

CALIFORNIA STATE BOARD OF EQUALIZATION
APPRAISAL TRAINING
FOR PROPERTY TAX APPRAISERS

INTRODUCTORY COMMENTS

The California State Board of Equalization (Board) is responsible for the certification of county assessors' personnel and Board personnel who perform appraisals for property tax purposes. Revenue and Taxation Code Section 671 requires that each certificate holder complete at least 24 hours of training conducted or approved by the Board each year in order to retain a valid appraiser's certificate. Holders of an advanced appraiser's certificate must complete at least 12 hours of training each year. Hours from up to three previous years (two previous years for holders of advanced appraiser's certificates) may be used to satisfy the annual training requirement. Additional information on requirements is contained in the *Guidelines for Appraiser's Certification and Training*, which is available on our website, at: <http://www.boe.ca.gov/proptaxes/pdf/lta11013.pdf>.

The Board's County-Assessed Properties Division administers the appraiser certification and training program. The Board offers various types of educational opportunities designed to meet the training needs of appraisers to obtain an understanding of the fundamental principles of property appraisal and assessment, as well as, to further develop an appraiser's knowledge of more advanced appraisal issues and techniques. Training is in the form of courses and workshops where instruction is done in the classroom or conducted online.

Calculators used in BOE Courses

When calculators are specified as requirements for courses, only the usage of Hewlett Packard 12c, 17b, or 19b will be discussed in the courses. Students may use other models and brands as long as they already know how to use the calculator. The calculators must be able to perform the following standard financial functions:

- Future Worth of 1,
- Future Worth of 1 Per Period,
- Sinking Fund Factor,
- Present Worth of 1,
- Present Worth of 1 Per Period, and
- Periodic Repayment.

For certain courses (such as Course 120), the calculator must be able to perform the standard financial functions as well as have the capability to calculate net present value (NPV) and internal rate of return (IRR).

APPENDIX A: BOE CONDUCTED COURSES AND WORKSHOPS

LISTING OF APPRAISAL COURSES

	<i>Title of Course</i>	<i>Appraisal Hours Granted</i>
2A	<i>Replacement Cost Estimating of Residential Structures</i>	24
2B	<i>Replacement Cost Estimating of Commercial and Industrial Structures</i>	30
3	<i>Residential Appraisal Procedures</i>	24
5	<i>Income Approach to Value</i>	32
7	<i>Appraisal of Agricultural Property*</i>	31
8	<i>Appraisal of Machinery and Equipment</i>	31
9	<i>Appraisal of Taxable Possessory Interests*</i>	31
18	<i>Auditing Procedures*</i>	30
28	<i>Advanced Auditing*</i>	24
52	<i>Valuation of Restricted (Open-Space) Lands*</i>	24
56	<i>Advanced Sales Comparison and Income Capitalization Approaches*</i>	31
120	<i>Investment Mathematics and Financial Calculators*</i>	31

*Advanced-level course

LISTING OF WORKSHOPS

	<i>Title</i>	<i>Appraisal Hours Granted</i>
NC	<i>New Construction</i>	6
MP	<i>Appraisal of Mineral Properties</i>	12

COURSE DESCRIPTIONS

COURSE 2A ----- Replacement Cost Estimating of Residential Structures

Course 2A is designed to acquaint beginning real property appraisers and auditor-appraisers with recommended methods and procedures to use when making replacement cost estimates of single- and multiple-family residences.

This course begins with a review of the cost concept and then provides instruction in the use of the Standard Classification System for residential buildings. Through case studies, the students will learn to select and apply unit costs from Assessors' Handbook Section 531, *Residential Building Costs*. The course covers techniques for recognizing and estimating depreciation.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 531, *Residential Building Costs*, Chapters 531.10, 531.20, 531.21, 531.22, 531.30, 531.40, 531.50, and 531.70.

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 21 hours of instruction 3-hour examination 24 hours total

COURSE 2B ----- Replacement Cost Estimating of Commercial and Industrial Structures

Course 2B is designed to acquaint real property appraisers on the use of Marshall & Swift's *Marshall Valuation Service* to properly estimate the cost of commercial and industrial properties. The course begins with a discussion of the cost concept, different types of depreciation, various types of building materials, and classes of construction. The students will estimate the replacement cost of different types of buildings, including estimating depreciation.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 501, *Basic Appraisal*, Chapter 6.

