

## **Minutes of the December 4, 2014 Assessment Workgroup Meeting**

1. The Chairman convened the meeting at 1:20 p.m.
2. This meeting was the long planned session to have a vote by the AWG members on a final Report.
3. The Chairman made some brief comments about how the AWG members might want to consider the revised, written StateStat report which was not sent to members until December 2, 2014.
4. Barry Gardner made a motion to approve the Final Report as it was written and distributed after the November 24, 2014 meeting.
5. Member Gardner accepted an amendment proposed by Ken Miller for the Director's transmittal letter to include information about how the StateStat presentation was considered by the Work Group. Member Miller seconded the Motion to approve the Final Report.
6. The original motion with the amendment to approve the Final Report was defeated by an 8 to 8 tie vote, with 3 absentee votes being counted in the affirmative.
7. At one point in the meeting, the local government members wanted to caucus but SDAT's counsel had to advise them not to do so if there was a quorum of members included in that caucus since that would be an unadvertised closed meeting in violation of the State's open meeting law.
8. Member Linda Watts then proceeded to offer further changes to the latest version of the draft Final Report. The first major revision was to include a Recommendation that the Governor or the General Assembly create an Advisory Council consisting of representatives from SDAT, state agencies, and local jurisdictions. The revisions were passed by a vote of the members present.
9. Member Watts next offered new language on how the StateStat presentation would be included in the Work Group's Report. Member Jason Bennett indicated that SDAT's Responses to the StateStat conclusions would be included in the Final Report of the AWG. These changes were approved by the members present.
10. The Committee Consultant, Henry Riley, advised the members present that a new Final Report with these latest changes would be made available electronically on the following Monday, December 7, 2014. Members would individually vote on the latest version by sending an e-mail to the Chairman by 12noon on December 12, 2014.
11. The meeting adjourned at 4:05 p.m.

## **Minutes of the November 24, 2014 Assessment Workgroup Meeting**

1. This meeting was a special meeting called by the Chairman to discuss significant further revisions to the draft Report.
2. The meeting began at 10:00 a.m. It was held at a last minute arranged location at the Department of Agriculture at 50 Truman Parkway, Annapolis, Maryland because it was the only meeting location that was available.
3. The Chairman and representatives from SDAT presented additional revisions to the changes proposed at the November 13<sup>th</sup> meeting.
4. The group adjourned at 4:30 p.m.

## **Minutes of the November 13, 2014 Assessment Workgroup Meeting**

1. The members and participants at the meeting discussed a full consideration of the entire text of the draft Report.
2. Representatives from the local county jurisdictions proposed a significant number of revisions to the draft Report.

## **Minutes of the November 7, 2014 Assessment Workgroup Meeting**

1. All of the 4 Subcommittees met in the morning on November 7<sup>th</sup> to review the information and make recommendations to be included in a “draft” report on their respective areas or “charges” in the study.
2. At the beginning of the 1:00 p.m. meeting by the entire Workgroup, the Minutes of the October 17, 2014 Workgroup Meeting were unanimously approved by the members.
3. Next, there was a presentation by Matt Power, the Director of StateStat, and Amber Ivey, the SDAT analyst for StateStat, on the StateStat process and how it relates to SDAT during the past 10 months since the agency became involved in this program. The presenters used overhead screen images but did not present any written informational materials or written commentary to the members.
4. The Workgroup then had individual reports from each of the four subject matter Subcommittees. Andrea Mansfield reported the recommendations of the Physical Inspection and Timely Pick Up Subcommittees. Jason Bennett presented the recommendations on behalf of the Tax Credit/Exemption Subcommittee. Linda Watts presented the recommendations of the Personal Property Subcommittee. Prior to these presentations, the Committee Consultant and a member of the SDAT staff typed into the system during lunch the proposed changes or additions in each area of the draft report.
5. The Committee Consultant advised that he would send this revised copy to all members and participants the next day.
6. The members agreed to all meet as a whole at 10:00 a.m. for the November 13<sup>th</sup> meeting in order to have a true “final” draft of the report ready by close of business that day.
7. The meeting adjourned at 3:34 p.m.

