

Approved March 18, 1986  
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at  
Chairperson

11:00 a.m./~~p.m.~~ on Monday, March 17, 1986 in room 519-S of the Capitol.

All members were present except:  
Senator Leroy Hayden (Excused)

Committee staff present:  
Tom Severn, Research Department  
Melinda Hanson, Research Department  
Don Hayward, Revisor's Office  
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:  
Vic Miller, Division of Property Valuation, Department of Revenue  
Ed Schaub, Southwestern Bell Telephone  
Representative Bob Wunsch  
John Koepke, Kansas Association of School Boards

H.B. 3013 - State assessed public utilities; definitions

Vic Miller said they requested S.B. 3013 to eliminate some out-dated language in the current statute (Attachment 1). He explained there is a question of the state's ability to assess certain long distance communication carriers and radio common carriers. Mr. Miller provided information on long distance carriers (Attachment 2).

Ed Schaub advised that his company asked for the statute addressed by H.B. 3013 in 1983 so that they would be on an equal footing with other vendors of telephone equipment. However, the final ruling in the divestiture matter was that a separate subsidiary would be required for this area of the industry. He noted that apparently long distance companies are the ones that "fall through the cracks". He said he has no objection to H.B. 3013.

H.B. 2994 - Correction of errors in assessment sales ratio study

Representative Bob Wunsch introduced three school superintendents from his district: French Hey, Jack Parker and Harold Voth. Representative Wunsch explained that K.S.A. 79-1437 requires that the Property Valuation Division (PVD) send quarterly reports of the average ratio of urban and rural real estate to the county commissioners and school board of each school district (Attachment 3). He provided examples of the current reports to illustrate his point that the reports are very limited and the ratio averages do not indicate the full ramifications of their impact. He noted that the 15 days appeal time is sometimes impossible to meet. Representative Wunsch said that the problem experienced in Reno County involved rural sales of vacant lots for as much as \$25,000 which were previously valued at \$100. He observed that the situation differs from a similar problem in Linn County a couple of years ago in that the subject lots in Reno County include a deed to a time-share week in SilverCreek, Colorado (Attachment 4), a lifetime initiation to the country club and an option to purchase an executive golf suite -- all of which are severable from the actual lot. The purpose of H.B. 2994 is to give PVD the ability to exclude improperly classified property in the sales assessment ratio study after publication of the annual report and prior to June 30.

The Committee discussed the possibility of including an appeals provision in the bill. It was noted that there is presently an appeals provision for county commissions but not school boards.

John Koepke advised that his association does not have a formal position on the bill, but noted that any time a district becomes eligible for increased state aid, this increase comes from the remaining districts. He said that

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,  
room 519-S, Statehouse, at 11:00 a.m./~~PM~~ on March 17, 19 86

fairness dictates something should be done in the Reno County situation since it differs from other circumstances involving lake lots.

During further discussion some Committee members suggested an interim study, regardless of the outcome of H.B. 2994, on the topic of sales ratio publications and implications. It was noted that some of the current deadlines are in conflict and are never adhered to.

Senator Frey moved that the minutes of the March 10, 1986 meeting be approved. Senator Montgomery seconded the motion, and the motion carried.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2/17/86	JACK MONTGOMERY	TOPEKA	Gov. - Policy
"	DANA FERRELL	Topeka	Budget
"	VIC MILLER	"	PVD
"	Charles Burkhardt	Topeka	PVD
"	Frem L. Mey	USD 310	→
"	JACK D. PARKER	USD 313	PVD
"	Harold L. Voth	USD 312	
"	Fred Allen	Topeka	N.A.C.
"	TREVIA POTTER	"	NORTHERN NAT GAS
"	David R. Mitchell	Topeka	KCC
	Ron Calbert	NEWTON	U.J.U.
"	Dale [unclear]	Topeka	KCCCT
"	Ed Schaub	Topeka	SWBT
"	Tom Whitaker	Topeka	Ks Motor Carrier Assn.
"	Mike Gorman	"	Ks Railroad Assn.
"	Dan Gadow	Wichita	City of Wichita
"	John Roush	Topeka	KASB
	M. Hoover	"	Cap-Journal



KANSAS DEPARTMENT OF REVENUE  
*Division of Property Valuation*  
State Office Building · Topeka, Kansas 66612-1585

Mr. Chairman and members of the committee, I am Vic Miller, Director of the Property Valuation Division. HB 3013 was requested by PVD to eliminate outdated language in K.S.A. 79-5a01(b). Failure to amend the statute casts serious doubt on the State's ability to state assess certain long distance communication carriers and radio common carriers which have been heretofore state assessed. We do not believe this was the intention of the legislature when this language was included in the statute in 1981.

The language we are requesting you strike was originally added to the statute, at the request of Southwestern Bell, to exclude from state assessment the non-regulated activities of a utility and was aimed at excluding Bell's phone stores. Because of the restructuring of Bell, we believe such an exception is now unnecessary. Under the new structure of the company no argument could be made that these stores fall under the purview of state assessment.

However, failure to repeal the language in question may allow others to now successfully argue against state assessment even though this was not the original intent of the law. Deregulation of long distance carriers and radio common carriers in recent years might allow these companies to now argue that they meet the requirements of the statutory exception.

These companies are presently state assessed and we believe they should continue to be. We would respectfully request passage of HB 3013 to clarify this situation.



LEG\_LDC

LONG DISTANCE CARRIERS

COMPANY	KANSAS ALLOCATED VALUE	ASSESSED VALUE	1985 TAXES
AT&T	97,979,400	29,393,820	3,508,439
CENTRAL STATES	660,015	198,005	N/A
GTE SPRINT	3,041,500	912,450	115,881
INDEPENDENT COMM.	2,700,000	810,000	96,769
MCI	8,866,800	2,660,040	298,795
WESTERN UNION	6,339,565	1,901,870	237,599
TOTAL	119,587,280	35,876,185	4,257,483

by the instrument; (3) the value of such tract or piece of real estate as reflected by the certificate of value; (4) the amount of any mortgage on said tract or piece of real estate assumed by the purchaser, including any purchase money mortgage, executed by the purchaser; (5) the assessed valuation of said tract or piece of real estate as of the date the instrument was executed as shown by the county assessment roll; (6) the classification and subclassification, if any, of the property sold, transferred or contracted for sale; and (7) such other information as the director deems necessary to carry out the purposes of this act. The director and his or her agents shall have the right of access to the assessment rolls and other records in the offices of the county clerks, county assessors and registers of deeds for the purpose of securing information required by this act. (L. 1974, ch. 428, sec. 1; July 1, 1974.)

