

2009 Proves Typical Year for Revaluation Process

New assessment notices were mailed to all Polk County property owners in early April. The notices use data from 2008 to estimate property values as of Jan. 1, 2009. Although this is a routine process that happens every two years, it typically generates many questions, and always results in some protests to the Polk County Board of Review.

This year, we anticipated more questions, comments and protests than usual. That's because of a common perception that the real estate market has been in a slump—leading some owners to think that their property value might have declined since the last county-wide assessment in 2007. However, most values have not declined. While sales were slow in 2008, the median sale price held fairly steady and in some cases actually inched upward throughout the year.

Though we were prepared for an onslaught, it turned out to be a pretty normal revaluation period. We were not besieged by any more protest activity than normal. As of the May 5 filing deadline, there were 7,571 protests, which is up

slightly from 2007 but down significantly from 2005. Seventy-four percent of the protests were on residential property, 26 percent were on commercial property (less than 1 percent were for agricultural land).

The Board of Review adjourns around July 2, at which time the actions resulting from the protests will be known. We'll communicate more about this in future issues of *RealTalk*.



We attribute the lower-than-expected volume of protests to a couple things. First, many property valuations were unchanged during this cycle. While some people might have thought values should decline, the fact that they didn't go up probably lessened the motivation to protest. In addition, we strove to make sure owners had a good understanding of how the revaluation process works, and

stressed the importance of being well-informed before filing a protest. We think this was helpful, saved time and lessened the likelihood that people would protest without doing their homework first.

POLK COUNTY PROTESTS

2007	2009
7,232	7,571
82% Residential	74% Residential
16% Commercial	26% Commercial
2% Agricultural and Other	Less than 1% Agricultural and Other

Keeping the Community Informed

Representatives from the Polk County Assessor's Office have spoken to various neighborhood associations, businesses and community groups this spring in an effort to keep constituents better informed about property assessment issues. These informal meetings are a good venue for sharing more information about what we do and what we're seeing with valuations, and to answer questions and hear concerns from those with an interest in the real estate market.

We'd like to continue doing this. Please contact our office if you're interested in having someone from the Assessor's Office speak to your group. Here are a few of the groups we've visited with recently.

- Drake Neighborhood Association
- Habitat for Humanity
- Iowa Realty
- Iowa Taxpayers Association
- King Irving Neighborhood Association

The assessor's commercial department has also made presentations to many of the larger commercial brokerage firms in the area.

In addition, Polk County Assessor Jim Maloney, Chief Deputy Randy Ripperger and Deputy Assessor Rod Hervey attended a meeting with the editorial staff of the *Des Moines Register* in April. This meeting was also simulcast on the Register's Web site; those watching could submit questions and comments in real-time. We feel this was another good venue for keeping constituents informed about property assessment issues.

PAAB Leadership Change

In 2005, the Iowa Legislature created a new state agency, the Property Assessment Appeal Board (PAAB). The goal was to provide an alternative appeal process for property owners who protest an assessment to their county Board of Review and are not satisfied with the outcome. Before the establishment of the PAAB, the only option available was to escalate the matter to the court system, which some property owners were reluctant to do because of the time and expense involved.

awaiting Senate confirmation as of this writing). She's highly qualified for this position, having worked as a real estate appraiser for many years. Additionally, she has been involved with the Appraisal Institute; the Iowa Real Estate Appraiser Examining Board (serving as chair in 2005); has served the profession nationally as an Appraisal Qualifications Board member; and she has taught appraisal courses, including classes on the Uniform Standards of Professional Appraisal Practice (USPAP). In short, we



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The PAAB is a three-member panel that conducts hearings on property assessment appeals throughout Iowa. Members are appointed by the governor and serve six-year terms. The board is independent, so as to rule fairly and objectively on the cases that come before it. It is not affiliated with and does not report to the Iowa Department of Revenue or any county or city assessors.

Recently, Governor Culver appointed Karen Oberman to the board and named her as chair (her appointment is

feel she'll bring excellent knowledge and professionalism to the board.

