

TESTIMONY BY Brian A. Glanville, CRE, FRICS, MAI
In support of HB 2731

My name is Brian A. Glanville. I am the Senior Managing Director for Integra Realty Resources, the largest commercial valuation company in the United States. I have been licensed as an appraiser in Oregon since 1978. In 1991, I was the Oregon Chapter President and in 2001 was the National President of the Appraisal Institute, the largest professional valuation society in the United States. In the first decade of this century, I represented the United States on the International Valuation Standards Council, writing international valuation standards, best practices and ethical rules for valuers across the globe. In 2011 and 2012, I was Chairman of the Board of Directors for RICS Americas, covering both North and South America. RICS is the international professional society for valuation and property.

I am here today to endorse the portion of HB 2731 that requires Oregon Assessors and the Department of Revenue (DOR) to follow the Uniform Standards of Professional Appraisal Practice (USPAP).

Standards for valuing real property have been in place in the U.S. since right after the stock market fall in 1929, but these standards were only used by appraisers who belonged to professional societies. Oregon was one of only two states that required licensing, but as real estate sales persons, in order to do an appraisal. The real estate crash of the 1980's got the attention of Congress and the Societies. The nine professional bodies formed The Appraisal Foundation in 1989 to write valuation standards for real property, mass appraisal for assessment, personal property, and business assets. This organization was recognized by Congress as the source of appraisal standards, education and experience requirements pursuant to the 1989 Financial Institutions Reform and Recovery Act (FIRREA). States were required to adopt legislation creating appraisal boards to oversee licensing and enforcement and a federal government agency, the Appraisal Subcommittee of the Federal Financial Institution Examination Council, was creating to oversee the state appraisal boards.

As Oregon Chapter President, I assisted the banking industry in writing the Oregon law in 1991. The banking industry was highly motivated, for without this law, federal banking in Oregon would be shut down. Their concern over the speed of the passage of this bill caused the authors to grant exemptions to the bill to assessors, CPAs, brokers and others to expedite the process. This has created a problem in Oregon.

Uniform standards are recognized as a necessity on both a global and national basis. It is important that appraisers apply only recognized methods and techniques to create consistency in reporting, so as to protect the public interest. There is no logical reason why Oregon's Assessors should not follow USPAP.

One of the founding organizations of The Appraisal Foundation is the International Association of Assessment Officers. They wrote Standard 6, the standard for Mass Appraisal of properties. Standard 1 & 2 are the standards for valuing an individual piece of real property. Both provide a "road map" for assessors and appraisers to follow when valuing real property, creating consistency and understanding for the public. Assessors should follow Standard 6 when using

modeling to value a group of homogeneous properties, or Standard 1 & 2 when valuing an individual property. Either can be used in supporting their value in court and different States require the use of one or the other for tax appeals. I taught the Standards course for over 10 years and we suggested it is most appropriate when an assessor is going to court on a tax appeal to follow Standards 1 & 2 as they are presenting a case on a single property and their reports tend to reflect that position.

Due to the exemption in Oregon's law, we have an unfair playing field in Oregon. The property owner's appraiser is required by law to follow USPAP, but the assessor is not. This causes confusion and discrepancies in the values presented and do not protect the public. When a judge, a jury and even the opposing attorneys do not understand the wide differences in value between trained professionals, a lack of trust in the entire process is created.

A recent example is the tax appeal on the Xerox campus in Wilsonville. I valued that property in the vicinity of \$45 million, while the DOR was closer to \$100 million. The DOR put one of their appraisers on the stand in an attempt to impeach my report for violating USPAP. They failed. When the tax payer's attorney tried to point out the many standards violations in the DOR report, the DOR responded that they were not subject to USPAP. An example of one of the problems is that I had to value a single story, industrial flex building that measured three football fields in length by two football fields in width. Because the DOR wasn't working under USPAP, they were able to use much higher sales of buildings 20 stories high with a city block footprint and leases of much smaller spaces in their valuation of the property. This is not common sense and does not compare "apples to apples" when valuing a property. This would not be allowed under USPAP.

Most Oregon Assessors are competent valuers who follow basic standards, and some, like Lane County, belong to the IAAO which makes them subject to USPAP. All professional valuers should follow USPAP as it protects the public's interest and would streamline the appeal process.

I urge you to correct this hole in Oregon's valuation & taxation system. Thank you!