



PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL, INC.

FINAL REPORT

**PRIVATE SECTOR DEVELOPMENT OF HOUSING
EASTERN EUROPE**

CSFR

**DESIGN OF TRAINING CURRICULUM FOR
PRIVATE REAL ESTATE APPRAISAL
INDUSTRY**

PHASE I

December 1992

FINAL REPORT

**PRIVATE SECTOR DEVELOPMENT OF HOUSING
EASTERN EUROPE**

CSFR

**DESIGN OF TRAINING CURRICULUM
FOR PRIVATE REAL ESTATE
APPRAISAL INDUSTRY**

PHASE I

Prepared for

**United States Agency for International Development
Office of Housing and Urban Programs
Washington, DC**

Prepared by

**Paula Konikoff
Francine Pearl**

**PADCO, Inc.
1012 N Street, NW
Washington, DC 20001**

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1 SUMMARY

The consultants' assignment commenced in response to a request from the Czech Chamber of Appraisers and a real estate company named "All-In", to provide technical assistance regarding the establishment of appraisal standards and training of appraisers in Czechoslovakia.

In order to ascertain the current status of the real estate appraisal industry, so that the need for assistance in appraisal training could be substantiated and the level of training determined, the following areas of investigation were developed:

- The current status of real estate markets and real estate lending;
- The current status of real estate appraisal;
- Probable users of market appraisals and their needs;
- Likelihood that current providers of "administrative" appraisals would re-train as market appraisers.

An initial visit to Czechoslovakia was then scheduled in order to conduct interviews aimed at collecting sufficient data to formulate supported conclusions pertaining to the above.

Interviews were scheduled with various representatives of governmental ministries, lending institutions, real estate brokerage and appraisal firms. These meetings were arranged by Mr. Ryska of the Czech Chamber of Appraisers and were to be held in Prague, Brno, Zilina and Bratislava. Full notes of the meetings that transpired are attached as Exhibit "A" to this report. At the end of the first week of the two week mission, the following was determined:

- Komerční Banka was advised by its consultants that it should not form an internal appraisal department and therefore formed All-In.
- All-In is a full-service real estate company that is a subsidiary of Komerční Banka.
- Mr. Ryska is a real estate appraiser with All-In.
- All-In produces "market appraisals", primarily for Komerční Banka, using freelance Court Appraisers.
- All-In's approved freelance court appraisers constitute the membership of the Czech Chamber of Appraisers.

The Czech Chamber, as it currently exists, is not the most appropriate recipient of additional USAID assistance as such assistance would inure solely to the benefit of Komerční Banka. The initial request for assistance came directly from Komerční Banka. Since USAID could not, however, provide assistance to a single commercial entity, thus providing a competitive edge to that commercial entity, the request for assistance was then resubmitted by the Chamber of Appraisers.

Independent of Komerční Banka and its affiliates, a need and a desire for market-based real estate appraisal education was voiced in varying degrees, in both the Czech and Slovak Republics, with which the consultants concur. Furthermore, because of the time and effort

expended in discovering the Czech Chamber/All-In/Komerčni Banka relationship, only one day each was spent in Brno and Bratislava. More detailed research and interviews, especially in Slovakia, still need to be conducted in order to properly address in a comprehensive manner all areas encompassing Phase I. It is likely that existing organization(s) or institution(s) may be appropriate vehicles to offer market based appraisal education. A continuation of discussions initiated at the Institute in Brno and at least five days of meetings in Bratislava will be needed to gather the additional information necessary to choose the most appropriate forum for market-based appraiser education in both the Czech and Slovak Republics.

2 SPECIFIC ISSUES

Specific issues that were determined to have a direct bearing on conclusions pertaining to the major areas of investigation in Phase I were identified in the consultants memorandum of October 19, 1992. In spite of the time expended in unraveling the Czech Chamber/All-In/Komerčni Banka connection, enough information was gathered to briefly address the following issues. Mapping and recordation are further addressed in the following section.

2.1 Market

There is a market in individual residences although mortgage financing is not available. Individuals own single family dwellings, predominantly either via restitution or through private construction. Due to the lack of a condominium law, it is not yet legal to purchase one residential unit within a multi-unit dwelling.

Currently, there are a limited number of multi-family dwellings being purchased by one of two parties: foreign investors or groups of existing tenants. Due to the constraints of rent control, such properties are not generally as good investments. All cash, long term investments, however, are being made.

Consistent market behavior does not currently exist. It appears that most purchase prices are negotiated, either directly or via auction. When multi-family dwellings are purchased from a municipality by Czech nationals, the price is either set by indexed charts or through negotiation. At this time there does not appear to be an active market in non-residential real estate unless it is purchased as part of the acquisition of a business enterprise.

2.2 Recordation of Data

Statistical and transactional data is only now being collected. A body of historical information that appraisers can utilize does not exist. There is a general concurrence that such data should be collected and be made available.

A formal recordation system is not in place as yet. A private firm called Data Real is beginning to keep computerized records of transactions including size, owner and price, but not sale date or buyer.

Real estate agencies are keeping track of transaction prices to help set asking prices of properties coming on the market.

The Ministry of Finance now approves the prices of all transactions with foreigners and, according to Ing. Jana Furstova, will begin to record purchase prices to develop a data base that will be made available to the public.

2.3 Zoning

The only forms of land use control appear to be existing master plans and controlled historic districts.

2.4 Distinctions Between Republics

The majority of those interviewed in the Czech Republic expressed sentiment in favor of acknowledging the influence of market forces and factors in the determination of real estate value. An immediate need vs. an eventual need for market-based appraisal and market appraisal education, however, appears to be a source of controversy.

In the time allotted, interviews that were conducted appear to indicate that a discernible pattern pertaining to the social and economic role of real estate does not exist in Slovakia. Positions that were stated range from real estate existing only as a part of an on-going business enterprise or as part of a social support system that does not reflect market value to the concept of development zones, where the municipality would initially lease or sell land on beneficial terms to the user, to encourage development and increase the tax base. With regard to market-based real estate appraisal, the responses ranged from blank looks to a firm belief that without using such methodology properties would be sold at prices that are very disadvantageous to the seller.

The opinions that were stated at the interviews which were arranged for us in Slovakia lack an underlying consistency. More meetings and interviews need to be conducted in this Republic in order to be able to comfortably place into proper context the opinions we heard.

2.5 Appraisal Education

Appraisals have historically been performed by Court Appraisers who are licensed and regulated by the State.

There are approximately 6,000 approved Court Appraisers. Most of them perform appraisals on a part-time basis and frequently work as full-time civil engineers.

Court Appraisers are trained at Technical Institutes in Brno, Prague and Zilina. This training typically follows university graduation with a degree in civil engineering. The

appraisal courses continue over four semesters with a total of 310 class hours. In Brno, there are 40 students per course and the curriculum includes, but is not limited to the following:

- Civil Engineering
- Landmarks
- Non-Urban Property
- Construction Faults
- Banking and Finance

There are requirements for continuing education and re-testing of Court Appraisers.

2.6 Appraisal Application and Methodology

Court appraisals are used to determine fees and taxes, such as transfer fees and inheritance taxes. They are also the only acceptable means of establishing real estate value in litigation and are used by lenders to value collateral.

Court appraisals are defined and regulated by By-Law 393 ("393") which also dictates appraisal methodology. By-Law 393 is attached as Exhibit "B" hereto. Briefly, appraisal methodology, as described in 393, adds the replacement cost of the subject building (as determined via detailed cost indices that did not necessarily accurately depict the cost of materials) to the government-established, published price of the underlying land. Both the users of these appraisals and the appraisers agree that this system in no way reflects or intends to reflect market prices.

If a property is purchased by a foreigner, By-Law 393, paragraph 24 states that a different methodology for property transfer fee purposes is required. The exact methodology that is to be used is not stated clearly; the paragraph reads: "...the price shall be calculated at the price level on the foreign market base(d) on technical assessment using methods which are routine abroad (FRG or Austria)..."

Furthermore, if the foreign buyer takes a loan using the property as collateral, a market appraisal (for lending purposes) is performed to estimate value on the same date that the By-Law 393, Paragraph 24 appraisal is performed, for the purpose of calculating the transfer fee. In addition, there were individuals who, when interviewed, stated that a "domestic" By-Law 393 appraisal for taxation purposes could be performed concurrently with the transfer fee and market value appraisals. It is therefore possible that three very different values could be estimated for one property as of the same date for three different required methodologies.

Court Appraisers value on-going business enterprises as well as real estate; income approach methodology is applied to business valuations. However, since the consultants were not provided an example of such appraisals by Mr. Ryska, they cannot comment on the application or quality of this income approach.

2.7 Appraisal Organizations

Within the Czech Republic there is an active association of Real Estate Offices (ARK) and an Association of Bankers. Representatives of these groups expressed an interest in the real estate appraisal process, either as users or providers. Both groups seemed to recognize the importance of appraisals that estimate market value.

ARK currently conducts training seminars relating to:

- Asset Management
- Appraisal (not necessarily market techniques)
- Brokerage
- Legislation
- Accounting
- Taxation

Classes are held one week per month, plus some evenings, over a three month period for attendees who are already employed in real estate companies. Approximately sixty to seventy people attend each course.

The first real estate "licensing exam" was to be held November 27, 1992. There are now approximately 300,000 "firms" active in some form of real estate brokerage or management. Currently, no minimal standards are required regarding competency or experience to offer these services.

The Bankers Association includes 27 Czech banks in its membership. Jan Velek (Director, Association of Bankers and Director, Creditanstalt) stated that banks need to understand valuation and management of real estate due to a perceived large number of foreclosures in the near term. The Association is also considering establishing an asset management company that would handle foreclosed real estate for member banks.

Mr. Velek said that the Bankers Association is interested in appraisal education and members would send employees to such courses, but that training systems offered to date were either inadequate or too expensive.

A professional association open to all court appraisers does not exist. However, there is an organization known as the Czech Chamber of Appraisers. The Chamber, along with the real estate company All In, is the source of the request for USAID assistance. In the process of this "Phase I" investigation it was discovered that both entities had links to each other and Komerčni Banka.

The Chamber is legally formed but not government approved as a "Chamber" to represent an industry, in this instance, real estate appraisal. All-In has one full time appraiser, Mr. Ryska. Komerčni Banka's legal department selected 700 of the 6,000 existing Court

Appraisers for its approved appraiser list. All-In selected 200 of these appraisers to use on a freelance basis, of which approximately 125 are currently Chamber members. It is intended that the Komerční Banka's approved appraisers will constitute the membership of the Chamber.

All 200 Court Appraisers used by All-In have attended seminars given by the Chamber. Copies of seminar course material were not made available by Mr. Ryska. The consultants were informed that the U.S. Appraisal Institute offered to provide course material "but it costs", so the offer was not accepted.

There is no evidence of published standards of practice or conduct for appraisers, although this may exist within the Court Appraiser system.

2.8 Assessments

The majority of government officials and government representatives that were interviewed have acknowledged that a move to a system where the market determines the value of a property should also mean a move in the same direction with regard to how the value of a property is determined for the purpose of taxation.

3 KEY ISSUES IN REAL PROPERTY ASSESSMENT AND TAXATION

3.1 Assessment and Market Value

By-Laws which become effective in 1993 and expire in 1995 merely serve to imitate the way property was valued before the termination of communism in Czechoslovakia. Jurisdictions may choose to substitute the 1993 By-Law's index valuation method with price mapping. Prices depicted on these maps do not show actual sale price, rather the fee calculated as the transfer tax, which is also based on a form of indexing. Jurisdictions opting for price mapping are only depicting property that they have sold. Properties sold privately are not mapped.

The legal framework pertaining to property taxation as an "ad valorem tax" (based solely on value) has not yet been drafted in either the Czech or Slovak republics. This is a key issue. Those interviewed in both the private and public sectors indicated that ideally they would like to see market value oriented legislation in place at the time the 1995 By-Law expires. To date, no steps have been taken in that direction.

3.2 Courses

If market value assessment legislation is enacted for property assessment and taxation at the expiration of the 1993 By-Law, recipients of appraisal education will be those individuals responsible for administering the assessment process. Court Appraisers may be the first wave of recruits to fill the assessor title.

Courses that pertain to market economics and the three recognized approaches to value (sales, income and cost) are imperative not only to private sector appraisal, but also to the assessment process in a market economy.

Statistical modeling and assessment ratio studies used to determine assessments are not normally part of an appraisal curriculum. Subjects such as these which are integral to the assessment function can be taught separately, whereas materials that both appraisal and assessment functions share can be mutually developed, designed and taught. Therefore, it is recommended that, pending a meeting of representatives from groups with an interest in establishing an organization to train, license and represent market appraisers, assessment administrators should be among those participating.

3.3 Assessment Systems and Their Financing

The consultants believe that the Czech region is “flirting with the Swedish and Danish systems” of property taxation. This may be a key issue since the consultants do not know which other systems (U.S. and/or European) have been examined to date, if any. Therefore, it is possible that a decision on which system to adopt will be based on limited exposure to what is actually available. Furthermore, the appeal of the Swedish system may be primarily due to the Swedes offering free computer software to the Czech Republic. The Czech Ministry of Finance views a federal administration of both assessment and property tax collection as favorable. It is the Czech Ministry’s view that this would be instrumental in allowing local government to avoid additional strain on already limited budgets. It appears that the possibility of an assessment system that is administered on a local level, paying for itself, has not been considered by the Czech Ministry of Finance. The cost needed to bring an assessment system on line also appears not to have been calculated.

Interviewees in the Czech Ministry of Finance appeared to be unaware of studies indicating that property taxation administered on a local level offers greater local autonomy in distribution of the revenue that has been collected, at the same time providing accountability on the part of local government to the residents of that jurisdiction. The interviewees appeared surprised to learn that the cost of administering property tax could be less expensive than the administration of sales or income tax. A member of the Slovak Ministry of Finance did indicate, however, that each municipality in Slovakia will collect its own taxes.

