prop 13 create for an assessor in California that assessors in other states don't have to worry about?

There are many differences between California's property tax system and nearly all other property tax jurisdictions in the United States.

Our system is not based on cyclical reappraisal, but is based on base-year values set at the time of a property's transfer, or when new construction occurs. My office is notified of most real property sales via copies of recorded deeds, and of the issuance of new construction permits directly from the 88 cities in our county. Fortunately, we are a "disclosure state," so we usually know what the sale price was at the time of transfer.

As previously noted, after the base value is set, it cannot increase more than 2 percent per year, which provides a great deal of predictability for property owners. Senior citizens are particularly appreciative of this feature of Proposition 13.

A huge benefit to the public, but one that requires a significant level of effort from my staff, is a one-time ability for senior citizens to transfer their low base value on a long-held property to another property, with some restricted criteria. Without this ability, the senior citizen would have to pay taxes on the current market value of the new property.

Another difference in our procedures versus other jurisdictions is that assessment appeal hearings require what can be thought of as a standard appraisal, performed by an individual appraiser, in order to determine and/or defend the market value of a property. This level of individual attention to each case may seem like an inefficient manual process, but it is required by statute and rules.

Sales ratio studies, an important analytical tool for most jurisdictions, have no real use to us because base year values are always initially at market value, and also because value increases are capped at a maximum of 2 percent, and therefore we do not perform mass reappraisals.

And, unlike many jurisdictions that rely on the cost approach as a major part of their cyclical reappraisal process, this approach is primarily used in my office only for the valuation of new construction, and much less frequently for the valuation of special use properties.

From a property appraiser's perspective and that of a homeowner, there is simplicity in the concept of property value being either the base year value or carrying the fair market value assigned by a change in ownership or new construction. It is also advantageous for all California taxpayers to have the same understanding that the maximum increase in valuation that can occur is 2 percent.

Have there been calls to end it?

Almost from the beginning, those who opposed Proposition 13 have argued that the tax reform does not accurately capture the fair market value of residential and commercial properties in California. Others have raised the issue of fairness of like properties carrying vastly different assessed values, while accessing the same public services. The United State Supreme Court case affirmed the constitutionality of Proposition 13 in a landmark decision, *Nordlinger vs. Hahn*.

Justice Harry Blackmun, wrote the majority opinion holding that California has a "legitimate interest in local neighborhood preservation, continuity and stability" and that is acceptable to treat owners who have invested for some time in property

differently than new purchasers and that if property owner objects to the rules, they could choose not to buy.

Interestingly, this case emanated from Los Angeles County where the plaintiff, Stephanie Nordlinger, sued the late former Assessor Kenneth P. Hahn on the grounds that Prop 13 violated the Equal Protection Clause of the 14th Amendment to the United States Constitution.

During the tenure of L.A. Assessor Hahn, I worked as a special assistant assessor. Little did I know at that time, that one day I would have the honor of serving as Assessor of the County of Los Angeles.

What are the measures headed toward the ballot box?

Two initiatives that would change Proposition 13 are currently being circulated for signature gathering. If these measures receive the required number of registered voter signatures, they will advance to an upcoming state-wide election ballot for consideration by California voters. Because the two proposed ballot measures amend the state constitution, they are each required to receive 585,407 valid signatures.

The first potential change to Proposition 13 is being called the "Tax Transfer Initiative." This measure would amend Prop 13 to allow homebuyers who are age 55 or older or severely disabled to transfer their base year tax assessment from their prior home to their new home, regardless of the new

home's market value; the new home's location in the state; or the number of moves the taxpayer makes. This measure would expand the existing one-time base value transfer allowance, and would increase the portability of lower assessed values for senior citizens, who are often on fixed incomes, and fear they will not be able to afford a big property tax increase if they sell their existing home and buy another one. Local government, which relies on property tax revenues to fund local services, will likely be very circumspect about this proposal as it may have an impact on future revenue growth that results from property changing hands.

Another ballot measure currently being circulated would create a "split roll" by separating residential property assessment from commercial and business properties which are currently treated the same under Proposition 13. This measure, entitled "The California Schools and Local Communities Funding Act of 2018," would require commercial and industrial properties to be taxed based upon their market value on an annual or cyclical basis. This measure exempts properties that have less than \$2 million in market value, and businesses with 50 or fewer employees are similarly exempted. The shift to market value assessment would be phased in over a number of years, beginning in 2020-21.

A recent study commissioned by the California Assessors' Association (CAA) con-

cludes that costs for county assessors to administer the split roll property tax system would increase by as much as \$470 million in the initial years following adoption. Beyond the fiscal impacts of the shift from a system of acquisition-based to annual market-based assessments of commercial and industrial properties, there are practical barriers to the immediate implementation of the split roll change.

The number of additional appraisers needed, and the training of these employees to handle the complex business audits that will result, presents a major challenge to California assessors responsible for property valuation under Proposition 13 or these proposed changes. Moreover, most California assessors do not have the technology to manage a split roll system.

Summary

Proposition 13 is the subject of an ongoing and lively debate about the impact of the tax reform measure that led to a nationwide taxpayer revolt. In California the measure has been called the "third rail" of politics making it an almost untouchable subject for reformers and lawmakers who may try to change it in a way that has an impact on property owners.

As the leader of the nation's largest public assessment agency, I have the responsibility to administer Proposition 13 consistent with the wishes of the voters who enacted this measure 40 years ago.

Valuation of Underperforming Regional Malls

WEBINAR • July 18, 2018

A detailed treatise on the valuation of underperforming regional malls to include mall classification criteria, analysis of historical performance metrics, identification of and analysis of comparable sales and consideration and ranking of approaches to value, valuation methods, and techniques. Useful data analysis formats will be presented for use in actual valuation assignments.

Presented by Peter F. Korpacz, MAI, CRE, FRICS



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Climate change and the assessor

Let me make the point first that I am not writing to argue for or against human-induced climate change. I will leave that for the politicians and for friendly discussions over adult beverages. Instead, let's begin by assuming the climate is changing. We know it is because it always does.

BY LARRY CLARK, CAE

The reason for starting with this premise is to move on to the question of how this affects our jobs as assessors.

As assessors, we are constantly faced with ambiguous situations in which we may not know all the facts, but are required to make a decision and arrive at a conclusion. Appraising itself is a combination of science and art. We know that market value is best represented as a range of possibilities rather than a pinpoint dollar amount.

However, our job requires us to provide that

pinpoint estimate, so we do, even when we are not comfortable with our knowledge of the market. We are required to appraise even when the subject area might be beyond our expertise.

What I am asking is that you exercise this same courage.

If the climate scientists are right about their predictions, what, if any, effect will it have on the job we do as assessors? Even if we don't immediately begin preparations for the changes implied in those predictions, let's at least ask some questions so that we can start formulating answers.

What are the climate scientists predicting?

In his book, *Hot, Flat and Crowded*, Thomas Friedman refers to climate change as “global weirding.” Part of his reason for doing that is to get away from using the term “global warming” and its implication that all parts of the earth are experiencing one long summer. That is obviously not the case, even though the average temperature of the planet is increasing at an alarming rate. The other reason for using that term is that it is difficult to predict all the effects of a warming planet.

On the one hand, temperatures may rise on the average, creating dry, hot periods. That same temperature increase may cause an increase in atmospheric moisture, leading to heavy rain or snow events.

Temperature increases in a given part of the country may allow farmers to grow crops not previously available to them. Those same temperatures may either evaporate all ground moisture or bring rainfall that disrupts planting or harvesting. It may bring unusually heavy snowfall in areas not used to it while depriving ski resorts of fresh powder.

Flooding

One of the media’s favorite effects of climate change involves sea level rise due to melting ice at the poles. The exact amount of rise varies with each source, but the inevitable result is flooding at the coastline. This has already begun in some areas, with Miami Beach committed to a five-year program of raising streets and installing pumps at a cost of over \$500 million.

The question is, though, how does flooding on the coast affect the rest of the country? The answers vary.

First, it is not likely that people who chose an ocean view will move far inland to avoid coastal flooding. However, the impact of them owning flood insurance and, more importantly, filing claims for damages may have an impact on the remaining pool of flood insurance owners. Flood insurance premiums are not keeping up with flood insurance claims, and if, as some predict, the frequency of flood events increases this situation will only worsen.

However, flooding isn’t limited to the coasts.

One of the predictions of the climate scientists is for increased instances of heavy rainfall. Periods of heavy rains

threaten not only the coasts but many other parts of the country.

From the South Dakota Department of Public Safety website:

Floods continue to be a destructive natural hazard in South Dakota. Since 1978, flood insurance policy holders have received over \$13.8 million in claim payments.

The website also states:

Traditional insurance policies and disaster grants do not cover most losses, and repayment of a disaster loan can cost much more than a flood insurance policy.

Unfortunately, it’s only after a flood that many people discover this. Approximately 25 percent of all flood damages occur in low-risk zones, commonly described as being outside the mapped flood zone.

In addition to the rising cost of flood insurance, there may be problems in the areas of construction labor and material shortages. An article in the Oct. 2, 2017, issue of the *Houston Business Journal* states:

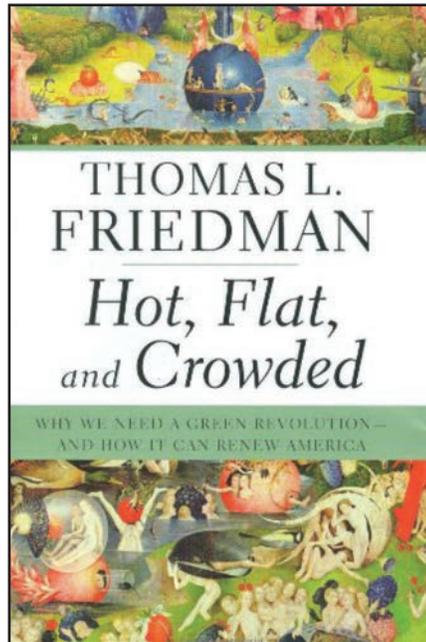
A recent survey of more than 1,600 contractors by the Associated General Contractors of America (AGC) found that 70 percent of contractors are struggling to find qualified craft workers to hire as construction demand continues to grow. It also found that 67 percent of firms predicted that hiring would continue to be hard or would be even harder in the future.

It would not be unusual to anticipate a labor and/or construction material shortage in the immediate area of a natural disaster. Construction laborers will be occupied repairing their own properties, and construction materials may actually be lost in the storm.

However, disasters the size of Harvey, Irma, and Maria cause a larger diversion of those resources and possibly for a longer time. In that same Oct. 2 article, the governor of Texas made the point that repairs and rebuilding in Houston alone represented the equivalent of 15 years’ worth of construction work. The contractors involved said that careful planning was needed to avoid downtime due to lack of sufficient material.