79-1436a. Same, classification of property by director; county assessor or county clerk to report classification of property sold. The director of property valuation in carrying out his or her duties under the provisions of this act and the act of which this act is amendatory shall provide for classification of properties which are sold, transferred, or contracted to be sold or transferred within the classification prescribed by K.S.A. 79-503 and amendments thereto. The director of property valuation shall require the county assessor or county clerk acting in the capacity of county assessor to show on forms provided therefor, the classification and subclassification, if any, of the property sold and the classification and subclassification, if any, after the transfer is effected. (L. 1972, ch. 362, sec. 3; Jan. 1, 1973.)

79-1436b. In taxable years commencing after December 31, 1980, whenever the director of property valuation shall determine that the coefficient of deviation for any one classification or subclassification of property in a county, as shown from the ratio studies for such year, is greater than 20, the director is hereby authorized to order all property within the classification or subclassification within such county to be reappraised. (L. 1978, ch. 396, sec. 2; May 12, 1978.)

79-1437. Upon securing information of real estate from the counties, the director shall determine, as nearly as possible, the sale price of each tract or piece of real estate and the ratio of the assessed valuation to the sale price. The director shall determine the average ratio of sales of urban real estate and rural real estate and for each classification of property and for all classes combined in each county and unified school district for the twelve-month period ending on the thirty-first day of August of such year. The director shall quarterly notify the board of county commissioners of each county and the school board of each unified school district of the ratios determined for such county or school district for the preceding quarter. In addition, the director shall determine the average ratio of all sales in all counties and unified school districts of the state for such twelve-month period. In determining the ratio of sales as required in this section, the director of property valuation shall, in all sales of property in which there is to be a change in the classification or subclassification of the property place such sale in the proper classification, or subclassification, and such sale resulting in a change of classification shall not be used in determining the ratio of the prior classification. Ratios for each twelve-month period shall be published annually by the director not later than the first day of December next following the close of such period, in convenient form for the use and information of the legislature, taxpayers and other interested parties and public officers. The annual report of the director of property valuation published as required by this section, shall include reports of county and unified school district ratios of urban real estate and rural real estate, ratios for the classifications of property established by K.S.A. 79-503 and amendments thereto and ratios for a combination of all classes of property within each county and unified school district. In addition thereto, such report shall include reports of state-wide average ratios of sales of urban real estate, sales of rural real estate and of all sales in all counties and unified school districts of the state for the period herein before prescribed. (L. 1982, ch. 397, sec. 2, July 1, 1982.)

79-1437a. Same; exchange of information by registers of deeds and county assessors. Registers of deeds and county assessors shall exchange such information as may be deemed necessary and advisable to properly carry out the intent and purposes of this act. (L. 1967, ch. 489, sec. 5; July 1.)

79-1437b. Assessment ratio studies not admissible as evidence in actions involving assessment of certain property. Real estate assessment ratio studies prepared and published by the director of property valuation under the provisions of K.S.A. 79-1437 shall be inadmissible as evidence in actions involving the assessment of property, sales of which are not required to be reported by county assessors to the director of property valuation under the provisions of K.S.A. 79-1436. (L. 1971, ch. 298, sec. 1; July 1.)



79-1441a. Each year, when the ratios are determined, the director shall notify the board of county commissioners of each county of the ratios determined for such county. If the board of county commissioners disagrees with the ratios determined for such county, the board may, within fifteen (15) days after receipt of such notice, appeal such determination to the state board of tax appeals. Any such appeal shall be commenced by written notice thereof served by certified mail on the board of tax appeals and the director of property valuation, which notice shall clearly and specifically state the basis for the disagreement. The board of tax appeals shall hear the board of county commissioners and the director of property valuation and shall make a finding on or before November 15 as to whether, in determining the ratios for the county, sales from the prior year should have been used to supplement sales from the current year as provided in 79-1443, and amendments thereto, whether appraisals should have been made as provided in K.S.A. 79-1443, and amendments thereto, whether the law has been complied with and whether such other procedures as may be provided by law or regulations were followed properly. If the board of tax appeals finds that the prescribed procedures were not followed it shall issue a written order as provided in K.S.A. 74-2426 directing the director of property valuation to correct any deficiency and report back to the board prior to publication of the ratio study. (L. 1974, ch. 428, sec. 5, July 1, 1974.)

79-1442. Assessment-sales ratio study; use of questionnaires. The director shall prepare and utilize questionnaires to grantors, grantees and contracting parties in determining and verifying data to be used in the assessment-sales ratio study. (L. 1972, ch. 362, sec. 5; Jan. 1, 1973.)

79-1443. Sales from the twelve-month period ending on the thirty-first day of August of the prior year may be used to supplement sales of the current period by the director if in his or her opinion the sales in the current period are insufficient to determine the assessment-sales ratio of any county. The director may also, when in his or her opinion the same is necessary, obtain appraisals for the purpose of supplementing, verifying or correcting sales-assessment ratios for the current period. (L. 1974, ch. 428, sec. 6, July 1, 1974.)

79-1444. There is hereby established a technical advisory committee on the assessment-sales ratio study. The committee shall consist of three (3) members, appointed by and serving at the pleasure of the secretary of revenue. Members of the committee shall have such education and training as may be necessary to advise the director in the methodology of conducting studies of the type required under the provisions of this act. Members of the advisory committee on assessment-sales ratio study attending meetings of such committee, or attending a subcommittee meeting thereof authorized by such committee, shall be paid amounts provided in subsection (e) of K.S.A. 75-3223 and amendments thereto. The same shall be paid from appropriations to the secretary of revenue upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of revenue or a person or persons designated by him or her.

It shall be the duty of the committee to advise and consult with and assist the director in the review and evaluation of the procedures used by the director of property valuation in making the assessment-sales ratio study and to make recommendations for any changes deemed necessary. It shall be the duty of the board of regents and the administration of each of the state institutions thereunder to authorize any staff members so selected to participate as members in the activities of such committee. The secretary of revenue may appoint an additional advisory committee of not to exceed seven (7) members to serve at his or her pleasure. (L. 1976, ch. 416, sec. 27; July 1.)

A M E N D E D

**KANSAS DEPARTMENT OF REVENUE**  
*Division of Property Valuation*  
State Office Building · Topeka, Kansas 66612-1585

**SENDER:** Complete items 1, 2, 3 and 4.  
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- 1.  Show to whom, date and address of delivery.
- 2.  Restricted Delivery.

County Commissioner  
Reno County  
County Courthouse  
Hutchinson, KS 67501

December 13., 1985

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured	P 723
<input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD	747 078
<input type="checkbox"/> Express Mail	

**NOTICE**

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee  
X

6. Signature - Agent  
X *Edwin H. [Signature]*

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

Commissioners of Reno County  
laws of the State of Kansas you are hereby  
used in the 1985 assessment-sales ratio

County Ratio - 8.31  
Rural - - - - 6.46  
Urban - - - - 10.10

**AMENDED**

Respectfully,  
*Victor W. Miller*  
Victor W. Miller, Director  
Division of Property Valuation

VWM:bkh



KANSAS DEPARTMENT OF REVENUE  
*Division of Property Valuation*  
State Office Building · Topeka, Kansas 66612-1585

N O T I C E

TO: School District Superintendents  
DATE: January 8, 1986  
RE: Assessment/Sales Ratio Study

Enclosed please find a copy of the urban, rural and total ratio for your particular school district.