The consultants do not know if Slovakia has been approached by Sweden, Denmark or any other potential source of an assessment system.

One of the most important discoveries made during the interviews with Ministry of Finance officials in both the Czech and Slovak Republics was that they could not provide projections of percentages or targeted revenue amounts expected to be generated by the property tax.

3.4 Mapping

In the Czech and Slovak Republics, budget allocations alone will not ensure an effective assessment and property tax collection system based upon the market. A good assessment system requires accurate sales and property data that is linked to the parcel identifier through the cadastre which channels this information.

In the quest for land data, both the public (the assessment agency, Chief Architect's office, et alia) and the private sector (appraisers, real estate developers and the general public) stand to benefit from a mapping system that locates and identifies the inventory of all parcels within a given jurisdiction.

Presently, Bratislava's 92,000 parcels are being mapped in an analog manner, then digitized. This endeavor includes: topography, infrastructure, street names, delineation of parcel boundaries and their dimensions, current use and building data. It will be completed at the beginning of 1993. This mapping system will eventually be linked to title information through a GIS that is being developed.

During his interview (in Bratislava), Ing. Balaz indicated that Kosice (in Slovakia) was also developing a mapping system that will be linked to GIS. Title information would not be part of the GIS data because of limited cooperation with Kosice's Geodetic Institute Office. He also stated that Prague was heavily involved in a mapping project which would, through the use of a scanner, convert analog maps to digital and that Prague was relying on Vienna for help with this undertaking.

Overall, mapping is a key issue. Information obtained in an interview held with the Chief Architects' Office in Brno may be the norm and not the exception. Brno does not have nor are they considering preparing maps that would depict all parcels within their jurisdiction. The parties interviewed expressed amazement that all 927,000 parcels in the City of New York are mapped and identified. Brno, they said, would not even know where or how to begin this type of process.

3.5 Recording of Sales Information

The three approaches that are used to determine value by the U.S. assessor and his counterpart, the appraiser, depend on accurate market information. A key issue demanding immediate attention regarding development of a future database is information on property transactions. It appears that in both the Czech and Slovak Republics, transfer documents do not always have accurate legal descriptions and parcel identifiers, full (financial) consideration is not normally shown on transfer documents, and there is little, if any, understanding as to what constitutes a "bona fide" arms length transaction. Ideally, once developed, this database would be maintained by the assessor's office and would be available to the public for informational purposes.

3.6 Summation of Findings

It is apparent from interviews conducted and observations made that a curriculum addressing valuation of real property, for the purpose of taxation, from a market perspective is necessary in both the Czech and Slovak Republics. Guidance also appears to be needed in the following areas:

- The relationship between the budget and revenue collected (this may best fall into the purview of municipal administration);
- The development of a complete parcel inventory;
- The development of a cadastre system that can eventually be integrated with GIS;
- The development of an appeals process (for taxpayers who disagree with the assessment value of their property);
- The development of a property tax collection procedure, including penalties and liability for failure to make timely payments (i.e., in rem taxation).

4 KEY ISSUES REGARDING TRANSACTIONS AND LENDING POLICIES

4.1 Commercial Real Estate

Currently, there are issues preventing Czechs and Slovaks from fully perceiving real estate as an investment vehicle. These range from social conditioning under the former regime to lack of capital. Foreign investors are predominantly responsible for creating existing market activity. This will likely generate greater understanding of the asset class and eventually a stronger interest in making investments in that class. Lenders interviewed clearly anticipate an active market in commercial real estate in the near future.

Bankers are developing underwriting policies much like our own, with 65 percent to 75 percent expected loan-to-value ratios for real estate. An open question is how those collateral values are being established. Although residential mortgages are not yet available, representatives of Komerční Banka in Brno indicated a pent-up demand evidenced by regular phone calls from potential borrowers. Such a mortgage lending institution is now in the early developmental stages; it will likely be an affiliate of Komerční Banka.

The expectation of strong market activity is probably best evidenced by the 300,000 newly formed real estate service companies. It is expected that market forces will serve to sharply reduce the number of realtors. Nonetheless, the astonishing number of current companies indicates that there are expectations of large numbers of users of real estate agents.

At this very early stage of market development, it is not possible to comment specifically on plans for future commercial and residential development. The need for housing will eventually be met with new development but the route taken to alleviate the housing shortage will rest in large part on whether panel housing is renovated or abandoned. Other issues

servicing to frustrate new development include unavailability of vacant land for sale and an absence of financing. At this moment, the active segment of the construction market is renovation.

Social policy codified by legislation serves to dampen the potential real estate market regardless of whether investors are foreign or domestic. There are differences in transfer fees based on whether one is a national or a foreigner. To discourage speculation, onerous taxes are placed upon a property that is held less than two years. Laws generally serve to protect residential occupants via rent control. Furthermore, new foreclosure regulations encourage real estate lending, however, the lender is prohibited from taking full control of the property as residential occupants are protected by law. There is an inability to evict without providing replacement housing.

These social-based issues will restrict a fully "open" market; however, appraisal policy can take them into consideration. These issues, therefore, should not be reasons to defer market-based appraisal education.

4.2 Current State of the Appraisal Process

As previously stated, appraisals are currently used to establish transfer fees, inheritance taxes, some asking prices for properties, for lending and in litigation. Most of these are prepared by Court Appraisers pursuant to By-Law 393. In addition, foreign investors are hiring foreign appraisers to value assets that are being considered for purchase. All-In is performing some appraisals for Komerčni Banka and other lenders using the income approach. The consultants did not receive a translation of the sample All-In appraisal, so they cannot comment on methodology or quality.

4.3 Future Appraisal Needs

Although there is a split in opinion regarding the future acceptance of market valuations, lenders and participants in the marketplace appreciate the need for such appraisals. As property taxes are instituted and greater value is placed on consistency of real estate values, the demand for market appraisals should grow quickly. Lenders also recognize the need for market appraisals at point of foreclosure.

The consultants believe the need for market appraisals will mushroom in the next year and will have exceptionally strong demand through 1995 or 1996; it should then level off as the market stabilizes following the first wave of private transactions and property taxation. Further, the production of price maps could require a great number of market value appraisals in a very short period of time.

The expected users of appraisals should cover the gamut listed in the October 19, 1992 memorandum, repeated below:

- What are expected purposes of appraisals?

- Taxation
- Asking price decision
- Offer price decision
- Lending decision
- New construction decision
- Sell/hold analysis
- Who are expected users of appraisals?
 - Assessors
 - Owners of property
 - Potential purchasers of property
 - Domestic
 - Foreign
 - Potential lenders
 - Private individuals
 - Private corporations
 - Government agencies
 - Commercial Banks

5 MEETINGS ATTENDED

5.1 Czech Chamber of Appraisers

The consultants addressed a meeting of the Chamber of Appraisers on October 14, 1992. There were fifty to sixty attendees; no business was conducted other than this presentation on U.S. appraisal and assessment methodology and practice. The most interesting aspects of the session were the questions posed to us by the audience. Although there were those who could not conceptualize commercial property being valued separately from the business enterprise, there appeared to be a general understanding of market value. Questions concerned the collection of rent and sales data from the marketplace, how appraisal fees are determined, how to measure the negative effect on value due to construction of a "restaurant with a wine cellar" in a quiet, residential neighborhood, assessor qualifications, assessor ethics, if ownership of property within an assessor's jurisdiction constitutes a conflict of interest, the extent of assessment data bases, availability of this information to the public and the value of price-mapping to an assessment agency.

5.2 International Board

One of the consultants attended a meeting of the Chamber's "International Board" on October 16, 1992. The agenda for that meeting is attached as Exhibit "E" to this report.

This meeting was less formal than Mr. Ryska had indicated. The foreign attendees (list of invitees attached as Exhibit "F") did not give formal presentations; rather, a fairly open conversation regarding valuation took place.

The relevant points of this meeting with regard to this assessment are:

- A. The attendees did not consider themselves “members” of an “International Board”. Rather, they attended out of a genuine concern for valuation standards being developed for new practitioners of their profession.
- B. Mr. Ryska has a history of not delivering requested information. There was general displeasure that the agenda for this meeting had not been distributed in advance, as had been requested.
- C. The attendees generally disagreed with the pre-conditions to licensing of appraisers and the educational curriculum presented in the Center of Education - School of Valuation in Prague document, attached as Exhibit “D” hereto.
 - Pre-conditions do not include University level education;
 - Pre-conditions do not require an apprenticeship period;
 - Curriculum does not include ethics, standards of practice or legal issues.
- D. There was general understanding that the Chamber was closely related to Komerční Banka. Peter Champness (United Kingdom) indicated that a British donor organization had received a request for assistance from Mr. Ryska, but after investigation had not offered its assistance as it was determined that the constituency of the requesting organization was too narrow to be an appropriate recipient.
- E. An educational curriculum should be developed from existing curricula, selecting the best aspects of teaching programs from the various appraisal organizations. Mr. Champness suggested that each attendee submit his organization’s teaching package for consideration.
- F. Professor Pilny, Dean of the School of Economics, privately expressed an interest in offering post-graduate appraisal courses. He believes it will require at least two years to develop a program and train lecturers.
- G. Mr. Mach, Ministry of Justice, stated that the Ministry is interested in establishing an educational organization to teach market appraising. He believes that the Ministry will appoint market appraisers in the future.
- H. There was general agreement that legislation will be required to specify market appraisals for a variety of purposes and to train and license market appraisers.

6 CONCLUSION

There is a need for the training of appraisers in market value theory and methodology. Both public and private entities can either avail themselves of such services now or will seek

them in the near future. This is evidenced by banks accepting real estate as collateral, municipalities selling real estate and real estate taxation system, based on price maps, being required by legislation as of January 1, 1993.

The Bankers Association, Association of Realtors, Ministry of Finance and Ministry of Education have all evidenced need for and/or interest in market-based appraisal training. Both real estate brokers and Court Appraisers have expressed interest in performing such appraisals.

The technical institutes now provide appraisal training although it appears that the courses currently available do not emphasize market forces. This education likely cannot be modified using existing faculty and organizational structure. The Association of Realtors offers training seminars on various real estate-related subjects. The Association of Bankers intends to offer training seminars and the Dean of the School of Economics at Prague believes it appropriate that his faculty offer appraisal training at the university level.

The answer to the question of what constitutes the appropriate forum for appraiser education is not yet clear. As it now exists, the Czech Chamber of Appraisers wants to offer education to provide Komerční Banka with the best possible appraisal product. Although the courses would likely be open to the public, without appropriate enabling legislation and/or Ministry of Education approval, the Chamber's students would not be eligible for general licensing. The consultants believe the real intent of this "Chamber" is to develop what would be Komerční Banka's appraisal department rather than an organization representing an industry.

Market appraisal and its training and licensing must begin with enabling legislation. This is supported by the fact that current appraisal methodology is legislated in By-Law 393. To our knowledge, such legislation has not been proposed.

It is possible that a meeting of representatives of those groups with an interest in using or performing market appraisals would result in the establishment of an organization to train, license and represent market real estate appraisers. Such an organization would be an appropriate recipient of the technical assistance intended to be provided pursuant to this contract.

7 PROPOSED WORK PROGRAM

In order to complete our Phase I assessment more specific information needs to be gathered and analyzed. The consultants strongly recommend the steps set forth below be followed to provide sufficient data to complete the Phase I assessment.

7.1 To be completed while in the U.S.

- Obtain and review course material now used by Chamber.
- Obtain and review course descriptions from ARK.
- Obtain and review material from any appraisal courses offered by ARK.
- Determine status of training programs offered or being considered by the Association of Bankers.
- Determine whether any other organizations, domestic or foreign offer seminars for the Chamber. If so, obtain and review course material.
- Determine availability and cost of courses now offered by U.S. appraisal organizations.
- Prepare and distribute questionnaires for members of the Bankers' Association to determine the scope of their perceived appraisal needs.
- Determine which assessment and/or mapping systems are being considered by the Czech Republic.
- Suggest via letter to Mr. Stuess, President of the Chamber, that the Chamber expand its constituency to include all identified entities interested in the performance and/or use of market appraisals.

7.2 To be undertaken in the Slovak Republic

Spend at least one week in Slovakia to determine current status, future needs and most probable forum for appraiser education.

- Meet with representatives of existing professional associations that would be potential users or real estate professionals, Court Appraisers, accountants, investment funds, etc.
- Meet with appropriate representatives of Ministries of Finance, Justice and Education.
- Meet with additional representatives of State and local government whose departments are or will be responsible for real estate assessment and/or taxation.
- Meet with bank executives responsible for developing and administering underwriting policies and procedures at major institutions.
- Meet with teaching staff at Technical Institute at Zilina.
- Review approved price maps.
- Review a sample of existing valuations.
- Conduct round table discussions with representatives of entities that are the most probable users and/or providers of market appraisals.

7.3 To be undertaken in the Czech Republic

- Conduct round table discussions with representatives of entities that are the most probable users and/or providers of market appraisals.

- Determine the appropriate forum for appraiser education and organization for appraiser licensing.
- Continue our research by performing those steps outlined above to be done in the Slovak Republic, limited to avoid duplication of data collection completed to date.

7.4 Status Review

Unfortunately, a great deal of the consultants' time was spent in unraveling the real relationship between the Chamber and Komerčni Banka. Furthermore, their efforts to complete Phase I of this contract were inhibited by Mr. Ryska's intent to control and limit access to necessary information. Therefore, Phase I is not complete and the objectives of the program cannot be achieved without following the program presented above.

EXHIBIT "A"

MEETING NOTES
(Fran Pearl's notes are in boldface)

**October 5
Morning in Hotel Lobby**

GENERAL QUESTIONS

What does training consist of presently?

