



Assessor's Voice of Wisconsin



September, 2005



From the President's Desk:

By: Mark Schlafer

Presidential message for September 2005

This has been a dynamic year of change, new opportunities, growth, and reflection for me. As President of WAAO I have observed and been involved in many special discussions and meetings that have significantly aided my professional and personal lives. I have developed many new contacts and friends, and re-developed many old ones. It has been a very rewarding experience to lead this great organization. I also know that Mel Raatz will hit the ground running and do an excellent job as your next President.

Thank you to all of WAAO's great servant leaders. Without your sacrifices and commitments, our successes would not be possible. I would like to thank my very supportive Mayor and Council, and to especially thank my wonderful staff for the tremendous extra work and assistance they have given me this last year.

Our greatest challenges certainly still lie ahead. From our severely limited 2006 budgets, to possible changes in certification requirements, to our diminishing professional ranks, it is incumbent upon us to be ever more vigilant in attending to the goals and vision of our organization.

Please stay involved or get involved in WAAO, NCRAAO, and IAAO. We need all of your experience, ideas, and energy to maintain the high standards and ideals that have historically been the foundations of our profession.

I believe that your executive board and committees are very diverse and reasonably balanced by experience and community type. This fact is and will remain very important in the continued growth and development of WAAO.

I hope you will have the opportunity to come to "God's Country" – La Crosse for our 2005 conference. Again, thank you for the opportunity and privilege to be your President, and all the support through the year.

Mark Schlafer

2005 Municipal Assessors Institute

August 30 - September 2, 2005

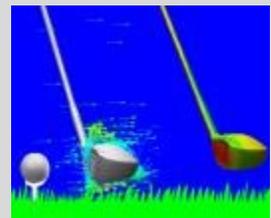
*The Radisson Hotel
200 Harborview Plaza
LaCrosse, WI 54601
Check in 3:00 p.m.
Check out: noon
(608) 784-6680*

Registration Information available from

*Sherry Lee - League of Wisconsin Municipalities
202 State Street Suite 300
Madison WI 53703
(608) 267-2380
Registration Fee \$125
On Site \$150*

Tuesday Morning Golf Outing

*Contact Pat Burns
(608) 789-7525
burns@cityoflacrosse.org*



2004-2005 Officers

Mark Schlafer LaCrosse	President (608) 789-7525
Mel Raatz Oconto Falls	President-Elect (920) 846-4250
James Siebers Mequon	Vice-President (262) 236-2953
Joan Spencer Marshfield	Treasurer (715) 384-3856
Pam Hennessey City of Fitchburg	Secretary (608) 274-6842
Mike Higgins Kenosha	Past-President (262) 653-2805

2004-05 Board of Directors

Eric Miller Greenfield	2005 (414) 329-5343
John Meyer Milwaukee	2005 (414) 286-3162
Reed Johnson Dept of Revenue	2005 (608) 266-7180
Michael Muelver Rhinelanders	2006 (715) 369-2952
Rocco Vita Pleasant Prairie	2006 (262) 694-1400
Kathleen Isleb Wauwatosa	2006 (414) 479-8969
Wes Little Beloit	2007 (608) 364-6670
James Young Sun Prairie	2007 (608) 825-1186
William Adams Wisconsin Rapids	2007 (715) 421-8230

IAAO Representatives

Mary Reavey Milwaukee	(414) 286-3101
Mark Schlafer La Crosse	(608) 789-7525

NCRAAO Representatives

Robert Lorier Brookfield	(262) 796-6649
Wesley Little Beloit	(608) 364-6670
James Siebers Mequon	(262) 236-2953

AVOW Newsletter

Steve Miner Cudahy	Editor (414) 769-2207 miners@ci.cudahy.wi.us
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Special Thanks to:

Mark Schlafer for leading WAAO this past year. His “4 Cs” of Consistency, Cooperation, Communication, and Credibility - are worth remembering and putting into practice.
Steve

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The Assessor's Voice of Wisconsin is published quarterly by the Wisconsin Association of Assessing Officers, a non-profit Wisconsin association. AVOW serves the information needs of Wisconsin assessors on issues of legislation, education, professional announcements and technical procedures. No part of the newsletter should be construed as an endorsement by the WAAO unless so specified. The AVOW is available with membership to the WAAO. A membership form is available on the last page of this newsletter.

The mission of the WAAO is to promote the public good by ensuring equitable assessments through assessor education, professional development, and public awareness.

General WAAO Meeting Minutes

June 6, 2005

Klemmer's Banquet Center, Greenfield, Wisconsin

President Mark Schlafer called the WAAO business meeting to order at 10:40 a.m.

SECRETARY/TREASURER REPORT

Secretary

The minutes from the March 7, 2005 Quarterly Meeting were approved as printed in the AVOW.

Treasurer

The operating accounts have a balance of \$20,803.19 and the Education Fund has a balance of \$7,474.25, for a total of \$28,277.44. A separate account held for the IAAO Host Committee has a balance of \$760.19.

We had 113 paid receipts for the March 7, 2005 quarterly meeting which totaled \$3,450. Expenses totaled \$3,631.90, for a cost of \$181.90.

There were 90 paid receipts for the course on Convenience Store Valuation held March 8, 2005, which totaled \$8,700. Expenses totaled \$10,301.50, for a cost of \$1,601.50.

Membership Report

We have 596 members. Joan is currently processing renewal notices. New members here today are: Richard Jandl, Associated Appraisal; Katrina Malson, City of Oshkosh; and Lee Sherman, City of Milwaukee.