That said, we were disappointed that D. Kevin Burggraaf was not reappointed to the PAAB when his term expired at the end of April. Kevin worked in the Polk County Assessor's Office before he was appointed to the board by former Governor Vilsack, and we know he brought tremendous expertise to the new state agency. Because of potential conflicts of interest, he didn't participate in any Polk County protests during his stint there.

PROPERTY ASSESSMENT APPEAL BOARD MEMBERS

NAME	TERM EXPIRES
Karen Oberman (chair)	2015
Jacqueline Rypma	2013
Richard Stradley	2011

Small Acreages: Residential or Agricultural Property?

In previous issues of *RealTalk*, we've written about the challenges of determining whether a property should be classified as residential or agricultural for assessment purposes. Sometimes the decisions are obvious: A house in the middle of a neighborhood is residential, a 100-acre farm planted in corn is agricultural. But it's not always so black and white for things like small acreages.

The Iowa Department of Revenue stipulates that for a property to be considered agricultural, the principal

DISTRICT COURT CASE

A case is currently pending in Polk County, the outcome of which may have significant implications. Polk County District Court Judge Don Nickerson presided over a hearing on May 28 and is expected to rule on the case later this summer.

At issue is a four-acre plot of ground in northern Polk County. On the land is a house, an old barn and a corncrib. The property owners signed a \$260,000 purchase contract for the parcel in August, 2006. They subsequently erected

They then appealed to the Property Assessment Appeal Board (explained elsewhere in this issue) and won. The case is now before the judge.

If the land is deemed agricultural, the approximate annual property taxes would be \$1,200. If the land is considered residential, the approximate taxes would be \$1,840.

ISSUE OF FAIRNESS

Our concern is not property taxes. Honestly, we can't blame the owners for searching for a way to minimize their

The Iowa Department of Revenue stipulates that for a property to be considered agricultural, the principal use of the land must be for agricultural purposes, the agricultural use must be conducted in good faith and it must be intended for profit.

use of the land must be for agricultural purposes, the agricultural use must be conducted in good faith and it must be intended for profit. Still, that leaves a lot of room for interpretation. Say, for example, a landowner has a large vegetable garden and grows tomatoes to sell at a farmers market. If the garden is profitable—does that make it a farm?

Assessors all across Iowa struggle with decisions like this, and the issue is becoming more pronounced, especially near urban areas where bona fide farm ground develops into smaller acreages. More guidance from the Department of Revenue and/or the courts would be helpful.

It matters greatly, because taxes for residential property are calculated very differently from taxes on agricultural property. The tax bill can vary by thousands of dollars, depending on the property classification.

a fence around part of the yard and moved a horse and a ram into this pen. At the time, the owners also had three ewes, which were not kept on the property. Approximately 1.5 acres was planted in hay.

The owners claim this is a sheep breeding operation, and that the property should be agricultural. Using our experience and best judgment, we ruled the property is residential, because it doesn't meet the criteria from the Department of Revenue. A pet horse and a few sheep don't make the primary use of the land a farm; there is no profit generated (the total gross income from the operation in 2006 was \$320); and the price paid (\$260,000 for a four-acre parcel) clearly shows the owners were buying a residence, not a farm. The income generated from this operation could never be expected to support the purchase price.

The owners appealed our decision to the Polk County Board of Review and lost.

tax liability. Rather, our concern is one of fairness. Whenever a property owner pays less than his or her fair share in taxes (compared to the owners of similar comparable properties), then some other taxpayer must make up the difference. If the property owners in this case are successful, we will likely revisit the classification of all acreages in Polk County to make sure we apply the rules fairly.

Additionally, we feel the rules about property classification must be followed uniformly. But because situations like this are gray, it results in different assessors around Iowa making different judgment calls, which results in a patchwork of decisions that creates inconsistencies and confusion—and thus is also unfair.

We hope the outcome of this case provides more clarity and guidance. We will keep you apprised in future issues of *RealTalk*.

