

Orientation
Tapes 24-25 A/B
26 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
JANUARY 25, 1993 9:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Delna Jones, Chair
Representative John Schoon, Vice Chair
Representative Tom Brian
Representative Mike Burton
Representative Margaret Carter
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Witnesses Present: Jerry Hanson, Director
of Assessment and
Taxation, Washington County
Jim Gangle, Director of Assessment and
Taxation, Lane County
Janice Druian, Director of Assessment and
Taxation, Multnomah County
Greg Sweek, Assessor, Morrow County
Jim Manary, Department of Revenue
Jim Wilcox, Department of Revenue

LRO Staff: James Scherzinger, Legislative Revenue Officer
Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 24 SIDE A

006 CHAIR JONES called the meeting to order at 9:05. She conducted
administrative business.

032 JERRY HANSON introduced the other assessors attending the meeting with
him. He reminded the members of the definition of market value under
Measure 5. Exhibit 1

091 JIM GANGLE referred to the outline of material he covered. He first
discussed three approaches to value (cost approach, market approach, and
income approach). Assessors most often use a combination of the cost
approach and market approach in Oregon. Exhibit 1

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers' exact
words. For complete context of proceedings, please refer to the tape
recording.

House Committee

on

Revenue and School Finance January 25, 1993 Page 2

Questions and
discussion

135 JIM GANGLE continued his explanation of how property value is
determined in Oregon. Exhibit 1

Questions and
discussion

193 JIM GANGLE explained how appraisals in the field are accomplished
(physical appraisals). Exhibit 1

Questions and discussion

interspersed

223 JIM GANGLE discussed the definition of neighborhoods in the appraisal valuation process, and further distinctions of types of property. He explained that sales information is used to verify estimated valuation.

Exhibit 1

Questions and discussion

284 JIM GANGLE discussed three different types of benchmarks that are used in the valuation process. Exhibit 1

299 JIM GANGLE mentioned benchmarks called "depreciation benchmarks" used in valuating a property, based on cost approach information. Exhibit 1.

Questions and discussion

interspersed

338 JIM GANGLE said there were three types of depreciation: physical, functional, and economic obsolescence, and he described each of them.

Depreciation is determined from the market rather than from some statistical graph. Exhibit 1

Questions and

discussion

TAPE 25 SIDE A

005 Questions and discussion concerning depreciation in the valuation process continued. Exhibit 1

032 JIM GANGLE explained the differences between depreciation of personal property and depreciation of real property.

Questions and discussion

interspersed

062 JIM GANGLE said after the valuation and benchmarks have been established, the county appraisers make personal visits to property

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House Committee on

Revenue and School

Finance

January 25, 1993 Page 3

and ask permission to inspect to further refine the valuation. He mentioned difficulties appraisers ensue with these visits.

Questions and

discussion

114 JIM GANGLE conveyed that after the visitations are completed, the information is entered into a computer, and this is done by area. This data is reviewed by another appraiser.

Questions and discussion

interspersed

147 JIM GANGLE related that the whole purpose of the appraisal process is to determine what is happening in the property market. Many characteristics impact the value of a property, and he mentioned some of these (e.g., location, view).

Questions and

discussion

198 JIM GANGLE reviewed the process of mapping, which county appraisers do and then use as an appraisal tool. These maps also provide geographical information to others in the community.

Questions and discussion

interspersed

220 JIM GANGLE said July 1 is the "assessment date" and that the property is valued as of that date, or as close to it as possible. Building permits are reviewed before that date. Sales data is reviewed and a ratio is determined, and this is used to determine sales price on property. Sales data analysis is done by a specialist in each county.

270 JIM GANGLE reviewed alternative appraisal methods, used in the attempt to get the most accurate value of property and to make the system more efficient. Exhibit 1

280 JANICE DRUIAN discussed "Measure 5 Implementation During a Time of Rapid Market Value Increase," which mainly addressed the concern of taxpayers that assessors arbitrarily raised valuation of property in order to overcome the impact of Measure 5. She also reviewed appraisal practices. Much of her testimony was in her handout. Exhibit 2

Questions and discussion

TAPE 24 SIDE B

002 Questions and discussion continued concerning "market value

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House Committee on
Revenue and School
Finance

January 25, 1993 Page 4

increase" and the response of taxpayers to it after the passage of Measure 5.