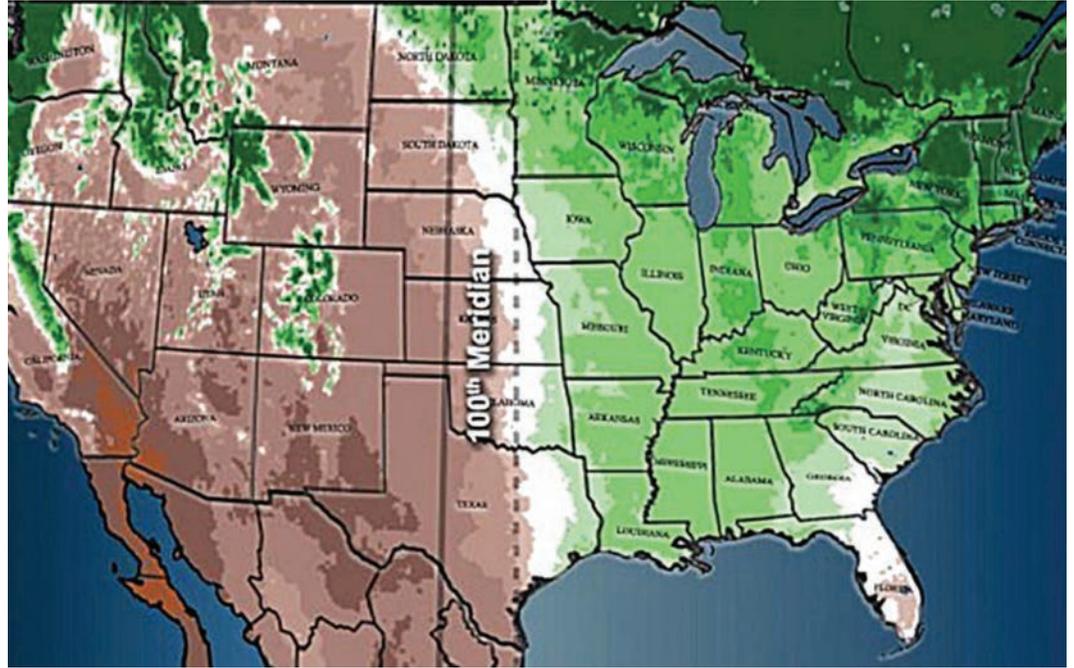
In a Jan. 8 article titled “8 construction trends to watch in 2018” from the trade newsletter “ConstructionDive,” the authors stated:

The construction industry will continue to contend with a limited supply of skilled craft workers. Officials in various parts of the country have used words like “dire” and “scary” to describe the availability of qualified labor as younger individuals resist construction as a career option and more baby boomers retire. The Associated General Contractors of America (AGC) reported in December that November construction employment increased to its highest level since the same month in 2008, but that this



has resulted in a smaller pool of candidates, likely constraining future hiring efforts.

These supply-and-demand factors have the potential of affecting real estate markets across the United States. The labor shortage has been blamed on people leaving the industry at the start of the recession and not returning. Coupled with a societal shift away from learning trades and toward academic education and the groundwork is laid for severe weather events creating longer lasting disruptions in the construction and real estate markets.



There are other impacts of coastal flooding as well. Shipping may be disrupted as ports are forced to adjust to the changing coastline. This will have a negative effect not only on the shipping industry but also on every industry that depends on foreign commerce.

Think about farmers in the Midwest whose crops are ultimately shipped overseas. The domino effect of disruptions in shipping may have a downward influence on agricultural land values. As with every other industry, failure to market a product naturally depresses values.

Another disruption we witnessed when Hurricane Harvey made landfall was in oil refining. This excerpt from the Sept. 5, 2017, issue of Oilprice.Com tells why:

Houston is the central hub for the energy industry in the U.S. It is important for oil and refined product imports and exports, it is an important storage area for oil and refined products, and much of the Strategic Petroleum Reserve is close by. There is also some onshore oil production in the general area, and quite a bit of offshore production. But perhaps most importantly, the five largest oil refineries in the U.S. are on the Texas and Louisiana Gulf Coast, and the two largest refineries in the country are in the vicinity of Houston.

The oil industry was able to quickly bounce back from this single event, but imagine what would happen to the price

of gasoline if flooding became chronic. Gasoline prices have an impact on every industry that depends in part on transportation, which is most of them. Assessors depend on vehicles to get them into the field to inspect properties.

Gas prices were up this spring partly because OPEC has kept production low, which more than offset the increase in production in the United States. Spring is also the time of year when refineries perform annual maintenance in anticipation of the summer driving/vacation season. In other words, the price of gasoline, like every other commodity, responds to changes in supply and demand.

Whether that supply is controlled by reduced production or is disrupted by forces of nature, the result is an increase in prices at the pump.

Moisture patterns

Coastal flooding is not the only result of climate change. Parts of the rest of the country are experiencing higher moisture levels while others are drying. The Eastern United States has tended to experience more and heavier rainfall while the West and Southwest have experienced less moisture and even long periods of drought.

In the 1800s, geologist John Wesley Powell conceptualized what he referred to as the 100th meridian. This was a north-south line that bisected the United States into wet and dry regions.

Recently, Prof. Richard Seager, using data from a number of sources, verified the existence of this demarcation. His contribution to this concept was a determination that the line had moved eastward approximately 140 miles. The map shown above is a rough approximation of the original line and where it has moved.

Those living west of that line can expect less precipitation than those living east of that line. Those results are already being felt in places like Colorado, where Boulder and adjoining counties recently sued Exxon Mobile and Suncor oil companies seeking damages resulting from lack of sufficient snowfall. The article announcing the lawsuit went on to say,

In Colorado, climate change is far from a distant threat. Colorado is one of the fastest-warming states in the country, which has contributed to hotter year-round temperatures.

In the spring and summer, warm temperatures can lead to heatwaves and more dangerous wildfires. In the winter, warm temperatures mean less snow in a state that depends on reliable snowfall. This season, snowpack throughout the state was just 72 percent of average, which means problems for everything from seasonal tourism to water runoff for agricultural communities.

For states like Colorado that depend on winter sports for part of their revenue, the idea of a drying climate is

depressing to the local economy. This lawsuit may fail like the many others filed by coastal cities, but it doesn't change the fact that Coloradoans will face a decidedly different future without snow.

Another set of maps that illustrate the changes in the climate are those showing changes in the U.S. Department of Agriculture hardiness zones. According to the USDA website, the hardiness zone "map is based on the average annual minimum winter temperature, divided into 10-degree F zones." The zones have crept upward over time.

These 100 meridian and hardiness zone changes represent both promise and threat to the agricultural industry. Longer frost-free periods may allow farmers to plant different crops. For example, a farmer in North Dakota was quoted in a 2013 news story:

"Corn and soybeans were just experimental crops until the late 1980s," Podoll says. Now the state looks much more like Iowa than the Dakotas of Podoll's childhood. That is in part due to longer growing seasons that allow farmers to take advantage of late-maturing crops, notably corn, which yield more than their short-season counterparts.

Laura Edwards, South Dakota State University climatologist, says the same changes of warmer, wetter weather and a longer growing season have happened in South Dakota as well, which has helped corn and soybeans dominate the landscape (Dakotafire Media, April 22, 2013).

Depending on your source, it takes from 2,500 to 4,000 gallons of water to produce one bushel of corn. So while climate change has allowed farmers in South Dakota to switch to corn, that same condition may render that change unsustainable over the long run. In other words, the climate change that allows the production of corn may dry up the water supply that supports that production.

According to the USDA, corn and soybeans brought over \$4 billion of revenue to the state in 2017, which caused it to be ranked sixth in the United States. Any threat to that income stream is a threat to the economy of the state.

Office operations

Most of what has been presented so far relates to all parts of the economy. Certainly assessors, or anyone else in-

involved in the real estate industry, should be aware of the effects of climate change. Any force that changes supply or demand will have an impact on values set for tax purposes.

There are, however, some considerations that directly affect the assessor's office. As stated earlier, a shutdown of oil refineries that causes an increase in gasoline prices will negatively impact budgets. Assessors need to travel to the field to inspect property. The price of gas will affect how much of that activity can be carried on in a given year under a given set of budget constraints.

More broadly, the ever-changing climate and its effects on weather patterns will directly affect planning. Embedded in the formula for calculating staff needs is an assumption that broad weather patterns can be predicted. For example, staff may plan to perform field work between June and the first of September. They rely on there being sufficient temperate days to achieve production goals.

The formula we use in our planning is relatively simple. Production (or number of parcels) is equal to the number of staff dedicated to a given process multiplied by the result of multiplying the number of days available for that process by the rate of production.

$$P = S \times (R \times T)$$

where

P = production (number of parcels)

S = number of staff

R = rate of production

T = time, usually in days, to conduct the process

Given two staff members who can collect property characteristic data on 10 parcels per day and 40 working days allotted are for this project, their total production is calculated as follows:

$$\text{Production} = 2 \times (10 \times 40)$$

$$\text{Production} = 2 \times 400 = 800$$

For this simple example we assumed two months of four weeks to accomplish this project. There are (7 × 8) 56 days in that time period, but we automatically exclude weekend days from government work. That leaves (8 × 5) 40 days.

There are considerations other than weekend days. For example, a holiday may occur during that time period. One of the two staff persons may be ill or take

some time off work. One or both of them may require training. Any of these things may interrupt the schedule and must therefore be considered during planning. More to the point of this article, inclement weather may interfere with field work.

As the temperature increases, there will be fewer days when field work is hampered by subfreezing temperatures. That has not been a significant problem since most jurisdictions plan field work during the warmer months of the year. More often, the problem is either high temperatures or rain.

Each office has to set its own definition of inclement weather, answering the question, when do we allow staff in the field? Most offices don't consider field work during periods of snow or rain, but what about temperature? When is it too hot or too cold?

The same climate change that provides more frost-free days to support growing different crops may also bring more high-temperature days. It may actually change the season for field work, lengthening it or even moving it within the calendar year.

Keep in mind, assessment offices are governed by a tax calendar that is set by someone else. Longer periods of frost-free days are not helpful to the assessor if the hottest days fall in the middle of that time set by the tax calendar for field work.

Climate change has the potential to cause tremendous disruption in our society, and that disruption is not limited to our coastlines. The real-estate market will be affected from several directions and those of us who deal with it will have to adjust.

Assessors have a responsibility to keep up with that market.

We can do so by either trying to stay ahead of what is happening or trying to catch up once it has happened.