These ratios are for informational purposes only. These are not the county ratios nor are they the ratios used by the Department of Education for the "School Foundation Formula", but, only an indication of your individual district's ratio.

NB:jd

JAN 13 1986

REPORT OF  
REAL ESTATE ASSESSMENT RATIO STUDY  
STATE OF KANSAS

PVSTAT-1

THRU SEP 84-AUG 85

PROCESSED ON 12/11/85

SCHOOL DISTRICT 310	TOTAL URBAN				TOTAL TRANSFERS USED
TRANSFERS 26	MEDIAN 16.00	AVERAGE DEVIATION 11.49	COEFFICIENT 71.81	TOTAL SALES \$204,681	ASSESSED \$27,070
SCHOOL DISTRICT 310	TOTAL RURAL				TOTAL TRANSFERS USED
TRANSFERS 27	MEDIAN 6.41	AVERAGE DEVIATION 3.23	COEFFICIENT 50.35	TOTAL SALES \$1,526,243	ASSESSED \$94,975
SCHOOL DISTRICT 310	TOTAL FOR DISTRICT				TOTAL TRANSFERS USED
TRANSFERS 53	MEDIAN 8.93	AVERAGE DEVIATION 8.56	COEFFICIENT 95.82	TOTAL SALES \$1,730,924	ASSESSED \$122,045





KANSAS DEPARTMENT OF REVENUE  
*Division of Property Valuation*  
State Office Building · Topeka, Kansas 66612-1585

N O T I C E

TO: School Superintendents

FROM: Janice Marcum, Supervisor, Personal Property *JM*  
Division of Property Valuation

RE: Assessment/Sales Ratio Study

DATE: February 12, 1986

Enclosed please find a copy of the urban, rural, and total assessment/sales ratios for your school district for the first quarter of the 1986 study year.

These ratios are for informational purposes only. These are not the county ratios nor are they the ratios used by the Department of Education for the "School Foundation Formula". They are provided only as an indication of your individual district's ratios at the first quarter's end.

JSM:jd  
Enc.

FEB 17 1986

PVSTAT-1

REPORT OF  
REAL ESTATE ASSESSMENT RATIO STUDY  
STATE OF KANSAS

THRU SEPT 85-NOV 85

PROCESSED ON 02/11/86

SCHOOL DISTRICT 310	TOTAL URBAN				TOTAL TRANSFERS USED
TRANSFERS 7	MEDIAN 13.20	AVERAGE DEVIATION 7.40	COEFFICIENT 56.06	TOTAL SALES \$53,000	ASSESSED \$5,640
SCHOOL DISTRICT 310	TOTAL RURAL				TOTAL TRANSFERS USED
TRANSFERS 3	MEDIAN 11.14	AVERAGE DEVIATION 43.00	COEFFICIENT 385.85	TOTAL SALES \$140,100	ASSESSED \$15,720
SCHOOL DISTRICT 310	TOTAL FOR DISTRICT				TOTAL TRANSFERS USED
TRANSFERS 10	MEDIAN 13.20	AVERAGE DEVIATION 18.29	COEFFICIENT 138.56	TOTAL SALES \$193,100	ASSESSED \$21,360

The subclassifications prescribed by the director appear on the Ratio Study Card (Figure 1) and in the body of this Study.

Field representatives of the Property Valuation Division visit each county to collect the ratio cards and to provide whatever assistance is necessary for the accurate completion of each card. This includes a review of each card to determine whether or not all the required information has been provided; whether the property has been properly classified and subclassified; and the examination of specific sales to determine if in fact they should be included in the Study as valid arms length transactions. When the field representatives complete this review, all cards are forwarded to the Property Valuation Division.

After three quarters of data are accumulated, edited, and processed, projections are made to determine whether the number of usable sales is sufficient or if sales will be supplemented with appraisals and/or prior year sales.

### SCREENING AND EDITING

The Ratio Study Cards received each month by the Division of Property Valuation are further screened to exclude transactions other than valid sales. The assessment/sales ratio study must be based upon the latest assessed valuation as related to the purchase price of all real estate sold during the study period. A list of the possible reasons for exclusion are as follows:

- A. (K.S.A. 58-2223c) No Certificate of Value required for these items:
  - 1. Sales recorded prior to July 1, 1967.
  - 2. Sales to the United States, the State of Kansas or any of the instrumentalities, agencies, or political subdivisions thereof;
  - 3. Sales made solely for the purpose of securing or releasing security for a debt or other obligation;
  - 4. Sales made for the purpose of confirming, correcting, modifying or supplementing a deed previously recorded, and without additional consideration;
  - 5. Sales made by way of gift;
  - 6. Sales for delinquent taxes or assessment;
  - 7. Sales of cemetery lots;
  - 8. Sales made by leases and transfers of severed mineral interest.
- B. Transfer of deeds given in fulfillment of previously recorded long term contracts.
- C. Sales between members of the immediate family (husband, wife, mother, father, sons, daughters, grandparents to grandchildren) where favoritism can be shown, with the names of the parties and their relationship to each other.
- D. Sales by a sheriff pursuant to any order of any court of record.
- E. Sales in bankruptcy settlements; other sales where it can be directly established that it is a forced or distressed sale.
- F. Sales by judicial order which would include those executed by a guardian or executor, administration and partition sales where a degree of distress can be established by direct evidence.
- G. Sales where the grantee is a religious, charitable, benevolent or fraternal organization, a school or an education association.
- H. Sales that are forfeitures of a contract or foreclosures of a mortgage.
- I. Sales of clearly identified undivided interest in real estate (usually post-probate type sales, where the heirs are setting the estate).
- J. Sales where an exchange of properties can be definitely established.



- K. Sales where the grantor and grantee are one and the same; or transfers of convenience to change the character of title from tenancy in common to joint tenancy.
- L. Sales where it can be definitely established that grantor and grantee are corporate affiliates belonging to the same parent company.
- M. Sales where specific evidence of unrecorded notes or mortgages is available and would materially change the amount of the total consideration.
- N. Sales where the price shown on the certificate of value included the purchase of some items of personal property, such as farm machinery, motor vehicles, furniture, etc.
- O. Sales where the price shown on the certificate of value includes consideration for leasing other land, purchase or leasing of property in other counties, states, etc.
- P. Sales where the improvements on the land are different at the time of sale than on January 1 of the current year.
- Q. Sales where the assessed value includes more or less real property than the real property described in the recorded transaction.
- R. Date of sale is prior to current study year.

