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To: Senate Assessment and Taxation

From: Trey Cocking, Deputy Director

Date: February 6, 2020

RE: Testimony in opposition to Senate Bill 295

Good Morning Madam Chair and Committee Members and thank you for allowing the League of Kansas Municipalities to testify in opposition to Senate Bill 295.

Our members have adopted the following statement on property valuations:

"We support appraisals based on fair market value as historically used in Kansas. We oppose caps in property valuations as unconstitutional and inequitable."

In the 1980s Kansas, took very deliberate steps to create a uniform property valuation system that valued property as close as possible to the market value of the property. Our concern is that this bill now separates property appraisal from the actual valuation to some nebulous valuation.

Several cities are now utilizing the Neighborhood Revitalization program to pass a rebate back to property owners if there is an increase in valuation from home improvements. Atchison and Topeka are both successfully utilizing this program to address these issues.

Please review the program in use in Atchison:
https://growatchison.com/resource/neighborhood-revitalization-property-tax-rebate-program/

I will let others speak to the actual appraisal process, but as a person who recently purchased a home, I can tell you that my wife and I took the maintenance of the properties into account when we purchased our home. We were willing to pay more for a property with a new roof versus one that had a roof that needed to be replaced.

A recent study that was highlighted in the *January 23, 2020 Wall Street Journal* showed that in an average real estate market 7% of a home's value is determined by curb appeal. The study also revealed that in slower real estate markets as much as 14% of the value is determine by the curb appeal when buyers can afford to be picker.

We would urge this Committee to look at alternatives to this bill, and not report this bill out of Committee.

REAL ESTATE

Selling Your Home? It's What's on the Outside That Counts.

A new study quantifying the impact of curb appeal found that the attractiveness of a home can boost its value by 7% or more

By Adam Bonislawski

Jan. 23, 2020 10:16 am ET

Want to get top dollar for your house? Mow the lawn.

In a recent study in the Journal of Real Estate Finance and Economics, researchers at the University of Alabama and the University of Texas at Arlington used deep learning and Google Street View to determine just how much curb appeal contributes to a home's value.

Analyzing Google Street View photos and sales data from 88,980 properties in the greater Denver area, the researchers determined that on average a home with excellent curb appeal sold for 7% more than a similar house in the same neighborhood with poor curb appeal. In slow real-estate markets (when buyers can afford to be choosier), that premium rose to as high as 14%.

That 7% figure also factors in the state of the home across the street, which accounted for roughly a third of the overall premium. So, pick your neighbors carefully.

Granted, the notion that people prefer a nice yard isn't exactly surprising, but while the findings aren't game changing, the way the researchers arrived at them could be, says Sriram Villupuram, an associate professor at UT Arlington and author of the study along with Erik Johnson and Alan Tidwell from the University of Alabama.

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Do you trust Google to assess curb appeal or is it one of those things you have to see yourself? Why?

Everyone knows that curb appeal affects a property's value, but actually quantifying that impact presents a challenge, Dr. Villupuram notes. Data on things like bedroom count, square footage and lot size are easily obtainable for most homes and are commonly incorporated into appraisers' models. Curb appeal, on the other hand, is more difficult and labor intensive to account for, with assessments often requiring in-person visits.

"It's observable, but not quantifiable," Dr. Villupuram says. "And we have tried to change that with this paper."

To get at the question of curb appeal, the researchers manually scored a set of properties, grading 400 images on a scale of 1 to 4, with 1 indicating the lowest appeal and 4 the highest. Low-appeal properties had blemishes like broken pavement and overgrown grass, while high-appeal properties were characterized by features like well-kept lawns and nice landscaping.

The researchers then used these scored images to train their deep-learning algorithm to assign curb-appeal values. Lastly, they used the algorithm to grade the photos in the larger data set.

Comparing sales prices of homes with good curb appeal to those with bad curb appeal (and controlling for factors like neighborhood, time of sale, and house size and features) they arrived at their finding of a premium of 7%.

The goal, Dr. Villupuram says, is to automate assessments of curb appeal, which could make it easier for large investors, banks and institutions like Fannie Mae to include these assessments in their property appraisals.

The algorithm isn't perfect. In the study, it assigned curb appeal correctly about 66% of the time when compared with manually scored photos. Using larger and more geographically diverse data sets to train the algorithm should boost its accuracy, Dr. Villupuram notes.

"There's definitely room for improvement," he says.

Speaking of which—you rake those leaves up yet?