062 JANICE DRUIAN believed that the public understanding of Measure 5 was inadequate and that most people did not understand its impact. She explained the specific implications for Multnomah County.

Questions and discussion

132 JERRY HANSON expressed his opinion that the California method of appraisal, based on the electorate-imposed limitation, was based on inequities and, thus, was not a good system. He explained this tax system.

Questions and discussion

228 GREG SWEEK said he represented small counties in Oregon in terms of population and assessor's staff (but not in terms of size). He also believed assessors who represent these "small counties" have more intimate contact with taxpayers. All counties are now computerized, but different computer systems are utilized. He mentioned taxpayer anger at the Morrow Board of Equalization hearings about the increase in value imposed on their property. Exhibit 1

Questions and discussion interspersed

357 JERRY HANSON relayed that it costs \$58 million/year for the tax assessment process in Oregon (for all 36 counties).

Questions and discussion

TAPE 25 SIDE B

002 Questions and discussion continued with the visiting assessors concerning the appraisal process and the impact of Measure 5 on it

144 JERRY HANSON described the differences between the Board of Equalization and the Board of Ratio Review.

Discussion

170 JIM MANARY described the six-year cycle in the property tax appraisal system, developed to provide equalization throughout the state. "Trending" is used for five out of the six years, and may not exactly match what is

happening with a specific piece of

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House Committee on
Revenue and School
Finance
January 25, 1993 Page 5

property. This upsets taxpayers. He said understanding the three basic appraisal approaches (cost, market, and income) was important for the members. He discussed the three approaches.

247 JIM WILCOX testified that the Department of Revenue (DOR) supervises the county appraisers, and he described this process. The DOR is also responsible for collecting timber revenues. Some counties contract with the DOR for mapping. The DOR does the central assessment of utilities, specifically because they are frequently multi-county and multi-state, and he described some of these utilities and issues involved with them.

Questions and discussion
interspersed

384 JIM WILCOX explained how the counties utilize DOR utility appraisals.
Questions and
discussion

401 JIM WILCOX reviewed the role of the Public Utility Commission in the process of utility appraisal, specifically concerning the closing of the Trojan Nuclear Power Plant.

TAPE 26 TAPE A

002 Discussion continued concerning the impact of the Trojan closure on county assessments in that district.

016 JIM WILCOX discussed the DOR role in appraising industrial property in the counties, which didn't begin until after legislation in 1987. He named specific industries and reviewed further legislation passed in 1989 affecting the appraisal of industrial property. He reviewed the method of appraising industrial properties, using all three approaches of valuation (cost, market, income)

Questions and
discussion

109 JIM WILCOX explained that it is the linkage of all three indicators of value that give the best possible appraisal. He mentioned state laws that relate to appraisal of industrial property. He illustrated the rest of the process the DOR has with industrial appraisal. He mentioned three issues: (A) HB 3050 during the last Legislative Session (1991-3), which called for a committee made up of DOR people and industrial representatives to talk about industrial appraisal methods. Two issues before that committee were (1) intangibles and how growing businesses were

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House Committee on
Revenue and School Finance
January 25, 1993 Page 6

valued, and (2) third-party subpoenas; (B) "Timing," related to the tax

year now ending on July 1st, which effects both the industry and DOR procedures, and (C) assessment limits on industrial and utility properties.

Questions and discussion interspersed, specifically concerning industrial appraisals of contaminated sites or closed utilities.

319 CHAIR JONES conducted Committee business.

Questions and discussion

358 CHAIR JONES adjourned the meeting at 11:23.

Paula K.McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Memorandum, to House Revenue Committee, from Jerry Hanson, President, Oregon State Association of County Assessors, Subject -- Appraisal Methods, 1/21/93.

2. Measure 5 Implementation During a Time of Rapid Market Value Increase, Janice Druian, Multnomah County Director of Assessment & Taxation, 1/22/1993.

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