LARRY CLARK, CAE,
is IAAO Director of
Strategic Initiatives.

IAAO property valuation standards

IAAO has developed a set of standards, written to guide assessment officials in the creation, implementation, and advancement of efficient land and property tax administration systems.

Beginning in 1976 with the *Standard on Equipment, Facilities, Supplies, and Procedures* and the *Standard on Assessment Maps and Parcel Identifiers*, the number of IAAO standards has expanded to 13 covering a wide range of topics including contracting for assessment services, valuing contaminated property, and the most popular, *Standard on Ratio Studies*.

In the past few issues and in the coming months, *Fair+Equitable* will carry a brief article describing the contents of the existing standards, all of which are available for download from the IAAO website.



Standard on Contracting for Assessment Services

This standard was last addressed in 2008 and is currently under review. As the scope makes clear, "This standard describes and makes recommendations on the development, awarding, and monitoring of contracts for assessment services."

This standard is useful for any assessment jurisdiction contemplating a contract for outside services. It provides guidance for every phase of the contracting process from the request for proposals (RFP) through to project completion.

The requirements for the RFP emphasize the need for the assessor to know exactly what is desired under the contract. The RFP states those desires in specific terms covering every aspect of the project from timelines to personnel and performance standards that will be used.

This standard provides a structure for the contract that follows the approach begun in the RFP. The emphasis from the beginning to the end of the process is on describing in the detail the expectations of the assessment jurisdiction. Therefore, the contract terms do not surprise anyone, because they were introduced in the RFP.

The methods and means of monitoring the contract performance are introduced in the RFP and detailed in the contract. They are described in the standard in an easy-to-follow format that should be adaptable to many types of contracting situations.

The standard devotes one section to special considerations for specific types of service. For example, it suggests the type of quality control that might be implemented in a data collection contract.

IAAO standards under review and exposed for comment

IAAO maintains technical standards that reflect the official position of IAAO on various topics related to property tax administration, property tax policy, and valuation of property including mass appraisal and related disciplines. These standards are adopted by the IAAO Executive Board.

Several standards had been updated in the past few years; however, the *Standard on Valuation of Personal Property* was last updated in 2005.

As part of a process to keep IAAO standards up-to-date, President Dorothy Jacks created a task force headed by Lisa Hobart to review and update that standard as needed. The product of their efforts has been exposed for comment may be accessed through the IAAO website under About\Executive Board\Exposure Drafts or by going to www.iaao.org/

[exposedraft](#).

All comments on this draft should be sent to Larry Clark at IAAO headquarters at clark@iaao.org by July 1. Comments will be reviewed by the task force members before the final standard is submitted to the Executive Board.

IAAO assessment standards represent a consensus in the assessment profession and are intended to guide property tax assessment officials, tax policy analysts, and administrators. The objective of IAAO standards is to provide a systematic means by which assessing officers can improve and standardize the operation of their offices. IAAO standards are advisory in nature, and the use of, or compliance with, these standards is purely voluntary.

First set of governing documents ready for exposure and comment

BY GREG McHENRY, AAS

The Governance Committee has completed reviewing and revising the first group of IAAO governing documents, and the new Amended and Restated Articles of Incorporation for the organization have been exposed for comment.

Members may download the draft version of the document from the IAAO website at www.iaao.org/exposedraft, or use the link on the home page under What's New.

Comments on the Amended and Restated Articles of Incorporation should be sent to comments@iaao.org no later than July 12.

The Amended Articles of Incorporation modernize the original incorporation document created in 1936 and amended in 1959.

In addition to the Amended and Restated Articles of Incorporation, the Governance Committee is working on developing a combined constitution and by-laws document.

Once approved by the IAAO Executive Board for exposure, the document will be made available to members for review and comment.

The updates to the documents were prompted by suggestions by IAAO's legal counsel and an independent professional consultant on parliamentary matters who was engaged by the Executive Board in 2017, following a review of the existing IAAO Constitution, Procedural Rules, and Bylaws.

The review found several items in the three documents that were duplicative, in conflict, or no longer necessary.

"The new versions bring IAAO inline with current law and practices and provide clarity on how IAAO is run," said Past President Randy Ripperger, chair of the Governance Committee. "The documents were drafted with the thought of say it once, say it clearly, and say it in the right place."

Following a review of comments received during the exposure periods, the Executive Board may vote to place the documents on the election ballot for approval, set for Nov. 1-15.

The Town Hall session at the Annual Conference in Minneapolis to review the changes to the documents has been moved to 1:30 p.m. Monday, Sept. 24.

The Town Hall session will provide an explanation of what changes are proposed and why they are necessary and answer member's questions.



Call for Proposals

GIS/CAMA 2019 Conference

February 25-28, 2019 • Portland, OR



Call for Workshop Proposals - Due August 1, 2018

Do you enjoy teaching/presenting? Want to help transfer knowledge to the greater GIS/CAMA community? The 2019 Conference Planning Committee is soliciting educational content and instructors for full-day and half-day conference workshops. Conference workshops are scheduled on Monday, February 25 and attendance at one workshop is included with full conference registration. Suggested topics are provided online.

Call for Presentation Proposals - Due October 15, 2018

The education program is developed by reviewing submissions received through the Call for Presentations. The 2019 Conference Planning Committee welcomes the submission of individual papers, complete sessions, panels, and lightning talks. All abstracts will be reviewed and considered for the educational program. Suggested topics are provided online.

For suggested topics and submission forms, go to www.urisa.org/giscamacall



Conference preview: Maricopa marijuana

According to *Governing* magazine, 30 states and the District of Columbia have passed laws legalizing marijuana in some form, opening the door to new opportunities and challenges for assessors in valuing an industry that has in the past operated largely in the shadows.

Marijuana is a divisive topic in Arizona.

The state legalized medical marijuana in 2010 with a mere 50.1 percent of the vote but more recently, in 2016, rejected recreational marijuana. After the Arizona Medical Marijuana Act passed in 2010, it still took until April 2011 for lawsuits challenging the act to be dropped and for rules to be established for medical marijuana facilities to begin to operate.

The first medical marijuana dispensary opened Dec. 6, 2012, and by 2015 the number of dispensaries had grown to 95.

Bringing the marijuana industry onto tax rolls

Amid this growth, while touring one of these facilities in 2016, Maricopa County Assessor Paul Petersen realized that many in the industry were not reporting their personal property in compliance with Arizona law.

In Arizona, both real and personal property is taxable, and personal property is reported to the county assessors by individual businesses.

Research by the assessor's office found that there was not an applicable property tax exemption for medical marijuana businesses, and no reports had been received from the businesses in 2016 and the first half of 2017.



Thus, a concerted effort was undertaken to find, identify, and value the personal property of medical marijuana businesses.

A total of 108 businesses were identified in the jurisdiction, and the assessor's office worked closely with the Arizona Department of Revenue in compiling a reasonable estimate of the value of their personal property.

Compliance campaign developed

In August 2017, Assessor Paul Petersen hosted a press conference to bring this issue of noncompliance to light and to inform both the media and the industry of the businesses' legal obligation to report their property.

Recognizing that some businesses may have legitimately not known about their obligations, the office committed to work with businesses that reported their property during the appeal cycle but stressed that it would audit businesses that failed to do so.

In addition, staff members conducted meetings with industry groups such as the Arizona Dispensaries' Association and the Marijuana Industry Trade Group to help business owners file appeals and also file self-reports in .

This campaign resulted in the addition of about \$1.1 million of assessed taxes in Maricopa County.

Vendor contracted for audits

At the same time, the office contracted with a vendor, Tax Management Associates, to audit medical marijuana businesses to ensure the accuracy of the estimates of value for business that did not self-report for tax years 2016, 2015, and 2014.



Since the beginning of this contract, the vendor has nearly completed 13 audits for the three prior years, while almost 80 other audits are ongoing.

Despite their initial noncompliance, many medical marijuana businesses are open to working with the vendor to review their books. Some marijuana industry leaders even welcomed the press coverage of these events as an opportunity to showcase their contributions to society as taxpayers.

However, challenges remain, including the difficulty in finding marijuana businesses in the first place. Many businesses rent their spaces, and sometimes the vendor has found up to four address changes for a business in a single year. Multiple entities can run out of a single site, which complicates efforts if the businesses are not compliant with auditors.

▪ **To learn more** about this growing opportunity as the medical marijuana industry blooms, don't miss "Auditing Medical Marijuana Facilities" at the 84th Annual Conference on Assessment Administration Sept. 23-26 in Minneapolis.



Greetings from Minneapolis!

Spring is finally here in Minneapolis, and the city is buzzing with energy and activity.

The Local Host Task Force, along with staff at IAAO Headquarters and the Meet Minneapolis staff, are working together to provide you an exceptional Annual Conference experience in September.

Be sure to check out the golf registration for the annual IAAO Golf Outing, scheduled at Rush Creek Golf Club, one of the region's premier courses. September is a beautiful time to be on the links in Minnesota with fresh air and beautiful foliage.

Continue to check the conference website for additional activities such as tickets to the Minnesota Twins versus Detroit Tigers game at 7:10 Tuesday night.

We can't wait to show you why Minnesota is the PREMIER state in the upper Midwest!

— *The Local Host Task Force*

About Minneapolis

Meet Minneapolis, the biggest underestimated place in the north.

A dramatic riverfront skyline, three professional sports stadiums within 1.3 miles, so much art you're literally surrounded by it and a theater on almost every corner. A culture committed to perfecting the craft of the brewing, the best park system in the nation, and a foodie paradise where you can get Nordic cuisine for breakfast, Ethiopian for lunch and this thing called a "Jucy Lucy" for dinner — and oh yeah, cocktails on a Ferris wheel.

A place to bring your dancing shoes and party at festivals all year round, enjoy four gorgeous seasons surrounded by 13 lakes, the Mississippi River, and a waterfall. Meet friendly locals who can't wait to show you why they love living here.

Things to do

Get ready to walk, dance, shop, run, and cheer all day long. Explore Minneapolis the way it was meant to be explored, through multiple outfit changes. Throw on that jersey and cheer on your favorite sports teams. Bring your purple dancing shoes and find your way to the world-famous First Avenue. Realize you're going to need more outfits? Don't worry. We have tax-free clothing.

Events

If there is one thing this city knows, it's how to keep a calendar full all year long. There are May Day parades, colorful Pride celebrations, improv festivals, and seasonal beer celebrations. We are an extremely active community of artists, creators, musicians, foodies, dancers, runners and bikers — a community of doers who can't stand the thought of missing out. With something always going on, we're confident you'll find something to keep you busy.