Correspondence & Other Communications

Mark thanked Steve Miner for taking on the AVOW editor position.

John Olson, formerly of the City of Racine, died May 15th at age 54.

Mark Schlafer appointed Wes Little, Beloit City Assessor, as a new NCRAAO representative.

COMMITTEE REPORTS

Awards/Resolutions Committee

Mike Higgins reported they are looking for award nominations. The awards were listed in the last AVOW. If you have any nominees for any of the awards, please pick up a nomination form from Joan today and return it to Mike or any of the committee members.

Mike is also in charge of nominations for board members, and we are looking for candidates for Vice President and Executive Board Directors.

Planning & Management

Mark Schlafer reported the committee met in Madison in late May. They discussed the AVOW newsletter and the feasibility of going paperless. The committee also discussed having a joint meeting between the Membership Services and Education and Training committees to resolve some overlapping duty issues.

IAAO Representative Report

Mary Reavey reported IAAO is currently moving their headquarters to Kansas City (by the end of June), and she will be attending a membership services committee meeting there. The Alaska conference in September will be the kickoff for the 2006 Milwaukee conference. There will be a Harley theme, and one will be in our booth in Alaska, and we will be taking photos of people in attendance with the Milwaukee skyline in the background with a caption of "Picture Yourself in Milwaukee." They can use more help at the booth if you plan to attend the conference in Alaska. Scott Winter of the City of Milwaukee is part of this year's education committee. There are five educational tracks: management & policy; quality assurance and performance measures; valuation trends and issues; technology; and IAAO spotlight.

Ad Hoc IAAO 2006 Host Committee

Mary Reavey reported that the plans are moving forward and most events are set. The one concern is the museum which is not fully constructed yet, but there are contingency plans in place just in case. This is where they plan to hold the member appreciation event. Applications for the 3 key volunteer positions were due June 1st and they received several for each position. The fundraising meeting is coming up and that effort will be underway very soon.

Ad Hoc IAAO Endorsement Committee

Mary Reavey reported IAAO members can now vote on the IAAO website. We endorsed Jim Tredora and Josephine Lim. The website allows you to view the candidates' resumes before voting. Vote before June 30.

Ad Hoc SLF Liaison Committee

Russ Schwandt reported that several issues were discussed: that of assessors not turning over records when they leave office; ag use values; IPAS (Integrated Property Assessment System) and the electronic Real Estate Transfer Return; sponsoring IAAO course 1; and assessor demographics (aging assessor workforce and the need to bring new people in).

Education & Training

Pete Krystowiak reported the committee met in late May. The minutes will be on the WAAO website in the next week. Today's class is put on by the Department of Revenue (DOR), discussing the IPAS system being implemented in Brown County. WAAO plans to sponsor IAAO course 101 at the Milwaukee Public Library, October 10-14, 2005. The December class dealing with waterfront valuation is being put together. If you have anyone who would be a good participant please contact Joyce Frey. The winter thaw for 2006 is in a state of flux, due to the upcoming IAAO and NCRAAO conferences in Wisconsin. USPAP is now a 7-hour requirement for appraisal certification. The committee talked about possibly holding a USPAP course for this 2-year cycle.

Legislative Committee

Mary Reavey reported for Pete Weissenfluh. There are two current issues. The trespass bill has been redrafted and is moving forward. Under the bill, an assessor or member of the staff could have access to the land or construction site. The bill requires the assessor to leave a notice in a prominent place that the assessor entered the land or construction site. The other issue is the s. 74.37 fix. The original version is being redrafted and our lobbyist has assured us that it will move forward. The basic idea of the most recent proposal is to eliminate the ability of a "de novo" hearing.

There appears to be interest on the part of legislators to require a personal property notice of changed assessment for persons who own buildings on leased land. The committee will monitor this new issue, when and if it develops.

Property Tax Exemptions

Mary Reavey reported the committee has been studying the Columbus Park issue. The Legislative Council now has the issue from their study committee, and the draft has all the different types of residential property identified separately for exemption in s. 70.11(4). It does not exempt high-end senior residential properties. The legislators need to hear from our side of the issue. The bill draft will be sent on to another legislative committee, but we do not know which committee yet. WAAO, the League of Wisconsin Municipalities, and the Alliance of Cities all supported the last draft, and will have an opportunity to discuss some of the issues which are still in question. The Property Tax Exemption committee will formulate a position for WAAO and will bring that forward to the Executive Board for action, which could need action quickly. Mary said they appreciated all the letters that were sent from the municipalities.

Rural Concerns

Mel Raatz reported this committee has not met while waiting for news on the trespass bill and the ag use numbers. Legal counsel wanted to move the trespass bill to s. 943 (criminal) instead of s. 70 (property tax). Mel is on the Advisory committee for Ag Use, and they are meeting June 7th in Madison. DOR said there will not be negative numbers generated, but perhaps a percentage change cap. Mel has not seen anything in the draft about mailing all the change notices. Mel will keep us informed after tomorrow's meeting.

Real Estate Standards

Jim Siebers gave Kathy Romanak's report. The committee met in April and put together a Board of Review testimony survey which was distributed. If you have not completed that, please do so. They will meet again at the end of June, and will work on the Wisconsin Property Assessment Manual revision for subsidized housing.