## Minutes of the October 17, 2014 Assessment Workgroup Meeting

1. The Subcommittees for Physical Inspection, Timely Pickup of New Property and Tax Credit & Exempt Property all had work sessions earlier in the morning of October 17, 2014 beginning at 10:30 a.m.
2. The Chair noted that there was a quorum of members present for the larger Workgroup meeting in the afternoon and so it convened at 1:05 p.m. on Friday, October 17, 2014.
3. Ken Miller, the Chair of the Physical Inspection Subcommittee, made some remarks about the wording of this part of a Draft Report.
4. SDAT's State Supervisor for Real Property, Charles Cluster, then made a presentation on the 203,000 number of properties that have been physically inspected for the upcoming January 1, 2015 Reassessment Notices. He compared this number to the much smaller numbers of properties that were inspected in the two prior assessment years. Mr. Cluster attributed much of the increase in the number of inspections to the addition of the 30 new assessor positions the Department received in the two most recent fiscal years.
5. The Chair then noted how even with an increase in the number of inspections next year that the Department would, at best, be inspecting 25% of the approximate 730,000 properties being reassessed each year in the triennial assessment group. It was further noted by the Chair that the Workgroup should address the specific provision in the law requiring physical inspections so that the Department would not be in violation of that law. There was a general discussion on this matter by the Workgroup members and meeting attendees.
6. Next, the Chair noted how the Physical Inspection Subcommittee and the entire Workgroup also should have a clear statement of what technology is needed to replace physical inspections and what are the limitations on the existing technology presently available through other State agencies.
7. The members decided not to have a general Workgroup meeting on the following Monday, October 20, 2014. There would be a meeting of the Personal Property Subcommittee that morning on October 20<sup>th</sup>.
8. Finally, there was a discussion about a November 3, 2014 delivery date on a first draft of the Report. Ken Miller also would provide some draft language for the Physical Inspection Subcommittee to the Committee Consultant at the end of the week before November 3<sup>rd</sup>.
9. The Workgroup adjourned at 3:34 p.m.

## **Minutes of the September 29, 2014 Assessment Workgroup Meeting**

1. The Chair noted that there was a quorum of 13 members present and so the meeting convened at 1:00 p.m. on Monday, September 29, 2014 in the Harry Hughes Meeting Room at the MDOT Headquarters Building at 7201 Corporate Center Drive, Hanover, MD 21076.
2. The Chair asked for a Motion to approve the Minutes of the September 15, 2014 Workgroup Meeting, and it was approved unanimously.
3. The Chair announced that he received a letter from the Executive Director of the State Ethics Commission approving the “exemption request” that the members of the Workgroup do not have to file a Disclosure statement with the Commission.
4. The Chair then made an 18 page screen presentation on the history of the charitable, educational and religious tax exemption statutes and how those statutes have been interpreted by the Maryland courts over the past 30 years.
5. Next, the Chair distributed and discussed paper handouts that provided the results of a special review and field inspection of exempt properties in Baltimore City during the time period of May 2 to September 24, 2014. The Chair also distributed a handout on the number of charitable, educational and religious exempt accounts in the other subdivisions in the State.
6. Finally, the Chair distributed a copy of the statutory provision on the reimbursement of Enterprise Zone Credits by the Department to local governments. There was a discussion of the need to change this statutory provision to reflect a realistic time frame for the reimbursement process to occur and still satisfy local government fiscal year accounting periods.
7. The meeting adjourned at 3:20 pm.

## **Minutes of the September 15, 2014 Assessment Workgroup Meeting**

1. The Chair noted that there was a quorum of 11 members present and so the meeting convened at 1:15 p.m. on Monday, September 15, 2014 in the Harry Hughes Meeting Room at the Department of Transportation Headquarters Building at 7201 Corporate Center Drive, Hanover, MD 21076.
2. The Chair asked for a Motion to approve the Minutes of the August 26, 2014 Workgroup Meeting as written. It was so moved by Linda Watts and seconded by Mark Vulcan, and the Motion carried unanimously.
3. The Chair announced the remainder of the specific meeting dates for the Workgroup before the Report is due on December 15, 2014. The meeting dates are: September 29, 2014, October 17, 2014, October 20, 2014, November 7, 2014, November 13, 2014, and December 4, 2014. All of the meetings will be held at the MDOT Headquarters Building from 1:00 to 4:00 p.m. unless otherwise notified.
4. The Chair then turned the meeting over to Committee Consultant, Henry Riley, who discussed the meetings of the Physical Inspection and the Timely Pickup Subcommittees earlier that day. Separate minutes for these Subcommittee meetings have been separately prepared and distributed to the Members by Mr. Riley.
5. Mr. Riley next discussed two follow-up items from the information presented at the August 26, 2014 meeting. The first is the amount of information that must be included for assessing large residential properties in Montgomery County that included sample photographs of some of the larger properties. The second item was a discussion of “Model Calibration” that included depreciation via the indirect method and the concepts of “economic life” and “effective age”.
6. Finally, Mr. Riley discussed the results of 2,212 field inspections of randomly selected properties in Baltimore City, Allegany, Harford, Howard, St. Mary’s, and Worcester Counties.
7. The next presenter at the meeting was the Department’s Associate Director, Michael Griffin, who discussed the Department’s Personal Property Assessment function. The information presented included the following: key dates each year in the assessment process; the number of legal entity accounts and amount of base certified; sample pages of the Personal Property Form 1, 4A, 4B, and 4C; a specific itemization of the assessor workload in terms of assigned accounts; a discussion of the Department’s new Online Personal Property Filing System for January 1, 2015; the Personal Property Exemptions by Maryland County; the Manufacturing Exemption application form; and the Department’s COMAR Regulations for Personal property.
8. The meeting adjourned at 3:50 p.m.