Items B through R may require further investigation to determine the validity or invalidity of a sale.

#### COMPUTATION PROCEDURES

After screening, reviewing and verifying, the cards are transmitted to the department's data processing services where the information for each county is entered into the computer files and the statistical computations are produced for the assessment/sales ratio study. Cumulative quarterly tabulations are produced and forwarded to county commissioners and unified school district boards of education.

The purpose of these statistical computations is to provide the basis for an analysis of: (1) the relative levels of assessment for counties and the various classes of property, and (2) the uniformity of assessments among classes of property.

A convenient way of describing a group of individual assessment/sales ratios for a county or a class of property is by the use of averages. Three types of averages can be utilized in the assessment/sales ratio study: the mean, median and the aggregate. For this study the median and aggregate are utilized. These measures of central tendency provide a simple numerical value that describes how closely a group of individual ratios approach the prescribed statutory level. However, they provide no information on equalization within an area or among the several sub-classes of property. To obtain a better picture of how the individual ratios are spread apart or comported together in relation to the average, a measure of variation or deviation is required. The method of variation to be utilized in this study as prescribed by Kansas law is the "coefficient of deviation."

The coefficient of deviation for a set of ratios is small if individual ratios are clustered closely around the median, and large if they are spread considerable distances from the median. That is, given identical class medians in two different counties, the county with the least class deviation would have more assessment uniformity between and among properties of a given class or sub-class.

An illustration and explanation of these statistical techniques and related measures is presented in the section on the Statistics of Assessment/Sales Ratio Studies.

TABLE 1  
 MEDIAN RATIOS AND FREQUENCY DISTRIBUTIONS OF SALES  
 BY COUNTIES - URBAN AND RURAL, 1985

The study shows the median ratio (column 2), the number of sales in relation to the ratio of sale price to assessed value by ratio ranges (columns 3-27) and the total sales used in this study (column 28).

COUNTY (1)	RATIO		FREQUENCY DISTRIBUTIONS																									Total Sales (28)
	Aggregate	Median	Under 2	2 4	4 6	6 8	8 10	10 12	12 14	14 16	16 18	18 20	20 22	22 24	24 26	26 28	28 30	30 32	32 34	34 36	36 38	38 40	40 42	42 44	44 46	46 48	48 +	
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)		
OSBORNE	7.93																											
Urban		14.45	1	3	6	7	6	12	14	8	3	6	6	3	7	1	1	1	-	2	-	5	-	-	1	3	9	
Rural		6.90	1	1	6	6	2	-	2	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	
OTTAWA	9.33																											
Urban		11.78	4	4	8	13	13	24	9	11	8	5	6	5	1	2	4	3	1	1	-	2	-	1	-	-	-	
Rural		8.90	-	4	7	12	13	14	3	2	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PAWNEE	8.26																											
Urban		8.56	-	5	14	24	22	18	2	5	4	3	-	-	1	-	1	1	-	-	-	-	-	-	-	-	2	
Rural		8.13	-	-	7	9	11	6	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
PHILLIPS	9.05																											
Urban		10.90	-	5	2	13	16	21	8	5	6	3	4	1	1	3	-	2	1	-	-	3	1	-	-	-	6	
Rural		8.39	-	-	8	10	11	7	3	1	1	-	1	-	-	-	3	-	-	1	-	-	-	-	-	-	-	
POTTAWATOMIE	7.27																											
Urban		7.28	5	15	32	33	38	11	3	1	3	2	1	1	1	-	1	1	-	1	-	-	-	-	-	-	1	
Rural		7.26	5	14	20	19	23	7	3	4	-	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	
PRATT	8.54																											
Urban		8.86	1	3	23	48	57	38	8	6	5	-	5	1	3	1	-	-	-	-	-	3	1	-	-	-	2	
Rural		8.33	2	2	8	10	14	5	2	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
RAWLINS	6.97																											
Urban		10.28	2	1	2	7	4	5	4	1	1	1	-	-	2	-	-	2	-	1	-	1	-	-	-	-	-	
Rural		6.60	-	-	10	14	4	1	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
RENO	8.31																											
Urban		10.10	16	31	35	111	223	203	90	52	29	10	12	10	7	3	4	5	4	2	-	3	3	-	2	1	11	
Rural		6.46	37	45	64	43	38	33	24	5	3	2	3	3	4	2	-	2	-	-	-	-	-	-	-	-	3	
REPUBLIC	8.37																											
Urban		14.12	-	1	3	11	8	16	7	6	5	5	3	1	4	2	1	3	-	1	-	3	1	-	1	-	14	
Rural		7.48	4	1	7	17	9	4	8	1	-	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
RICE	10.18																											
Urban		12.95	-	4	6	15	23	18	21	20	9	3	4	3	4	3	3	3	2	2	-	2	1	3	-	-	3	
Rural		9.22	-	1	3	12	8	5	4	2	4	2	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	

RENO COUNTY

	Urban			Rural			Total		
	Median Ratio	Coefficient of Deviation	Number of Sales	Median Ratio	Coefficient of Deviation	Number of Sales	Median Ratio	Coefficient of Deviation	Number of Sales
Residential	10.05	43.15	812	7.45	68.51	228	9.78	47.12	1,040
Single Family	10.22	34.33	706	9.47	35.79	137	10.11	34.60	843
Multi-Family	13.22	38.71	34	--	--	0	13.22	38.71	34
Condo	10.95	.00	1	--	--	0	10.95	.00	1
Vacant Lot	4.00	215.50	71	2.80	175.71	91	3.27	201.22	162
Commercial	13.71	56.37	54	17.18	84.80	9	13.49	64.11	63
Commercial	14.66	47.52	45	19.44	86.60	6	14.66	55.43	51
Industrial	26.13	30.91	2	20.86	.00	1	20.86	25.78	3
Vacant Lot	1.69	303.01	7	4.00	73.40	2	1.05	431.94	9
Agricultural	12.06	.00	1	5.64	42.17	75	5.64	43.03	76
Improved w/Residence	12.06	.00	1	8.18	71.02	14	8.35	67.90	15
Improved No/Residence	--	--	0	5.23	21.98	12	5.23	21.98	12
Unimproved	--	--	0	5.62	26.31	49	5.62	26.31	49
State Appr. & Public Service	--	--	0	1.33	.00	1	1.33	.00	1
County Total	10.10	45.34	867	6.46	74.88	313	9.67	50.03	1,180