Ad Hoc Certification Review Committee

Mark Schlafer reported this new committee will meet later this month. The purpose is to be proactive and work with DOR as they likely change the certification requirements. Other WAAO committees will also be involved. We also discussed our lobbyist contract, and that it has been worthwhile so far. But we do have some issues to resolve.

OLD BUSINESS

None

NEW BUSINESS

None

ANNOUNCEMENTS

Mark Schlafer commented that with budgets coming up, please keep in mind the 2006 Milwaukee IAAO conference and include it in your budget. We need a substantial showing at that conference.

A motion to adjourn the meeting was made, seconded, and carried. The meeting was adjourned at 11:23 a.m.

Respectfully Submitted,

Pam Hennessey, Secretary

AD HOC ASSESSOR CERTIFICATION COMMITTEE

The first meeting of the Assessor Certification Committee was held in Madison on June 29th, 2005. This committee was formed at the request of the Department of Revenue to provide input and to proactively review the current assessor certification process and to explore and review options and strategies that will improve and enhance the profession.

It has been a number of years since certification requirements were reviewed. It was felt among committee members that it was time to raise minimum standards to better reflect what should be acceptable professional standards.

During the ensuing months the committee will be asking for input from various WAAO committees. We will be looking at the current requirements for Assessor certification to determine if they are still relevant or need to be changed. Should greater emphasis be placed on work experience? What do other states require? Should the testing format be changed? Is the temporary certification time period appropriate, or should it be increased? What legislative restrictions do we face? How will any changes be implemented? What about the impact on budgets? How would it differ for elected vs. appointed assessors?

These are but a few of the many issues we will be attempting to focus on in a very short period of time. We will keep you posted on our progress.

Submitted by John E. Meyer
jemeyer@ci.mil.wi.us

Tax assessor threatened in Florida anthrax hoax Wed August 03, 2005 11:17 AM ET

MIAMI (Reuters) - A federal health agency worker was charged with making a false threat to infect Florida property assessors with anthrax for revoking her tax exemption, prosecutors said on Tuesday.

Michelle Ledgister, who works at the National Institutes of Health in Rockville, Maryland, was arrested in Maryland

on Monday, the U.S. Attorney's office said. An anti-terrorism law enacted last year makes it a federal crime to convey false information about anthrax exposure, punishable by up to five years imprisonment.



Anonymous anthrax attacks in 2001 caused panic on the heels of Sept. 11 when they killed five people and sickened 17 others in the United States. The first poisoning was in South Florida, where a tabloid photo editor died after apparently receiving anthrax in the mail. No one has been charged in those cases.

Investigators said Ledgister, 43, left a phone message at the Broward County Property Appraiser's office in Fort Lauderdale, Florida, after it revoked a homestead exemption on property she owned in Florida, increasing her tax bill by \$2,300 a year.

"You guys now have anthrax spores once again. So do be careful," the arrest warrant quoted her as saying on the tape.

Hazardous materials teams searched the appraiser's office and found no anthrax.

Ledgister is an analyst with the NIH Institute of Allergy and Infection Disease in Maryland but had no access to anthrax as part of her job, an FBI spokeswoman said.



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Real Estate Standards Committee

We collected information regarding communities' procedures regarding allowed time limits at BOR for presenting testimony and any other BOR problems. See below and the next page for our findings:

WAAO REAL ESTATE STANDARDS COMMITTEE BOR SURVEY RESULTS

	YES	NO
1. Does your Board of Review set time limits for testimony?	14	20

If yes, indicate how much time is allowed for each property type.

Residential	15min. 7	15-30min. 9	30-45min. 1	45-60min.	60+min.
Commercial	15min. 1	15-30min. 8	30-45min. 3	45-60min. 3	60+min. 1
Agricultural	15min. 3	15-30min. 3	30-45min. 1	45-60min.	60+min.
Personal Property	15min. 5	15-30min. 5	30-45min. 1	45-60min.	60+min.

2. Is the time limit being enforced and how?	YES	NO
*see page #2 for additional comments	10	7

3. What time limit would you like to see for

testmonies?

Residential	15min. 7	15-30min. 13	30-45min. 4	45-60min.	60+min. 1
Commercial	15min. 2	15-30min. 8	30-45min. 8	45-60min. 5	60+min. 3
Agricultural	15min. 6	15-30min. 7	30-45min. 3	45-60min.	60+min.
Personal Property	15min. 8	15-30min. 8	30-45min. 3	45-60min.	60+min.

4. Do you provide potential objectors with information on what evidence they should provide during the hearing?	YES	NO
*see page #2 for additional comments	24	7

5. Do you check if members have attended Board of Review training within two years prior to the first meeting?	YES	NO
	23	9

6. How many members of the Board have attended training within the past 2 years?	101
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7. Are there issues you would like to have included in the BOR training? If yes, please explain.	YES	NO
*see page #2 for additional comments	13	21

8. Do you have any BOR issues or problems you would like to

WAAO address?

#see page #2 for additional comments

(continued)

ADDITIONAL COMMENTS SECTION*Question #2**

By the chairman of the BOR.

City attorney keeps objector on task, asks for relevant testimony.

BOR limits questions to assessor.

By the City Attorney.

Time Limit indicated on letter sent to objector, extra time must be approved by BOR

Question #4

No! but I tell them they will need evidence.

DOR Publications

DOR guides and Do's and Don'ts we have developed locally based on experience.

Give them a checklist to help them prepare.