## **Minutes Assessment Work Group Subcommittee Meeting held 9/15/2014 and prepared 9/17/2014**

Physical Inspections and Timely Property Pickup Subcommittee's held meetings at the MDOT Headquarters Building. The Physical Inspections meeting was scheduled from 10:15 - 11:30 & Timely Pickup scheduled from 11:40 - 12:40. Ultimately the committees met together from 10:30 until adjournment at 12:30.

A Meeting Agenda, an Issues and Alternative Courses of Action document, and a Draft Issue Paper were E-mailed to subcommittee members on Friday September 12, 2014.

### **Physical Inspection Subcommittee**

**Members Present:** Bil Burgee, Nandya Morgan; Jeff Williams

**Participants Present:** Mary Pat Fannon, Thomas Pirritano, David Ryker, Andera Mansfield, Amber Ivey

**Members Absent:** Jim Cannistra, Ken Miller, Barry Gardner

**Participants Absent:** None

### **Timely Pickup Subcommittee**

**Members Present:** Joe Beach, Wesley Shaw, Jeff Williams

**Participants Present:** John David Evans; Amber Ivey

**Members Absent:** None

**Participants Absent:** None

**Key Staff Present:** Robert Young, Owen Charles, Charles Cluster, Craig Biggs, W. Henry Riley

The Physical Inspection Subcommittee was called to order at 10:30 AM.

- A follow-up to the Overview (from August 26, 2014) was presented.
- Subcommittee members received a copy of this follow-up document. It covered:
  - the pickup of very large properties,
  - the calibration of depreciation in market calibrated cost approach model and reviewed concepts of economic life, effective age, and remaining economic and
  - Preliminary county sample data on relevant property characteristics.
- County physical inspection sample data is being further analyzed as to each properties location (triennial group), whether building permits were available and if the cost was greater than or less than \$100,000 or whether the change occurred without a building permit.
- The subcommittees reviewed:
  - The subcommittee Agenda
  - An Issues and Alternative Courses of Action document, and
  - A Draft Issues Paper
- Various technologies were reviewed and discussed that would allow the assessor to review structures to determine if all improvements on a property are on the record card including measurements, and general condition of the property.

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- Several possible alternative courses of action were reviewed
- Based upon the information presented at the August 26 Overview and the Issues and Alternative Courses of Action (E-mailed 9/12/14), the Subcommittee members were asked for their comments, suggestions, or recommendations.
  - There was little discussion.
  - It was indicated that more information, alternatives and/ or time was needed for members to make suggestions or recommendations.
  - When asked about possible alternatives listed in the issue and alternatives document, some members felt that they were being put into a position of considering only certain possible courses of action and they asked what other possible courses are available.
  - Some members felt that to make recommendations more detailed data was needed including detailed plans based on alternative costs and staffing.
- Regarding the committee's recommendations on physical inspection and timely pickup, a discussion occurred about the type of recommendations that could be made, given the December report due date and testing (pilot tests) of various alternatives and staffing which might take a year or more to implement and analyze.
- The nature of nature of committee statements of findings and the articulation of recommendations was discussed. It was suggested that the work group could state their findings and articulate recommendations at a high level to give direction without stating what an exact staffing, technology, or process to be implemented. Therefore, findings could be presented and recommendations given in a high level solution.
  - Assessment Work Group Staff will develop possible language for the Subcommittee's consideration of strategic high level alternatives. This will reviewed at the next Subcommittee Meeting's
- In discussion of several technology alternatives, and tools to verify relevant property characteristics, it was brought up that in fee appraisal pictures are not appropriate for judging property characteristic's or condition in complaints brought before the Maryland Appraisal Commission.
- In discussion of staffing and technology, a question was asked - If resources are provided, how can we be sure that SDAT does what is required?
- The county sample study project of randomly selected accounts was discussed. As this study was conducted to identify a need for physical inspection and/or need for better new property pick up management systems and procedures, the study attempts to identify the correctness of relevant property characteristics on property records. Initial preliminary findings were discussed, as were, examples of some of the atypical items found.
  - Discussion occurred on study assumptions and why some limited atypical accounts were removed because they might cause assessment and revenue projection estimates to be distorted because of the atypical properties.