REPUBLIC COUNTY

	Urban			Rural			Total		
	Median Ratio	Coefficient of Deviation	Number of Sales	Median Ratio	Coefficient of Deviation	Number of Sales	Median Ratio	Coefficient of Deviation	Number of Sales
Residential	14.44	118.94	79	6.30	44.28	17	11.92	129.46	96
Single Family	15.69	112.92	69	7.20	36.52	9	13.98	117.59	78
Multi-Family	--	--	0	--	--	0	--	--	0
Condo	--	--	0	--	--	0	--	--	0
Vacant Lot	12.40	106.20	10	4.40	54.09	8	7.70	129.87	18
Commercial	12.07	114.99	17	1.66	.00	1	12.03	113.75	18
Commercial	12.07	114.99	17	--	--	0	12.07	114.99	17
Industrial	--	--	0	--	--	0	--	--	0
Vacant Lot	--	--	0	1.66	.00	1	1.66	.00	1
Agricultural	--	--	0	8.34	38.71	36	8.34	38.71	36
Improved w/Residence	--	--	0	8.89	45.31	9	8.89	45.31	9
Improved No/Residence	--	--	0	13.47	23.60	3	13.47	23.60	3
Unimproved	--	--	0	7.48	34.33	24	7.48	34.33	24
State Appr. & Public Service	--	--	0	--	--	0	--	--	0
County Total	14.12	117.90	96	7.48	43.55	54	11.18	111.46	150

\*\*Sales Supplemented



# LAKEWOOD *Country Club*

February 20, 1986

Representative Bob Wunch  
State Capitol Building  
Topeka, Kansas 66612

Dear Mr. Wunch:

This letter is in reference to the rural sales ratio problem that has become an unneeded concern for the Reno County School Districts with regard to their receipt of state aid.

It is my understanding that the point in question is the relationship between the assessed valuation and the sales price received from un-improved lots outside the city of Hutchinson. I will address the issue as it involves Lakewood Country Club.

I am certain the State's Property Valuation Department (PVD) is interested in the most fair and equitable computation of the sales ratio in Reno County. After reviewing the following facts associated with the sales of vacant lots at Lakewood, I am sure the PVD will find it unquestionably appropriate to delete these sales from the sales ratio computation.

The assessed valuation of the un-improved vacant lots has been technically correct. The confusing large dollar difference between valuation and sales price exists only because the value was created by offering an overall combination package of valuable benefits - only part of which is the land. This package of valuable benefits cannot be associated with the overall accuracy of assessed valuation of vacant, un-improved lots all across Reno County. For example, the value difference is created by including a deed to a time-share week at SilverCreek, Colorado. Also, a lifetime initiation to the Country Club is given absolutely free to each person who purchases a lot. In addition, the possibility exists for a purchaser to trade his or her lot towards the purchase of an Executive Golf Suite located on the premises.

P.O. BOX 1460, HUTCHINSON, KS. 67504-1460  
ADMINISTRATION: (316) 663-8396 PRO SHOP: (316) 663-5301

• RECREATIONAL AND RESIDENTIAL EXCELLANCE •

In each of the above examples, the sales price of the lot is justified with value created by the overall package of valuable benefits and not just the vacant lot itself.

The SilverCreek time-shares are valued at \$7,000 - \$15,000 depending upon the popularity of the use week.

The lifetime initiation is valued up to \$1,500 depending upon the classification of membership chosen.

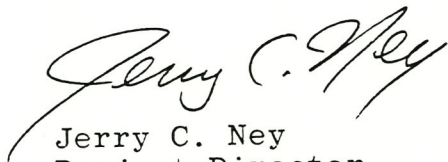
The Executive Golf Suite, (if traded for), provides for exchange privileges through Resort Condominiums International. A specific dollar amount of value is difficult to place on that privilege. However, Resort Condominiums International allows a purchaser in Reno County to trade the use of his property here with an owner of property almost anywhere in the United States or abroad.

Furthermore, these value-creating benefits can be sold independently from the real estate. A separate deed is given for the time-share in Colorado and it can be sold without the purchaser losing ownership in the real property at Lakewood in Reno County. Likewise, the initiation fee to the Country Club can be sold by the purchaser without loss of ownership in the real property.

These extraordinary benefits associated with sales clearly have substantial value in and of themselves, without regard to the Reno County real property. The fact that these benefits have value and can be sold independently, clearly indicates that these sales at Lakewood are extraordinary to Reno County and should appropriately be deleted from the sales ratio computation. I'm sure the Reno County Commissioners would agree.

If I can be of further assistance, please feel free to contact me.

Very truly yours,



Jerry C. Ney  
Project Director  
Lakewood Country Club & Lakewood Realty Inc.

# *Reno County Offices*

206 WEST FIRST ST.  
HUTCHINSON, KANSAS 67501

OFFICE OF: APPRAISER

February 19, 1986

Robert S. Wunsch  
Representative, 101st. District  
Room 175-W, State Capitol  
Topeka, Kansas 66612

Re: Rural Sales/Assessment

Dear Sir:

As you are aware, Reno County has a problem with the relationship between the assessed valuation and the sales of un-improved lots located in additions outside the City of Hutchinson. More particularly, these additions are located to the North-east, North and North-west of the city limits of Hutchinson.

With the consent of the Board of County Commissioners I am re-evaluating these sub-division lots in an effort to make their assessment ratio more equal with other rural properties in Reno County.

The equalization will be completed and the taxpayer's notified on or before the statute date of April 1.

Sincerely,

*Alice Bragg*

ALICE BRAGG, CKA  
Reno County Appraiser

# FILLING A NICHE

## Developers resort to fractional ownership

By M. John Fayhee  
Special to The Denver Post

**F**ive years ago, traditional one- and two-week time-sharing packages were all the rage in the vacation industry, and everyone seemed happy.

Developers and resort-management companies could reap the comfortable profits that came from being able to "sell" one condominium unit 50 times and buyers could reap the benefits of having their very own vacation villa on the beach or in the mountains.

### Time-share limitations

But, while these benefits still exist many people have begun realizing the inherent limitations of one-week time-sharing packages. And this realization has given rise in the past two years to what resort managers are enthusiastically calling "the wave of the future:" the fractional ownership phenomenon.

"While most of the reasons for the existence of the traditional one-week time-sharing packages still exist, we began seeing a need that the resort industry clearly was not meeting," said David Hoffman, president of the Hoffman Group in North Myrtle Beach, S.C. "We needed to fill the niche between the one-week package and whole ownership."

Fractional ownership allows a buyer to purchase a quarter, eighth or twelfth share of a unit.

Hoffman recently purchased 10 three-bedroom living units in a brand-new 10-story beachfront building with the intention of selling four-week fractional ownership packages.

"We have been able to learn a lot in the last five years from the time-sharing industry," Hoffman continued. "From a developer's point of view, we learned that our marketing costs were astronomical and, as a result, clearly undermined our profit percentage. We also learned that we weren't meeting all the needs of would-be buyers.

