

Marilyn Hladky

From: <Pete_Davis@kdor.state.ks.us>
To: "Marilyn Hladky" <mhladky@windstream.net>
Cc: <rstuart17@cox.net>
Sent: Friday, October 23, 2009 10:26 AM
Subject: Re: Fw: Seward County Assessor Question

Marilyn,

Good morning.

I looked at the email from Rick this morning and I share your concerns.

In fact, I have several concerns.

YES, The appraised value of the buildings and improvements (and site value) should definitely be deducted from the sale price before a ratio is developed for the ag land....even if the maximum improvement value threshold is only 5% of total value. That's the only fair and logical approach, given this is a somewhat desperate attempt to increase the study sample size.

However, the first recommendation to my friends and colleagues at PAD would be not to go down this path at all.

There is a flaw with the basic assumption required in this sale price adjustment scheme: There is no reason to believe that ag land, improvements/ buildings/ and sites have all been appraised at the same level. If we (state oversight folks) thought that all classes of property within the county were appraised at the same level (median ratio) we would not go to the trouble to stratify the ratio study by property class!

Ag buildings, improvements, farm homes and sites require different valuation models and techniques. Therefore, the valuation levels of these components are expected to show some differences. Thus, a simple deduction of the appraised building/improvement/ site value from the sale price may not result in a reliable ag land residual.

A better approach for the state ratio study folks to take...ask the buyer how much they paid for the ag land and how much were the buildings and improvements were worth. If the buyer can't answer (or the answer does not add up to the total sale price) throw the sale out. Yes, independently verify each improved ag sale in every county. That's what we would do in Kansas if we had to consider/adjust these improved sales for a ratio study of ag land.

My primary question for PAD: Why not use unimproved ag land sales only to develop the median ratio for ag land. I would rather develop an ag land median ratio from 10 qualified sales of ag land with no improvements than to have an additional 20 sales that included ag improvements...even if I could deduct the improvement value.

Further advise for the PAD: Do a research study from data collected in a past year. Pick a county with an adequate sample size (20-30) of ag sales with no improvements. Calculate the median ratio. Then develop another sample by including all the ag sales with improvements (no sale price adjustments) and recalculate the median ratio. Then develop another sample with this same set ag sales, with sale price adjustments, and recalculate. I'm sure all the median ratios will differ. Consider the implications. Consider the confidence intervals. Does a larger sample really provide a more reliable sample?

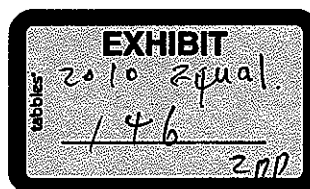
I realize we are talking about a 5% non- ag value threshold, but the right thing for PAD to do is make the deduction if they insist on including these sales.

You may share my comments with Ruth & Denny

Please call if you have additional questions.

Pete

Peter Davis



Ratio Study / GIS Supervisor
 Division of Property Valuation
 Kansas Department of Revenue
 (785)-296-3770

"Marilyn Hladky"
 <mhladky@windstream.net>

To
pete.davis@kdor.state.ks.us
 10/23/2009 08:21 AM cc

Subject
 Fw: Seward County Assessor Question

Good morning Pete,
 My name is Marilyn Hladky and I am the Seward County Nebraska Assessor. As

you can see from the back and forth correspondence below I am interested in

different opinions on the correct way a sales ratio should be calculated
 for
 agland when there are improvements/buildings on the parcel. In the past
 the
 Nebraska Department of Property Assessment (PAD) has only used unimproved
 sales to do the statistical analysis to see if the assessors were compliant

with the required 69% - 75% median for agland. This year they are going to

use the unimproved sales but also add in the improved ones if the
 improvements plus the site value are less than 5% of the sale price. I
 think that is okay to use them, but they are going to subtract the value
 of
 the improvements and site only from the valuation side but not the sales
 price side. I am contending with them that the proper way is to adjust
 both
 the valuation and the sales price.

At least in my county I am seeing irrigated land now go for \$5,000 - \$6,200

per acre. We do adjust the sales price for things like pivots or other
 personal property. If a quarter section of land sells for these prices the

sale prices would be \$800,000 - \$992,000. 5% of these prices are \$40,000 -

\$49,600. You could have some nice grain storage or sheds included on the
 property that could have some impact on the purchase price. We don't know
 the minds of those buyers and sellers.

I just want PAD to follow proper appraisal standards when doing their
 analysis on the assessors.

I'd appreciate your opinion on this process. Thank you for your time and
 consideration.

Marilyn Hladky
 Seward County Assessor
 529 Seward St., Room 206
 Seward, NE. 68434
 402-643-3311
 Fax: 402-643-9243
mhladky@windstream.net

2

11/18/2009