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- We discussed the various counties and accounts sampled
  - one account had fire damage that was not consider,
  - one account was not being farmed, and would need to be removed from agricultural assessment,
  - Three new homes that should have been picked up in 2013 had not been picked up in early 2014.
- We discussed how assessable base on these few atypical accounts would have a tendency to overstate the overall assessable base change of the sample and that these were taken out of the sample estimates.
- A question was raised why were three new homes removed or perhaps that they should not have been removed.
- The building permit process was discussed regarding a survey of all counties and visitation to three counties by the consultant to the Assessment Work Group. We discussed the general findings as they relate to timely pickup of new property including that:
  - historically building permits were sent by the counties to SDAT
  - because some counties did not do this, 1970 legislation required permits to be sent to SDAT
  - currently only a few counties have automated building permit systems and send permit data extracts for loading into the SDAT AAVS system
  - most counties send paper permits or adobe print files of permits at varying time intervals (weekly, monthly, quarterly, etc.)
  - while most counties administer building permits for municipalities, some municipal governments issue permits and a few of these do not send permits to SDAT on a timely basis
  - there appears to be a need for documentation of building permit business processes and perhaps there is a need for business process reengineering for building permit processes including better management reporting in some SDAT local offices
  - while good permit tracking and management would allow detection of many changes in relevant characteristics, all changes would still not be found because changes are made without permits. Thus, assessors on the ground or use of imagery would be the only way of detecting some changes.
- Technology Alternatives – we discussed that there are advantages and disadvantages to the various technologies used to check relevant property characteristics more efficiently without field inspection of each property.
  - We discussed that it would be nice to have all three of the technologies linked to the AAVS System or alternatively linked to a field review database that included property record cards and images.

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- The advantages and disadvantages of the various technological alternatives was discussed
  - Street view images
    - Advantage - view exterior of property to identify style, grade, and condition of the property –
    - Disadvantage – cannot see the whole property, can only view sections of the property from the front, cannot view property in relation to surroundings, cannot view if vegetation or trees are in the way, and cannot view improvements unless it is near the street.
  - Ortho images
    - Advantage - can view the foot print of the building directly and determine if large additions have been made
    - Disadvantage – difficult to view property is much higher than oblique imagery, can only see property from above and cannot measure exterior wall length without adjusting (guessing) for roof eaves , cannot view if leaf cover is on, cannot judge exterior condition of improvements, difficult to measure small additions porches, pools, decking, and on commercial properties verifying paving, walks, or verifying exterior lighting
  - Oblique images
    - Advantage – can view property the best from oblique images, can view improvements directly from each side (four sides from a 40 degree angle view), can measure improvements on the exterior wall (not having to adjust for roof eaves), can view property in relation to adjoining properties identifying fences, possible encroachments, and judging a property in relation to adjoining properties, can easily identify if additions have been made, can judge exterior condition, can measure changes
    - Disadvantage – if flown with leaf cover cannot view property accurately
- A review of the IAAO staffing study on the use of technology was discussed
- A staged pilot implementation of technology was discussed including the current oblique pilot in Anne Arundel and Frederick Counties and the plan to conduct a pilot project in Baltimore City of street view images.
- Estimated costs of various technologies were reviewed and it was explained that other costs estimates were being developed.
- Staffing was reviewed (issue paper) that included
  - the history of staff reductions and parcel count increases from 1976 to 2014.
  - Various staffing levels to accomplish adequate field inspections with assessors viewing all properties vs. limited staffing with the use of technology were discussed.
  - The reduction of FTE staffing of 78 people from 2002 to 2012 brought up by SDAT's Director.
  - The major reduction in of field assessor positions in 2009 following a high retirement rate of 29 assessors over the preceding year was discussed including how that

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significantly compromised the agency's ability to conduct field reviews ( 29 persons x current average accounts per assessor of 5,163 = 149,727 x 3 years = 449,181).

- That beginning in 2011, the Department of Management and Budget began authorizing additional assessor positions which have just gotten SDAT to the field assessor staffing level from 6 years ago.
  
  - Staffing to complete field reviews with assessors visiting all properties at a level of 3,000 parcels per residential assessor and 750 per commercial would take between 75 to 85 persons
  - Staffing needed to complete field reviews with the use of technology is estimated at 20 to 25 persons, but a better determination of this can be determined after the pilot project of using oblique's where property inspections rates can be accurately measured
- 
- Property sketch conversion was discussed and possible conversion alternative were listed
  
  - A review of the history and reason for statewide assessment administration was reviewed
  
  - An assessment level analysis of owner occupied and non-owner occupied properties was reviewed

Adjournment – 12: 30

### **Technology alternatives**

- In discussion of several technology alternatives regarding tools to verify relevant property characteristics, it was brought up that in certain fee appraisal pictures are not adequate for judging property characteristic's or condition in complaints brought before the Maryland Appraisal Commission.

**Comment** – appraisal standards do not require an appraiser to physically inspect a property, but the appraiser must have a reasonable basis that relevant characteristics are correct. Certain assignment conditions may require the appraiser to physically inspect a subject property and to view comparables from the street. When these assignment conditions exist, the above bulleted statement is true; otherwise the state is not true.