Hotels

The best rooms you'll barely stay in. Hip and historic. All suites. Family friendly. World-class restaurants. Cool cocktail bars. Minneapolis and surrounding area hotels are more than just places to stay. They're the hottest social scenes in the city right in the middle of the action. They're close to everywhere you'll want to be. Check in — then check it all out.

Neighborhoods

Uptown. Downtown. Dinkytown. Funkytown. Explore neighborhoods as unique as their names. We love living here, and we can't wait to show you why. Stroll from the iconic Sculpture Garden by

Loring Park to the picturesque Mississippi River to catch the sunset on the skyline in Northeast. Get the high score at an all-night pinball bar in Lyn Lake. Enjoy an incredible Ethiopian meal in Cedar-Riverside, all without ever leaving the city limits. This is what living and exploring Minneapolis is all about.

Food and drink

Where global flavors meet Ferris wheel cocktails. The innovative Minneapolis food and drink scene is ready to impress — whatever your tastes. Whether it's the famous Jucy Lucy cheese-filled burger at Matt's, a signature Old Fashioned at Parlour, fine dining at its finest at Spoon and Stable, trying to choose between 18 ethnic restaurants and food vendors at the Midtown Global Market or two scoops of artisanal ice cream at Milkjam Creamery. We just ask that you bring your appetite.



A famous Jucy Lucy

Getting around

In Minneapolis, you'll never be far from where you need to be — literally. We pride ourselves having a compact downtown, so no matter where you are and want to go, we have the options to get you there quickly and easily. We have an award-winning transit system with light rail and buses, taxis, Uber, Lyft and bike rentals on the streets with dedicated bike lanes all over the city. Our personal favorite way to get around is two feet.



Tuesday's plenary: Valuing big corporate headquarters

This presentation will review some of the more interesting and prominent corporate headquarters around the United States, including Facebook, Best Buy, Google, and Apple

The Tuesday plenary session for the IAAO Annual Conference has been set.

The session will cover the valuation of corporate headquarters and large single-occupant corporate campuses.

Large single-occupant office buildings and corporate headquarters exist in almost every jurisdiction.

It will be presented by Tim Wilmath, MAI, SRA, Palm Beach County, Florida, from 8 to 9 a.m. Sept. 25.

Often, these are some of the largest buildings in a jurisdiction. Because of their size and high assessments, they are often appealed, and assessors must wrestle with many interesting topics.

Some of the common questions assessors face when valuing these large include the following:

- Do super-large single-occupant office buildings and corporate headquarters inherently contain functional obsolescence because of their large size and special features?

- What features are typical for large corporate headquarters and large single-occupant office buildings?
- Should assessors base the value of a fully-occupied corporate headquarter property on the existing use or some future use under a multi-tenant scenario?
- If the goal is fee simple valuation, should the assessor value the property as if it was vacant or occupied?
- Are sale-leasebacks acceptable comparables for these properties?
- Does LEED certification matter for these properties?

This presentation will also review some of the more interesting and prominent corporate headquarters around the United States, including Facebook, Best Buy, Google, and Apple.

These buildings contain some of the most interesting architecture and features and make great examples for how to address some of the common appraisal and assessment challenges.

TIM WILMATH

is the Chief Appraiser with the Palm Beach Property Appraiser's Office and holds the MAI and SRA designations from the Appraisal Institute.

He is also a State Certified General Real Estate Appraiser, a licensed real estate broker, and a licensed General Appraisal Instructor.

Tim has written several property tax-related articles and was the recipient of the IAAO Bernard L. Barnard Outstanding Technical Essay Award for the "Mass Appraisal of Hotels" (2006); the John C. Donehoo Essay Award for the "Brief History of Intangibles in Ad Valorem Taxation" (2015); the John C. Donehoo Essay Award for "Thinking Outside the Big-Box" (2016); and the Bernard L. Barnard Outstanding Technical Essay Award for "Understanding Intangible Assets."

He has been involved in appraising for 30 years and ad valorem assessments for 20 years. He has testified as an expert witness at appeal hearings, circuit court, and federal court. Tim has worked for assessor offices and as a property tax consultant.

He is a Florida native and a U.S. Navy veteran. He has been married to his wife Yvette for 33 years, and they have two daughters, Kim and Carly.





State Supreme Court Justice to speak at Women’s Initiative Luncheon

Minnesota Supreme Court Justice Anne McKeig will be the keynote speaker at the Women’s Initiative Luncheon on Wednesday, Sept. 26, at the IAAO Annual Conference.

Before her appointment to the Supreme Court, McKeig served as a Hennepin County District Judge.

Gov. Tim Pawlenty appointed her to the District Court in February 2008.

As District Judge, McKeig worked for one year in the Criminal Division, then for several years in Family Court. From 2013 to 2016, she was Presiding Judge of Family Court. From 1992 to 2008, she served as Assistant Hennepin County Attorney. She was in court daily, representing the county in child protection matters and in cases governed by the Indian Child Welfare Act.

As an attorney and judge, McKeig has been a national leader in developing protocols and programs for child protection and Indian Child Welfare.

She has also collaborated on practices to address child custody, domestic violence, sexual abuse, and equal access to justice. She has been an adjunct professor at Mitchell Hamline Law School, where she helped develop a curriculum for child abuse and the law.

McKeig earned her B.A. at the College of St. Catherine in 1989 and her J.D. from Hamline University School of Law in 1992. She grew up on the Leech Lake Indian Reservation. She is a descendant of the White Earth Nation and the first American Indian to serve on the Minnesota Supreme Court.

McKeig had a great childhood in a family with her construction worker father, her highly educated mother, and four siblings. She is married and the proud mother of five children.

— justicemckeig.org



Friends of Associate Members seeking donations for conference raffle and auction

Donations to the auction and raffle are a great way to support IAAO. It provides an opportunity for individual members, chapters, affiliates, and exhibitors to promote themselves to a wide variety of movers and shakers in our industry.

Consider items unique to your state or make a splash and draw great deal of attention to your business* with something that will draw lots of interest.

Though the ideas are unlimited, here are some suggestions:

- Fitness trackers
- Ipads or tablets
- E-readers
- Smart speakers
- High-quality jewelry
- Designer bags
- Vacation home rentals/time share usage
- Wine and food baskets representative of your area

Please direct any questions to JoAnn Pierson at JoAnn.Pierson@ryan.com.

*Note: Registered vendors can advertise their businesses and the donation they made by placing business cards around the donation. It’s a great way to draw attention to your product or service.

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IAAO educational offerings, on the map

Course 100 - Understanding Real Property Appraisal

Aug. 21-22, Vermont (Fairlee)

Course 101 - Fundamentals of Real Property Appraisal

July 16-20, New Mexico (Las Cruces)

July 23-27, Idaho (Boise)

July 30-Aug. 3, Indiana (Fort Wayne)

Aug. 27-31, Alabama (Foley)

Sept. 10-14, Ontario (Pickering)

Oct. 1-5, Wyoming (Casper)

Oct. 29-Nov. 2, Indiana (Columbus)

Nov. 12-16, Texas (Houston)

Course 102 - Income Approach to Valuation

June 18-22, Oklahoma (Tulsa)

June 25-29, Indiana (Indianapolis)

July 9-13, 2013, Kansas (Wichita)

July 9-13, Tennessee (Mt. Juliet)

July 16-20, New Mexico (Las Cruces)

Aug. 6-10, Florida (Lake Mary)

Aug. 6-10, Arkansas (Little Rock)

Aug. 13-17, Indiana (Columbus)

Aug. 27-31, Minnesota (Chanhassen)

Aug. 27-31, Wyoming (Casper)

Oct. 1-5, Vermont (White River Junction)

Oct. 8-12, Indiana (Ft. Wayne)

Nov. 12-16, Georgia (Pine Mountain)

Nov. 12-16, Ontario (Hamilton)

Dec. 3-7, Texas (Houston)

Dec. 3-7, Ohio (Moraine)

Course 112 - Income Approach to Valuation II

July 23-27, Idaho (Boise)

Oct. 15-19, New Hampshire (Concord)

Oct. 22-26, Tennessee (Mt. Juliet)

Course 151 - National USPAP

June 18-20, Louisiana (Baton Rouge)

June 20-22, Louisiana (Baton Rouge)

Aug. 27-29, Indiana (Indianapolis)

Sept. 4-6, Tennessee (Mt. Juliet)

Oct. 1-2, Texas (Houston)

Nov. 6-8, Indiana (Columbus)

Course 158 - Highest and Best Use

Oct. 8-9, Texas (Austin)

For more IAAO course information, go to www.iaao.org/coursecalendarmap

Course 171 - Standards of Professional Practice and Ethics

Nov. 5, Texas (Houston)

Course 191 - National USPAP Update

Oct. 3, Texas (Houston)

Course 201 - Appraisal of Land

June 25-29, Florida (Orlando)

July 23-27, Idaho (Boise)

July 30-Aug. 3, Kansas (Wichita)

Aug. 6-10, Wyoming (Cheyenne)

Oct. 22-26, Texas (Waco)

Course 300 - Fundamentals of Mass Appraisal

July 16-20, New Mexico (Las Cruces)

July 23-27, Idaho (Boise)

July 23-27, Kansas (Kansas City)

Aug. 6-10, Ohio (North Canton)

Aug. 6-10, Florida (Lake Mary)

Aug. 13-17, Florida (West Palm Beach)

Sept. 10-14, Iowa (Clive)

Sept. 17-21, Arkansas (Little Rock)

Oct. 15-19, Texas (Austin)

Oct. 22-26, Indiana (Columbus)

Nov. 26-30, Indiana (Indianapolis)

Nov. 26-30, Texas (El Paso)

Course 311 - Residential Modeling Concepts

July 30-Aug. 4, Tennessee (Mt. Juliet)

Sept. 10-14, Texas (Denton)

Oct. 22-26, Vermont (Rutland)

Nov. 12-16, Wisconsin (Wauwatosa)

Course 331 - Mass Appraisal Practices and Procedures

July 16-20, Kansas (Wichita)

Oct. 1-5, Massachusetts (Andover)

Course 332 - Modeling Concepts

Aug. 6-10, Florida (Lake Mary)

Sept. 10-14, Kansas (Topeka)

Course 333 - Residential Model Building

Oct. 8-12, Texas (Houston)

Nov. 26-30, New Hampshire (Concord)

Course 354 - Multiple Regression Analysis for Real Property Val.