Question #7

A script for the BOR covering all important info during hearing, and keep taxpayer on track

BOR members don't have to be appraisers or experts, they are lay people making decision based on testimony like a jury at circuit court.

Standardized script for BOR to use while conducting hearings.

What is pertinent data? What should it take to overturn an assessment? A list of questions that BOR should have answers for each property, subject and comparables. How to keep testimony limited to factual data.

Would be helpful to see a model or template that could be used by assessors to help them prepare for a hearing and to guide their testimony in a consistent process with each testimony. Another helpful tool is info on how to take notes on property owner testimony and present an articulate rebuttal.

Better clarification of what constitutes AG land.

I think it would be helpful to new and inexperienced members to view a mock BOR.

Emphasis on Sec. 70.47(7)(af)

Having members of BOR stick to facts

Require all members to have training every five years.

How to run an organized session and stop interruptions. Expectations of the Chair. Staying on track-not letting attorneys or tax reps use side irrelevant issues to keep them on the timeclock.

(continued)

What BOR members should expect from the Assessor and Clerk.
Requiring the Board to fill in the case summary and decision.

Time limits, right to appear at board of review (pp dooamage assessments, refused entrances, etc.) applicability of pertinent court cases.

Proper procedures and make them understand how important it is not only for the assessor but for the town, city, or village. (set a proper record). In the end monies for legal representation will cost them money in the form of tax dollars if they don't follow protocol. Also, there may be cases that the property owner may not be completely right, or the assessor, that should not preclude them from making a change, just that their judgment be based upon the testimony they heard and that the motion reflects the reason they are changing the value and is based on the info they heard and that may lead them to something in between. The motion must substantiate the value they set and be worded as such.

The BOR needs more training in what is an opinion of value.

Should more emphasis be put that the board should not question or try to change values of almost every increase made.

I think it's well done

Question #8

Time limits on cases

A certification training video and test for DOR to use for BOR certification. Then let local clerk use it, proctor the test and complete the PA-107. We sent 2 BOR members to ETN Class and they found it difficult to hear and useless. Too much time spent on AG Forest...A video for local use. Let municipality train their own BOR members.

Law requiring 1st BOR to be held when the roll may not be ready. Law requiring adjournment to a specific date. Requirement to hold BOR when there are no objectors.

The 48 hour notice for filing an objection or the intent to object does not leave the Assessor adequate time to prepare for testimony and review owners written submittal materials. I would like to see WAAO lobby /propose new legislation that requires a 5 day notice. I'd also like to see an automatic requirement for the submittal of 3 years I & E and Income Tax Return records from commercial property owners before BOR hearing is scheduled so that Assessors have time to review this info and a BOR hearing doesn't have to be scheduled, then postponed until this material is provided per a BOR subpoena.

Sending notices for changes of any amount is costly and time consuming. The actual notices are poorly formatted and offers little information.

I would like to know what WAAO members experiences are with Sec. 70.47(7) (af) and has it been successfully applied & enforced by BOR.

The only concern is the ability of the BOR to handle large complex issues. We might need a state BOR for some cases.

(continued)

If personal property forms are not returned and are doornaged, they can still appear at the BOR and you have to hear them. There is nothing that covers this. We need some penalty or refusal clause like real property where if you refuse the you cannot appear at BOR.

Interactive training sessions for BOR members.

The ability to send a 2nd corrected notice closer to BOR as long as the original notice met the legal criteria for sending an assessment notice.

How to get more BOR members to attend BOR training.

Our board is composed of the city manager, finance director, and 16 council members, most of whom weigh the evidence in an impartial manner. The city atty. Keeps them on the right path if necessary.

In Memory:

John P. Olson

John Olson, 54, formerly of Racine died May 15, 2005 at Franciscan Skemp Medical Center in La Crosse. John was an Assessor in Racine for 19 years. He recently retired to Alma, WI to be closer to his passion of fishing. John wrote this for his memorial service how we should remember him.

**“Remember me not with tears,
but with laughter.
Through the mists of Time I travel.
To Worlds I’ve never seen.
In search of the largest walleye,
I ever dared to dream.
Gone Fishing Forever”**



The Department of Revenue Review of a \$74.41 Chargeback

By Mike Couillard, Supervisor of Equalization, Southern District

Each year the Wisconsin Department of Revenue (DOR) receives approximately five hundred \$74.41 chargeback requests from municipalities. A \$74.41 chargeback is submitted to the DOR when a municipal official has made a correction of an assessment error resulting in a refund of taxes. Each request is reviewed by DOR staff in the Local Government Services Section (LGS). If the request meets the basic statutory requirements, the chargeback is accepted. However, the request for a chargeback is not automatically approved just because it has been accepted.

After the October 1st submission deadline has passed, LGS prepares a list of the chargeback’s they have received and they are summarized and forwarded to the respective Equalization District Offices. Each chargeback is then reviewed by the District Supervisor of Equalization. The question that must be answered during this review is: Was this error also included in the equalized value? If the answer is yes, the request is approved and the District Supervisor of Equalization selects the best method of making the municipality whole. In one method, the chargeback is authorized and DOR notifies the taxing jurisdictions of the chargeback, the amount owed by the taxing jurisdictions and the due date for payment to the municipality. Under another method, DOR makes a \$70.57 adjustment to the municipality’s equalized value to account for the error. When a request is denied, the municipality must fund the entire cost of the property tax refund resulting from the error out of its general fund.