Typically fee appraisers do not have access to oblique photography. In Mass Appraisal, the assessor uses an extra ordinary assumption that the property characteristics on the property record card are correct. The use of the technology discussed allows for a further check that relevant characteristics are reasonably correct.

- Advantages and Disadvantages of various technology alternatives.

**Comment** - while it would be nice to have all three forms of technology, the most advantageous technology for the assessor to review the relevant property characteristics is oblique imagery.

With the use of street view images and/or ortho-images, a detailed physical field review would still be required of all properties to detect all changes. With oblique images, a detailed physical field review would only be needed on those properties measurements need to be confirmed. For small additions such as air conditioning, decks, porches, piers, etc., the improvements could be measured from the oblique images. Thus, the oblique images are most important to SDAT.

### **Will the work get done?**

- A question was asked in the general discussion regarding staffing and technology, the question was if resources are provided, how can we be sure that SDAT does what is required regarding physical inspection and new property pick-up?

**Comment** – if recommendations are to be implemented, the legislative auditor would audit that the appropriate work was being done. Similarly, SDAT should develop management reports to assure that the recommendations are implemented

### **New Property Pickup**

- Regarding county sample accounts - A question was raised as to why the new homes removed or perhaps they should not have been removed.

**Comment** – The purpose of the county samples is to show whether relevant characteristics were or were not correct. We did not want to distort (over or understate) the sample with atypical situations. The sample does show a need for better physical inspection and timely pickup which is the purpose of the sample process. **Escaped Property** – It is important to note, new property that is not timely picked up falls under the excepted property provision of law - it can be picked up for the current and three preceding tax years.

**File 03 - Additional Questions and Answers from Monday 9/15/2014 subcommittee meetings.**

Additional questions were raised following the morning subcommittee meetings on 9/15/2014.

**How often are subcommittee meetings?**

As often as needed to address the subcommittees charge and to develop recommendations so that a working draft of Assessment Work Group Report can be developed.

Typically, the subcommittee will meet on days that the full committee will meet. This is because some members are driving long distances and allow them to more efficiently use their time. Our next meeting will be in one week scheduled the morning of September 29<sup>th</sup>. Other subcommittee meetings will be scheduled, either in the mornings or afternoons after the September 29<sup>th</sup> meeting, as long as they do not conflict with the Full Work Group meetings scheduled on the remaining meeting dates scheduled for the MDOT meeting room. (October 17<sup>th</sup>; October 20<sup>th</sup>; November 7<sup>th</sup>; November 13<sup>th</sup>; December 4<sup>th</sup>)

It should be remembered that the Assessment Report Work Group must adopt its final report on the December 4<sup>th</sup> meeting, so a major working draft must be developed by the early November meeting.

Subcommittee members are encouraged to communicate between themselves, if needed. Initially scheduled meetings of the subcommittees will be called, where the subcommittee will appoint a chair, review the committee charge, discuss, and make recommendations. The appointed chair will report to the Chair of the Assessment Work Group as summary of their meeting

Should subcommittee's feel they need to meet at other times than the scheduled meeting days at MDOT, they may do so, but should advised the Chair of the Assessment Work Group of the date, time and place of the meeting.

**Were the recommendations given Monday, the final recommendations from the subcommittees?**

No, because the committee is still in an information gathering and review stage. The possible alternatives discussed were possible courses for the subcommittee's consideration.

The agenda, issues and possible courses document and issue papers were presented to briefly focus the subcommittee on matters to be considered. The Issues Paper Document was to provide more detailed information for the committees' consideration on the various matters.

The possible recommendations could not be the final recommendation, as there was little if any discussion or comment made by subcommittee members. This might be because the subcommittee members have not had time to review all the information presented. At one point, when the subcommittee was asked for comment or discussion on possible courses of action, one member indicated, we need a list of possible alternatives and another indicated what other alternatives are there?

**Is there an opportunity for the group to received data they questioned before recommendations are given?**

Since no recommendations have been given by the subcommittee (nor even discussed) and since there have been no requests for additional data from Assessment Work Group Members, this would be hard to answer – except for yes requests for appropriate data be provided before recommendations are given.

The previous presentations (Overview 8/26 and Documents 9/15) were to give members information to make informed decisions. There will be “ an opportunity for the group to receive data they questioned before recommendations are given” However, since there was little discussion on the topics, possible recommendations and that no questions were raised, except “we need a list of alternatives” or “what other alternatives are there” it is hard to address this matter. We can prepare a list of alternatives which basically itemized information already in documents the subcommittee has received

If the committee identifies problems and keeps recommendations at a high strategic level of direction, SDAT can administer a tactical plan to solve the problems with the help of the Department of Management and Budget, and annual oversight by the Legislative Auditor. If the subcommittee gets into tactical decision making, the Assessment Work Group will not be able to complete its final report (December) as prescribed by law.