### Catering to the buyer

"There are a lot of people out there who want a vacation home on the beach, yet can't really afford to buy a \$250,000 whole-ownership unit. And we're talking about people in the \$80,000-100,000-a-year income bracket."

Ross Bowker, vice president of resort operations at Beaver Creek in Avon, Colo., agrees.

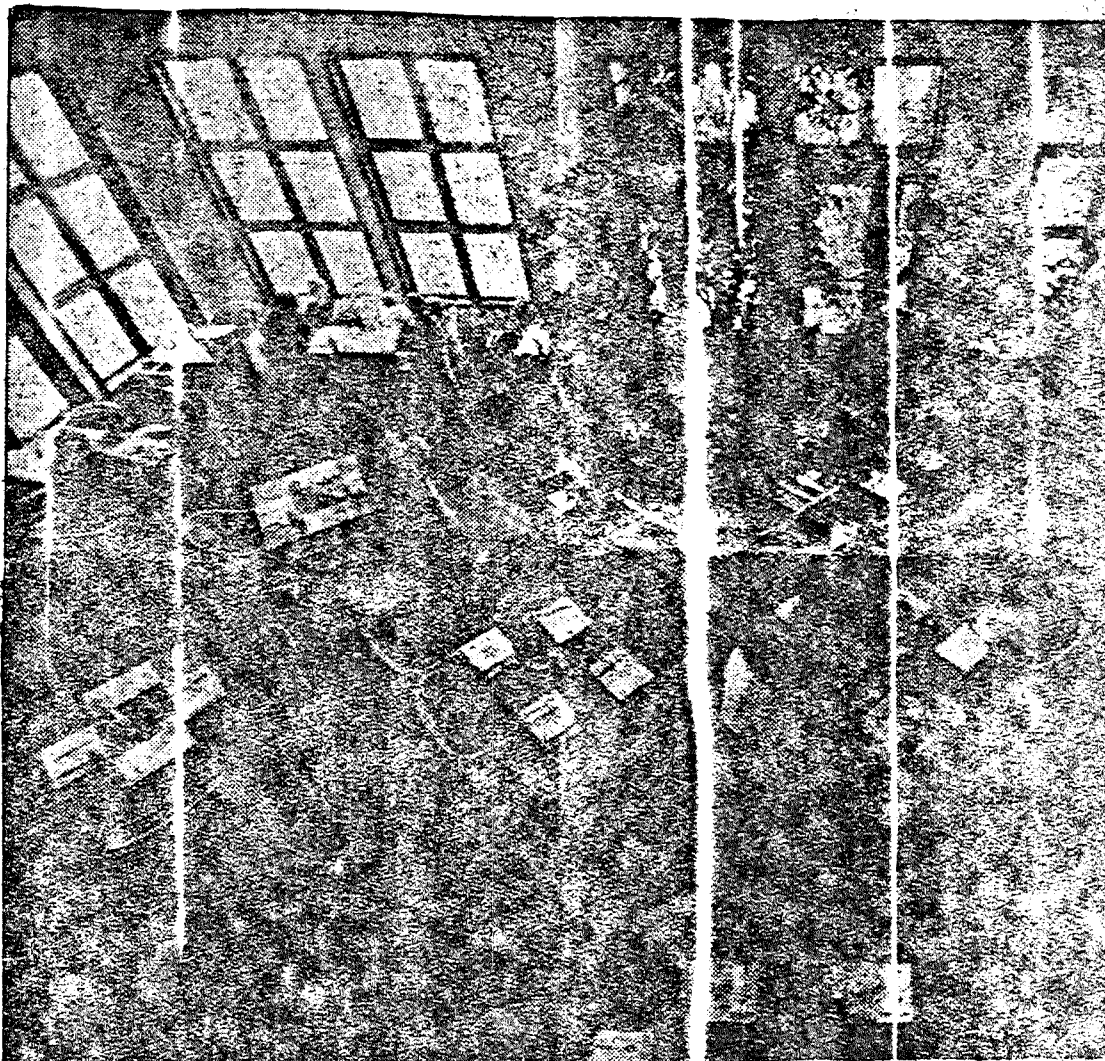
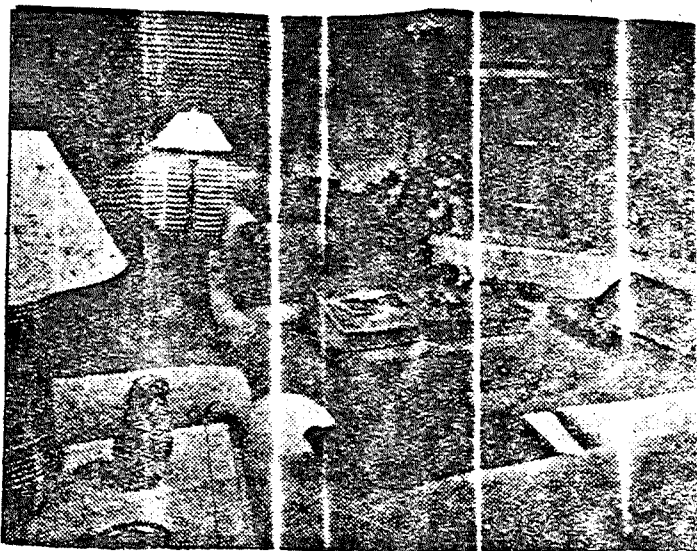
"In the past, we've really been

letting the potential middle-income buyer — and by this I mean between \$75,000 and \$100,000 — slip through our fingers," he said. "While we still put a lot of our

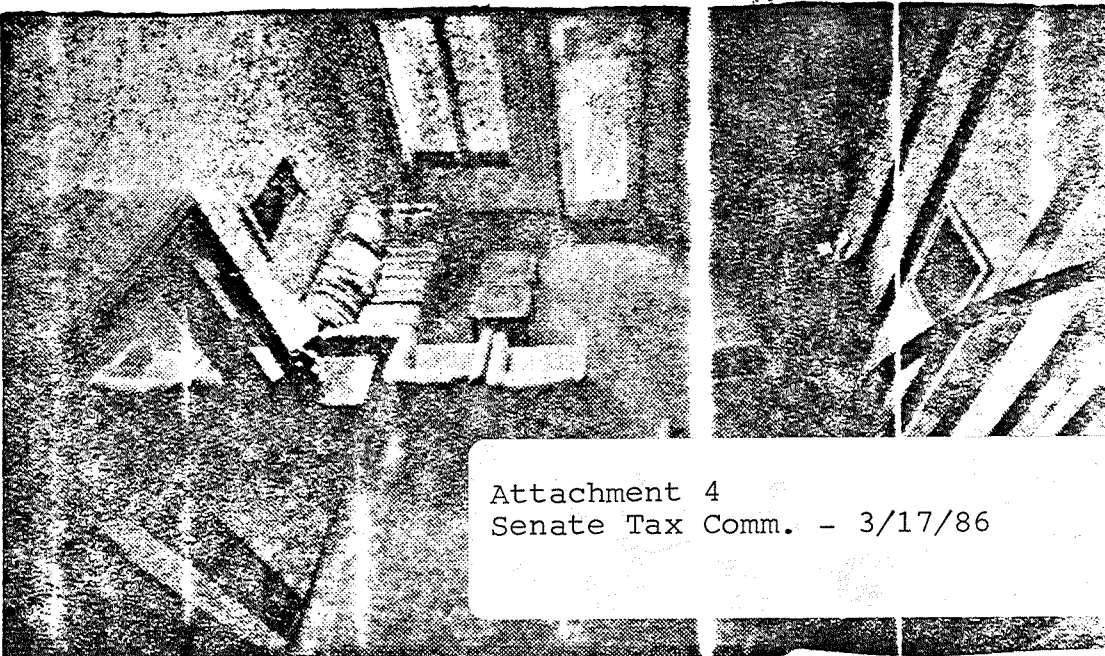
financial stock in the one- and two-week time-share sales, we realize that sort of thing doesn't necessarily appeal to the rising young lawyer from Denver who