Course Credit: 28 hours of instruction 2-hour examination 30 hours total

COURSE 3 ----- Residential Appraisal Procedures

Course 3 provides instruction in appraisal procedures with an emphasis on the comparative sales approach. This course focuses on the appraisal of single-family residential property. It includes some exposure to market analysis procedures for income-producing residential properties. Students learn to analyze and adjust sales to reflect market value and conditions, including cash equivalent procedures. They will study methods of estimating land value and learn to make sales comparisons with properties selected for reappraisal.

Students practice these techniques and reconcile the indicators of value into value conclusions as they solve drill problems.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 501, *Basic Appraisal*, Chapters 5 and 6; and Assessors' Handbook Section 503, *Cash Equivalent Analysis*.

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 21 hours of instruction 3-hour examination 24 hours total

COURSE 5 ----- Income Approach to Value

Course 5 is designed to meet the needs of the real property appraiser or auditor-appraiser with little or no experience in the appraisal of income-producing properties. It offers an explanation of the basic assumptions of the income approach and takes the appraiser through the various steps of the capitalization process for both real and personal property

Students are shown recommended methods of collecting and recording information that is to be analyzed and processed in the income approach. They learn how to estimate the gross income of a property and to process that estimate into an estimate of net income. Then, they learn the various techniques for extracting rates and income multipliers, and how to capitalize income estimates into indicators of value. The students are called upon to demonstrate these techniques as they solve drill problems.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 501, *Basic Appraisal*, Chapters 5 and 6; and Property Tax Rule 8.

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 29 hours of instruction 3-hour examination 32 hours total

***COURSE 7 ----- Appraisal of Agricultural Property
(Advanced-level course)***

Course 7 is designed to provide real property appraisers and auditor-appraisers with an overview of the methods and techniques of appraising agricultural properties. The course is intended for students with limited experience in appraising these types of properties.

The course presents an introduction into the nature of agricultural properties and the characteristics of value that distinguish these properties from other property types, and reviews the appraisal process in the context of agricultural property. The course offers a review of the appraisal processes for valuing agricultural property. Specific types of agricultural property covered include row crop and field cropland, dry farm and grazing land, and permanent plantings. Students solve drill problems specific to the needs of the agricultural appraiser.

Prerequisites: Course 5, *Income Approach to Value*; or *Time Value of Money—Six Functions of a Dollar*.

Pre-reading: Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, Part 1.

Calculator: Students are required to bring a financial calculator (or battery-operated calculator and compound interest and annuity tables) to the class.

Course Credit: 28 hours of instruction 3-hour examination 31 hours total

COURSE 8 ----- Appraisal of Machinery and Equipment

Course 8 introduces the beginning auditor-appraiser and real property appraisers to the fundamental concepts used in the appraisal of machinery and equipment. This course begins with a short review of value concepts and the pertinent provisions of the Revenue and Taxation Code and Property Tax Rules. This course focuses on the classification of equipment as either improvements or personal property. Students are taught to recognize and estimate depreciation and to prepare and compare market value estimates with base year values. The course describes methods of collecting and processing data.

Prerequisites: None

Pre-reading: None

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 28 hours of instruction 3-hour examination 31 hours total

COURSE 9 ----- Appraisal of Taxable Possessory Interests
(Advanced-level course)

Course 9 addresses the appraisal of private interests in publicly owned real property. The course is designed primarily for experienced real property appraisers and auditor-appraisers whose responsibilities include the appraisals of taxable possessory interests.

The course explains the nature of such interests, the legal basis for their assessment, and the effect of judicial decisions on possessory interest assessment. The various types of taxable possessory interests are described, and the prescribed valuation methods for taxable possessory interests are explained. Students apply these methods in the solution of drill problems.

Prerequisites: Course 5, *Income Approach to Value*; or an equivalent course.

Pre-reading: Assessors' Handbook 510, *Assessment of Taxable Possessory Interests*, Chapters 1 – 4.