July 23-24, Idaho (Boise)

Course 400 - Assessment Administration

July 16-20, New Mexico (Las Cruces)

July 16-20, Kansas (Topeka)

July 23-27, Idaho (Boise)

Aug. 13-17, Kansas (Wichita)

Sept. 10-14, Indiana (Valparaiso)

Sept. 10-14, Wyoming (Cheyenne)

Oct. 29-Nov. 2, Texas (Austin)

Dec. 3-7, Indiana (Indianapolis)

Course 402 - Tax Policy

Sept. 17-21, Texas (Austin)

Oct. 22-26, Texas (Austin)

Course 500 - Assessment of Personal Property

July 16-20, New Mexico (Las Cruces)

July 23-27, Missouri (Ozark)

Aug. 6-10, Tennessee (Mt. Juliet)

Course 501 - Personal Property Auditing - Basic to Advanced

Oct. 15-19, Wyoming (Cheyenne)

Course 600 - Principles and Techniques of Cadastral Mapping

June 25-29, Arkansas (Little Rock)

July 16-20, New Mexico (Las Cruces)

Aug. 6-10, Florida (Lake Mary)

Course 601 - Cadastral Mapping: Methods & Applications

Aug. 13-17, Arkansas (Little Rock)

Course 650 - Cadastral Mapping

July 23-24, Idaho (Boise)

Course 651 - GIS for Assessors

July 25-26, Idaho (Boise)

Course 850 - CAE Case Study Review

Oct. 10-12, Texas (Austin)

Course 851 - RES Case Study Review

Sept. 18-20, Texas (Houston)

Course 991 - Understanding and Using Comparable Transactions

July 12, Utah (Salt Lake City)

Sept. 7, Vermont (Essex Junction)

State property tax legislative action in 2018

BY MIKE ARDIS

With the legislative season closing in many states, here's a brief review of some of the actions that took place during at the state level in the United States. Many bills were introduced that deal with property tax assessment legislation, and the following are bills that passed or were of interest.

Maryland

In Maryland, the state House and Senate passed HB1660 requiring the Department of Assessments and Taxation to include in an assessment record for real property a note describing any reduction in an assessment resulting from a certain order or decision and, under certain circumstances, the specific reason for the reduction; applying certain provisions of law that relate to the authority of the department during a reassessment of property after an appeal to certain appeals filed with a supervisor of assessments on or after Oct. 1, 2014, but still pending a final decision.

Michigan

HB6049 and SB1025 were introduced in May which would address minimum standards for assessing districts.

According to a release from the Michigan governor's office, "the two property tax reform bills would update property assessing laws to specify minimum quality standards that every city, township or county assessing office must meet. The change is intended to improve taxpayer and local government fairness by providing transparent and consistent assessments."

The bills require jurisdictions to meet IAAO standards regarding staffing levels, however IAAO has limited requirements in the Standards on Mass Appraisal and the Fundamentals of Mass Appraisal textbook. IAAO in 2014 published results of a survey on staffing in assessment offices.

Missouri

In Missouri, SB 768, which deals with property tax assessment of telephone companies, was passed by the House and Senate, but has not been signed into law. The bill allows that, beginning Jan. 1, 2019, telephone companies can make a one-time election of whether to have their property assessed in the same manner as railroads, as in current law, or in the same manner



The Wisconsin State Capitol in Madison

as railroads for property consisting of land and buildings and under a depreciation schedule for all other forms of property, as described in the act.

New Jersey

A bill (S2033) in New Jersey to authorize a vote for a state constitutional convention to reform the system of property taxation was sent to committee. This bill would implement many of the recommendations of the New Jersey Property Tax Convention Task Force. It provides for convening a state constitutional convention for the sole purpose of reforming the system of property taxation in this state. The bill would have placed the question before the voters in November.

A separate bill, A3859, the "Technology-Based Real Property Assessment Transition Act," was also referred to the local government committee. The bill would have revised the process of real property assessment into a process that includes the use of modern technology in every municipality, statutory revisions to the assessment calendar, a mandatory district-wide annual reassessment requirement to set real property assessments at true value, the internal inspection of recent property sales as evidenced by the filing of the deed with the county and the charging of an inspection fee to cover the cost thereof to be paid at the time the deed is filed, and a mandatory 10-year cycle of internal inspections of all real property in every municipality in the state.

Another bill (S205) referred to a committee would have required each county

board of taxation to annually review the real property values in each municipality in the county.

New York

A bill in New York (S07411) that would have created New York state property tax assessment procedures study commission to provide the governor and the legislature with a blueprint for reforming the real property tax system and assessment process in the state of New York was introduced and later referred to the local government committee.

Virginia

HB 1495 was recently signed by the governor. The bill provides that if a taxpayer applies to the commissioner of the revenue or other official performing the duties imposed on commissioners for relief from a real property tax assessment before the expiration of the board of equalization's term, if the term of the board of equalization expires before a final determination on such application for relief, and if the taxpayer advises the circuit court that he wishes to appeal the determination to the board of equalization, then the circuit court may reappoint the board of equalization to hear and act on such appeal.

Wisconsin

In Wisconsin, SB 292 and AB 386, which dealt with the dark store issue, failed to pass, despite apparent support, as legislative leadership didn't bring the bills to the floor for votes. In the State Senate, a Democratic amendment to another bill that would have addressed property assessments for big-box retailers was rejected as it was ruled the amendment wasn't germane to the bill.

Municipalities had complained about laws related to a 2008 Supreme Court decision involving a Madison Walgreens store that allows big-box retailers to lower their property taxes by basing assessments on nearby vacant buildings. Bills to close the so-called "dark-store loophole" were introduced last year.

Wisconsin also considered, but did not pass, SB 158 and AB211, which would have reviewed a property owner's right to refuse entry into his or her home for assessment purposes and separately set conditions for appearing before the board of review.

+ KNOWLEDGE AREAS

Leadership and management:



Can one survive
without the other?

BY KEVIN PRINE, RES, AAS

The terms *leadership* and *management* are used interchangeably all too often. The perception is that if a person is in a management role, then he or she must possess a certain level of leadership qualities.

Similarly, if someone is identified by his or her peers to be a leader in the workplace, department, division, and so on, is it then assumed that this person is in management? What is the difference? Is there one?

In order to determine how these two character traits compare and contrast and whether they can operate separately, let's take a closer look at what defines leadership and management.

What is leadership?

Merriam-Webster defines leadership as follows:

1. the office or position of a leader
2. capacity to lead
3. the act or an instance of leading

(*Merriam-Webster*, 2018a)

Definition no. 2 is the best in terms of defining leadership in the workplace and society, but it lacks depth and analysis. There is an infinite amount of qualities a leader can possess; honesty, integrity, focus, confidence, respect, care, discipline, and motivation are just a few.

One defining characteristic of a leader is his or her impact on others. This is demonstrated in a variety of ways. Many leaders develop other leaders or, at a minimum, give rise to the quality and talent of those around them. "Leaders have a direct effect on employees' well-being and performance" (Cornerstone 2014). Not everyone is cut out to be a leader, but it doesn't mean they cannot develop leadership attributes.

... [L]eadership is both innate and learned. It can be a developed skill—just like skiing or playing the piano. Although everyone has different levels of talent, we all can learn to lead—and leadership is the essence of mentorship." (Sozzi)

There are two ways in which one becomes a leader. Formally, a leader is appointed by his or her superiors (typically a board, locality, legislature, governing body, and the like) to a position of leadership. It can be debated whether he or she is a leader at this point or merely appointed to a position of management. "To the extent that a leader gains acceptance beyond this formal position, it must be gained from or granted by the group" (Gortner, Nichols, and Ball 2007). Informally, an individual can become a "leader without position," but that must be a position that is identified and recognized by others.

Stodgill argues that an individual is usually given leadership status because his or her behaviors arouse expectations in group members that lead them to believe that he or she, rather than some other member, will serve them more usefully (Gortner, Nichols, and Ball 2007).

One quality not typically considered for a leader is forgiveness. Forgiveness in the workplace is a rare character trait that can demonstrate what it means to be a leader:

People need to know that when they make mistakes, they will be given the opportunity and the tools to overcome those mistakes. Forgiveness restores hope and productivity in the workplace. To not forgive creates separation and distance

... . Forgiveness carries with it a show of compassion, a key trait of leadership. Confident leaders create an environment for forgiveness, recognizing the bigger picture and paving the path toward meeting the goals and objectives of the institution. (Bick 2017)

This strong stance on forgiveness provides insight to a trait that isn't typically recognized or thought of when describing a leader. But these types of attributes are what constitute a leader—character traits that go above and beyond the standard traits of an individual.

Leaders are very self-aware. They know more about their own strengths and weaknesses than most and seek to better themselves and improve their weakness more than others. Dee Hock, CEO Emeritus of Visa International, wrote, "If you look to lead, invest at least 40 percent of your time managing yourself—your ethics, character, principles, purpose, motivation and conduct" (Pater 2014).

What is management?

Merriam-Webster defines management as follows:

1. the act or art of managing: the conducting or supervising of something (such as a business)
2. judicious use of means to accomplish an end
3. the collective body of those who manage or direct an enterprise (*Merriam-Webster*, 2018b)

Managers are difficult to describe because various organizations and individuals have differing perspectives on managers. "The definition of management is to exercise executive, administrative, and supervisory direction of a group or organization" (Bargau 2015).

"If you look to lead, invest at least 40 percent of your time managing yourself — your ethics, character, principles, purpose, motivation and conduct."

— Dee Hock, CEO Emeritus of Visa International



Many see managers as mid-level roles that facilitate a need from subordinates to administrators; however, the manager position can be at a lower level, mid-level, or top of the organizational chart.

Management positions are formulated by appointment. The manager's title typically contains references to management or a superior role.

Management, in its essence, can readily be defined as overseeing a well-known set of processes designed to assist an organization to predictably do what it is required to do and what it believes it is known to do well (Bick 2017).

Management personnel need to be highly skilled in their craft and well educated on the processes, procedures, and production of their team, department, and organization. Skills such as the ability to make rapid decisions,

technical and verbal capacities, and high intelligence (Limbare 2012) help develop and improve an effective manager.

Skills are different from traits or characteristics in that they are the ability to use one's knowledge and competencies to accomplish a set of objectives (Bargau 2015).

According to Fleming, management has four functions: planning, organizing, direction, and controlling (French 2014). Leaders may have roles in these functions as well; however, managers operate as these being their primary responsibilities.

Variety of management styles

There are numerous management styles in the workplace that can vary based upon the manager, the department, and/or the organization. It is not uncommon for management styles

among managers at the same level to differ and even cause conflict or confusion on the correct practices, procedures, and order of operations within the organization. Sometimes management styles can oppose or conflict with one another, for example, autocratic and democratic styles.

Managers "...exercise an autocratic management style by ignoring preferences of their team members. Equality concerns have no significant impact on management styles" (Kocher, Pogrebna, and Sutter 2013). This strategy works well in many environments: military boot camp, police academy, and the like. It is also effective in other environments with the right manager and right subordinates; however, utilized in the wrong organization, it can have a negative effect on production and morale.