The logic behind the review process is as follows: The starting point for all changes to the equalized value is the prior year’s statement of assessments (SOA). The assessor makes adjustments to the prior year’s assessed value to reflect the changes that have taken place, in the municipality, over the last year. These changes are summarized and reported to DOR on a report called the Assessor’s Final Report (AFR).

(continued)

The information provided on this report is reviewed by DOR equalization district office appraisal staff. Based on the information provided on the AFR, the district office appraisal staff adjusts the equalized value for new construction, annexations, property removed, personal property values and many other changes that are reported by the assessor. If an AFR is not received, DOR must estimate the changes that have occurred in the municipality. If the AFR is received after the equalized value is determined, the changes in the current year's assessment roll are compared to the estimate, and included in the following year's equalized value as a \$70.57 correction.

If the value in error on the assessment and tax roll was not included in the equalized value, the municipality was not apportioned tax levies from the county, school district, technical college district or the state on the amount of the error. When the municipality calculated the mill rate for the year in question, the municipality's mill rate was lower than what it actually should have been had the error not occurred. Next year's mill rate for the municipality will be proportionately higher due to the refund or rescission of the taxes due to the error, if the municipality adds the amount refunded or rescinded to the municipal tax rate.

The following examples show some of the common types of errors that are submitted and the reason they were denied.

1. The assessor made a revaluation change at the open book and failed to give the information to the county.

DOR does not use this information to change the equalized value. The equalized value is changed each year, not just when a revaluation takes place. Therefore, when the assessor completes the assessment update there is no direct impact on the current year equalized value.



Jubak's Journal

Why there is no housing bubble

The sky is not falling. Yes, home prices are sky-high, but we really don't have a housing bubble that is anywhere near burst-



ing. Here's why

By [Jim Jubak](#)

Housing bubble? What housing bubble?

With the 10-year U.S. Treasury bond yielding below 4% and 30-year mortgages available at 5.1%, there isn't a housing bubble

Mind you, I'm not saying that U.S. consumers don't have too much debt, or that the U.S. economy isn't dangerously dependent on the housing sector for growth, or that all the money sloshing around the globe isn't encouraging dangerous speculation.

But those are different problems from the one getting all the headline attention at the moment.

It's just that, for all the teeth-gnashing and pundit-moralizing, we really don't have a housing bubble that's anywhere near bursting. Current 10-year interest rates are just too low. And I certainly don't see interest rates rising enough in the next year or so to burst a bubble, either.

Mortgage money is cheap

Oh, I'll grant you that housing prices are high. They're at nosebleed levels in some areas of the country, and still they keep climbing. According to the Federal Reserve Bank of Boston, national median home prices have climbed at an annualized rate of 8.2% from the fourth quarter of 2001 to the fourth quarter of 2004.

But that doesn't begin to capture the climb in prices of the hottest local markets. In Manhattan, for example, where I live, the median price for sales that closed in May was 23% higher than in May 2004, according to Halstead Property, a New York real-estate broker. The average price, which may better capture the action at the top of the market, climbed 34% from May 2004 to \$1.3 million. Mind you, we're talking condo and co-op apartments here — no backyard, no pool, no two-car garage.

But let's look at those prices adjusted for today's mortgage rates. The interest rate on a 30-year fixed mortgage is set by the yield on the 10-year Treasury bond. Right now, with the 10-year bond yielding an amazingly low 3.9%, you can easily find a 30-year mortgage for 5.1% in New York City (or Los Angeles or Miami, for that matter). (If you don't believe me, just check out [MSN Money's Essential homebuying guide](#).) The national average, right now, is 5.6% on a 30-year fixed mortgage.

A year ago, in June 2004, the 10-year Treasury yielded 5.2%. The average 30-year fixed mortgage, according to the Federal Reserve, carried an interest rate of 6.3%.

Look at what the shift in the average interest rate for a 30-year fixed mortgage does to a home buyer's monthly payment. At today's average of 5.6%, borrowing \$500,000 results in a monthly payment of \$2,870. A year ago, a home buyer would have paid about the same each month, \$2,847 to be exact, on a loan of \$460,000. Lower average interest rates have given a home buyer a boost of about 8.7% in buying power over the last year. That's remarkably similar to the 8.2% annualized increase in the median price of a home that the Boston Federal Reserve found.

Think of it this way: cheaper money made it possible to pay 8.7% more for a house in 2005 without taking an extra dollar out of the home-buyer's pocket in monthly mortgage payments.

Economics 101

What we're seeing in the housing market is monetary inflation. Pure and simple. Economic theory says that when more money chases a limited quantity of goods, the price of those goods increases. So nationally, cheaper money drives up the price of houses — which does lead home builders to increase supply at higher prices. In areas where adding supply is harder — the land for building a large number of apartments in Manhattan is scarce, as is land to build in Silicon Valley, on the Miami waterfront or in the core of San Francisco, to name a few other super-hot real estate markets — new supply is extremely constrained at any price and prices for existing housing soars as a consequence.

Of course, this is all an extreme generalization. Adjustable and interest-only mortgages, as they become a bigger part of the mix, increase the supply of cheap money and drive up prices even faster, for example.

(continued)

Demographic trends increase prices faster than average in areas with more jobs, for example, or where cheap land lets builders construct new housing for the country's growing population of retired (or semiretired) workers.

But you get the idea: cheap money drives up housing prices.

Reverse the process and you get the logic of bursting bubbles. If interest rates rise, putting an end to the supply of cheap money, prices will fall. If the fall in prices gathers enough speed, the bubble will not simply gradually deflate but, instead, pop all at once.