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 28 hours of instruction 3-hour examination 31 hours total

COURSE 18 ----- Auditing Procedures
(Advanced-level course)

Course 18 offers auditor-appraisers and real property appraisers an opportunity to learn step-by-step auditing procedures and techniques for performing property tax audits. Students will learn how to set up standardized working papers and how to submit a standardized audit report with the appraisal. Selection of audits and the need for good public relations are among the topics discussed.

Prerequisites: Course 8, *Appraisal of Machinery and Equipment*, or an equivalent course

Pre-reading: Assessors' Handbook Section 506, *Property Tax Audits and Audit Program*.

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 28 hours of instruction 2-hour examination 30 hours total

COURSE 28 ----- Case Study Auditing
(Advanced-level course)

Course 28 is case study derived auditing class that includes in-depth studies in equipment and supplies auditing. This course covers auditing procedures, write-ups, and valuation concepts. This course also includes special topics such as commercial aircraft auditing, trade level, supplies, and others.

Prerequisites: Course 8, *Appraisal of Machinery and Equipment*; and Course 18, *Auditing Procedures*.

Pre-reading: Assessors' Handbook Section 506, *Property Tax Audits and Audit Program*.

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 28 hours of instruction 2-hour examination 30 hours total

COURSE 52 ----- Valuation of Restricted (Open-Space) Lands
(Advanced-level course)

Course 52 addresses the assessment of open-space properties—those types of properties that may be enforceably restricted under section 8 of article XIII of the California Constitution. The course focuses on land that is enforceably restricted under the California Land Conservation Act (Williamson Act), which is the most significant open-space program. The course is designed for real property appraisers and auditor-appraisers that have limited experience in the valuation of these types of properties.

Students are introduced to the various types of open-space programs, the legal aspects of these programs, and the prescribed valuation methods for open-space properties. Students work drill problems covering the valuation and assessment of open space properties.

Prerequisites: Course 5, *Income Approach to Value*; and Course 7, *Appraisal of Agricultural Property*; or equivalent courses.

Pre-reading: Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties*, Part II, Chapters 1 – 10 and 12).

Calculator: Students are required to bring a battery-operated calculator to the class.

Course Credit: 21 hours of instruction 3-hour examination 24 hours total

COURSE 56 -----Advanced Sales Comparison and Income Capitalization Approaches
(Advanced-level course)

Course 56 is designed for real property appraisers and auditor-appraisers actively involved in the appraisal of income-producing properties. The comparative sales approach and different income

approach techniques will be presented. The course is developed around case studies and other drill problems. In order to solve case study problems, participants must draw from their experience and consider a number of factors that can influence the sale price of such properties. Other subjects include selection of capitalization methods, techniques, and rates that are appropriate for valuing different types of properties.

Prerequisites: Course 5, *Income Approach to Value*, or *Time Value of Money—Six Functions of a Dollar*, and at least three years of experience in the appraisal of income-producing properties.

Pre-reading: Assessors' Handbook Section 502, *Advanced Appraisal*.

Calculator: Students are required to bring a financial calculator (or battery-operated calculator and compound interest and annuity tables) to the class.

Course Credit: 28 hours of instruction 3-hour examination 31 hours total

COURSE 120 ----- Investment Mathematics and Financial Calculators **(Advanced-level course)**

Course 120 covers various mathematical procedures and models used in valuation, including the use of financial calculators. Topics include compound interest functions, cash flow diagrams, discounted cash flow analysis, net present value, internal rate of return, and applications involving cash equivalency and the income approach. The basic features and applications of HP 12c financial calculator are also discussed.

Prerequisites: Course 5, *Income Approach to Value*, or *Time Value of Money—Six Functions of a Dollar*, and knowledge of basic algebraic operations.

Pre-reading: Assessors' Handbook Section 505, *Capitalization Formulas and Tables*, Chapters 1 – 4.

Calculator: Students must bring a financial calculator to the class; the HP 12c is preferred.

Course Credit: 28 hours of instruction 3-hour examination 31 hours total

COURSE 310----- Introduction to Appraising for Property Tax Purposes

This course introduces new real property appraisers and auditor-appraisers to the fundamentals of appraising for property tax purposes. The course will present the various appraisal approaches and significant appraisal principles for all types of property. The course covers the economic aspects and legal definitions of market value and California property tax laws. This is an online class, taught through American River College, a two-year public college in the Los Rios Community College District.