Are the three approaches used? If not, why not?

If not, what are the checks and balances? Do you believe they are needed?

What is the valuation cycle?

How do parcels get identified?

How is title secured and recorded? Arms' length transaction?

What characteristics are currently in the data base?

What characteristics does the municipality wish to include?

What is the assessment percentage of full market value?

What is the most desirable portion of the city? Why?

Are there sales for that area?

Are there sales for the areas surrounding the most desirable area?

Is new construction taking place? If so, what type:

- a. Residential?**
- b. Commercial?**
- c. Office?**
- d. Industrial?**
- e. Unique?**

What is the quality of this construction?

Are there renovations taking place? If so, to what types of properties:

- a. Residential?**
- b. Commercial?**
- c. Office?**
- d. Industrial?**

e. Unique?

Are these renovations:

- a. Gut rehabs?**
- b. Moderate?**
- c. Cosmetic?**

How does the municipality find out about such renovations and new construction?

Are permits necessary?

How do renovations increase the value?

Will assessments be done on a local level?

what level of government will collect taxes that are based upon the assessment?

Is there a protest hearing process in place?

Is there a penalty system in place for failure to pay designated property tax? What is it if one exists?

What will the property tax finance?

10/5 Pavel Dvorsky, President of Prague Assn.
3 p.m. 2 Assn.'s: Czech and Moravian

Data Real:
info - size, owner, price, but not buyer, leases and/or sale date

2 appraisals

At transaction, 5% goes to State paid by seller (by law but negotiated otherwise), 1% to 10% brokers' commission paid by buyer; percent depends on property type.

Appraisal must be approved by Minister of Finance.

Approval has nothing to do with price.
Price is less than appraisal.

Court appraisal is used to negotiate fees, *not* necessarily price.

To sell property:
register sale with notary in district

Lawyer can do contract, or parties can agree on price

Foreigner must pay less than foreign price
appraisal for transaction to be approved by Minister of Finance

Must present proof of title to sell property.

Appraisal must contain:

1. property description
2. client
3. owner
4. list of materials relied on --

Old law, still valid - cannot buy and sell Real Estate in 2 years
without paying 55% tax.

Companies are now specializing in "independent" appraisals.
American Appraisal is major provider.

Discussion with Ryska

Purpose:

To establish appraisal as a profession

1. Establish legislation
Education (separate body)
Education should include global thought

"Intense marriage of professional and technical."

- I. Establish Profession of Appraisal
- II. Establish Educational Programs
- III. Establish Appraiser Legislation

Historically, only State conducted education.

Intent would be to replace "court appraisal" system with newly educated, licensed appraisers.

Concepts:

1. Independent school
No connection to Chamber of Appraisers or Ministry of Education.
20 people starting course in January?
Try to teach existing appraisers "market" oriented practices.

Data Real - Real Estate Agency

What data is recorded?

Location
Size
Price
Transaction date

The buyer's name is not in the data bank.

What credentials do you need as a broker?

There are no guidelines or laws. Anyone at this moment can become a real estate broker/agent.

Legal entity - corporate
Physical entity - personal

This broker sees a move eventually toward licensing.

***** When there are no sales, what is price based upon?**

How does agent get paid?

There are no guidelines for commission. Commissions range from 1% to 10%. Seller usually pays the commission fee.

0.25% of recording fee - exclusive contract (most agents will attempt to ensure this)

There are two types of appraisals:

- 1. Transfer of property requires an appraisal**
 - a) Calculation of transfer fees by an index**
 - 1. Seller pays 5% of value that is based upon the index to the State**
- 2. International Investments - Joint Ventures**
 - a) German method - index**
 - 1. Is this an attempt to establish market value?**

***** Even if there is only a 1% foreign participation, there must be an International appraisal.**

A foreign legal entity (corporate) can purchase property. A physical entity (individual) is prohibited.

Deutsche Marks - most common currency for price quote.

Currency must be used that is considered hard if foreigners are investing Czech Krauns, if investors are Czech.

***** Fees are always based on appraisal, not on the actual sale price.**

The selling price for foreigners must be lower than the appraisal value. This is not applicable for Czechs.

Property Appraisal:

**Czech 1 million Kraun
Foreign 23 million Kraun
S.P. 21 million Kraun**

The Sale of Property:

The sale of a property (transaction) is registered at the respective notary. The title in the form of a deed is presented (contract may be put together by a lawyer or both sides agreeing).

The following must be presented to the notary before the transaction can be registered:

- 1. Title**
- 2. Land Registry Sheet**

- a. Lot size
 - b. Type of land
 - c. Use
 - d. Owner
 - e. Liens
3. Appraisal

The law mandates that the "rudiments" of the cost approach and index system be used in the appraisal.

The following is included in an appraisal:

1. Description of property
2. Owner
3. Pictures
4. Index method

Zivnostensky Zakon - License Law

Standard appraisals must be done according to By-Laws

Property Tax Law 1993 (get copy)

The real estate law does not encourage speculation; 55% of value is taxed for the first two years of ownership. There is very little vacant land in the center of Prague. Greater Prague remains undeveloped.

Who is doing independent appraisals?
Real estate agents, companies

What are independent appraisals most commonly used for?
Office, retail, apartments?

Can land use be changed? Are demolitions possible? Are variances given?

Demolitions must be approved by the chief architect's office.
Variances are not given - cannot bend.

Historic towns are strict (example Prague) as to what can be built.

Agricultural Land:

Type 1- Agricultural land will never be excluded, whereas a swamp may very well be converted from agricultural use to another use.

Tax:

Agricultural
Land
Building?

Towns and cities:

Land

Building

Ground floor taxed higher than upper floors

Use of building

Highest taxes in Prague are currently on building land - 1700 Krauns per square meter.

Net Leases:

This type of lease is not the norm. Expenses may be passed on to tenant although, for example, the cost of electricity is not calculated in the lease agreement.

Monthly and yearly average rent:

Usable areas

Common areas

Owner responsible for payment of taxes

What is the length of a typical commercial lease?

5 to 10 years

What are the vacancy rates?

Residential

Office

Commercial

The prices for all three are high which creates variances, but in some instances there is a surplus that is also causing vacancies.

10/6/92

10 a.m.

Mr. Zavodsky - atty. - administrative judge of appraisal - oversees court appraisals

Ministry:

1. Who are appraisers - how chosen?
2. How are appraisers trained?

No market, therefore no understanding of how to appraise
BUT

Real estate value estimates needed for taxes, fees, etc.

10,000 authorized court experts; 5,000 are real estate appraisers.

Why should market create less work?

- Real estate appraising is *not taught* within regular education framework.
- 2 Real Estate appraisal training bodies

Technical Institute in Brno

also, 2 year post-graduate program

Prague - Civil Engineering School

- like British Diploma
- after secondary economic or civil engineering school
- most have university degree, but secondary degree technically is enough

Most appraisals are done for real estate transactions between Czech citizens

Appraisals are only to set fees, price is something else altogether. State pays for appraisal if they are the party needing it.

Purpose of appraisal *must* be stated for appraisal to be legal.

It is expected that "market appraisals" will be done by an "Appraisal Institute" or company.

Ministry of Justice is really to do with Central Court management, therefore must rely on stipulated institutions.

Foreign consultants are the ones doing "market" appraisals.

Personal opinion --

Bylaw on appraisal is complicated and it is time to review

There are no price maps -- being worked on slowly

Ministry of Justice - Zavodsky

Suggested questions:

- **Why the need for two different standards?**
- **What is the education process?**
- **What is the method of training?**
- **Do you want theory to be consistent with what is internationally accepted?**
- **How is price determined?**
- **What do you consider an "arms-length transaction"?**
- **Do you value exempt properties but not tax them?**
- **How accurate is your mapping system?**
- **How does it work?**
- **How are transactions recognized and recorded?**

There are 5,000 individuals that are authorized to do appraisals for the following purposes:

1. **Notary**
2. **Court**
3. **Municipal offices**
4. **Other**

These individuals are called Court Appraisers and are provided for under the Ministry of Justice.

Under communism, the market was badly managed; now, there must be a start from somewhere.

Appraisals were managed in the same way as all other things were in a total _____ system.

Strict rules have established the current system.

There is a market atmosphere; the market is being established.

Court appraisers will always be needed by the State administration and other authoritative bodies.

Transaction fees are required to be paid to the State. An appraisal must be done to calculate the fees that are owed - Court Appraisal.

Who pays to have the Court Appraisal done?

The appraisal is the responsibility of the owner.

Appraisal fees will be included in any fines imposed. For example, two individuals arguing over the ownership or boundaries of a patch of land; the party that loses pays for the appraisal.

The appraisal must State why it is needed.

Certain instances may exempt party (or parties) from paying the appraisal fee.

***** How is value determined?**

Appraisal law reads that appraisals may be done by institutes (companies) or individuals. Very complicated properties will most likely be appraised by groups.

It is rumored that appraising will be established as a proper profession.

The Ministry of Justice works with legislation. The current by-laws on real estate appraisal are quite complex. The ministry is getting ready to review them.

Value is determined by a combination of the cost approach and index system.

"There are currently no price maps, therefore we find ourselves in the old system."

The law does not State that an appraisal is needed. A notary, however, will require it. The notary is responsible for the calculation of the transfer fee. They may be fined for any mistakes and therefore require a Court Appraisal.

The Ministry of Justice selects or approves the Court Appraisers.

What is the criteria?

If institute training is not taken, a test is necessary to qualify as a Court Appraiser. Second level regional court administers the examination; it is very difficult.

***** The by-law is the methodology to be used and is defined as a law.**

***** He believes as there are more market transactions, there will be a need for less Court Appraisers and appraisals that adhere to the by-laws for valuation. Outside appraisers from foreign concerns will become more active; the system will change market value.**

Price maps = sale price? (are being drawn as the path away from by-law)

10/6/92 Czech Chamber
2 p.m. Ryska - Secretary General
Minister of Education
Mr. Stiess

Education for appraisers: should not be part of university curriculum.

Only State university now -- cannot wait to develop appraiser training until next cycle of higher education curriculum.

Continuing education post-certification.

Wants appraiser certification to be accepted throughout Europe

Now, only 'court appraisers' are licensed.

??? "Book value" - Who defines it? Confusion about relative importance of book ("nominal") vs. market value.

Accounting laws?

Ass'n of Banks - Nominal vs. Market Value

Although law does not specifically stipulate required appraisals for all fees, notaries require an appraisal before collecting (or assisting) fee.

What is future role of Ministry of Justice?

Bylaw is methodology defined as a law.

Appraiser examinations:
7 court regions in Czech
4 in Slovakia

Believes there should be need for fewer "Bylaw" appraisers as market develops; will be replaced by "consulting firms" doing market appraisals.

All-In: Technical Consultants to Chamber of Real Estate Appraisers?

"Behind the times for setting up legislative framework for appraisals."

One of the goals is to establish center of education.

To establish shorter, non-university courses is one of their goals - legislation.

Does not call or demand university courses - this is not their aim.

Goal is to establish a new link between non-university courses and university.

Anticipates 3 years of courses (higher education), although not as many years as the university.

Anticipates secondary school graduate or lawyer taking this course after graduating from law school.

Point of confusion:

**Book value vs. market value
In the Czechoslovakian system, which is more important?**

Banks will need appraisals for mortgage purposes.

Book value (accounting value vs. market value)

Book value used by tax experts

Value of collateral:

Commercial banks are attempting to solve the problem of book value vs. market value.

Appraisal as a Profession:

- 1. Legislation - modeled after U.S.A. (what is U.S.A. legislation?)**
- 2. Education - School of Valuation**

Until now, the State sector was responsible for court appraisers.

"Perhaps it is better for court appraisers to not take courses and just let them pass through the system."

Old time appraisers made no judgment calls; everything depended on the index.

**By-law is how to appraise
By-law is how to assess**

**Does not believe courses should be given at the University level;
center will be private institution - tuition will be paid.
Could this mean money for them?**

10/7/92 Jan Velek - Director, Association of Bankers
also, Director Creditanstalt

1/1/90 - Reform of banking system to move beyond one State bank.

Credit operators were *not* operated on free market economic theories -- you got voucher for credit just like food, gas, etc.

Three methods:

1. Financial guarantees by 3rd party
2. If lender is insecure, payment goes directly to bank, also passing through lender's hands
3. "Regular" real estate loan -- based on collateral

How does real estate business work? Book value, market value and a combination of both.

Ownership was also unclear due to restitution claims and privatization.

1990 and 1991: Made many loans, 2-3 years. Can these bullets be repaid?

What will banks do with repossessed real estate?

Banks entering real estate markets will cause chaos.

Banks need to understand valuation and management of real estate.

Banks will have to appraise foreclosed real estate and decide whether to sell it or manage it. How to do either?

Should banks form a real estate management company to handle foreclosed real estate? Asset management company.

Smaller banks will benefit the most due to cost of new personnel.

Collateral system is best; 15% interest; guarantee costs another 2%. This 2% is too much for new entrepreneurs.

2 valuations of real estate:

market value = supply + demand priced at auction
book value = formula

Neither is ideal, but market value comes closer

Ideal would take risk of repossession into account.

If Ass'n. of Banks sets up asset management company.

If a system were developed, Ass'n. would be happy, but so far system suggested was either too expensive or not adequate.

Institute of Banking Education.

Ass'n. of Banks:

Wants written data up front (in Czech).

Bankers are recognizing problems now.

Apt. rents are still too low to entice purchasers of apt. blocks.

Residential -- 20% equity
higher income => larger loan amt.

(Confusion between company and institution.)

Organization - Ass'n. of Banks is voluntary; thinking about Chamber of Trade.

50 Banks in Czechoslovakia now; 27 or 28 are part of Ass'n. now.

10/8 Ass'n. of Real Estate Offices -- Burovka
9:30 a.m.