Conversely, democratic managers allow for advice from their subordinates

and try to make decisions based upon a team approach (Kocher, Pogrebna, and Sutter 2013).

This approach works much better in team environments in which all members of the team or department are able to have an input and collaborate together in order to determine the best solutions. This can involve work processes, personnel, budgets, salaries, or other managerial decisions that can benefit by having more than one perspective.

Micromanagement

Micromanagers feel the need to overstep their responsibilities and be involved with all subordinates' operations. "The manager is unable to perform effectively in his position, usually because of a lack of education, deficient knowledge/skills/abilities, or an unwillingness to perform" (French 2014). "Leaders micromanage in large part because they do not trust others to perform their tasks sufficiently well or to make the correct decisions" (Dental Abstracts 2016). For the most part, there is a negative stigma that comes with being labeled a "micromanager."

Managers assert that many subordinates need to be micromanaged in order to accomplish the tasks and responsibilities assigned to them. Unfortunately, even this argument can place the blame back on the managers:

I have long observed the second you need to micromanage someone you have made a hiring mistake. Overcome this common workplace dilemma by hiring, referring, or becoming a disciplined, talented, and committed individual of distinction.
(Waldron 2016)

The manager is ultimately responsible for subordinates and their performance. If managers point the finger at the lack of productivity of their assignees, then they ultimately have three fingers pointing back at them.

Together or separate?

The terms leadership and management are used interchangeably, but as noted in these examples, they are not the same. They have similarities and can overlap in certain aspects, but they

are distinctly different. John Kotter developed a structure for determining differences between leadership and management:

Kotter argued that leaders and managers have tasks that are almost opposite in nature. He felt that management works towards order and stability. Management does this because order will lead to consistency, and consistency to smooth and efficient running operations—a goal of management. Conversely, Kotter purported that leadership strove to deliver constructive change and movement in organizations. He argued that successful leaders would seek 'continual adaptive change' with a goal of continuously improving organizations for success. Kotter felt that leaders should aspire to continually improve organizations so that they would have a greater chance of survival in a continually adapting business environment and those that stay static will not succeed. Kotter was a strong supporter of both leaders and managers in organizations however, arguing that both were necessary to an organization that runs effectively. A sense that can be gained from an academic study by Kotter is that managers make the vision of leaders work. For example, leaders provide a sense of direction, reviewing the big picture and then creating a vision. Managers take this vision and direction, commit to it, and then establish timelines and agendas and secure resources to deliver on this vision. Managers make it happen, according to Kotter. (Bargau 2015)

So the question still remains, Can management or leadership survive without the other? The simple answer to this question is yes; however, the goal of any successful manager or leader should not be to separate these. Effective managers need to have leadership traits and characteristics.

"The most prized attribute in either position requires the ability to make

rational, intelligent decisions and to navigate social relationships successfully" (Bick 2017).

Management can exist and progress without leadership. If a manager is status quo and does not need to alter the course of processes or think outside the box for organizational improvement, it certainly is possible for he or she to be an effective manager while lacking leadership. Management without innovation, vision, and other leadership qualities can potentially lead to a set of stagnant processes and an unenlightening culture.

Leadership can also exist without management. As discussed previously, management is typically a position appointed by superiors in the workplace. Leadership is a quality that is given by those who follow or believe in the leader. It is about influencing and motivating others to follow. It would be very rare to see a business card or an email signature with the term "leader" as part of a person's position or title.

Being a leader without being in a management position can be very challenging; however, if the person is a true leader, he or she will find ways to overcome that. His or her persistence and ability to overcome will trump the barriers to the vision and direction for themselves and their organization.

Superiors who recognize leaders who are below them on the organizational flowchart may be threatened by a leader who brings fresh ideas or innovations to an organization that challenges the status quo. If and when that is the case, that manager lacks leadership.

Leadership welcomes ideas from all and encourages others to strive for the bigger and better. Leadership understands that if an individual contributes to the greater good of the group, then everyone succeeds. Good leaders recognize others with that potential, take them under their wing, and mentor them for greater leadership roles either within their organization or beyond.

Essentially, this was one of the many reasons behind creating the IAAO Under 40 Leadership Lab. Many individuals in the assessment industry possess

leadership qualities and visions for their offices and the profession, but they may not have the managerial platform upon which to implement those ideas. The U40 Leadership Lab provides an avenue for current and future leaders to collaborate for a better IAAO and assessment industry both now and in the future. The U40 Mission Statement is, "Young professionals cultivating innovation, embracing change and contributing to the conversation" (IAAO).

Public service

Do the characteristics of leadership and management relate differently in the public sector than in the private sector? For the most part, they do not. The public sector can benefit from leadership in management roles the same as the private sector. In fact, the public sector probably needs it more because it is in the public's eye and has to maintain a higher level of responsibility and integrity and because the public sector exists to serve.

Also, the public sector has a stigma of maintaining the status quo. Many in the public sector are familiar with the phrase "that's the way we've always done it." Unfortunately, it is the way many governments operate, and because of the steadily increasing retirements in the public sector, now more than ever an inspiring new wave of management and leadership needs to be willing and ready to improve government and revitalize its operations. According to Musgrave,

With public trust in government at a low ebb and agencies struggling to do more with less, there has never been a greater need for leadership at all levels of government. We need a new paradigm for rethinking government management,



one that can generate and empower new leaders at all levels and inspire a new generation of professionals to a calling in public service. (Musgrave 2014)

Management can exist without leadership. Leadership can exist without management. But in order for either to succeed, both are a necessity. With the change in workplace dynamics and people being challenged to do more with less, the work processes and the results of the manager will complement the people-leading and vision of the leader. Both are necessary for achievement and triumph in the organization.

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KEVIN PRINE is a Real Estate Appraisal Supervisor in Chesapeake, Virginia. He has been with the organization for four years and has been in the mass appraisal profession since 2009. He is also a licensed appraiser in Virginia since 2004. He earned his bachelor's degree in finance from Old Dominion University and is pursuing his master's degree in public administration. He is the Treasurer of the Virginia Association of Assessing Officers and has chaired several committees for the organization. He received the Most Valuable Member award from VAAO in 2015 and the Emerging Professionals award from IAAO in 2017. Prine lives in Chesapeake with his wife, Stacie, and two children, Carson, 5, and Payton, 1.

Enhance your valuation procedures using what you already have!



Can you answer YES to any of these questions?

- Do you need assistance implementing and maintaining an effective ratio study?
- Is your office struggling with updating and maintaining valuation tables within your CAMA system?
- Could missing, outdated, or incomplete data be jeopardizing your property valuations?
- Are you running into valuation difficulties due to a changing real estate market?

If you answered YES to any of these questions, Professional Consulting Services of IAAO, LLC can help you. We have a team of qualified professionals who can evaluate your operations and find answers to your important questions.



Paul Bidanset
Valuation Research
Project Manager

Direct: 816-701-8118
Toll Free: 800-616-IAAO (4226)
Email: bidanset@iaao.org

Paul is an expert at using CAMA modeling and GIS to ultimately improve accuracy, uniformity, equitability, and defensibility of property tax assessments.

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- Real Estate/Property Automated Valuation Models (AVMs) AKA Computer-Assisted Mass Appraisal (CAMA) Models
- Plotting valuation statistics on maps for quality control and value defense
- Conducting and improving ratio studies (COD, PRD, PRB, etc.)



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JUNE 2018 FRIDAY, EQUITABLE

FCIAAO celebrates another record year

BY TRACY S. DRAKE, CAE, ASA, RES, AAS, CFE
FCIAAO PRESIDENT, 2017-2018

The Florida Chapter of IAAO (FCIAAO) wrapped up its 31st Annual Conference and Business Meeting in April.

The three-day conference, at the Embassy Suites Orlando Lake Buena Vista South in central Florida, set new conference records with 372 attendees, including 31 elected property appraisers and 48 vendors.

Before the conference, IAAO Workshop 151 Uniform Standards of Professional Appraisal Practice and One-Day Forum 991 Understanding and Using Comparable Transactions was offered and was well received.

The conference started with a general session that included acknowledgment of chapter members elected or appointed to serve IAAO, welcome comments from Katrina Scarborough (Osceola County), followed by an update from Past Chapter President and current IAAO President Dorothy Jacks. Will Shepherd provided an informative and head-scratching presentation on the property appraisers' legal responsibility and right to access private property, and a legal update was provided by Gaylord "Jay" Wood.

Tony Hodge Educational Award

Wednesday's presentations concluded with acknowledgment of chapter members who received 2017 IAAO Awards, a review of recent changes to the IAAO designation and education programs, and recognition of 28 new IAAO professional designees with the Tony Hodge Educational Award (a new record). This award is named for a past president who worked tirelessly promoting IAAO education and encouraging people to pursue IAAO designations.

The Tony Hodge Educational Award is granted to FCIAAO members who earned an IAAO professional designation since the previous annual conference. A certificate



Above: FIAAO Tony Hodge Educational Award winners from Pinellas County.



At left: Participants gear up for their turn in the photo booth.

and \$500 check are presented to new designees.

Based on the number of members who earned this recognition, the chapter is optimistic about its chances to earn the Virginia Cup for the eighth time (another record) at the IAAO Annual Conference in Minneapolis.

The chapter typically coordinates extra-curricular activities to promote fellowship and networking. Therefore, shuttle buses were provided to transport conference attendees to Disney Springs (formerly known as Downtown Disney), which is an outdoor shopping, dining, and entertainment complex at the Walt Disney World Resort.

Educational sessions

The chapter has several standing committees charged with creating an exciting and relevant track of educational sessions. The tracks at this conference consisted of real property, exemptions, and information technology/geographic information systems. The Tangible Personal Property Steering Committee hosts a three-day seminar in January to better coincide with assessment year duties.

Thursday evening's program featured a networking reception, the annual business meeting presided over by President Tracy

Drake, and an election of the proposed 2018-2019 Executive Board.

After the new board was installed by David Johnson (Seminole County), incoming President Katie Grasso offered her remarks and thrilled some lucky door-prize winners.

Attendees enjoyed a banquet dinner, the always-popular photo booth, and dancing at the President's Party with entertainment provided by DJ T Drizzle.

Final day

The conference concluded on the third day, but not before a legislative update by crowd-favorite Loren Levy, who serves as General Counsel for the Property Appraisers' Association of Florida and an assessment roll submission update by the Florida Department of Revenue.

The ever-changing ad valorem tax system in Florida is complicated so these presentations are well attended.

