

TESTIMONY ON SENATE BILL 2326

Senate Finance & Taxation Committee

February 2, 2021

Paul Houdek, City Assessor, City of Grand Forks, ND

Mr. Chairman and members of the committee, my name is Paul Houdek, and I am the City Assessor for the City of Grand Forks. I want to thank you for the opportunity to provide testimony in opposition to this legislation.

I am contacting you today in opposition of Senate Bill 2326. This type of bill, at first glance, may sound like a good idea, but there are many unintended consequences that come from passing such a bill. In any mass appraisal model, equity is just as important as reaching market value. This bill will undoubtedly create inequities in every jurisdiction in the state. The real estate market is not a perfect model where everything sells for “market value”. True and Full value is the Assessor’s opinion of market value. The true and full value assigned by the Assessor is an opinion of value by a trained professional using the best and most current market data available. One sale of one property does not mean that is the market value of that property. That one sale is just one sample of data in the overall market. The logic behind this bill completely ignores the overall market data, as well as the cost approach, and the income approach. The real estate market is imperfect and there are many reasons that motivate different buyers and sellers to agree on a purchase price. In some cases the buyer is more motivated and the price they are willing to pay goes up. In other cases the seller is more motivated and the price they are willing to accept goes down accordingly. The “market value” is a measure of the sum-total of all the market data available at any given time, not just the result of one transaction.

What happens when a property sells for more than the true and full value? If the sale price equals market value, then it would seem the right thing to do would be to raise value on any property that sells for more than the true and full value as well. Market value and sale price are not synonymous.

Banks do the financing for real estate transactions all the time. They almost always require an appraisal. If the sale price and “market value” were always the same there would be no point in the bank requiring an appraisal. They require an appraisal precisely because sale price and market value are not always the same.

The Grand Forks City Assessor and the City of Grand Forks Legislative Committee oppose this bill. I would also ask you to oppose this bill as well.