- Data base
- Seminars
- Development of real estate prices
 - relying on court system
 - price maps determined by court appraiser method

Appraisal organization:

Chamber	Court Appraisers --
Institute	Ministry of Justice

Ass'n. of Realtors

- Provides education to enable membership to meet requirements

Education based on Germany, Switzerland

- Asset management
- Appraisal
- Brokerage
- Legislation
- Accounting
- Taxing

Classes last 3 months -- 1 week per month and some evenings.
attendees are already working in real estate.

Believes it not desirable to have market appraisals because taxes would be higher.

Realtors are doing market appraisals so as to price property.

Free market will force new appraisal system -- but Ministry of Finance continues to need 393 appraisals.

Transaction fees are increasing.

Fee reduces as period of ownership increases.

Less than one year ownership -- transfer tax is 72% of "appraised" value to discourage speculation.

Institute in Prague that is now doing some sort of education.

Swiss -- brokers can do appraisals

German system:

What is it?

Still formulaic?

Only licensed people can do appraisals.

Belief that market prices will be significantly less than court appraisals.

11/27/92 -- first realtor's exam.

60-70 people per realty course.

Association of Real Estate - Mr. Borouška, General Secretary

Education Aim:

The objectives of the Association of Real Estate Offices of Bohemia, Moravia and Silesia is to establish a Chamber of Real Estate Appraisers.

The Association also wishes to become a chamber that would then be legislatively permitted to issue licenses.

- 1. Court Appraisers presently establish price by/through an index.**
- 2. Currently, there is no training that is necessary to become a real estate agent.**
- 3. The Association of Real Estate Offices will teach accounting, taxation, managing legislation and appraisal.**
 - a) Course-full week one time per month and some follow-up (3 months process then examination)**
 - b) Practical experience - most are already working in the field because there are certain requirements that must already be met (therefore, no hands-on training supplied by the association).**
 - c) No one is keen on having market value appraised by Court Appraisers because all taxes (transfer, notary) would, in the Association's view, be higher.**
 - d) In order for the market to be reflected in court appraisals, the Ministry of Finance would have to drop present by-laws; they plan to do this over the long term.**

***** Currently, if you own your own agency or work for one, you cannot do appraisals for that firm.**

***** Court Appraisal price will always be lower than market value.**

***** Two year period of initial ownership very high on vacant land.**

***** Speculators pay heavy tax - highest is 72% of price.**

***** The longer you have owned a property, the lower the taxes.**

What situation would require consultants?

Why, how and when does he see the need for the services of a consultant?

Start teaching system at this point in time from down to up?

Any major overnight change would increase the instability of the government.

Prague 4

Czechs tend to connect with Germans. A lot of systems have been taken by the Czechs from the Germans.

Example: Appraisals according to the German method have been written into the law.

La haute Kovichky? - Construction Business

- 1. Helped to develop Association's curriculum**
 - a) Swiss material and format filled in with Czech particulars**
- 2. Space provided by La haute Kovichky**
- 3. La haute Kovichky provides speakers for the Association's cause.**

***** 300,000 real estate agents in the Czech portion alone.**

10/8

10 a.m. Mr. Pasek -- Ministry of Finance
Education: Institution in Brno

Bylaws and guidelines are the same in Czech Republic and Slovakia

Market appraisals done by All-In and Chamber.

Why?

New tax laws will be more closely tied to 393:

- VAT starts 1/1/93
- Transaction fees become taxes
- 1995 -- real estate taxes will be based on transaction price rather than 393 appraisals.

Swedish and Danish systems:

Danish --

"Market" (also based on index) value is adjusted every 3-5 years

Swedish --

Value is based on averages adjusted by index points

Believes valuation on market consideration is more "just".

Section of Ministry deals with:

- Methodology -- interpretation of 393
- Paragraph 24 -- dealing with foreigners
- Relation of 393 to foreign laws.

Is 393 foreigner-friendly?

Foreigners not really dealing with 393.

New revision of law -- Ministry of Finance will not need to approve transaction prices -- 1/1/93.

Believe both types of appraisals (market and 393) will be used in the future.

Swedes have offered Czechs valuation/taxation software. Computerization is important. This would be first step in moving toward market value.

Court appraisers probably cannot be re-trained to do market appraisals. Court appraisers are not professionals; 393 is too deeply rooted.

No continuing education or re-certification requirements.

There would be public access to the data base containing transaction prices.

**Prices of Real Estate and Construction -
Mr. Pasek, Ministry of Finance**

There is one institution (in the proper sense of the word) that exists for Court Appraisers. It is in Brno.

Appraisals are based on by-laws, not the market.

The tendency that is recent is to want to do appraisals according to the market.

***** Does not believe that we could be helpful with current tax system or with that of by-laws taking affect in 1993. In 1995, by laws expire; then taxation may begin to be based on market value.**

**What taxation system will be adapted in the future?
393 code - transfer of property may still be according to this code.**

Have budget considerations made you look toward a centralized system as opposed to a local or municipal one for the administration of the property tax (assessment system)?

Flirting with Swedish and Danish systems for property taxation. In both systems, the market value is adjusted either every three or every five years.

Swedish and Danish systems are both centralized. This meets our own budget considerations if a transaction occurred before the three- or five-year re-valuation. The consequences of that sale will only be acknowledged at the time of the re-valuation.

"The Swedish system is a just system."

What makes it just?

Square Meters is the present calculation; the system must move away from that.

What is the connection between real estate appraisal and the course of your everyday job?

- 1. Methodology 393 - interpretation of by-law**
- 2. Foreign Investments, Paragraph 24**
 - a) Joint ventures**
 - b) relationship of 393 to foreign laws and real estate**
 - 1. Current tax laws were made for Czech population, not foreign interests**
- 3. Transaction fee for tax purposes**
 - a) tax is paid according to court appraisal by seller**

1. It may be agreed that buyer will pay

Eventually, the Ministry of Finance will no longer regulate the index that sets the court appraisal price.

Is or will there be a need for market appraisals?

Swedish and Danish system adaptation is not final - may even move away from point system within the Swedish and/or Danish way.

The Ministry of Finance has only looked at the Swedish and Danish property taxation system. It has not looked at the "U.S. system" or other European systems.

***** Assessment the Swedish Way:**

Computer system software is being *offered* to Czechoslovakia - "This makes it attractive."

"Present by-laws and 1993 revisions could be the foundation, since there was no market under communism."

"Court Appraisers have other jobs that are full time - also set in their ways."

It appears that no one believes (out of those we have spoken to) Court Appraisers on a whole should be retrained to take on market appraisals along with the following:

- Bankruptcy**
- Repossessions**
- Establishment of interest rates**

Where do you see the majority of these market appraisers coming from?

"It will depend on requirements that are to be defined."

- 1. There will be a passing of an exam**
- 2. Presume economic background - will have to learn legal and some civil engineering end**

"Cannot define clearly from what group - perhaps real estate agents that are let up or have failed will be among the first wave of new appraisers."

Do you see this being taught in an academic setting or in an institution removed from academia? Why?

- 1. Transaction to foreign company must be reviewed (appraised) by a particular office for the price that is to be taxed.**

2. **Appraisal is based on Austrian and German system. Books showing this methodology are available at the Ministry of Finance.**
- 3.*** **On-going education does not exist. Currently, recertification does not exist. Perhaps this will be part of the new legislation that is to be written.**

"Ministry of Education is better equipped to say where it should be taught."

***** Maybe at more practical or technical schools. Example: Civil engineering or economic (Fran's comment: "Remember, he's speaking on behalf of the State sector; private has very different interests.)"**

Paragraph 24:

Will this Paragraph stay in the by-law?

The law does not State that you must have an appraisal to give to the notary. It has become a custom because notaries do not wish to make the necessary calculations. The notary would be liable.

If a database is created and computerized, the general public would have access.

State Notarist: In January, the transfer fee will become a transfer tax. The present notary will still collect moneys until 1993

The 1993, the notary will be private; the transfer tax will no longer be in their domain.

To be a Court Appraiser, you do not have to go to the Institute in Brno. The Institute is only one way. A related field may make it unnecessary to attend Brno Institute for the 2 to 3 year period it takes to complete their courses.

***** Social factors are a more important consideration in European valuation than in the U.S.A.**

10/8
2 p.m.

Female member of Indirect Tax Department

Taxation is on average rates in small geographic areas.

Land is valued based on quality of soil, *then* averaged.

Structures are taxed also, but separately from the land. Value is done on different process.

Square meters x index = value
(fixed rate regardless of location or quality)

Forests (standing timber)

Ponds or Lakes (fish breeding)

Tax = % of value (price)

Meadows -- tax = 25% of price

State farm land is being transferred to a State-controlled land trust. It is being rented and managed but not sold -- transfers are due to restitution.

Price maps:

Now being developed --

To be updated per Swedish system -- every "X" years, regardless of transaction.

No identified method yet for the development of price maps or what data will be included.

Prices initially will be 393 computations.

(Fran - Swedish system is *self-assessment*)

Need to start registering purchase prices.

So far, small companies or individuals are actually making the price maps.

Would like to see a single valuation method. Hopefully, new law should help establish the foundation for move toward "market" value.

Current mapping system is in awful condition; it's not necessarily based on ownership, rather on right of use. Ownership rights were ignored since 1953.

Okay to protest tax; can State that your property is much worse than the average. Owner bears burden of proof. Owner does this himself; no lawyers needed.

Penalty for late tax payment:

- Law on tax fee management stipulates monetary penalty for late or insufficient payment.
- Taxing authority can eventually take real estate.

Tax exemptions:

Public things -- utilities, schools, churches, landmarks, hospitals (private and public), bldgs. owned by political parties used for political purposes, government bldgs. used for gov't. purposes (if gov't. owns bldg. and collects rent from private companies).

Higher tax on commercial space than residential.

Course in Hungary this winter by Anders Muller (Denmark) (tax appraisal -- one week)

Office of Indirect Taxes

There is an average rate for specific areas with regard to land pricing by index.

Agricultural taxation and pricing by the index system is based on the quality of the agricultural land (soil), then it is averaged.

Land is at a percentage of price at a specific rate, therefore tax equals a percentage of price multiplied by rate?

- **Forests are taxed - fixed rates regardless of location**
- **Ponds are taxed - fixed rates regardless of location**
- **Lakes are taxed - fixed rates regardless of location**
- **Grazing areas are taxed - fixed rates regardless of location**

"5" standard fixed rate for the quality which in this instance is "5".

"1" standard fixed rate for the quality which in this instance is "1".

equals:

Cooperative land and private plots; the quality ranking system is not for State land.

Restitution of State agricultural land is now overseen by a different office. State farm land is currently being rented but not sold; transfers occurring are due to restitution. They are not numerous.

Private Plots - Was there a change in title through restitution or to those currently forming them?

1995 - Will address change in valuation for agricultural as well as all other land.

***** Price Maps - updated once every x years (this is what is anticipated as per the Swedish system).**

Land other than agriculture or building lots:

Fixed rate per square meter

Rate multiplied by index determined for the area

As for Prague, she is not sure or unwilling to commit.

What is the price map based upon?

"393 for a start is what these price maps are based upon. The registration of parcels transferred with their price must begin." (No specifics stated on data to be included.)

What is placed on a price map?

***** Prague is not developing price maps, only individual agents. In Brno, the local government may be developing a price map; the work may be contracted out (check this).**

Would you like to see one method for both the private and government sectors?

"Yes, one method for both public and private."

New law - foundation for the taxation of property - base for "market" valuation (her opinion).

Identification/Mapping - "No faith in the system", (her statement), as it exists.

Use is the basis of the old system.

Ownership/Title - has been ignored since 1953.

Right to protest valuation - can claim that parcel differs from the norm; owner represents self.

Failure to pay tax and/or fees - monetary fines and "in rem"

Exemptions:

Government does not go out and inspect property - self-assessment system; many non-registered structures.

Exemptions include but are not limited to:

**Utilities
Schools
Churches
Charities
Hospitals (private and public)
Government buildings
Political parties (that property which is not rented out)**

Higher tax on commercial space than residential.

***** She believes market price will be significantly less than Court Appraisals' (interesting!).**

***** Course given in Hungary - Danish course - Winter - Anders Mueller - 1 week - Assessing.
Call Anders for information.**

11/27/92 - First realtors' exam.

10/8

3 p.m. Ing. Jana Furstova

393 developed here -- started in 1985 and updated.

First update in 1991 due to liberation of prices; now small revision.

Can replace 393 only when market is active enough to allow taxing authority to be comfortable that reported price is realistic.

1/1/93 -- Ministry of Finance will not need to approve transaction prices involving foreigners. But still different value basis for taxes.

Will start recording purchase prices to develop data base -- not classified data, but not clear if it will be published or not.

Ministry only has data re: foreign investments. If a Czech citizen buys property, Ministry of Finance does not know.

Private statistics will be done by real estate agencies.

Price maps:

Can replace 393 per statute in discretion of municipality.

Law on tax advisors (private companies) and auditors. Why not appraisers?

Ministry of Finance/Prague Price Department

How do you specifically work with real estate valuation?

393 - This department developed 393. By-Law based on technical specifications which are not new and were developed by one of the engineering institutes in 1985.

Private transactions/property taxation/transfer tax:

1991 - first update on By-Law. By-Law had to be updated in response to price.

Calculation of fees for the transfer tax is stated in 393.

Update 1991 has the same principles as the original 1985 By-Law - major revisions in the near future.

"Market" will be the reason for one valuation for private transactions, property taxation and transfer tax.

Paragraph 24 - will be changed January 1, 1993. Ministry of Finance will no longer approve transaction prices that involve foreigners.

Purchase price will be recorded for statistical reasons even though Ministry of Finance need not approve of the price.