In 2017, the chapter began donating to a local charity in the conference host county. This year, our beneficiary was Help Now of Osceola, which is a temporary safe shelter for survivors of domestic abuse facing imminent danger and supports individuals as they establish violence-free living. Almost \$1,800 was donated along with toiletries.

MEMBER NEWS

New Designates

AAS

ASSESSMENT ADMINISTRATION SPECIALIST



DIONNE C. HARNISH, AAS, Director, Valuation Services for the Monroe County (Florida) Property Appraiser, recently earned the Assessment Administration Specialist designation. Ms. Harnish has worked in the appraisal profession for 16 years, serving six years in this office and two years in her present position. She holds a Bachelor of Business Administration in management and human resources from Florida International University. She became a Florida State-Certified Residential Appraiser in 2004 and earned the Certified Florida Evaluator (CFE) designation from the Florida Department of Revenue in 2013.



MELODY KIKKERT, RES, AAS, Valuation Analyst for the Hillsborough County (Florida) Property Appraiser's Office, recently earned both the Residential

Evaluation Specialist and the Assessment Administration Specialist designations. Ms. Kikkert has worked in assessment for 10 years, serving Hillsborough County for one and one-half years, with one year in her present position. She has been a Level III Certified Assessor-Appraiser with the State of Indiana since 2010.



WENDY M. SAPP, AAS, Tax Roll Compliance Coordinator with the Alachua County (Florida) Property Appraiser, recently earned the Assessment Administration

Specialist designation. Ms. Sapp has been with Alachua County for almost 18 years, with almost 15 of those years serving in this position. She holds an Associate in Science in computer science technology from Santa Fe College, Gainesville, Florida. She is a Certified Florida Evaluator (CFE) with the Florida Department of Revenue.

CAE

CERTIFIED ASSESSMENT EVALUATOR



CHRIS CONNELLY, CAE, Deputy Chief Appraiser for the Williamson Central Appraisal District in Texas, has earned the Certified Assessment Evaluator

designation. Mr. Connelly has served with the district for 18 years, eight years in his present position. He holds a bachelor's degree in exercise and sports science from Southwest Texas State University and is a Registered Professional Appraiser through the Texas Department of Licensing and Regulation.



SAMUEL AARON MOORE, CAE, Residential Appraisal Manager for the Williamson Central Appraisal District in Texas, has earned the Certified Assessment Evaluator

designation. Mr. Moore has served with the district for nine years, three in his present position. He holds a Bachelor of Arts degree in psychology from Texas A&M University-Corpus Christi and is a Registered Professional Appraiser through the Texas Department of Licensing and Regulation.



JUSTIN STANLEY, CAE, RES, Appraiser III with the City of Hampton Office of the Assessor of Real Estate, recently earned the Certified Assessment Evaluator

designation. Mr. Stanley has worked in appraisal for nine years, with four years with the City of Hampton and one and one-half in his present position. He received his Residential Evaluation Specialist designation in November.

RES

RESIDENTIAL EVALUATION SPECIALIST



GREGORY C. CHAMPAGNE JR., RES, Appraisal Director with the St. Charles Parish Assessor's Office, has earned the Residential Evaluation Specialist designation. Mr.

Champagne has served this office for five years, three of which in his current position. He holds a Bachelor of Science in aviation and a Master of Arts in industrial/organizational psychology from Louisiana Tech University. He is a Certified Louisiana Deputy Assessor through the Louisiana Assessor's Association.



DIEGO ESPINOZA, RES, Market Analysis Assistant Supervisor for the Hidalgo County (Texas) Appraisal District, recently earned the Residential Evaluation Spe-

cialist designation. Mr. Espinoza has served with the county for seven years, six months in his present position. He is a Registered Professional Appraiser (RPA) and the first in his office to pursue and earn an IAAO designation.



JULIE-ANN FRANK, RES, Internal Auditor with Property Valuation Services Corporation (PVSC) in Nova Scotia, earned the Residential Evaluation Specialist designation.

Ms. Frank has been in assessment for 22 years, 20 of which with PVSC, serving two years in her present position. She began her career as a fee appraiser candidate before joining PVSC.



DARREN MARSH, RES, Assessor with Property Valuation Services Corporation (PVSC) in Nova Scotia, has earned the Residential Evaluation Specialist designation. Mr. Marsh has been in the appraisal

profession for 19 years, serving PVSC for twelve years. He holds an IT programmer/analyst business diploma from the College of the North Atlantic, Grand Falls-Windsor, Newfoundland, and an appraisal assessment technology diploma from Cabot Institute of Applied Arts and Technology, St. John's, Newfoundland.



RAE MACDONALD, RES, Assessor with Property Valuation Services Corporation (PVSC) in Nova Scotia, recently earned the Residential Evaluation

Specialist designation. Mr. MacDonald has been with PVSC for 12 years, seven in his present position. He holds a Bachelor of Arts degree from Saint Mary's University and a Bachelor of Education from Mount Saint Vincent University.



KEN MCKINNON, RES, Assessor with Property Valuation Services Corporation (PVSC) in Nova Scotia, recently earned the Residential Evaluation

Specialist designation. Mr. McKinnon has been with PVSC for 10 years, eight of those as Assessor. He began his career there as an in-field data collector before assuming his present position.



MARIE G. MURPHY, RES, Assessor with Property Valuation Services Corporation (PVSC) in Nova Scotia, earned the Residential Evaluation Specialist

designation. Ms. Murphy has worked for PVSC for 13 years, serving one and one-half years in her present position. She is a member of the Nova Scotia, Canada, chapter of IAAO.



T. JUSTIN WALSH, RES, Senior Appraiser/Tech Leader for Lake County, Florida, earned the Residential Evaluation Specialist designation.

Mr. Walsh has served Lake County for 12 years, three of those years in his present position. He holds an Associate in Arts degree from Lake-Sumter State College and the Certified Florida Evaluator (CFE) designation from the Florida Department of Revenue.



ANDREW WILLSEY, RES, Assessor with Property Valuation Services Corporation (PVSC) in Nova Scotia, has earned the Residential Evaluation

Specialist designation. Mr. Willsey has served with PVSC for nine years. He is working to earn a Bachelor of Business Administration from Memorial University in Newfoundland.

CAREER CONNECTION +

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Level II: Same as Level I with a minimum of four years minimum in Appraisal or Assessment experience.

Level III: Same as Level I & II with a minimum of eight years appraisal or assessment experience, 2 years minimum assessment experience, and CFE designation required.

- <https://iaao-jobs.careerwebsite.com/job/commercial-real-estate-appraiser-analyst-i-ii-iii/39943030/>

Birkle named to Board

William A. Birkle, AAS of Tyler Technologies in Indianapolis has been named to the IAAO Executive Board to complete the unexpired term of Lou Newman, who recently left the board. Mr. Birkle's term will conclude at the end of 2018.



Mr. Birkle has been with Tyler since 2007, serving as an Appraisal Project Supervisor. Previously he served as Elected Assessor-Warren Township in Marion County, Indian from 2002-06, Chief Deputy Assessor-Warren Township from 1996-2001, and was Deputy Assessor-Warren Township from 1992-95.

He received his AAS Designation in 2001 and has served as a member of the IAAO Communications, Member Services, Scholarship, and Local Host committees.

EVENTS

- **Executive Board Meeting**
July 13-14
Vancouver, Canada
- **84th Annual Conference on Assessment Administration**
Sept. 23-26
Minneapolis
- **Fall Leadership Days**
Oct. 19-20
Kansas City, Missouri
- **Executive Board Meeting**
Nov. 16-17
Charlottesville, Virginia
- **39th Annual Legal Seminar**
Dec. 13-14
Chicago

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Place your ad today by contacting Tammy Brown
at 800-616-IAAO (4226) or brown@iaao.org.

See the new online version at www.iaao.org/fairandequitable

The collage features five distinct advertisements:

- Moore Precision Cost:** A testimonial from J. Wayne Moore, PhD, stating he started in the industry over 40 years ago and his grandson has joined him. The ad promotes Moore Precision Cost tables, highlighting their accuracy and ease of use for appraisals. It includes a photo of Wayne Moore and Don Kelly.
- Assessment Analyst:** An advertisement for Esri's Assessment Analyst software, which helps identify data anomalies and correct errors. It features a 'Before' and 'After' map comparison showing a reduction in revenue from \$275,000 to \$335,000.
- Connected Communities:** An advertisement for Tyler's software solutions, which help build productive, connected communities by providing seamless access to property and tax data.
- The Appraisal Institute:** A cover image for The Appraisal Institute, featuring the text 'LEADING THE WAY IN REAL PROPERTY VALUATION' and 'DESIGNATIONS · EDUCATION · PUBLICATIONS · ADVOCACY'.
- Need a Hand?:** An advertisement for EagleView's Pictometry Imagery, which uses aerial imagery to detect changes in property boundaries and structures. It includes a circular graphic showing a street view with highlighted changes.



“

Some of the misconceptions about what I do might be someone thinking that as an appraiser I'm just going out to properties and measuring homes, and it's a lot more than that.

”

QUANTÁ CREWS

Senior Field Appraiser, Maricopa County Assessor's Office
crewsq@mail.maricopa.gov

My name is Quantá Crews, and I'm a senior field appraiser with the Maricopa County Assessor's Office. This is my IAAO story.

I am a senior field appraiser with the Maricopa County Assessor's Office in Phoenix, Arizona. As a senior field appraiser, I am responsible for valuing all of the properties in my designated area; this includes residential, commercial, industrial and all types of mixed use property.

What is the biggest challenge for you lately?

In my position the biggest challenge that I face is addressing the economic boom that we're currently experiencing in Phoenix. I'm constantly going out and reviewing permits and work that's on new construction and it's a lot of work right now.

There are things going on in my area all the time and it's busy, focusing on time management making sure that I'm able to address all the things that are going on.

How has being an IAAO member benefited you?

The biggest benefit of the many as an IAAO

member is the education and learning about the new trends in my field. That has definitely helped me in my job as an appraiser and also as vice president of our local IAAO chapter.

What do you feel is the biggest misconception about what assessors do?

Some of the misconceptions about what I do might be someone thinking that as an appraiser I'm just going out to properties and measuring homes, and it's a lot more than that.

We're the groundwork, the grassroots if you will, for our field. We talk to homeowners and to families renting properties. We talk to business owners, and we educate them on our tax system and how they're affected and how our property values affect them in their lives and their families.

What would you tell someone thinking about joining IAAO?

If you're debating about joining the IAAO as an active member, I would tell you to make whatever sacrifices you need to in order to be a member. It will pay itself off in the long run, and you will learn and be a better professional as a result of being a member.