**How do we facilitate better group discussion and solutions that are not already being presented to the group?**

Most all relevant information has been presented (physical inspection, timely pickup, personal property) or is being presented on the 29<sup>th</sup> (tax credits and exemptions) for committee members. Subcommittees may facilitate a more free discussion, if the committee appoints a chair and meets for a time to discuss their charge, identify problems, develop lists of additional appropriate information, if needed, and formulate recommendations. Subcommittee meetings will be scheduled for the committee on their own. If additional relevant information is needed, the subcommittee will request that information thru the Assessment Work Group Chair.

Really, there are probably no other possible solutions that have not already been presented, except for some that will be cost prohibitive. There may be some tactical level implementation opportunities. From experts (within Maryland and outside of Maryland), the relevant possible courses of action have been presented. The question that the subcommittee must address is what courses of action to take.

**Staffing and technology have been discussed. Is there a plan for offering other solutions?**

Essentially, staffing, technology and management reporting are the only ways to address the key problems of physical inspection, timely pickup, personal property audits, and tax credits and exemptions.

We have discussed the need for business process re-engineering in certain areas. We have discussed the need for better management reporting and management oversight. We have discussed the need for better and more detailed communication between county officials and SDAT. We have discussed the

need for current software and management reports from AAVS and the need for the use of statistical software to develop appraisal models and to monitor appraisal quality. We have discussed the need for valuation analysts who have detailed knowledge of statistical software. We have discussed the need for specialized IT professionals to assist in valuation operations.

There are always improvements that can be made to improve valuation operations and this requires managers and appraisers to be trained not only in appraisal and mass appraisal but also in software and management.

**Is there a plan for addressing sketching conversions?**

Yes – as time permits office staff will be used to covert sketches. If funds are available for temporary staff, they will be hired to work on sketch conversion. In the meantime, assessors will have to do it the old fashion way by

- pulling the old property record card with the existing sketch,
- matching them with the AAVS property record cards and then,
- identify if the property has changed.
- If the property sketch has changed, it will be digitized in AAVS.
- If the property has not changed, the old record card will be refiled.

Supervisors of Assessments are currently directed to place priority on

- new property pickup,
- field inspections,
- assessment appeal process and
- then other office processes.
- If resources are not available, work that is least important will not be completed

**Are you considering Current Technology considering DoIT's current procurement contracts and other options available through MDP and counties?**

Since DoIT and MDP representatives are members of the Assessment Work Group and SDAT, MDP, and DoIT regularly meet, SDAT is aware of the current technology procurement vehicles and applications available.

The one most advantageous technology for valuation (oblique images) is not a current state option. Since county governments have entered into contractual arrangements without considering SDAT needs for maintaining accurate property characteristics in maintaining the county's tax roll, SDAT has been hampered in maintaining relevant property characteristics especially in light of staff reductions.

In our discussion of other alternatives (tactical measures), the counties having oblique images and the State should negotiate with the current provider of Oblique Photography to have SDAT gain access as opposed to paying for the imagery twice, especially when it is used in many cases with the county offices and SDAT right next door to one another.

If that negotiation fails, counties and the State should look to other providers of oblique services and negotiate a better price so that both agencies can use the product appropriately.

**Physical Inspection Subcommittee and Timely Pickup Subcommittee**

- Each subcommittee will meet, discuss and develop options regarding the subcommittees charge.
- Each Subcommittee will appoint a chair, who is a Member of the Assessment Work Group, to discuss and develop the various issues and possible recommendations
  - First, is there a problem –
    - For example, is there a problem with physical inspection of property.
    - Can physical inspections be done timely with existing resources?
    - Or can it not be accomplished with existing resources?
    - Is there timely pickup of new property?
    - If there is not, what can be done to achieve timely pickup?
    - Does the committee feel it must request additional appropriate information,
    - Can the committee develop a list of tentative recommendations.
  - Second, what are tentative courses of action?
  - The subcommittee chair will make a report to the Assessment Work Group Chair.
    - The chair should be prepared to give a summary of the committee’s report following the meeting initial morning meeting
- Following the subcommittee meeting and the report to the Assessment Work Group Chair, the Consultant to the Assessment Study Work Group will present high level strategic language for the subcommittee consideration as possible recommendations.

**Physical Inspection Subcommittee - Meeting 9/29/2014**

9:30 to 10:15 - Subcommittee meeting

Break 10:15 to 10:25

10:25 to 10:35 - Report of subcommittee to the Assessment Work Group Chair

10:35 to 10:50 – review of possible strategic level language for recommendations to be considered with other subcommittee recommendations at the next meeting (October 17).