Prerequisites: None

Texts: Assessors' Handbook Section 501, *Basic Appraisal*; Assessors' Handbook Section 531, *Residential Building Costs*.

Course Credit: 30 hours total

COURSE 311 ----- Appraisal of Machinery & Equipment (Assessment of Personal Property and Fixtures)

This course covers the principles of property tax appraisal for tax assessment of personal property and fixtures. Topics include the economic aspects and legal definitions of market value, California property tax laws and regulation, the appraisal process, and methods of valuation. This is an online class, taught through American River College, a two-year public college in the Los Rios Community College District.

Prerequisites: None

Texts: Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*; Assessors' Handbook Section 582, *Equipment and Fixtures Index, Percent Good and Valuation Factors*.

Course Credit: 32 hours total

WORKSHOP DESCRIPTIONS

NC ----- New Construction

This 6-hour workshop provides a brief overview of the laws involving new construction, including a discussion of the various new construction exclusions. The workshop applies the laws to typical new construction situations. Topics include additions to real property, garage conversions, tenant improvements, normal maintenance and repair, substantially equivalent to new, change in use, date of completion of construction, unique construction issues, and the active solar energy new construction exclusion.

Prerequisites: None

Pre-reading: Assessors' Handbook Section 410, *Assessment of Newly Constructed Property*

Calculator: Students are required to bring a battery-operated calculator to the class.

MP ----- Appraisal of Mineral Properties

This 12-hour workshop covers the appraisal of mining (including mines and quarries). The workshop is designed to provide a basic understanding of the components and complexities of mining property appraisals. The workshop covers the following topics: geology, mine engineering, hard mineral production, and reserve estimates.

Approximately 50 percent of the workshop will be spent on drill problems, giving the student an opportunity to work and discuss examples employing the income approach in establishing a value for hard mineral properties.

Prerequisite: None

Pre-reading: Assessors' Handbook Section 560, *Assessment of Mining Properties*, Chapters 1 – 3.

Calculator: Students are required to bring a battery-operated calculator to the class.

Online Conferencing

In conjunction with the California Assessors' Association, the Board conducts appraisal training through online conferencing via WebEx with students participating at various locations throughout the state. The format includes student reading of instructional material and completion of drill problems combined with instructor led discussion through online conferencing. Below is information on such training currently offered.

Time Value of Money

This course provides an overview of the time value of money, introduces students to concepts of the capitalization tables and the compound interest functions in Assessors' Handbook Section 505, *Capitalization Formulas and Tables*. It discusses the key concepts and derivation of each function and appraisal application. The WebEx sessions are held in 2 hour increments over a four-day period; with structured reading and drill problems done by students before each WebEx session. The instructor reviews the answers to the prior day's drill problems and answers any questions as part of each WebEx session.

Prerequisites: None

Course Book: Assessors' Handbook Section 505, *Capitalization Formulas and Tables*

Course Credit: 12 hours total

Self-Paced Online Learning Sessions

Self-paced online learning sessions is a type of appraisal training where instruction is provided through structured reading and illustrated examples. Self-paced online learning sessions are available on the Board's website at www.boe.ca.gov and can be accessed through the appraiser training and certification page under the property tax program. These sessions include an examination that is taken on the Board's website.

This is a new endeavor for the Board. The first of such training will be available in **July 2011**; it is on the functions presented in Assessors' Handbook Section 505.

Time Value of Money – Six Functions of a Dollar

The purpose of this learning session is to explain the compound interest functions presented in Assessors' Handbook Section 505, *Capitalization Formulas and Tables*, the key concepts of the time value of money, and its relationship to appraisal.

This learning session consists of 10 modules; each module provides discussion of the function or concept and shows practical examples of the calculation or method. The objectives of this learning session are to provide a basic understanding of the time value of money and demonstrate how to use the factor tables and each compound interest function in Assessors' Handbook Section 505.

Note: Course credit to be announced; link to session will be posted in late July 2011.)