

# THE VIRTUOSO

A Newsletter of the Institute of Government's Candidates' Club

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JOSEPH E. HUNT, EDITOR

NEXT INSTITUTE OF GOVERNMENT'S  
CANDIDATES' CLUB MEETING  
SET FOR JUNE 19-20

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NEELY AND COLLIER  
RECEIVE RES DESIGNATIONS

The Candidates' Club will next meet at the Institute of Government on the UNC-Chapel Hill campus on June 19-20. The meeting will begin at 1:00 p.m. on Wednesday and end at 12:30 p.m. on Thursday.

Wednesday's session will cover changes in the IAAO professional program and methods for demonstrating estimates of economic life in appraisal reports and will include a club business meeting. Several important decisions will be made at the business session, so please plan to attend.

Thursday's meeting will focus on making progress toward the CAE/RES designations. The group will be divided into three sections, each pertaining to a different part of the candidate track. Goal-setting, time management, work organization, and problem-solving will be discussed in each section break-out. So bring your problems and get help.

If you plan to attend the meeting, please complete the enclosed Application for Attendance and return the application as instructed on the form. If you plan to stay at the Institute of Government, make reservations on the enclosed housing form. Parking permits will be sent to those who register in advance. A \$5.00 registration fee will be payable on arrival. Please do not include the registration fee with your application form.

We are proud to recognize two Candidates' Club members who recently received their RES designations. Michael W. Collier of Fayetteville and Ralph F. Neely, Jr., of Charlotte are North Carolina's only RES designees.

Mike has a degree in political science from East Carolina University with a minor in sociology. He and his wife live in Fayetteville, where he is employed by Tom S. Keith & Associates.

Ralph has a degree in Business Administration (1972) from the University of North Carolina at Charlotte. He and his family live in Charlotte, where he has been employed since 1973 as a Real Estate Appraiser with the Mecklenburg County Tax Administrator's Office.

Congratulations, Mike and Ralph!

WHO, ME?

The Business Personal Property Appraiser

Felix R. Pollard, Jr., ASA, CAE

To tell the truth, most people know very little about business personal property (B.P.P.) appraisers. First, they want to know "Who is this guy?" And then they want to know whether they're going to have to pay more taxes. Nevertheless, I'm a B.P.P. appraiser, and glad of it.

When I started in business personal property appraisal, it was a career field that no one wanted to pursue. B.P.P. is a

form of appraisal used to equalize business personal property valuations for commercial and industrial accounts (in the private sector, a B.P.P. appraiser is known as a machinery and equipment appraiser). It is sometimes not regarded as equal to appraisal of real property. But I have found B.P.P. appraisal to be challenging, rewarding, and unusual—quite different from real property appraisal. Each B.P.P. appraiser undertakes assignments dealing with several types of manufacturers and commercial businesses. One day his assignment may be the appraisal of a metal-working manufacturer, the next day a plastic plant, the next day a beauty salon, and so on.

Certain types of businesses (i.e., grocery stores, gas stations, barber-beauty shops, professional offices, etc.) can be found in every county. But now and then a county has an unusual manufacturer (perhaps the only one in the state) that must be appraised. In this situation, the B.P.P. appraiser must use his professional skills in accumulating data, cost, facts, and other vital information that will justify his appraisal. Each piece of equipment must be treated as a separate unit. Although some items are standard-made, others are customized for that specific manufacturer. The appraiser must apply the concepts of physical depreciation and functional and economical obsolescence in determining value. This requires the B.P.P. appraiser to constantly examine the used-equipment market to develop schedules for depreciation.

People who are interested in this professional field ask, "Where do I get the proper training, and education, etc.?" The training could be from tax offices, mass appraisal firms, or consulting firms. Over the past several years, courses, seminars, and workshops in B.P.P. appraisal have been offered by the International Association of Assessing Officers (I.A.A.O.), the American Society of Appraisers (A.S.A.), the North Carolina Department of Revenue, and the North Carolina Assessors Association. My background includes employment with several

mass appraisal firms, a consulting firm, a state tax commission, an utility firm, and now my own appraisal consultant firm. I learned my profession through the guidance and instruction of former supervisors and employers, and I still call on some of them for their advice.