wants to feel that he owns a mountain home."

Bowker oversees the operations of Park Plaza, which compasses 36 1,800-square-

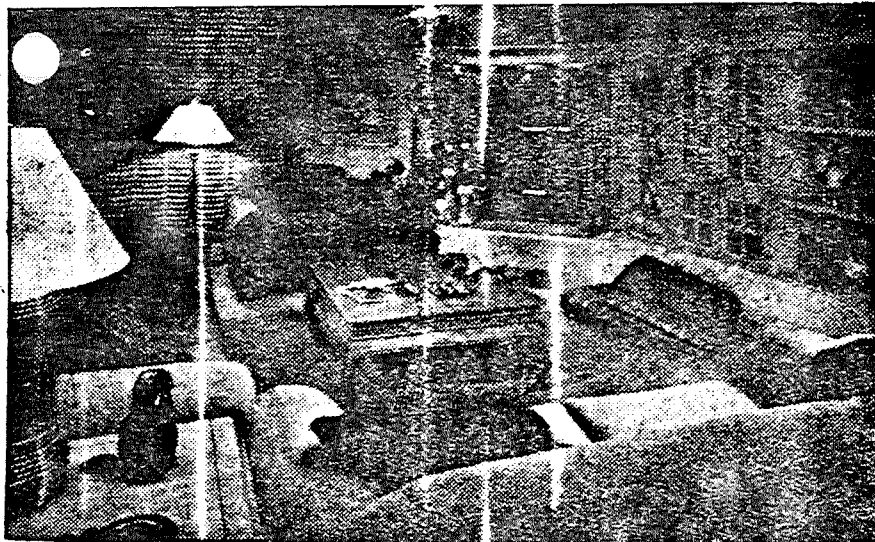


Restaurants, plus cozy units, are part of the fractional ownership package at The Inn at SilverCree

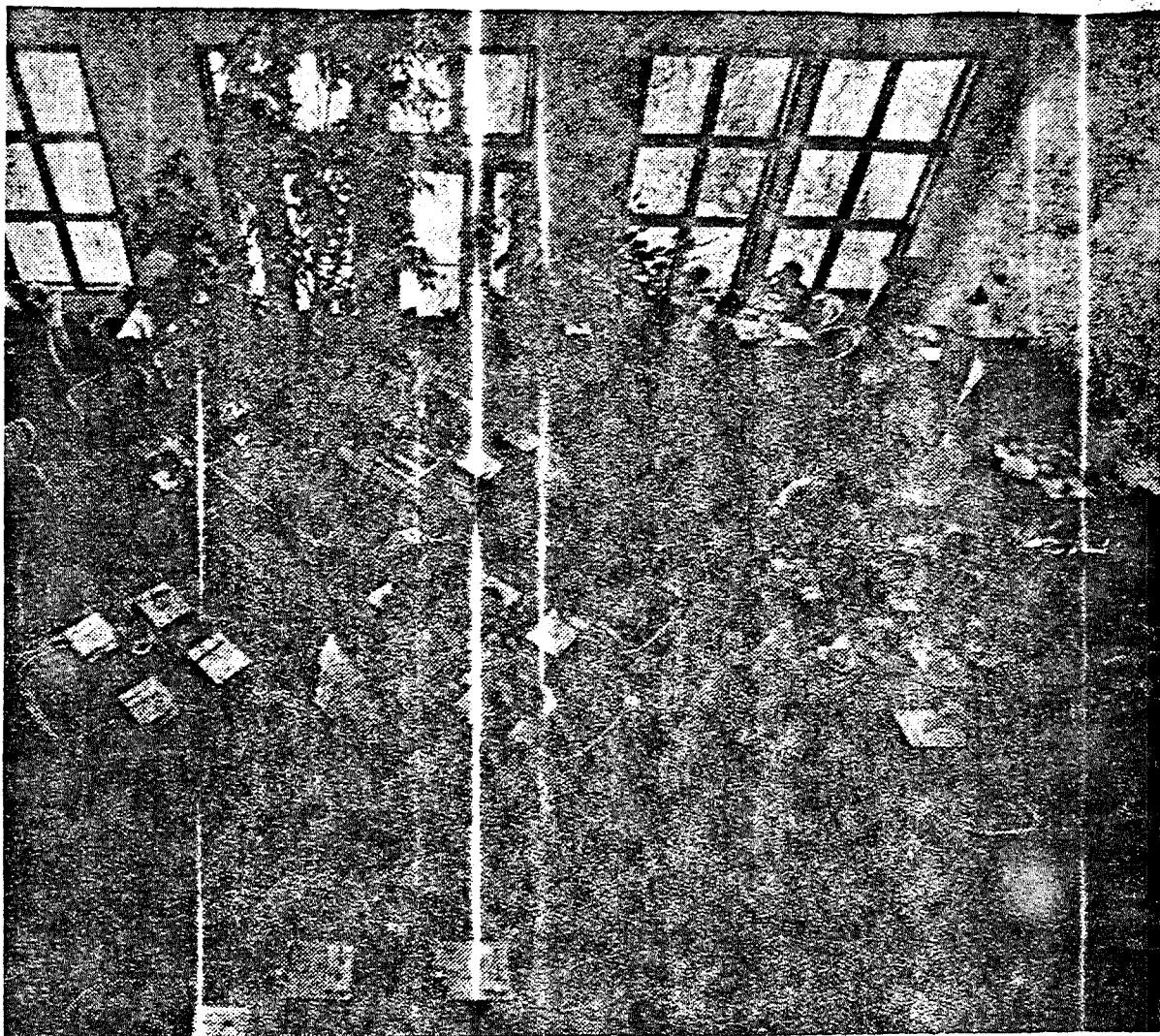


Attachment 4  
Senate Tax Comm. - 3/17/86





Five-week ownership packages are offered at Park Plaza's plushly appointed 1,800-square-foot condominiums, left, at the base of the Beaver Creek Ski Area. Buyers get two weeks of occupancy during ski season and bid on their remaining 21 days during the off-season.