Based on past history, at least, a modest rise in mortgage rates won't do the trick. Average interest rates for a 30-year fixed mortgage rose to 6.3% in May 2004 from 5.5% in May 2003 without sending housing prices sliding quickly lower. Based on the projections from the [National Association of Home Builders](#), a future climb in mortgage rates from 5.8% in 2004 to 6.6% in 2006 wouldn't have a huge effect on sales of either new or existing homes. As mortgage rates climbed 0.8 percentage points, new-home sales would fall by 6.5% from 2004 to 2006, and sales of existing homes would decline by 5%. At worst, that's air gently escaping from any housing bubble.

And if you want a glimpse of what today's lower rates might do to the housing market if they're sustained for a year, take a look at the projections released by the National Association of Realtors on June 8. The group's economists now expect existing-home sales to climb 3% from 2004 and new-home sales to rise 2%. Total home sales will hit a record 8.13 million in 2005, up 2% from 2004, thanks to the current low mortgage rates. Back in February, when it looked like mortgage rates would go higher instead of lower, the group projected a 2% decline in existing-home sales in 2005 and a 6% drop in new-home sales.

The role of consumer debt

Of course, these are all just projections, and it might be different this time. In fact, those who see a bubble and predict its bursting, argue strongly that it is. The consumer is more indebted now than when mortgage rates climbed in 2003-2004, and thanks to the heavy use of adjustable rate and interest-only mortgages, home buyers are so stretched that even a relatively slight rise in interest rates will be enough to create a cascade of mortgage defaults.

(continued)

It's certainly true that today's consumer is carrying more debt than the consumers of 10 years ago. But thanks to low interest rates, the monthly burden of that debt is remarkably unchanged over the last few years. The Federal Reserve's DSR ratio, which measures the ratio of disposable income to total mortgage and consumer debt, stood at 11.17 in the fourth quarter of 1994 and at 13.26 in the fourth quarter of 2004. That's an almost 20% increase in the weight of the average family's monthly debt payments in 10 years. But the ratio has been remarkably stable since 2001 and actually shows a slight decline from 13.3 in the fourth quarter of 2001.

To make that monthly debt burden onerous enough to trigger a burst in a housing bubble, you have to look for a big drop in family income so that while monthly debt payments remain the same, they take up a bigger chunk of a diminished family income. That would require not just a further slowdown in economic growth, but an actual recession. Although I think growth will continue to slow this year, I don't think a national recession is in the cards in 2005 or even 2006.

The other trigger would be a big increase in interest rates that would push the monthly debt burden up on average and would strike especially hard at those home buyers who used an adjustable or no-interest mortgage to buy more house than they could really afford.

And that too, oddly, doesn't look like it's in the cards in 2005 for interest rates for 10-year Treasury notes, the part of the bond market that mortgage rates pay attention to. Nobody knows exactly why, but despite eight interest-rate increases that have taken the short-term rate target of the Federal Reserve to 3% now from 1% in June 2004, the yield on the 10-year Treasury has actually tumbled to 3.9% today from 4.7% in June 2004.

Since no one, including Fed chairman Alan Greenspan (who refers to the decline in 10-year yields as a "conundrum") knows why interest rates are behaving this way, it's tough to predict where 10-year rates will be in a year or two. History, however, does show that interest rates usually don't rise when economic growth slows. So if we're headed into even a modest slowdown in growth in 2005 and 2006 from 2004 levels in the United States, Europe and Asia, as now looks likely, then interest rates are unlikely to rise for the 10-year Treasury note in that time period.

Look for refinancing fever — again

What to me looks most likely to happen now, and I readily admit I didn't expect this in 2005, is another outburst of refinancing fever. At 5.1%, the lowest rates on 30-year fixed mortgages are now about a full percentage point below the average rate on outstanding mortgages. That's a level that, in the past, has produced a wave of refinancing as homeowners figure that the drop in their monthly payments — about \$720 a year on a \$100,000 30-year fixed-rate mortgage — more than offsets the costs and hassle of refinancing.

A refinancing wave, or even a wavelet, would put off any day of reckoning in the real estate market even further.

None of this means that the housing market can go up forever, or that we won't have a day of reckoning someday. And I think any sensible person should use the current drop in interest rates as an opportunity to get his or her own financial house in order. It would be unwise to expect that another, and then another, of these refinancing opportunities will come along in the future.

It's just that those who are predicting a housing bubble and its bursting may have much longer to wait than they expect right now.

In my next column, I'll take a look at why so many predictions — mine included — have been so wrong about interest rates in 2005 — and what that implies for the rest of 2005 and into 2006.

Editor's Note: A new Jubak's Journal is posted every Tuesday and Friday.

E-mail Jim Jubak at jjmail@microsoft.com.



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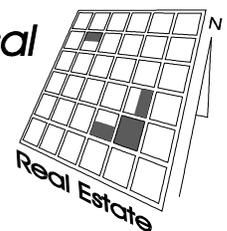
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2006 IAAO Conference – It’s Just Around The Corner

INTERNATIONAL CONCEPTS - HOMETOWN APPLICATIONS

Time sure flies when you’re having fun????? No, I am not talking about that revaluation or assessment you just completed. Everyone knows they are no fun – and no seasoned assessor can be fooled into thinking it is. But, on the other hand, planning for the 2006 IAAO Conference has been a rewarding experience. Hopefully all of our hard work will keep panic from overtaking us as the date draws nearer.