Watch Quantá's "My IAAO Story" on IAAO's YouTube channel at www.iaao.org/myIAAOstory. A new story will be available in each issue. If you would like to contribute your IAAO story for publication, please contact Tammy Brown at brown@iaao.org.

IAAO Library Subject Guide: Telecommunication towers

BY THE IAAO LIBRARY

Telecommunication towers include all types of structures that transmit any communication signal such as radio and TV broadcasting, emergency medical services (EMS), microwave, global positioning satellite (GPS), and cellular phone antennas and towers.

There are two aspects to consider when using the resources on this guide. The first is the valuation of telecommunication towers, and the second is the impact of telecommunication towers on property values. Both types of resources are intermingled below.

Articles & Books in the LibraryLink Catalog

(Log in to download the full text or to request from the library)

Cell phone towers and house prices in New Zealand: Economic effects and policy implications, by Olga Filippova and Michael Rehm. *International Journal of Housing*, 2014, 7 (1), 18-29.

Cell phone towers do not affect property values, by Richard A. Forsten, Wendie C. Stabler, and Olufunke O. Fagbami. *Probate and Property*, 2016, 30 (3), 10-15.

Cost of convenience: estimating the impact of communication antennas on residential property values, by Stephen L. Locke and Glenn C. Blomquist. *Land Economics*, 2016, 92 (1), 131-147.

Effect of distance to cell phone towers on house prices in Florida, by Sandy Bond. *The Appraisal Journal*, 2007, 75 (4), 362-374.

Impact of cell phone towers on house prices in residential neighborhoods, by Sandy Bond and Ko-Kang Wang. *The Appraisal Journal*, 2005, 73 (3) 256-277.

Impact of proximity to cell phone towers on residential property values, by Olga Filippova and Michael Rehm. *International Journal of Housing Markets and Analysis*, 2011, 4 (3), 244-267.

Monumental change: Wireless technology moves from audacity to accessory, by Gary J. McCabe. *Fair & Equitable*, 2003, 1 (3), 8-10, 12-13.

Technological obsolescence of personal property in the telecommunications industry, by Ian Carr and David Schneider. Presented at the 78th Annual International Conference on Assessment Administration, 2012.

Telecom valuation: Metro Vancouver's experience, by Renato Jadrijevic. *Canadian Property Valuation*, 2016, 60 (4), 10-13.

Telecommunications infrastructure properties, by Judson H. Clendaniel. *The Appraisal Journal*, 2005, 73 (3), 278-287.

Towers, turbines, and transmission lines: Impacts on property value, by Sally Sims, Peter Dent, and Sandy Bond. Wiley-Blackwell, 2013.

Trends in the taxation of tower assets: Can this be real? By Peter W. Hladek and Todd W. Heinrichs. Presented at the 71st Annual International Conference on Assessment Administration, 2005.

Valuation of communication towers using sale data, by Andrew G. Lemay. *Assessor's Exchange*,

All the IAAO Library Subject Guides have been updated to reflect current resources. Access the full list of Subject Guides at www.iaao.org/resources.

2001, 19 (4), 1-3, 5, 11.

Valuation of independently owned and operated communications towers & sites for property tax appraisals, by Gary J. McCabe. Presented at the 68th Annual International Conference on Assessment Administration, 2002.

Valuation of wireless communication towers, by Gary McCabe. Presented at the 68th Annual International Conference on Assessment Administration, 2002.

Wireless communications: Local valuation, on-site inventory, and replacement cost new estimates, by Gregory Popham. *Fair & Equitable*, 2015, 13 (9), 15-17.

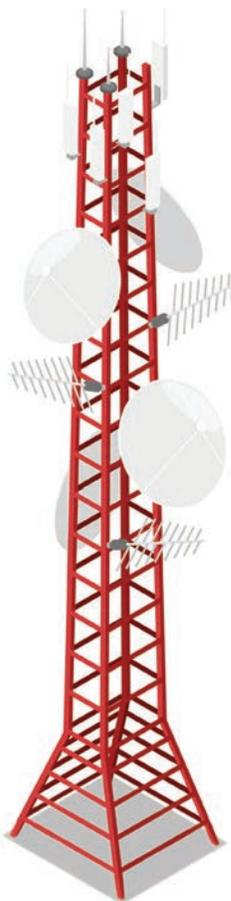
Websites

Average lease rates in the top 10 cities, by Ken Schmidt www.steelintheair.com/cell-tower-lease-rates/

Valuation of towers and associated real property, by the New York State Office of Real Property Services www.tax.ny.gov/pdf/publications/orpts/celltowers.pdf

Telecommunications Industry Association (TIA) sets the standard on tower construction. www.tiaonline.org/about-tia

The online version of this subject guide has more than 30 resources and can be downloaded at www.iaao.org/resources



HEATHER STEEL, MLS, is IAAO Research Librarian and Library Manager.



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INDEPENDENT AUDITORS' REPORT

Executive Board
International Association of Assessing Officers
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of International Association of Assessing Officers and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Association of Assessing Officers and Subsidiary as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 12, 2018
Kansas City, Missouri

Emerick + Company, P.C.

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INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017					2016
	IAAO	LLC	Subtotal	Eliminations	Total	
ASSETS						
Cash and cash equivalents	\$ 728,853	\$ 49,985	\$ 778,838	\$ -	\$ 778,838	\$ 1,343,937
Accounts receivable, net of allowance; 2017 and 2016- \$2,600	252,695	15,300	267,995	-	267,995	330,514
Inventories, net of reserve for obsolescence; 2017 - \$23,342 and 2016 - \$19,445	35,164	-	35,164	-	35,164	40,865
Prepaid expenses	600,599	-	600,599	-	600,599	524,919
Advances to subsidiary	358,232	-	358,232	(358,232)	-	-
Investments	4,345,583	-	4,345,583	-	4,345,583	4,522,768
Property and equipment, net of accumulated depreciation	1,271,699	-	1,271,699	-	1,271,699	1,242,003
Total assets	<u>\$ 7,592,825</u>	<u>\$ 65,285</u>	<u>\$ 7,658,110</u>	<u>\$ (358,232)</u>	<u>\$ 7,299,878</u>	<u>\$ 8,005,006</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 237,227	\$ 6,250	\$ 243,477	-	\$ 243,477	\$ 305,081
Deferred revenue	1,014,511	-	1,014,511	-	1,014,511	931,172
Accrued income tax	28,425	-	28,425	-	28,425	-
Advances from parent	-	358,232	358,232	(358,232)	-	-
Total liabilities	<u>1,280,163</u>	<u>364,482</u>	<u>1,644,645</u>	<u>(358,232)</u>	<u>1,286,413</u>	<u>1,236,253</u>
Net Assets						
Unrestricted						
Board designated	2,347,638	-	2,347,638	-	2,347,638	2,264,400
Undesignated	3,681,926	-	3,681,926	-	3,681,926	4,220,675
LLC's Member Equity	-	(299,197)	(299,197)	-	(299,197)	-
Total unrestricted	6,029,564	(299,197)	5,730,367	-	5,730,367	6,485,075
Temporarily restricted	283,098	-	283,098	-	283,098	283,678
Total net assets	<u>6,312,662</u>	<u>(299,197)</u>	<u>6,013,465</u>	<u>-</u>	<u>6,013,465</u>	<u>6,768,753</u>
Total liabilities and net assets	<u>\$ 7,592,825</u>	<u>\$ 65,285</u>	<u>\$ 7,658,110</u>	<u>\$ (358,232)</u>	<u>\$ 7,299,878</u>	<u>\$ 8,005,006</u>

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017					2016
	IAAO	LLC	Subtotal	Eliminations	Total	
UNRESTRICTED NET ASSETS						
Revenues						
Membership dues and fees	\$ 1,294,354	\$ -	\$ 1,294,354	\$ -	\$ 1,294,354	\$ 1,346,179
Annual conference	1,077,514	-	1,077,514	-	1,077,514	837,145
Publications and marketing	250,338	-	250,338	-	250,338	283,870
Research and information	40,876	229,784	270,660	-	270,660	91,248
Education and professionalism	2,150,936	-	2,150,936	-	2,150,936	1,950,175
Contributions	8,800	-	8,800	-	8,800	26,027
Contribution from parent	-	50,000	50,000	(50,000)	-	-
Interest and dividend income	84,912	-	84,912	-	84,912	69,300
Net realized and unrealized gains on investments	313,434	-	313,434	-	313,434	152,015
Other	3,403	-	3,403	-	3,403	28,227
Net assets released from restrictions	10,279	-	10,279	-	10,279	8,148
Total revenues	5,234,846	279,784	5,514,630	(50,000)	5,464,630	4,792,334
Expenses						
Program services						
Annual conference	1,311,753	-	1,311,753	-	1,311,753	839,417
Publications and marketing	593,011	-	593,011	-	593,011	613,690
Research and information	244,988	486,296	731,284	(50,000)	681,284	461,304
Education and professionalism	1,422,814	-	1,422,814	-	1,422,814	1,166,391
Membership services	975,361	-	975,361	-	975,361	861,540
Total program services	4,547,927	486,296	5,034,223	(50,000)	4,984,223	3,942,342
Management and general	1,142,430	92,685	1,235,115	-	1,235,115	1,154,461
Total expenses	5,690,357	578,981	6,269,338	(50,000)	6,219,338	5,096,803
Change in Unrestricted Net Assets	(455,511)	(299,197)	(754,708)	-	(754,708)	(304,469)
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	8,190	-	8,190	-	8,190	11,276
Interest and dividend income	1,509	-	1,509	-	1,509	1,756
Net assets released from restrictions	(10,279)	-	(10,279)	-	(10,279)	(8,148)
Change in Temporarily Restricted Net Assets	(580)	-	(580)	-	(580)	4,884
Change in Net Assets	(456,091)	(299,197)	(755,288)	-	(755,288)	(299,585)
Net Assets, Beginning of Year	6,768,753	-	6,768,753	-	6,768,753	7,068,338
Net Assets, End of Year	\$ 6,312,662	\$ (299,197)	\$ 6,013,465	\$ -	\$ 6,013,465	\$ 6,768,753

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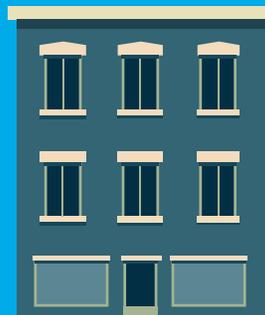
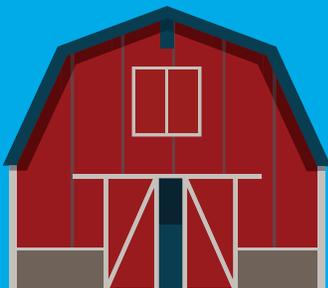


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