The Denver Post / Jim Preston

part of the fractional ownership package at The Inn at SilverCreek, near Winter Park.



financial stock in the one- and two-week time-share sales, we realize that sort of thing doesn't necessarily appeal to the rising young lawyer from Denver who

wants to feel that he owns a mountain home."

Bowker oversees the operations of Park Plaza, which encompasses 36 1,800-square-foot

condominiums at the base of the Beaver Creek Ski Area, Park Plaza was completed last December.

"We determined over the course of several years' worth of intense market studies that the average family that owns a whole condominium unit at a resort is likely to only use it between four and five weeks a year. The rest of the time, they are relying on rental management companies and that makes many people feel uneasy. So, we decided to test market a few five-week packages and the response was fantastic," Bowker said.

Park Plaza offers only five-week ownership packages, where buyers get two weeks of occupancy during ski season and bid on their remaining 21 days during the off-season.

"We've had \$8 million in sales since Dec. 21," Bowker said.

Bob Jacobs, executive vice president of Oceanique, also in North Myrtle Beach, thinks the

Please see **TIME-SHARE** on 4-E

# MAMA contests heats

## Awards in 33 cat

Special to The Denver Post

Denver area home builders are signing up their new and residential contractors to compete in the 8th annual awards competition industry's pageant of home building excellence.

The competition will be held on Saturday evening, May 12, at the awards banquet at the Hyatt Regency Hotel in Denver Tech Center.

This year's competition will involve home builders, architects, interior designers, graphic artists, advertising agencies, and building material suppliers. Competitors will place in 33 individual categories, the largest number ever recognized in the MAME award competition, according to 1986 MAME chairman.

### Variety of awards

Individual awards will be presented for "best detached home" and "best attached home" and "best design" for specific categories for the year 1985. The awards will recognize the best in home building, professional marketing and "most professional and "most professional sales person."

Advertising and public relations firms have submitted the entries competing for the award. Advertising campaigns, as well as individual awards for print and radio advertising, best outdoor advertising, best new home community.

The climax of the awards ceremony will be the announcement of the Grand Award winner, presented to the most individual home builder selected in the most individual categories. Grand Award was presented to the "Executive Builders for Club" new home community. MAME stands for "Merit Achievement in Marketing Excellence" and is the national organization of the Sales and Marketing Home Builders Association of Metropolitan Denver.

### Independent judges

Judging is carried out by an independent panel of national and local professionals who are invited from other cities to judge the entries.

Judges will announce the winners for each award category two weeks in advance of the awards banquet.

The Home Builders Association of Metropolitan Denver is a professional association of home builders. Denver residential home builders and their subcontractors can obtain information, contact telephone 7575.

# s advised to shoot for micromarkets

# Fractional ownership stepped up

TIME-SHARE from Page 1-E

key to successful fractional ownership sales is two-fold.

"When you sell five-week or 10-week fractional ownership packages," he said, "you're moving up into a completely different level of customer than when you're selling one-week time-shares. The fractional customer is more discriminating. They're not going to fall for a unit that's nothing more than a 700-square-foot remodeled motel room.

"So, the first thing we developers need to do is identify very specifically that upgraded target customer," he said. "Then, secondly, we have to build a facility that will appeal to them. And when we're marketing, we need to remember that they aren't going to feel comfortable with high-pressure sales tactics and they won't fall for gimmicks. Of course, this makes the sale process more appealing to the seller, as well."

To that end, Oceanique recently built the 54-unit Pinnacle Resort. The individual condominiums, Jacobs said, are equally divided between whole-ownership and four-week fractional packages that sell for \$19,000.

"Our buyers get one week of occupancy per season and those weeks rotate forward every year, so there's a 13-week cycle," he said. "We've been in business five months and we've already done a little over \$2 million in sales. And you've got to remember that this is our off-season. It's dead here now."

It's not dead in the Colorado mountains, where the Inn at SilverCreek, outside Granby, has been

doing a bang-up business in fractional ownership sales.

The Inn at SilverCreek, near Winter Park, is a 352-unit hotel/condominium complex, complete with shops, several restaurants and bars, an athletic club and a convention center.

Sales manager Jim Roan said 200 units in the Inn at SilverCreek were designed specifically for fractional ownership.

"When (SilverCreek owner) Bud Gettle first began conceiving the Inn five years ago, he knew he wanted to go the fractional route to a large extent for several reasons," Roan said.

"A lot of people were being priced out of the market by the rising cost of whole ownership — people with incomes that certainly justified a vacation home. Their only other alternative was to time-share, which doesn't always appeal to someone making \$80,000 a year. So we went with the idea of quarter and eighth shares and buyers can look at it as an investment. They have tax advantages with a quarter share that they don't have with a one-week share. And they have more of a pride in ownership which, in turn, makes marketing easier."

Gettle, who many developers praise as the father of Colorado's fractional ownership industry, was killed last January in a plane crash, along with his general partner Calvin "Kelly" Klancke.

Roan said SilverCreek did more than \$11 million last year in quarter- and eighth-share sales.

"We have an entire facility here," he said. "That's very important — to have everything essentially under one roof because,

when you sell quarters or eighths, you get a more discriminating buyer who expects more."

SilverCreek sells quarter shares for between \$28,000 and \$50,000, depending on the size of the units.

Sun River Townhomes, in Fraser, Colo., is a new facility that has been directly affected by SilverCreek's fractional sales success.

Jay Jensen, secretary/treasurer for Sun River Inc., said, "Everyone around here has been keeping an eye on SilverCreek. Their sales have been phenomenal. They have identified niches that we are all now looking to fill. The most obvious of those empty niches was between target customers. You go after one type of potential buyer when you're selling time-shares and another type when you sell whole ownerships. Fractional buyers fall somewhere in between. Fractionals also fill a niche for Realtors and developers."

Jensen said his 1,350-square-foot units sells for \$41,500 for 10-week packages.

Jacobson adds that the future for fractional ownership sales is very bright indeed.

"The possibilities are endless," he said. "We will be getting more into trade-offs, for instance. Right now, the seller is getting a break from the rigors of time-sharing marketing; the buyer is getting tax breaks they wouldn't ordinarily get with time shares and the communities are getting brand-new buildings that people are taking a lot of pride in. With fractional ownerships, everyone seems happy."

Editor's note: M. John Fayhee is a Denver freelance writer.

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