Here’s an update – we have been meeting and our plans are beginning to take shape. We have firmly resolved several matters and some are still a bit up in the air as we wait to see what is the best deal.

- Saturday, October 7 we will probably have a day long professional seminar dealing with a “hot topic” sponsored by IAAO.
- Sunday, October 8
 - There will be a golf outing at Washington County Golf Course
 - We are deciding on an additional outing for those non-golfers
 - There will be an opening reception. That location is undecided, but the host committee would like to have it on the lakefront.
- Monday, October 9
 - The opening ceremony will be at the Midwest Express Center.
 - Monday night is the main local host sponsored event. This will take place at the Milwaukee Public Museum. There will excellent ethnic foods, ethnic music, and we will finish up with a live band that plays suitable dance music.
- Tuesday, October 10
 - Awards breakfast sponsored by IAAO
 - Silent auction sponsored by Associate Members of IAAO
- Wednesday, October 11
 - Banquet

And in addition to all this we are working with Vice President Trout to make sure that the seminars, programs, and educational sessions are all top-notch.

In order to run a successful conference we will need lots of help. At the moment we are seeking interested individuals to be the “Key Volunteers”. These volunteers act as IAAO staff during the conference in three “key” areas – at the conference registration, at the exhibit hall, and in overseeing the educational sessions. In order to fully prepare we plan on and have budgeted for the individuals working in those areas to make the 2005 trip to Alaska. The Alaska conference is September 18-21 in Anchorage. On the WAAO web site you will be able to find job descriptions for the positions. If you are interested please submit your name, Key volunteer interest, and information relative to your expertise in that area. This information should be submitted to Mike Higgins, Assessor, City of Kenosha amikeh@kenosha.org by June 1st.

REMEMBER: Mark your calendars and include money in your budget for this conference – it may never be so affordable as it will in 2006. October 8-11, 2006, City of Milwaukee, State of Wisconsin. Hope to see you there!!!!

IAAO Conferences

IAAO's 71st Annual International Conference on Assessment Administration in Anchorage has something for everyone. Hear expert speakers, network with accomplished industry professionals, discover the results of exciting new research, and participate in specialized training sessions.

In addition to a wide variety of educational programs presented in Management and Policy, Valuation, Quality Control, and Technology tracks, our popular IAAO Spotlight track provides a comprehensive overview of recent developments in CAMA & GIS, public utilities, AQB & USPAP, CAAS & AVM, research, tax collection, designations, and legal issues.

What's more, this year's destination offers enough natural beauty to inspire the more seasoned traveler, and we've put together an exciting selection of optional excursions to help you discover some of the state's most breathtaking sights. We hope you will enjoy!

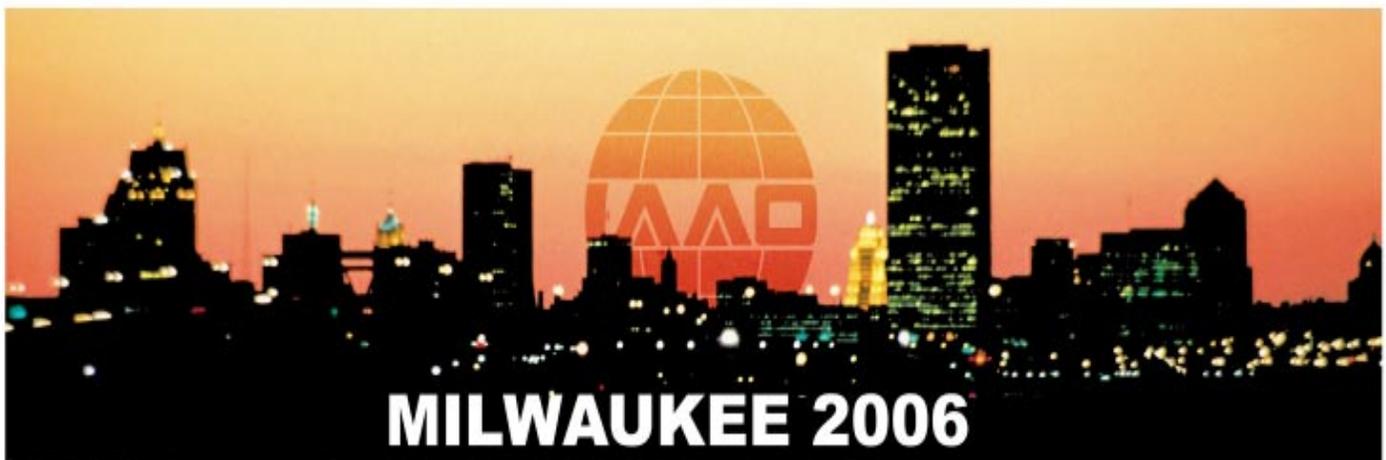


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See what Alaska Has To Offer

- Learn more about your profession
- Meet, share and discuss problems/solutions that will make your job easier
- Find out where our profession is going— make sure you are ready for the future
- Help sell the conference in Wisconsin by partaking in our “Local Host” Booth
- IT'S ALL IN ALASKA — CONSIDER JOINING US

Then Come to Wisconsin and see what Milwaukee Has To Offer



Welcome to our new WAAO members!