Ministry of Finance currently has data only on joint ventures, foreign investments. If a Czech citizen purchases property, the Ministry does not have the data.

Information will not be kept confidential. It may be seen by the public, but it depends upon how it will be processed.

Real estate agents have more information than Ministry of Finance which only has information based upon Paragraph 24.

Example: Joint ventures with foreigners

Prices indicated on maps may eventually represent actual market.

***** Price maps at the discretion of the municipality can replace 393.**

***** If municipality chooses not to use 393, it can than use market price mapping as long as it is based on the actual market (Important!).**

Court Appraisers would welcome a law on Court Appraisers; there is a law on accountants and tax advisors.

13

10/9/92

11 a.m. Brno Komerčni Bank - Merta Petr

Real estate preferred asset as collateral; short-term "lock box" payment arrangement.

Guarantee from Guarantee Bank -- customer seeks guarantee.

Lacking long term residential financing, therefore starting mortgage bank -- just started working on structure in 6/92, should begin operations in 1993.

Komerčni Bank owns All-In

Wants to use all market appraisals

Mortgage Bank:

1. Housing
2. Real estate business

First intent is to lend only, not to invest in commercial real estate for its own account.

Conflict of interest not big issue if company is affiliate.

Real estate appraisal is brand new.

Is in both sides interest.

Who will next generation of appraisers be?

- Court appraisers
- Brokers
- Finance majors
- Mixed bag -- who knows?

Should tax system be the same?

Would make life easier, but not possible to happen soon. Would require whole country to be appraised.

Brno still does not have official price maps.

1993 -- real estate registration law will take effect. Old system of registration is not useful.

Privately owned land is easier; former State land is the problem due to sub-division and restitution.

Has not specifically addressed question of appraiser education; let someone else do it unless there is a problem.

Considered setting up internal appraisal department but thought quality would not be good as if outsiders were hired. Concept of local appraiser knowing market better.

Demand on part of potential real estate buyers is there, but no financing yet available and systems not yet in place.

Pent up demand for new, better housing. Blocks of low-cost housing (housing estates) are just *not* desirable.

30%-40% of town residents live in such housing estates.

Construction companies will also flourish.

Komerčni Bank does *not* operate in Slovakia. Credit market disallows any institution from having more than 30% of country's loans therefore may form affiliate in the future.

Ing. Merta Petr, Komerčni Banka, Erno

***** All-In formed by Komerčni Banka. (This resolves a lot of questions; Ryska has us running in circles. The pieces are finally coming together.)**

Given English version of annual report. Komerčni is the largest bank in Czechoslovakia; a truly commercial bank.

Komerčni is currently undergoing significant conversion to accepted standards.

Example: Converting to accepted European accounting system

1. Arthur Anderson
 - a) Consultant to the bank in this process
2. IBM hardware

Komerčni Bank - Full range of services:

1. Foreign payments
2. Letter of Credits
3. Lending - short to medium
 - a) short-term obligation preferred
 - b) long-term loans are 7 years
4. Guarantees

Preferred Loans:

1. Real estate
 - a) Legislation is incomplete

- b) Regarding collateral obligations, money is loaned to those who have money in bank/bank account
- c) Frozen when payments are not made
- d) Typical banking practice

Guarantee bank:

Customer goes to guarantee bank; initial information is given at this bank.

Historically, Czechoslovakian money market is lacking.

- 1. Long-term loans
 - a) Example: housing - there is a very outstanding gap
- 2. Guarantee bank - fill void
 - a) Concept began this year - 1992
 - b) Bank should start operating - 1993
 - c) State bank must issue license

Real estate is currently being used as collateral.

***** All-In is 100% owned by Komerčni Bank!**

- 1. Appraisals for Komerčni Bank may very well be done by All-In
- 2. Komerčni Bank supports moving away from By-Law 393
- 3. All transactions are based on market, not on 393

Banks are most frequent users of appraisals.

Mortgage bank - lending for housing and real estate business

Mortgage bank has two functions:

- 1. Owning of real estate to lease will however come later (Fran's opinion is that "this is a bad move".)

Has the conflict of interest of owning the firm that does the appraisals been considered?

Affiliate should do real estate for in their opinion it would eliminate the greed factor.

All-In will not be restricted from doing appraisals for other banks.

Fee structure - The Bank is aware that contract fee is the route taken in the U.S.A. whereas in England and other parts of Europe a percentage of the value of the property establishes the fee.

**Who will be the next generation or wave of real estate appraisers?
Hard to say. Teams could come into play, members of the real estate community such as agents, brokers (these two are one in the same) or finance managers.**

Should there be one system for "market valuation" and taxation? (private purposes)

"Yes, but it is not possible to happen soon. Must appraise all of the country first."

Property identification and title identification:

- 1. Big problem/difficult**
- 2. New law on title - 1993**
 - a) Does not provide for development of system for title; it is only the first step**
 - b) Registration of transfer will be according to new law beginning in 1993**
- 3. Biggest problems with title: Former State property, restitution claims, agricultural land**

The Bank has no thought on who should be responsible for appraisal education, concentrates on other areas leaving education to other entities.

Headquarters of Bank in Brno (no affiliate in Slovakia):

Appraisals are done by outsiders, locals who in their opinion have a better feel of the market.

Komerčni Bank was established when State bank split up.

Komerčni Bank works only in the Czech portion (Bohemia and Moravia) of Czechoslovakia. The split will not affect the Bank.

- 1. 30% of the volume of loans may be on the market, after the split. Principaľ will become smaller, shares greater.**

***** Actual market is close to zero due to the absence of mortgage money. No market rents.**

***** Do individuals want to buy real estate or are they waiting for the system to be developed?**

"The Bank is contacted everyday by potential buyers and sellers. Demand is on the side of funding."

***** There is an aversion to housing projects. Many are unhappy with their current housing. Prefab sells for very little; no one wants them. Desire is to get away from housing estates (projects). 30% - 40% of town population live in these dwellings.**

Opportunity for construction - no law at present.

U.S.A. - accounting rules now require capital reserve against the amount that has been loaned.

***** Foreclosure - very difficult in this country. Tenant eviction is impossible; as for evicting the owner, some are of the opinion that the same should hold true for the *owner* as does for the *tenant*.**

10/9/92

2 p.m.

Land Mapping

Chief architects office *only* deals with municipal land.

Ministry of Finance published methodology.

City of Brno just hired private company to produce price map.

1. Updated maps (scale 1-5,000)
2. Scale of unregulated commercial rents (collect rent through realtors and checked with tenants).
Bylaw states cap on unit by zone, *but* real rent can be anything.
3. Real estate sold since 1989 by municipality including purchase price and use.
4. Data on construction moratorium
5. Information on ag. land
6. Master plan
7. Conversations re: plans for development

Some free market price negotiation, but non-commercial space is still calculated on 393.

Data base will be created; should be available to the public.

Will track transaction prices, buyer, seller, etc.

393 is unfair.

Chief Architect's Office (works with municipal land only)

Ministry of Finance establishes and publishes methodology.

Is the Ministry of Finance responsible for land mapping?

Zoning study came before price map.

City of Brno selected private company to make price maps.

Brno Price Map:

- 1. Updated maps scale 1 - 5,000 (all of Brno).**
- 2. Survey of rents for non-residential/commercial properties - real estate brokers will supply figures that will be verified by tenant.**
- 3. By-law states a ceiling rent according to zone but actual rent can be any figure (there are four zones).**
- 4. Listing of real estate sold since 12989 by the municipality**
 - a) Purchase price**
 - b) Transaction use**
- 5. Construction moratoriums**
 - a) Where**
 - b) How long**
- 6. Information on agricultural land**
 - a) Master plan**

Paper data base - to be placed in computer at a later date

Public may view these maps; maps should be finished by April 1993.

This map will only serve for the calculation of fees replacing 393. Will track transaction price, buyer and seller along with other data regarding municipal land.

Map will be updated every six months.

Property valuation through price mapping? Only deals with municipal land.

393 fixed rate per meter

Fran's observation:

High levels - are saying that there is no market.

Low levels - are saying that, yes, there is a market

***** Define market:**

- 1. Residential/family units**
- 2. Multi-dwellings**
- 3. Commercial**
- 4. Industrial**

Housing shortages in Brno in part due to families holding more than one flat.

10/9/92

3:30 p.m. Institute at Brno

- 3,000 court appraisers, some part time, some full time.
- 6 institutions that specialize in appraisal; this is the only one that trains both -- mainly civil engineers otherwise.

University graduate in related field -- 3 years plus relevant work experience. Seeking 30 years of age.

4 terms -- 310 class hours.

- Civil engineering
- landmarks
- non-urban
- construction faults - for depreciation purposes
- legal aspects -- different court purposes; economic
- banking and financial matters.

By law (36 of 1967, 37 of 1967) court appraisers and interpreters (guidelines).

Tax regulations, private enterprise (changes since 1989?): laws and bylaws going back 100 years (for estate cases); practical portion.

How to learn technical value -- cost approach, income method, corporate valuation, income method -- same as us in concept.

40 students per course

From 1897 until 1950, used income and cost approaches, then only used 393 cost.

1. Need to define what the banks want
2. Institute students can do market appraisals

Some banks require German method.

Regulated rents in multi-family residential bldgs. make income approach non-relevant in that property type.

Court appraisers and all other appraisers.

Law re: Economic Chamber

Concept of saturation of market

Slovakia (Zilina)

Court appraiser values whole companies

Team of professionals

trained 85 teams

private and State combined teams included banks

3 approaches:

income, cost and value in liquidation

Technical university

12,000 students

Appraisal institute works with various faculties

Pay for course, 10,000 kr + books

Every five years Ministry of Justice requires update and re-examination in the form of new reports.

Does income approach reflect market?

An apt. building purchase price is 25% - 50% of 393 appraisal

Office bldg. sells for 3-6x

Where rents are not regulated they are too chaotic.

Slovakia:

In corporate valuation, do cost and income. If less than 50% apart, average. If more than 50% apart, use cost.

In Slovakia, banks are only accepting appraisals done by court appraisers.

Institute at Brno

Dr. Gustav Albert Bradac, Director and Gustav Kasanicky

3,000 Court Appraisers, some full time, some part time

There are six institutions that specialize in Court Appraisers.

Civil engineers are in the majority of those who are Court Appraisers for real estate purposes. However, appraisers can be university graduates educated in related fields and at least 3 years in related work experience.

Courses:

(4 terms, 310 class hours over 10 weeks)

- 1. Some course work in civil engineering**
- 2. New developments in the field**
- 3. Land marks**
- 4. Village and country type developments**
- 5. Depreciation**
- 6. Legal (civil and criminal)**
 - a) Economic by law on Court Appraisers' Law #36 of 1967**
 - b) Administrative guidelines 37 of 1967**

- c) **Banking regulations**
- d) **Tax regulations**
- 7. **Large portion of course deals with appraising along with all applicable laws**

Courts would like to change system to 30 years of age for Court Appraisers.

Methods Used:

Cost Approach

Income Approach - appears to know something about income approach as we know it: "Either money in a bank or invested real estate"; used term "cash flow".

***** 1897 - 1950s - Cost and Income Approaches to value were used. As of the 1960s, 393 and its cost method.**

40 students per course. Requirements for graduation include 8 appraisals and thesis.

Court Appraisers do the appraisals for transaction fees that are to be paid.

Individuals from last few courses can, in his opinion, determine market value. Banks are, however, unclear as to what they want; some even want appraisals based on 393. Some banks want the appraisals in Deutsche marks. Some banks want the use of the income method. This is difficult with regulated rent; tenants are protected by the State.

Czech Portion:

- 1. **Court Appraisers**
 - 2. **Regular appraisers (just need license)**
- Both of these are self-employed.**

Court Appraisers appointed by Chief Justice who determines education requirements. They are presently taking course at this institution.

Slovakian Portion (Zilina):

Has trained 85 teams for private purposes and State bank (banks just want to know "how to", but will not do them in actuality.

- 1. **Cost Approach**
- 2. **Income Approach**

3. Value of Accreditation - company going bankrupt selling off pieces

Slovakian school founded much later, took inspiration from Czech portion.

Technical University:

- 1. Faculty**
 - a) Institute just below faculty - not quite on its level
- 2. Course fees**
 - a) 10,000 krauns, 310 class hours; does not include books.
 - b) Average cost 25,000 - 35,000 krauns
- 3. Ongoing Education**
 - a) Every 5 years, Ministry of Justice requires the showing of appraisals and the taking of an exam. Materials are also updated.
 - b) Information now changing dramatically; more mandatory courses.
 - c) 25% to 50% of the 393 appraisals are for residential apartments. Office buildings based on German appraisal prices (not 393) - three to six times more in value.

"In 3 - 4 years, rent will stabilize; then we can use the Income Approach."

Slovakia:

Income vs. Cost - more than 50% of appraisers will use cost.

- 1. Borrower in Slovakia submits appraisal to bank for loan.**
- 2. Bank goes for training to learn how to read it.**
- 3. Banks in Slovakia only accept appraisals done by Court Appraisers.**

Comment: It appears that unlike the Ministry of Justice and All-In, the Brno Institute is under the impression that Court Appraisers can be re-trained. I agree with this although there is always the exception, for example, those still loyal to the old regime (Fran wonders what their motive is? Monopoly?)

Systems:

	<u>Appraisals</u>	<u>Assessments</u>
Czech	German Model-index	Swedish and Danish-centralization
Slovakia	Austrian Model-index	?
Variation on the same theme.		Defeats local government assuming responsibility and authority

10/11/92 Sunday: Hotel Lobby, Prague

What are the steps involved in becoming a chamber?

Must Ministry of Justice and Ministry of Education approve curriculum? Licensing?

Can we speak to a representative from the Ministry of Privatization?