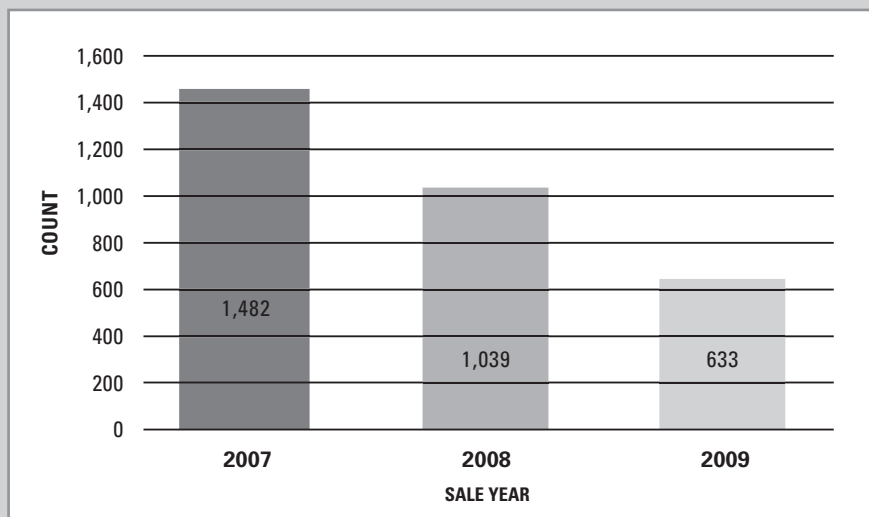
Residential Market Update

While the number of residential sales declined considerably in 2008, Polk County bucked a national trend in that the median sale price here continued to creep upward throughout most of last year.

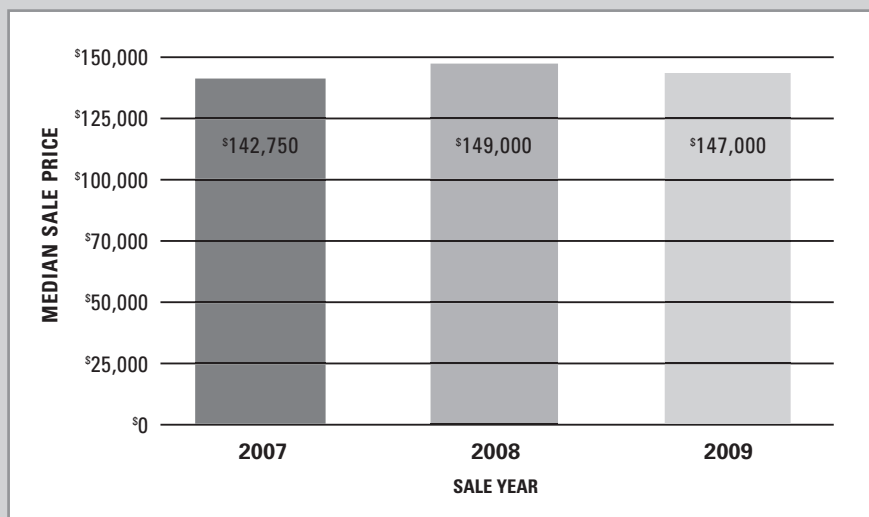
Data for the first quarter of 2009, however, paints a different picture. The median sale price in Polk County has dropped to \$147,000, down from \$149,000 in first quarter 2008 (but up from \$142,750 in first quarter 2007).

We don't feel this signals trouble in the market, but rather is reflective of more activity in the lower end of the housing spectrum. In other words, a disproportionate number of people buying less expensive homes has probably skewed the median sale price downward. It is likely that lower-priced homes will remain in demand due to first-time homebuyer incentives and other things contained in the new economic stimulus package.

FIRST QUARTER NUMBER OF SALES – YEARS 2007-2009



FIRST QUARTER MEDIAN SALES PRICE – YEARS 2007-2009



Questions?

We hope you've found this issue of *RealTalk* to be informative. We'd like to know what you think. For more information on any of these topics, please contact us. We want to be your resource for property assessment issues.

Find previous issues of *RealTalk* archived on the Polk County Assessor's Web site at www.assess.co.polk.ia.us.

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Our Mission

The mission of the Polk County Assessor is to estimate the fair market value of residential and commercial property in Polk County. The assessor doesn't determine tax rates or calculate or collect taxes. If you have questions or want more information about what we do, please let me know.

Jim Maloney
Polk County Assessor