B.P.P. is not an overnight profession. It takes time to learn the techniques, terminology, economics, public relations, state and local laws, and the professionalism that are necessary ingredients of the job. But all of that work will eventually pay off. One of the rewards will be the attainment of a professional designation in this appraisal field. The Certified Assessment Evaluator (CAE—Business Personal Property Track) designation from the I.A.A.O. and/or the Senior Member (A.S.A.—Machinery and Equipment Discipline) designation from the A.S.A. are two professional credentials that tells people that you have met all requirements to obtain your profession's highest honor. I found it very gratifying in 1979 to receive both my Certified Personality Evaluator (CPE—this was upgraded to the CAE in 1983) designation from the I.A.A.O. and the Senior Member designation from the A.S.A.

All professions change with time—new rules, new laws, new techniques, new professional standards, and new educational requirements. This holds true for B.P.P. appraisal. The person who sits behind a desk and does absolutely nothing to improve his or her background will gain nothing from the profession, his or her peers, and employers. B.P.P. appraisers are undergoing training, taking related courses and seminars, and developing pride in their ability to perform in this specialized field of the appraisal profession. Both the real and B.P.P. appraisers should strive for continuous learning. I do so by attending seminars, courses, workshops, and seminars. B.P.P. appraisal is different and it takes special effort to prepare oneself for it, but the effort will be worthwhile in the long run.

About the author: Mr. Pollard is an independent appraiser who specializes in the appraisal of machinery and equipment. He has offices in Hickory, North Carolina.

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#### NEWLY ELECTED STEERING COMMITTEE MEETS

At the December business meeting of the Candidates' Club, a steering committee was elected. Its purpose is to conduct club business and plan future activities in the interest of the general club membership. The following people were elected: Debbe King, Mecklenburg County; Margaret Claxton, Jackson County; Carl Mericle, Forsyth County; Dale Campbell, Catawba County; Porter Stokes, Pitt County; and J. D. Brickhouse, Tyrrell County.

The steering committee met on April 10 at the Institute of Government. Items discussed were future programs, how to finance club functions (dues vs. fees), club name, and other issues pertaining to club business. A full report will be made at the next Candidates' Club meeting.

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#### COMMON MISTAKES IN DEMONSTRATION APPRAISAL REPORT WRITING

by James D. Hester, CAE

*This article is a reprint from the News Bulletin, Fourth Quarter 1984, published by the Virginia Association of Assessing Officers. Mr. Hester is a Demonstration Report Grader for the International Association of Assessing Officers and the assessor in Petersburg, Virginia.*

**City Analysis**--Failure to relate demographic statistics to the current market trends affecting subject property; failure to draw adequate conclusions.

The purpose of the city analysis is to identify and analyze the economic base; and it requires concluding

statements relevant to the subject property. A candidate will often supply the grader with 10-14 pages of data and then make a two or three sentence conclusion.

**Neighborhood Analysis**--Failure to draw conclusions of data and its impact on subject; no description of economic obsolescence (if present).

The neighborhood analysis serves the same purpose as the city analysis; but on a lesser scale. All physical boundaries, value ranges, socio-economic characteristics and positive-negative influences should be discussed in relationship to the subject property.

**Real Estate Assessment**--The present assessment, tax rate and annual taxes are often the only data given with no analysis of the assessment trend.

The analysis of the assessment should establish a trend which allows the grader to gauge the direction and magnitude of the real estate tax.

**Highest and Best Use**--An incomplete analysis is given for the subject property.

One of the most consistently weak areas of a report, the Highest and Best Use analysis should be developed in the following format: (1) H&B Use as if the site were vacant; (2) H&B Use as improved. Criteria analyzed should be (a) physical possibilities, (b) legal permissibilities, (c) financial feasibilities and (d) maximum productivity.

**Site Valuation**--Development of site value without unit-of-comparisons.

The basic appraisal concept is commonly violated, and should be a part of any valuation process. Don't assume that a lot is selling on a per site basis. Analyze each possible unit-of-comparison and let the market demonstrate its consistency.