**Can we speak to a representative from the Ministry of Education?
(Have already requested this; request again!)**

We are not servicing All-In or Komerčni Banka. We are here at the request of the Chamber of Appraisers. Who are they?

SH

10/12/92 Mr. Kokoska (w/out Fran)
Price maps - appraisals

1967 -- legislation of valuation

What methods used for insurance company appraisals

Valuation for restitution

Joint venture with Price Waterhouse?

Doing work for banks -- domestic and foreign.

Price maps for Prague
Bidding on Brno and Bratislava

Methodology?

Not 393 -- German and Austrian market prices being used in maps; German method otherwise, as most customers are foreign.

German method:
Comps on land, then index on bldgs.

393 *only* used for transfer taxes, but real market is in place; number of realty offices is now too high, should reduce drastically.

Insurance company -- 393 -- "market" price in land - "land basket"--
Germany or Austria

land on comps
bldgs. on charts

Although transfer prices are recorded, not disclosed, Minister of Finance will divulge prices, but only kr per square meter of land; need to get transfer price from brokers.

Total price is allocated between land and building, using charts.

Can envision income approach, but market has no history.

Various types of appraisals being done. System dictates methodology. Ass'n. of experts designated by court. Post-graduate study in Prague for technical study. Experts are limited in number, can only be nominated on death, resignation.

Market prices changing too quickly to use for taxation purposes.

1995 system?

393 will change in 1993
30% of real estate should transact from 1993 to 1995

New 393 not very different from existing.

Changing system for land -- start at "x" and index out from there.

Swiss method of land value

Assumes lending value will be the same as indexed prices.

Law not changed since 1967. Experts not properly compensated in today's market; State set fees years back.

New law re: Chamber of Experts

Now any foreigner can appraise Czech real estate, but not any Czech.

All In -- 4/91 FIABCI

Attended FIABCI under auspices of Appraisal Institute

120 Members

All -- In trying to create independent organization to serve Komerčni Bank needs.

Would welcome an independent body to include court and private real estate appraisers, registered with Ministry of Commerce.

Should control methodology and ethical practices.

Education should be included in the university curriculum: economics, engineering, construction.

Prague and Brno: preparation is complicated, needs members of appraisers, employees of appraisal association and others.

Stay in contact as we go forward to help formulate curriculum --

Has studied European appraisal methods; indexed --

Methods are inter-related; do not know U.S. methods; not as sophisticated.

Desire to modernize systems and methodologies.

10/12/92

2 p.m. All In

Ministry of Education?

Will have problem solved next year.

At this point, only bankers care about market price.

Chamber:

1. Legally formed, but not governmentally approved to represent industry.

All In: Using 200 court appraisers. Gave seminars already for these folks.

Any full time appraisers? Yes, only Mr. Ryska

Komerčni Bank: Client -- about 80% of work
20 or 30 for Komerčni so far this year
10± for others

Fee is based on percent of appraised value; Komerčni bank pays lower percentage.

U.S. Appraisal Institute would provide course material, but it costs.

Methodology is to be used for middle market corporate lending; comes through EC and World Bank.

Investment banking

Privatization Process:

No long term lending since Bank needs to turn money faster.

Two-week old bankruptcy law

How Banks can determine value of repossessed assets

Bad loans -- will consider extension; refinance or foreclosure?

'Valuation' covers business as well as real estate.

They consider goodwill, etc.

Real estate values will decline affecting banking. Czechoslovakia doesn't have underpinning to withstand drop.

No accountancy regulations that speak to valuation.

Ryska wants courses now.

Housing is not part of this consideration.

10/13/92 Monica:

8: a.m.

Can do training courses, but *not* "full time" education. This "technical" education could not lead to State certification; the stamp could not be issued. There is not now any vehicle for licensing without State approval.

There are now some management courses offered largely by foreigners. The only thing you get at the end of these courses is proof that you attended. But, there is no framework now for private organizations offering licensing programs.

Only relied on by employees, not general public (basis for legal framework for appraisals)

University can develop courses and curriculum

Lending requirements; any legal requirements? (draft legislation)

Yes. Appraisal *must* be presented to Ministry of Environment in cooperation with Ministry of Finance.

Komercni Bank should not be allowed to lend without 393 appraisals.

"Book Value" = 393 value

Title? Ownership is in real property list; leases are not yet recorded.

12/92 is cut-off date for restitution claims regarding State owned land.

If there were possibilities of restitution, they have expired.

Works for economic policy re: housing.

Asking prices are too high
Residential mortgages

Residential development

- Will be done by private companies
- People are worried about overall political issues rather than lowering interest rates

Problem of attracting investors into housing. Still issue of rent control not allowing residential investment to be profitable.

Most panel house developments are 65 square meter apartments.

Leases can be net or gross - not legislated - stated in lease; generally paid by tenant.

1/93: New law will State rate of tax and who will pay.

Real estate taxes will be collected at the State level.
Real estate should be taxed.

10/13 Mr. Musil, Komerčni Bank

Inland lending = domestic lending; short term loans are
State enterprise, do not need collateral.

More than one year is "middle term"
Third person guarantee

Used to use court appraisal; now use All In...

Who reviews appraisals within the Bank?
People who have experience/knowledge of neighborhood and
general pricing value.

Majority of loans are only collateralized by real estate.

Proportion of loan portfolio with State enterprises?
170,000,000 kr lent -- 50% to State enterprises

43% of Komerčni Bank is still owned by the State.

Slovakia-Mutual Credit Bank is equivalent of Komerčni in Czech
Republic.

Who orders appraisals?
Borrower from Bank's approved list.
All In + other court appraisers.

Bank is looking for real estate (?)

Any new construction finance?
In last three years, construction has dropped off.

Privatization and restitution are purposes of borrowing.

With new construction, collateral is corporate security or land to be
developed. Also, value of construction in place.

Mortgage Bank -- doesn't know about lending policy.
Will be a separate bank.
HQ will be in Brno.

Several banks will join in to create initial capital.

Komerčni Bank:

All In chooses whether or not to do appraisals; they will refer others out.

Banks law dept. chose 700 appraisers --

All In chose approved list.

Approved List = Chamber membership

What do you do about appraisals in Slovakia?

Mutual Credit Bank -- Klein

Market value:

Not 393

1 value = 393, other is based on location

No laws requiring 393 appraisal for underwriting.

If dissatisfied with appraisal, borrower must get another appraisal.

10/14/92

7:30 a.m. Hotel, Prague

Jan Zemarek (works with Rozz Gorin)

Company develops properties - mostly rehab (reconstruction).

Loans: Problem - very short time frame and high interest rates.

80% is the highest percentage a mortgage loan is guaranteed for, by real estate, other than the one that is being mortgaged or other assets.

Companies first project - cafe across the street from National Theater (most famous cafe in Prague) - there is a 50-year lease from the State.

"Banks at this point are not asking for appraisals."

Old system still intact.

10/14/92 Ciska Sportelne -- Karl Kotrba

Making loans to individual and companies; they used real estate as collateral.

Historically, there were legal limitations on transfer of property until loan was paid in full.

1992: Civil code was amended if loan is actually a mortgage.

No mortgages since 1964 to 1990.

Old legislation:

Could only loan 95% on land, 85% on bldgs. of flats.
50% commercial.

Law lifted:

Now need to know what is market value.
Bank staff not competent to value real estate.

"393 gives minimum price." -- there may be exceptions.

Commercial vs. Residential rents:

"Chicago" on Navorodni was reinstated after Velvet Revolution --
both residential and office

Jan Bubenick -- 40 Dms per square meter for office in "Chicago".

Residential rent control --

Still making loans to municipalities, but since municipalities are separate from the State, the situation is still chaotic. Until real estate taxation laws become clear, cannot tell what revenue will be available.

Want to be a "Bank of towns and villages" -- Minister of Finance made open tender for lending to municipalities; only two banks were interested. Czech Savings is conduit for central gov't. funding.

Wants to get market price, but doesn't see a way to get to it. Each bank should have appraisal department.

393 process is "queer and stupid" -- grew out of State notary system, transfers, inheritance.

Should be market price for all purposes.

Judr Karel Kotrba, Ceska Sporitelna a.s.

Is the Bank making loans using real estate as collateral?

Czech savings bank:

Individuals

Small and medium companies

Some exceptions - large companies

Legal limitations of the real estate transfer that is negotiated between borrower and creditor - amendment of the Civil Code was made and the situation will change.

Middle Ages to 1964 - mortgages existed; limitations regarding legal transfers began after 1964 - now normal - mortgages can be used once again.

Czech Savings Bank - no rules exist - although very strict rules once existed, such as:

- **85% mortgage flats**
- **50% mortgage industrial**
- **95% land**

Bankers want to know what the market value is in relation to the loan requested.

Appraisals cannot be done by the Bank staff. The Bank is using Court Appraisers.

Minimum price - appraisals done by Court Appraisers.

New Civil Code and Business Code permit creditors the right to sell real estate at public auction if the loan connected with the mortgage and payments as agreed upon have not been made.

No by-laws for real estate auction for non-payment of mortgage.

Foreclosure:

- 1. How much is due?**
- 2. How much is it really worth?**

Is the Bank still making loans to municipalities? Before the War it was the best loan to make. Now, the situation is still not normalized.

Local fees - local taxes

According to this individual, the Bank wants to be the/a "Bank of towns and villages". Only three or four banks were interested. Czech Bank took first place. All moneys of towns and villages will go through this Bank. Czech Bank must ensure that the purpose of this money will be carried out. Central government will release moneys through this Bank to the municipality.

Real estate valuation, as done now, does not establish market price.

We want this - the market price. Karel Kotrba would like to see appraisers determining market value.

***** Taxation - Market Value**

- 1. Court Appraisers first wave to be retained**
- 2. Bankers, perhaps, to read and analyze**

10/15/92 Bratislava
9 a.m. Office of the Director of City Development

1989 -- new municipal possibilities but ownership is a problem.

Asset management department -- all face inventory problem since W.W.II.

1990:

Restitution started; all claims are now in.

Individuals and municipalities both face the same issue.

Municipalities are trying to get ownership from the State.

Use and/or management of property gives use to questions of title.

Master plan dictates use of real estate. Three types of sale from municipality to individuals.

Tender, selected, sole source.

17 Municipalities within Bratislava

Need approval from Mayor and five committees, small council and big council

Zone along Danube:

U.S. investors interested, but title too unclear.

Wants to form municipal realty agency to administer city property.

Prices are determined individually -- entrepreneurial committee.

Dept. of development and dept. of economics both determine price.

No standard for determining price --

"Commissions think Bratislava is Vienna."

Specialized organizations (Inter Consult).

Municipal deficit: doesn't have money to get appraisals.

Municipal development company and Inter Consult made deal that IC would do appraisals for free and take a percent of eventual transaction.

Foreigners never heard of IC and prefer appraisals done by foreign firms.

City can't afford foreign appraisals and so may be missing out on big development deals.

Most potential investors are foreign, even if they are using a Slovak front.

Foreigners may be using German method.
Chief architect's office knows about appraisal methodology
(Mr. Setinsky)

Distinction between big and small assets.

Slovak legislation -- 2 methods.
County divided into zones; each zone has a value.
Believes this is misleading as land might have or *not* have
infrastructure.

Are lease and sale transactions being recorded anywhere? Difficult to
say --
Dept. of Asset Management that makes transaction arrangements,
but records are either not kept or not shared.

Knows there should be data teaching so as to determine values, but not
to develop system.

Inter Consult considered professionally good.

9:30 a.m. Slovakia/Bratislava
Ing. Balaz

GIS - Bratislava
Prague - looks like Vienna

**500 million krauns invested in GIS; system will eventually be tied to
map.**

According to law, information must be given on:

- 1. Water system; pipes (infrastructure)**
- 2. Taxes and other financial responsibilities**
- 3. Utilities**

**There are half-a-million people in Bratislava and there are 92,000
real estate parcels.**

Analog map is currently being changed to digital:
Topography, infrastructure, buildings

Basis of map:
Property rights; title

**State and town agreement on mutual cooperation; exchange of
information helps both.**

Project anticipated to last five to seven years. It is being done to help town do business, a difficult task for the past 40 years due to the neglect of property rights.

**Title: Who is researching property rights?
Special Council on Municipality on Property Rights**

17 Municipal Districts of Bratislava; each looks into the municipal owned property on its own.

Geodetic Institute - one in Bratislava

Private firms and law firms provide services to owners along with the State.

**Basic information on property ownership to be place on map:
(Will this be made public?)**

- 1. I.D. number (like B1 and Lt)**
- 2. Type of Property**
- 3. Dimensions**
- 4. User or owner?**
- 5. Deed or title #**
- 6. Owner I.D. #**

Eventually, infrastructure will be placed on GIS.

Eventually, the information from the Urban Institute and Environmental Office...

Digitize the general plan of town; in the beginning, it is acknowledged that property rights will not be exact; zoning will be included.

Whole town will be digitized by end of the year except for two areas outside of the town border.

Twenty maps have been digitized; all will be complete from within city be end of December. The two outer areas will reach completion at the beginning of next year.

Zoning, land use and utility information will be placed into the GIS system.

Began GIS 1990 - Municipal Council gave Bratislava some funding.

Second largest town in Slovakia: Kosice (iron works)

Kosice not at same stage, but also working on GIS. Wish to use Bratislava technology, but property rights mapping has not been

developed. Does not have same cooperation with their Geodetic Office.

Vienna system has also been viewed - different system based on different experience.

Praha is also a city they are in touch with - property rights and mapping not done the same way. Praha is using scanner on analog map. The creation of technical map is done by a different system.

Town Institute of Information of Praha - organization funded by town council.

Two private firms prepare technology - digital - these firms have received funding from town to digitize. These two firms spend the money as they see fit. There are five private companies in Bratislava who work on this as well.