**Timely Pickup Subcommittee - Meeting 9/29/2014**

11:00 to 11:30 - Subcommittee meeting

Break 11:30 to 11:40

10:40 to 11:50 - Report of subcommittee to the Assessment Work Group Chair

11:50 to 12:10 – review of possible strategic level language for recommendations to be considered with other subcommittee recommendations at the next meeting (October 17)

## **Minutes of the August 26, 2014 Meeting of the Property Assessment Workgroup**

1. The Chair noted that a quorum was present and convened the meeting at 1:05 p.m. on August 26 in Conference Room B of the Department of Housing and Community Development in Crownsville, MD.
2. The Chair asked for a Motion to approve the minutes from the prior meeting as written, which was made by Kathryn Hewitt and seconded by Mark Vulcan. The minutes were unanimously approved.
3. The Chair announced that he had successfully completed the Maryland's Open Meetings Act course he had previously indicated he was taking on behalf of the Property Assessment Workgroup.
4. Next, the Chair had the Department's principal counsel, David M. Lyon, explain how he had applied for an exception to a State Ethics Commission filing requirement for the Members of the Workgroup because of the limited purposes and duration of the group's study.
5. The Chair announced that the dates of the next two meetings would be September 15<sup>th</sup> and September 29<sup>th</sup> but at a new location of the Maryland Department of Transportation (MDOT) headquarters building in Hanover, MD.
6. The Chair then turned the remainder of the meeting over to the Committee Consultant, Henry Riley, who proceeded to make a 210 page overhead screen projection presentation. A paper copy of the presentation was distributed to all Members and other persons attending the meeting. The presentation contained an overview of the assessment process and specific types of information that could be considered by the Physical Inspection Subcommittee and the Property Pick-Up Subcommittee. Topics in the presentation included information on the Workgroup objectives, an overview of the assessment process, approaches to property valuation, steps in field inspections, ratio studies, trending/indexing, assessment appeals, assessment calendar, organization of the SDAT assessment offices/staff entailing their "core" processes, new property pick-up, renovations and demolition, building permits, sketching, and technological alternatives to physical inspections.
7. After the first hour of Mr. Riley's presentation, there was a break which was followed by a brief discussion of how the Subcommittees would be meeting in the future.
8. Over the next two hours, Mr. Riley completed the presentation which also included individual questions from the Members and other meeting attendees.
9. The meeting adjourned at 4:07 p.m.

## **Minutes of the July 28, 2014 Meeting of the Property Assessment Workgroup**

### **General Matters:**

The Chair, SDAT Director Robert E. Young, convened the first meeting of the Property Assessment Workgroup at 1:05 pm on July 28, 2014 in Conference Room B of the Department of Housing and Community Development, 100 Community Place, Crownsville, MD. The Chair noted a quorum was present. The Members present were: Mesdames Hewitt, Morgan and Watts, and Messrs. Beach, Cannistra, Francis, Gardner, Horn, Miller, Shaw, Voorhees, and Young.

Next, the Chair explained that this meeting was the first meeting of the Workgroup because the purpose of the June 17, 2014 gathering was to have an informal discussion about the type of data that would be considered by the Workgroup so that one of the major local government jurisdictions could determine which of its managers were best qualified to serve on the Workgroup. The second reason the June 17<sup>th</sup> gathering was not a meeting was because a quorum of members was not present.

The Chair then distributed a handout that was previously distributed at the June 17<sup>th</sup> gathering that summarized the types of data that would be provided for consideration by the Workgroup on the specific topics the General Assembly and BRFA legislation specified should be studied. This handout was part of a packet of new information the Chair prepared for the July 28, 2014 meeting that included:

- 1) an Agenda for that day's meeting;
- 2) a final Roster of all of the Members of the Workgroup;
- 3) a copy of the Notice in the Maryland Register advising the public of the July 28, 2014 first meeting, its being open to the public, that all future meetings would be advertised on the Department's website, and that an e-mail address of [sdattassessmentworkgroup@maryland.gov](mailto:sdattassessmentworkgroup@maryland.gov) was provided for questions and concerns;
- 4) a sign-up sheet for Members to indicate the specific Subcommittee on which he or she wanted to be assigned to prepare the draft document for full Workgroup consideration of the Final Report to the General Assembly. The 4 Subcommittee groups are: (a) Physical Inspection Subcommittee; (b) Timely New Property Pickup Subcommittee; (c) Tax Credits and Exemptions Subcommittee; and (d) Personal Property/Vendor Services Subcommittee.

The Chair introduced SDAT's Principal Counsel, David M. Lyon, with regards to a new law enacted in 2013 that requires a Member of any General Assembly created study group to take a prescribed course on conducting Government Open Meetings in Maryland within 30 days of the group's first meeting. The Chair indicated that he would take the required course on behalf of the Assessment Workgroup before the group's next meeting.