**Physical Depreciation**--(1) Listing profit/overhead as a separate item of reproduction cost, but not including its pro-rata share when depreciating a building component. (2) Use of chronological age instead of observed age when estimating depreciation. (3) Pre-defining basic structure as a percentage of cost new rather than it being the remainder of cost new after deducting curable and short-life items. (4) Consideration of less than 100% of the cost new during the depreciation process. Refer to Chapter 8, Property Assessment; Valuation for explanations.

**Sales Comparison Approach**--(1) Use of comparables that are identical requiring no adjustments. (2) Adjustments that cannot be market supported. (3) No unit of comparison.

Subject properties should have enough market differences to "demonstrate" an ability to handle the adjustment process. It should not be the most unique property ever appraised. Units of comparison must be used to value the property.

Select a subject that is somewhat typical having minor differences in physical characteristics that can be supported by market extraction. The grader realizes that every adjustment may not be supported by specific market data. But enough data needs to be available in order to evidence the candidate's proficiency.

**Correlation**--Incomplete summary and explanation of the data used to arrive at value conclusion.

The correlation should list all pertinent facts used in the evaluation of the subject property including description of the overall appraisal process; definition of approaches to value; summary of any obsolescence and its effect on a value; and any other facts used to formulate a value for the subject property.

**Functional Obsolescence**--Improper definition of the obsolete building component. Functional obsolescence can be classified in at least five different categories based on curable, incurable, deficiencies and superadequacies. Each type requires a different method of computing loss in value. Refer to Chapter 20, The Appraisal of Real Estate, Eighth Edition.

**Income Approach (Residential)**--(1) Adjustments made to rents before computing GRM. (2) Inappropriate adjustments made to comparables used to establish economic rent.

It is not appropriate to make adjustments to the rent of a rented sale if the intent is to establish a relationship such as the GRM. If the major differences in a rented sale (compared to the subject) are not reflected in its rent, then it is not a legitimate GRM comparable.

Comparable rents used to establish economic rent have to be adjusted to reflect significant differences.

The important concept in the use of GRMs and economic rent is that economic rent is established as of the date of the appraisal, whereas the rent-value relationship (GRM) can be established in any relative time frame. As long as the rent-value relationship has not changed, it can be used in the income approach.

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**DON'T FORGET!**  
**CANDIDATES' CLUB MEETING**  
**INSTITUTE OF GOVERNMENT**  
**JUNE 19-20, 1985**

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HUNT RECEIVES PROFESSIONAL DESIGNEE AWARD

In recognition for his work in organizing the Institute of Government's Candidates' Club, Joseph E. Hunt received the Verne W. Pottorff Outstanding Professional Designee Award for 1984 from the International Association of Assessing Officers. The award was presented at IAAO's 50th International Conference on Assessment Administration, held October 28-31 in Hollywood, Florida.

Articles are needed for future Virtuoso issues. If you have an experience or idea to share, write an article and submit it to: Joseph E. Hunt, Institute of Government, Knapp Building 059A, The University of North Carolina at Chapel Hill, Chapel Hill, NC 27514.

Meeting of the  
CANDIDATES' CLUB  
June 19-20, 1985  
Institute of Government  
The University of North Carolina  
at Chapel Hill

TIME AND PLACE: The Candidates' Club will meet on June 19-20, at the Institute of Government, The University of North Carolina at Chapel Hill. The meeting will convene at 1:00 p.m. on Wednesday, June 19, and conclude at 12:30 p.m. on Thursday, June 20. Registration will be at 12:00 noon on Wednesday, June 19.

PROGRAM: Program topics include:  
New Regulations  
Supporting Economic Life Estimates  
Important Business Meeting  
Becoming a Candidate  
Getting Started (selecting a property)  
In the Process (writing the report)

REGISTRATION FEE: A fee of \$5.00 per person will be payable on arrival. Please do not send money in advance.

Participation in Institute schools and conferences is without regard to race, color, sex, religion, national origin, handicap, or veteran status.

Application for Attendance

REGISTRATION FORM  
The Institute of Government's Candidates' Club

Mail to: Joseph E. Hunt  
Institute of Government, Knapp building 059A  
UNC at Chapel Hill, Chapel Hill, NC 27514

Name \_\_\_\_\_ Social Security # \_\_\_\_\_

Title \_\_\_\_\_ County \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_