10/15/92

10:30 a.m. Inter Consult
Ing. Anton Porubsky

Slovak legislation re: privatization
bylaw for valuation -- much the same as 393
but when appraising property to be privatized, different situation.

Ministry of Finance defines how to appraise State property to be privatized, whether "direct sale" or tender. There is no act like this in Czech republic.

This method should get to market value.

Certain (40-60) organizations were picked to do this work:

1. book value (used for voucher privatization)*
 2. Cost method -- reproduces improvement; land is valued using bylaw rate modified by index re: size of town, location, infrastructure, etc.*
- (* cost is higher than book)
3. Entrepreneurial (income) method discounted cash flow, but still simplified; not to European standards. This is applied to operating business.

No concept of multi-tenant office space to be valued this way.

"Co-ownership" can be tenancy alone rather than an equity arrangement.

Leased office space generally comes about because the owner has reduced staff and rents out excess space.

Legislation does not seem to provide for valuation of real estate without operating business.

"Standard" procedures will be abolished; all will be based on book value.

Purchase price can be lower than book. Price may not be primary concern; rather, the future development of a particular company.

Land:

At edge of Hungary, Austria and Slovakia

For lending, bylaw appraisals are used; 130% collateral required.

Individual appraisers cannot do corporate appraisals, only a company can.

Company, rather than individuals, is certified.

Appraisers are individually identified and accountable in each report.

No land registry since 1956. Before that, liens, etc. were recorded. To prove restitution claim, must go back to 1956 and show how State acquired property. If documentation of acquisition does not exist, property is subject to restitution.

Evidence of ownership is included in each appraisal.

10/15/92

11:30 a.m. Ministry of Finance

Historically, appraise individual real estate; now looking to corporations.

No information re: value of bldgs. or land used in production, therefore using bylaw which was developed for small residential development.

Although 393 requires bylaw price for condemnation

Bylaw price does not take ecological quality of land into account.

Still at first stage of privatization, so existing transaction data does not reflect market value.

Can sell corporate houses to residents on a discounted price.

Trying to establish "construction savings" company

"Quasi-market" appraisal -- using data from...

Sale of a company needs approval of government so gets Inter Consult type of appraisal.

Again, appraisals get skewed, depending on the needs of the client.

Foreign investors used foreign appraisal firms; generally lower than index price.

Lots of social issues come into pricing in privatization.
Developing new appraisal concepts --

Ministry of Finance does pricing
Ministry of Privatization: doing change in conceptualization; will only do book value. With direct sale or auction, can order "market appraisal". This will be ordered by the Ministry rather than buyer or seller.

Coupon privatization:
State ownership into joint stock co. (can be sitting management).
Direct Sale -- another company buys out whole thing.

Public auction or open bidding:
Book value = opening bid

Again, highest bid may not win; social issues are involved.

Will take lots of transactions to establish market value.

Hard for us to give assistance since we are used to active, deep market.

Social considerations are so important due to unemployment.

Better to give company away to keep it operating.

Former system for auction of smaller properties (owner/user shops) was adjusted book as basis.

Book is adjusted *down* for depreciation and *up* for indexed RCN.

New system:
Purchase or construction price less depreciation plus cost of historic capital improvements

Interest rates are 12%-17%, depending on term.

Historically, property tax was nominal. New tax to start 1/93, but probably impossible to do it.

Tax calculated like 393.

Municipalities have the right to develop price maps that establish value differently. Price maps will include public and private property. Price maps must be approved by Ministry. Price map applies only to land. (Municipality to pay for maps to be done)

Taxes to be levied and collected by local government.

Map prices are generally much higher than bylaw price.

Value will be overlaid on Kadasteral maps. There are many mistakes in map due to subdivision.

How will tax rate be developed?

Law 317, 1992

Municipality can increase the indexed tax rate up to 50%.

Don't know if rate can be set lower than index.

Sees need for assistance in price maps.

- What data to be included?
- How to collect it?
- How to get to better value estimate?

Strong perceived need to allocate value between land and buildings.

12:00 p.m. Ministry of Finance

Old by-laws address individual real estate; now cooperative businesses etc. must be appraised. Aside from book value there is nothing to guide us in this process.

Old by-laws only addressed small land holdings; did not address value of land. Land must be appraised as an asset of these companies by 1-family by-laws.

Eroded land: Damaged land, for example oil refinery land, is valued at the same square meter price as land that is not damaged.

1,500 krauns per square meter in Slovakia

Slovakia: Aware that style of appraising is inadequate. Once again, land under an office building is valued at the same 1,800 krauns per square meter.

Artificial values: The first wave of privatization, therefore of little help.

By-law in Slovakia about appraising certain properties - book value (time of purchase entity is depreciated according to book).

Coupon privatization:
Businesses
Cooperatives
Hospitals

Most government housing had not been sold when "M" came into power. Sale prices based upon 1970 rates, otherwise there would be chaos.

Construction Saving Company - trying to establish for loan purposes. Flats are divided into four categories according to amenities.

Some companies will privatize through direct sales - a market appraisal is done, quasi-market or pseudo-market appraisal.

All appraisals done by index. When a company is sold directly it must have government approval. Based on book value; then modified based on condition/physical state.

Land rates defined by 1-family home land.

Once again appraisals are artificial.

Sees need for appraisals to reflect market price.

Acknowledges that foreigners had their own appraisers do valuation for purchase price. Example: Housing complexes have entities attached to them that are of little or no interest (or value to purchaser) - sports and health centers.

**Was final transaction price closer to foreign appraisal or Slovakian appraisal?
Pre-Mechia government price usually lower due to corruption or some type of personal interest.**

New appraising procedure - Ministry of Finance only is responsible for pricing part.

Fund of National Property - will order in the future the appraisal - not the buyer or seller.

Direct sale: When a single entity buys property sold by public auction or public bidding. Book value will be starting price.

"Our primary goal will not be price but who will offer more in the social sphere. Examples: Keeping employees; product production.

After one-hundred of these sales, there will be enough data to look back on and analyze.

Rate of unemployment high, therefore social consideration of primary importance (different from Czech).

Market value subjective - only useful for foreign investors.

- 1. Old system of auction starts with book value then indexed;**
- 2. New system starts with book value only.**

In the past, acquisition price was adjusted by index (both depreciated and increase in price according to appreciation linked to indexes).

Book value - depreciation and any reconstruction - present auction method.

Small properties could only be bought by Slovaks.

Mr. Molevitz on interest rates - 12% to 17%.

January 1 - Property Taxation - floor space, square meters, by-law 1992.

Will property taxation change in any way?

Price Maps: All transactions (real transactions). Each municipality in Slovakia will collect its own taxes.

What is the value of price mapping?

Slovakia - price maps - just land will appear on price map, indexes will still be used.

Ministry produces price maps with no documentation or proof of transactions that created this value. Price maps must be approved before taxes based upon the value shown can be levied.

In Bratislava, Ministry of Finance approves of price mapping. Does this hold true for all of Slovakia? In Bohemia, each municipality approves the price map.

Price will eventually be placed on top of map (GIS structured map).

Price maps will not be approved by the first of January.

What percentage of total revenue will be collected through property taxation? Does not know (Same response as in Czech Finance Ministry!).

Value does not constitute price, which must come from actual transactions. She (from Ministry of Finance) believes they need help with this.

10/15/92

3:30 p.m. Architect who draws price maps

Drawn on point system based on location.

Drawn for urban planning purposes, financial issues and municipal revenue. Basic methodology was used in 1939.

Practical and educational vacuum.

Trying to get to market price, but had to do, due to short life of market.

No proper flow of information from parties to transaction; no system to establish data base, therefore results are theoretical.

Appraising is pursuant to bylaw. Before bylaw, "market value" of land was lower. But, bylaw only applied to land within municipalities. The larger the town, the higher the price.

Working in 10-15 hectare areas.

Sometimes asked to do more specific, smaller areas.

6 Factors:

- location
 - utilities infrastructure
 - environment
 - open space
 - quality of construction (of least importance)
 - schools, retail, etc.
 - employment
 - how "attractive" it is
- urban plans

Quantify outcome, translate it into price.

Would like to be able to compare estimated values to real transactions.

Ag land is valued higher than urban land:

1st class ag land = \$5-\$7 million kr/hectare
(hectare = 10,000 square meters)

2 Czech towns:

have mapped 40 Slovak municipalities.

Bratislava: Conversation with Architect

Construction of Buildings, Urban Planning and (within urban planning) the Issue of Price Maps

Until now, all urban land had the same value; agricultural land was valued as more.

Approach for his price maps: Points based upon location developed for the needs of urban planning. Will meet needs of city politics and city income.

He uses methods rooted back to 1939.

"Current economic situation encourages us to look at prices; method applied over 40-year term.

Land and urban planning - until now, only municipalities were interested.

Period of past two or three years too short to evaluate all contracts that were concluded. There is no proper flow of information between parties that transact properties. Results are only theoretical; even drafting of master plan has certain value.

Land within municipality: The bigger the town, the more expensive the land.

Price maps differentiate land within municipal borders.

In the past, information was on urban districts approximately 15 hectares long - not any more detailed than that. Now, 15 hectares is also the size, but more detailed, more expensive to make. Price maps in Ministry do not provide detailed title information that private industry maps may.

Private maps:

- 1. Location**
- 2. Utilities**
- 3. Environment**
- 4. Topography**
- 5. Quality of the building stock**
- 6. Services:**
 - a) Schools**
 - b) Theaters**
 - c) Job opportunities**
- 7. Area rating based on:**
 - a) Urban planner opinions**
 - b) Lay-person opinions**

Criteria on price map: Actual building stock - lowest value; area rating - highest value; location second.

All factors in price map are quantified. Certain factors are modified and a unified valuation is achieved.

Not a fixed or proscribed process; it is a blended judgment.

Quantity outcome giving it a certain number of points. Difficult process; we lack records of transaction.

Agricultural land was once more valuable land than city-owned - that based upon this land in the center was incredibly high: 5 to 7 krauns per hectare; hectare 10,000 square meters; 100 x 100 = 10,000, 5 to 7 krauns per meter.

Price map shown yellow on this; Slovakian price map means no central heating.

Price maps:

Samorin 12,000 inhab.
Dunajska Streda 27,000 inhab.
Kosice
Banska Bystrica
Brezna

"Prices" are those sold at auction (transaction price) and those that came from privatization appraisal price 393.

How many Court Appraisers are there?

200 krauns per hour going rate. Institutes (companies) that value work on 1% to 2% of value.

4:30 p.m. Court Appraiser
Civil engineer -- formed small real estate company

Very busy with new construction
industrial, hotel & small things

Assumes lending scams:

"Property worth \$5, borrow \$30, go bankrupt"
easy to get appraisal for \$30

Market Value:

- Could do single family and apt. houses, based on comp data gathered in brokerage business.
- Did 170 court appraisals this year; believes court appraisers could be taught to do market appraisals.
- Doesn't trust price maps; land valued too high, so municipality can collect taxes.

Slovakia: Court appraisers licensed through Ministry of Justice
organization not important; lecturers are...

Too many court appraisers ("loads") because courts require an appraisal for every little thing; about 2,000 court appraisers. Individual appraisers charge 200 kr per hour; corporations get 1%-2% of value.

Bratislava: Civil Engineer who is Court Appraiser

Two years ago he founded real estate agency. Construction takes up most of his time.

**Construction pharmacy = Israeli and Slovak (8 million krauns)
Hotel and spa = Italian and Slovak (17 million krauns)
(the above figures are his budget)**

Are owners borrowing money or do they have the finances?

Does not think that there would be a problem retraining Court Appraisers.

10/15/92

6 p.m.

Dr. Matule

Private, State and city ownership for the last year:
17 districts within Bratislava --
all land belongs to the city, some given to districts.

Legal problems re: title
Concept of zoning regulations

Urbcorp doing it wrong -- taking Austrian maps and imposing same prices in Bratislava - **never approved**

Understands FAR

Court appraisers valued municipal lands for early sales. There are also transactions at fully negotiated prices.

50-year ground lease at 5% of market value per year -- to be developed with shopping center. Infrastructure was already in.

Civil law mandates 2% to 5% annual ground rent.

Would rather sell than lease land. After it is sold, municipality will get taxes.

Real estate tax law goes into effect 1/1/93.

City, State, federal and not-for-profits will be exempt from real estate taxes.

Law will allow re-possession (foreclosure) for non-payment of ground rent except for residential property (or maybe can with residential, but cannot evict residents).

If property is *sold*, city can keep income per federal law.

Property sold under small privatization law, proceeds go to federal funds.

Sees need for reliable piece maps based on economy of the town and urban plan.

Developing a business park, therefore wants "special economic rules". Thinking about economic development issues.

Bratislava is floating public bond issue to raise funds for economic development.

State did not recognize ownership; now restitution going back to 1956 ownership.

Land belongs to city.

Austrian price - map is being used

Mr. Setnický Sr.

**** Mr. Setnický Jr. has taken Austrian prices and used them for Bratislava!**

10/16/92

9:30 a.m. "International" Meeting

Minister of Finance/Education Krasinsky
Technical Institute, Prague
not present

Deputy Prime Minister
Minister of Finance

Mr. Mack, Minister of Justice
Mr. Vogel, Germany:
Started with no market, developed system.

"Market price" is needed for banking.

Krasinsky, Minister of Education
Wanted to bring Dr. Gidos
Educational Attaché in embassy

Agrees that there are legislative hindrances to education.

"New observance of the schools" and implied relationship with Ministry of Justice, both young students and retrained practitioners.

Want education to be sufficiently competitive to stand up to international standards.

Stiess and Ministry of Justice have had meetings. M of J believes that even though it is early, relationships should be established.

Explanation of court appraiser system.