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2004-05 Calendar**Wisconsin Association Of Assessing Officers****2004**

October 11	Executive Board Meeting	
October 15 - December	AVOW Deadline	Raintree Resort, WI Dells
December 6	Quarterly Membership Meeting	Crowne Plaza, Madison

2005

January 10	Executive Board Meeting	
January 14 - March	AVOW Deadline	Raintree Resort, WI Dells
March 7 and March 8	Quarterly Membership Meeting	
Education & Training	Kalahari Resort, WI Dells	
April 4	Executive Board Meeting	
April 8 - June	AVOW Deadline	Raintree Resort, WI Dells
June 6	Quarterly Membership Meeting	Kolmer's, Greenfield
June 6-8	NCRAAO Conference	Moline, IL
July 11	Executive Board Meeting	
July 15 - September	AVOW Deadline	Raintree Resort, WI Dells
August 30-September 2	Municipal Assessors Institute	
August 31	WAAO Business Meeting	Radisson Hotel, La Crosse
September 18-21	IAAO Conference	Anchorage, AL
October 16-19	WI Towns Assoc Convention	Holiday Inn, Stevens Point
October 10	Executive Board Meeting	
October 14 - December	AVOW Deadline	Raintree Resort, WI Dells
December 5	Quarterly Membership Meeting	Crowne Plaza, Madison

IAAO Course 101 – Fundamentals of Real Property Appraisal

Sponsored by the Wisconsin Association of Assessing Officers

WHAT: Course 101 – Fundamentals of Real Property Appraisal

A basic appraisal course for assessors, course 101 emphasizes the theory and techniques of the cost and sales approaches to value. Students review terminology, basic and economic principles, general principles of valuation, the assessment function, and the mass appraisal process. Recommended: PAV/PAAA

The PAV is an introductory textbook that supports course 101. The PAAA is an advanced textbook that can support most courses including 400, but it is best suited to the advanced courses & the advanced student.

WHEN: October 10 thru October 14, 2005

**WHERE: Milwaukee Public Library
Centennial Hall
733 North 8th Street
Milwaukee, Wisconsin 53233**

**INSTRUCTOR: Michael Ireland, CAE
Assessor, City of Bloomington, IL**

TEXTBOOK: Recommended PAV/PAAA

COST: \$400.00 (does not include textbook). Late registrants/cancellations must pay a late registration/cancellation fee equal to \$25.00 or the cost of the text, if greater.

This is probably one of the least expensive opportunities available to attend a certified five-day course. Thirty (30) attendees may be needed in order to be able to hold the course. Forty (40) will be the maximum number allowed. To ensure attendance, a \$50 deposit payable to WAAO should be sent by August 31 to:

**Mary Watson, Course Coordinator
City Hall, Room 507
200 East Wells Street
Milwaukee, WI 53202**

The course will be submitted for Wisconsin Assessor Continuing Education hours. Additional information regarding the course will be provided to all registrants.

If you have any questions, do not hesitate to call the Course Coordinator at (414)286-3178.

Please reserve one slot in the IAAO Course 101 session October 10-14, 2005.

Enclosed is my check for the \$50 deposit, payable to WAAO

Please remit payment by August 30, 2005

Name: _____ Phone: _____

Address: _____

If you need a text, please identify below:

PAV (Property Assessment Manual)
Hard Cover Soft Cover
\$40 \$25

PAAA (Property Appraisal & Assessment Administration)
Soft Cover
\$40

MEMBERSHIP APPLICATION FORM

WAAO Membership Classifications

REGULAR MEMBERSHIP: Open to officers, officials and employees of governmental bodies whose duties are directly related to property tax assessment and administration.

ASSOCIATE MEMBERSHIP: Open to officers, officials and employees of governmental bodies not covered by regular membership and to officials, administrators, and employees of educational institutions.

SUBSCRIBING MEMBERSHIP: Open to any individual not eligible for regular or associate membership AND who is interested in the science of property assessment and taxation and who subscribes to the purpose of the Association.

Both of these organizations are dedicated to **professionalism in assessment**. They share the common mission of improving the quality of assessment through education, involvement and commitment to the assessment process. The Wisconsin Association of Assessing Officers specifically addresses the needs of the Wisconsin Assessor. The International Association of Assessing Officers provides a broad perspective of activity in our industry.

We encourage you to become actively involved in assessment administration by becoming a member of these organizations.

For further information on the WAAO, call or write Joan Spencer, 630 S. Central Avenue, P. O. Box 727, Marshfield, WI 54449-0727. phone (715)384-3856. For information on the IAAO, call or write to IAAO, 130 East Randolph Street, Chicago, IL, (0601-62170. phone (312) 819-6100, Fax (312)819-6149, <http://www.iaao.org>.

This form can be used for joining either the IAAO or the WAAO. Please check the appropriate area, enclose a check and send to the appropriate address indicated above.

Check Dues (Annual - August 1 through July 31)

New Member Membership Renewal

WAAO \$25 Regular \$20 Associate \$20 Student \$15 Retired Regular Member \$50 Subscribing

IAAO \$150 (First year, first time members \$125, or \$75 by signing up through IAAO Rep. Mary Reavey (414) 286-8447)

Name: _____ Title: _____

Jurisdiction: Town, Village, City of: _____ Phone Number: _____

Address: _____ City: _____ State: _____ Zip Code: _____

e-mail: _____

Signature: _____ Fax Number: _____

WAAO
c/o Joan Spencer, Secretary/Treasurer
630 S. Central Avenue
P.O. Box 727
Marshfield, WI 54449-0727