The Chair introduced managers from the Department of Assessments and Taxation that were present and would be available in the future to provide assistance to the Workgroup as a whole and to the individual Subcommittees.

Dr. Wm. Henry Riley was introduced by the Chair as the Consultant to the Workgroup who will be providing expertise, research, and staffing support to the Committee. The Chair noted Dr. Riley's extensive background in the public administration of the property tax assessment laws, his involvement with the IAAO and USPAP professional appraisal standards, and the instruction of assessors for professional certification courses in States throughout the country. The meeting was then turned over to Dr. Riley for his general comments and to serve as the moderator for the three for profit companies that would be making presentations that day on the assessment related services these companies provide to local assessing authorities nationwide.

### **Special Matters of Discussion:**

The primary focus of this meeting is to hear the presentations of three private vendors who provide specific services that aid government agencies in the assessment of real and personal property.

The first presenter was Mr. Joe Tierney of Facet-tech, whose company provides street level photography of real properties taken from a series of cameras mounted on motor vehicles travelling at approximately 35mph. Mr. Tierney demonstrated, with a series of actual photographs taken, the quality of the photography for assessment purposes. The quality is such that an assessor can determine the "grade" of the residential structure for assessment purposes. The cost for the photography is between \$1.00 to \$2.00 per parcel. In response to a question from the Chair about the time frame needed to complete a large number of parcels, Mr. Tierney indicate that the company recently completed a project in one jurisdiction containing 125,000 parcels that took 4 weeks to complete.

The next presentation was made by Tax Management Associates (TMA). The presenters for TMA were Mr. Chip Cooke and Mr. Chip Bourgeault. The representatives indicate that, of the different services the company provides, the most useful service for the State of Maryland and the 24 subdivisions appears to the company's audit to be Business Personal Property Assessments for local governments. TMA has performed Personal Property Audit Service for over 550 clients in 17 states. The TMA representatives first presented an overview of the specific services and work product provided to the government assessing authorities when auditing Personal Property Return filings. The services would entail more employee time by SDAT to follow up on the audited accounts.

In advance of this meeting, SDAT had provided TMA with specific statistical information for the level of assessments for companies filing in Maryland. At the meeting, the company provided estimates of the expected results when auditing companies in Maryland by size of the amount of assessment of the taxable property reported by the company. Of the 139,747 total taxable account filers in Maryland, TMA estimated that 114,143 of these returns (81.68% of the total) would best be audited by SDAT. It was proposed by TMA that the

remaining 25,604 accounts reporting \$50,000 or more in taxable property would be the most fruitful source of audit. Of those 25,604 accounts, TMA estimated that 30% of the accounts or 7,500 accounts would produce additional tax revenue. The TMA representatives then estimated the amounts of additional tax revenue that could result from these audits for a four year period (current and 3 prior years). Finally, the TMA representatives discussed the company's Discovery Program to find nonfilers and again projected additional revenues to local governments from those audits. TMA provides its services on either a fixed fee basis or a contingent fee basis.

The Chair indicated to the members of the Workgroup that SDAT would provide them at a subsequent meeting an itemization by jurisdiction of the number of companies reporting the higher level of Personal Property assessment (i.e. \$50,000-\$399,999 of assessment; \$400,000-\$999,999 of assessment; \$1,000,000-\$4,999,999 of assessment; \$5,000,000-\$19,999,999 of assessment; and \$20,000,000 of greater).

After a 10 minute break, the Workgroup began again with a brief discussion of what kinds of information would be presented at the next meeting. That information tentatively could include assessment samples taken on the physical inspection aspect of the study and a partial report on exempt property involving the review of charitable, educational, and religious properties in Baltimore City.

The next meeting was tentatively scheduled for Wednesday, August 20, 2014 but was subject to change depending upon the availability of the meeting room.

The final presentation was made by Mr. Paul Miller of Tyler Technologies. This company also provides street level photography of real properties with other services. The company has been in existence for 75 years. A special feature this company provides is to have a second employee in the back seat of the vehicle to verify the photograph is complete. To reduce some cost, an Assessment Office employee can be assigned to ride in the back seat instead of a Tyler employee. Using this method, each vehicle can take 250 pictures a day, and the company has 20 vehicles. Mr. Miller indicated that their vehicles took pictures for over 1 million parcels in the last 12 months. The cost for these basic photographs without any additional layers or employee back seat verification is approximately \$2.50 per parcel. The company has the ability to overlay other data over the photograph, including GIS, cadastral, aerial, X,Y coordinate, and property sketch information at a higher cost for the layers. If this company were to verify data on individual properties by knocking door to door, the cost is \$70.00 per parcel.

The Workgroup meeting adjourned at 4:02pm.