Ministry is interested in establishing educational organization to teach market appraisals. Wants to appoint FMV appraisers in the future; will support Stiess.

Profession Pilny, Dean of School of Economics

Peter Champness - U.K.
European and international standards.
International Value Standards

RICS- Royal Institution - largest body
90,000 in U.K.; 35,000 do valuations

Obligation to value assets every five years.

University courses offered that are accepted by Royal Institute; continuing education every 3 years, 60 hours.

Would welcome relationship between U.K. and ...

Sofia and Romania -- advising privatization

P.C. curriculum -- gaps and misplaced emphasis

- economics, law, taxation, finance, investment and construction; town planning and control; environmental issues.
- liability of values
- international flow of money and currency exchange

Would have helped to have had agenda in advance.

- R -
1. How to educate?
 2. How to legislate?
- must solve both

Vogel (Germany), President of organization

- Not prepared to give presentation
- No established system of education, U.K. and U.S.

Technical engineer, self-educates

Although normal, not right.

Should be more economic than technical

Therefore, where education takes place:

- Would like to see school of economics take the lead
- Anybody can declare himself an expert
- Believe in experience rather than education; relies on local market expertise
- Teaching valuation at engineering school; such education is at the beginning

Will offer experts re: valuation where there is no market history.

German "land surveyor" -- curriculum includes some economics and evaluation

- R -
- Wants to establish "Independent" school since university process will take too long.

Vogel: Experience is critical; judgment comes with years.

Can offer apprenticeship system through appraisal shops in other countries.

15,000 sworn-in appraisers, 40% in real estate.

Dean of School of Economics

5-year programs -- Master of Economics, specialize in banking finance, some specializations have greater reliance on appraising.

No special lectures or lecturers in valuation since.

Hope to teach appraising systematically in the future.

Will create body of experienced professors.

Long term issue

School of economics will support this process as much as possible.

M. Witzang, Vice Dean of Faculty of Civil Engineering

5 schools -- architecture and building, mechanical engineering, electrical engineering, nuclear physics.

Technical valuation is not equal to market price.

Now offering post graduate course in valuation.

* Work towards *one* institution.

Offering facility

Belgium

Phillepe Leregle:

Start central data bases: "Instruments of the memory of the market."

Norway: "Surveyors" Ass'n. -- covers valuation of all kinds of assets

Government not interested in giving values monopolistic position, therefore licensing may not occur.

No licensing, but eight years of apprenticeship

Dr. Mach, Ministry of Justice (MJ)

1. Several meetings were held between MJ and ing. Stieess
2. MJ is interested in the problem and feels it's necessary to establish the profession of real estate appraisal.
3. It seems that the practice of either the minister himself or a person authorized by the minister or DA's appointing court appraisers will not change in the future, *but* if an institute is established, they will strongly prefer graduates from the institute.

ALL-IN CHAMBER ISSUES

Re: All In

- How many appraisers?
16 employees
200 "experts", mostly court appraisers
- Prior training?
- Who are customers?
- How much do you charge?
- Translation of "best" appraisal

Is Komerčni a member of the Bankers' Ass'n.?

Chamber (20 people starting course in January?)

- What is legal status today?
- Who are individual supporters?
- Who are organizational supporters?
 - Ass'n. of Realtors?
 - Court appraisal ass'n.?
 - Ass'n. of Bankers?
 - Accountants?
 - Attorneys?
 - Assessors?

Who is on domestic board? (50% all In, 50% members)

What is "international board"?

Who is paying for travel re: Friday's mtg.?

What is status with U.S. Appraisal Institute (at Marshall)?

Institute:

Translation of curriculum of selected course materials; sit in on classes?

EXHIBIT "B"

BY-LAW 393

DECREE

of the Ministry of Finance of the Czech Republic

of September 5, 1991

on the prices of buildings, land, permanent stands, fees for establishing the right to personal use of land and compensation for establishing the right for temporary use of land and compensation

The Ministry of Finance of the Czech Republic, pursuant to 2, par. 2, item b) of the Czech National Council no 265/1991 SB on the jurisdiction of authorities of the Czech Republic in the domain of prices, stipulates :

(1) This Decree applies to the establishing and negotiation prices of buildings, land and permanent stands for the purpose of transfer and conveyance between natural and legal entities.

(2) The Decree further stipulates the method of establishing or the conditions of negotiation of :

- a) fees for establishing the right to personal use of land,
- b) compensation for temporary use of land,
- c) prices of buildings which the appropriate building bureau has ordered or permitted to be removed (1) for reasons on the owner's part,
- d) prices of buildings which are to be liquidated in accordance with territorial planning documentation for reasons of investment construction, and prices of land and permanent stands transferred for these reasons to the builder,
- e) starting prices of buildings, land and permanent stands owned by the stated for purposes of public auctioning.

PART ONE

PRICES OF BUILDINGS LAND AND PERMANENT STANDS FOR THE PURPOSE OF THEIR TRANSFER AND CONVEYANCE, FEES FOR ESTABLISHING RIGHT TO PERSONAL USE OF LAND, AND COMPENSATION FOR TEMPORARY USE OF LAND (RENT), UNLESS TRANSFER PER PART TWO AND THREE IS INVOLVED

SECTION ONE RESIDENTIAL HOUSES

2

Family houses

(1) The price of a family house (2) shall be established by adding up the assessments of the separate levels. The level shall be assessed by multiplying the value of one point by the number of points established on the basis of Annex no. 1, and by the area of the level in sq.m.. The value of one point shall be 1.- Kcs.

(2) By the area of a level for purposes of establishing the price one shall understand :

a) the built-up area(3) of the individual levels, only 80% of the actual area of the ground level and attic being taken into account,

b) the floor area of all spaces of the ground level and underground levels as well as floor areas of all rooms and spaces of the attic, if applicable, provide it is only partly in the attic and their actual built-up area cannot be determined.

(3) Only rooms and spaces which have a minimum head clearance of 1.6 m shall be considered as built-up floor areas. In the attic the areas of rooms and spaces whose parts have this minimum clearance shall be counted in the areas of rooms and spaces.

(4) Only such rooms and spaces which are built into the family house shall be counted towards the built-up area of the levels; rooms and spaces, which are not built-in, shall be assessed separately according to the appropriate provisions of the Decree. An exception are part of an apartment (room) and appurtenances of the apartment (4) which are always included in the built-up area of the level, if they are actively connected with the family house.

(5) The price of the family house shall be adequately decrease for wear and tear, taking into account its conditions and expected lifetime. The percentage of annual depreciation shall be calculated by dividing 100% by the total expected lifetime, the expected lifetime of brick buildings as a rule being assumed to be 100 years. The depreciation of superstructures and extensions shall be calculated separately for each year of their age in the same way, however, the expected lifetime shall always be established for the family house as a whole (including superstructures and extensions) as of the same year. Depreciation may amount to 80% at the most.

(6) The age of a building for the purpose of the Decree shall be calculated from the year in which the building inspector's report became legally effective. If the building was used earlier, the age of the building shall be calculated by subtracting the year, in which the use of the building was probably commenced, from the year in which the assessment is being made. If the age of the building cannot be determined in this manner, it shall be established by virtue of another document, and if this is not available, it shall be established by estimate.

(7) The dwelling part of a farming settlement, provided it is considered to be a family house, shall also be priced pursuant to par. 1 to 6, the part of the built-up area containing rooms designed for agricultural purposes shall be assessed in the manner stipulated in 10, par. 2. The depreciation shall be calculated for the building as whole uniformly per par. 5 and 6.

3

Other Residential Houses

The price of other residential houses (5) shall equal the price established per 2 adjusted by the following coefficients :

- a) 1.00 if a residential house with a built-up area of up to 150 m² is involved,
- b) 0.95 if a residential house with a built-up area of 150 m² to 250 m² is involved,
- c) 0.85 if a residential house with a built-up area of over 250 m² is involved.

SECTION TWO

INDIVIDUAL RECREATION BUILDINGS

4

Recreation Chalets and garden-colony huts

(1) The price of a recreation chalet and garden-colony hut (6)

3

86

shall be established by assessing the separate levels and adding up the respective values. The level shall be assessed by multiplying the value of one point by the number of points from Annex no 2 and the area of the level in m2 per 2, par. 2 to 4. The value of one point is 1.- Kcs.

(2) The provisions of 2, par. 5 and 6 apply similarly, the expected lifetime being as a rule 80 years with brick buildings and 50 years with wooden and pre-fabricated building. Depreciation may amount at 80% at the most.

5

Recreation houses and recreation cottages

(1) The price of a recreation house and recreation cottage (7) shall be established by assessing the separate levels and adding up the respective values. The level shall be assessed by multiplying the value of one point by the number of points from Annex no. 1 and the area of the level in m2 per 2, par. 1 to 4, parts of the built-up areas of each level of a recreation cottage exceeding 80 m2 in area being counted only at 50 %. The value of one point is 1.- Kcs.

(2) The provisions of 2, par. 5 and 6 apply similarly.

SECTION THREE

GARAGES

6

Separate, Row and Multistorey Garages

(1) The price of separate and row garages shall be established by assessing the separate levels and adding up the respective values. The levels shall be assessed by multiplying the value of one point by the number of points from Annex no. 3 and the area of the level in m2 per 2, par. 2 and 3. The value of one point is 1,- Kcs.

(2) The price of a multistorey garage as a whole shall established per par. 1.

(3) The provisions of 2, par 5 and 6 apply similarly, the expected lifetime being as a rule, assuming routine maintenance, 80 years with brick and concrete buildings, and 30 years in other cases. Depreciation may amount to 80% at the most.

SECTION FOUR
FENCES AND WELLS

7

Fences

(1) The prices of fences shall be established by multiplying the value of the point by the number of points from Annex no. 4 and by length of the fence in metres. The value for one point is 1.- Kcs.

(2) The provisions of 2, par 5 and 6 apply similarly, the expected lifetime being as a rule, assuming routine maintenance, 50 years with brick fences, 40 years with underpinned fences, and 30 years in other cases. Depreciation may amount to 90% at the most.

8

Wells

(1) The price of a well and hand pump shall be established as follows :

a) Dug wells

Depth	Kcs per 1 m	Kcs per 1 ea hand pump (depending on total depth of well)
From 0 to 5 m	1300	1010
From 5 to 10 m	2380	1560
Over 10 m	3260	3220

b) Drilled wells

Diameter	Depth of well	Kcs per 1 m	Kcs per 1 ea hand pump (depending on total depth of well)
Up to 150 mm	From 0 to 10 m	650,-	1560,-
	From 0 to 25 m	760,-	3220,-
	From 0 to more than 25 m	940,-	4140,-
Over 150 mm and up to 300 mm	From 0 to 10 m	970,-	1560,-
	From 0 to 20 m	1120,-	3220,-

5

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	From 0 to more than 20 m	1350,-	4120,-
Over 300 mm and up to 500 mm	From 0 to 10 m	1570,-	1560,-
	From 0 to 20 m	1805,-	3220,-
	From 0 to more than 20 m	2000,-	4140,-

The depth of the well shall be measured from the level of the finished terrain.

(2) The price of a driven well shall equal the price of a drilled well diameter up to 150 mm.

(3) Drilled wells over 500 mm in diameter shall be assessed as dug wells.

(4) The provisions of 2, par 5 and 6 apply similarly, the expected lifetime being as a rule, assuming routine maintenance, 100 years in other cases. Depreciation may amount to 80 % at the most.

(5) The price of a dug well which does not serve its purpose permanently due to loss of water or other substantial deficiency, shall amount to 20% of the price established per foregoing paragraphs.

SECTION FIVE

OTHER BUILDINGS

9

Ancillary Buildings

(1) The price of buildings being ancillary to main buildings, and the price of buildings supplementing the use of land (woodshed, sheds, wash-house, etc.) shall be established by assessing separate levels and adding up the respective values. The level shall be assessed by multiplying the value for one point vby the number of points from Annex no. 3 and by the level area in m2 per 2, par. 2 and 3. The value for one point is 1 Kcs.

(2) If the building has no level with a minimun head clearance of 1.6 m, its price shall be established per 11.

(3) The provisions of 2, par. 5 and 6 apply similarlly, the expected lifetime being as a rule, assuming routine maintenance, 60 years with brick buildings, 30 years in other cases. KDepreciation may amount to 85% at the most.

Utility and Agricultural Buildings

(1) The price of buildings designed for accommodation (hotels, recreation and training centres, hostels, etc.), the price of administration buildings, schools, gymnasiums, business buildings, restaurants, health-care facilities and other buildings used for similar purposes shall be established per 3.

(2) The price of buildings
 a) for agricultural purposes (cow-sheds, barns, stables, sheds, granaries, etc.)
 b) workshops and warehouses,
 whose built-up area is not larger than 150 m², shall be established per 9.

(3) The prices of utility and agricultural buildings not mentioned in paragraphs 1 and 2 shall be established by multiplying the built-up space (3) in m³ by the price per 1 m³ given in Annex no. 5.

(4) The price of residential parts of utility and agricultural buildings shall be established separately per 3, the depreciation being calculated uniformly for the building as a whole, including the residential part, and not exceeding 25%.

(5) The provisions of 2, par. 5 and 6 apply similarly, the depreciation amounting to 85% at the most.

SECTION SIX

EXTERNAL MODIFICATIONS

11

(1) The price of external modifications mentioned in Annex no. 5 shall be established by multiplying the unit price given therein by the actual number of rated units.
 The price of external modifications not mentioned in Annex no. 6 shall equal the costs of the modifications at the time of assessment.

(3) The provisions of 2, par. 5 and 6 apply similarly, the expected lifetime being as a rule, with a view to the structure, 25 to 50 years. Depreciation may amount to 85% at the most.

SECTION SEVEN

UNFINISHED BUILDINGS, BUILDINGS EAR-MARKED FOR DEMOLITION AND OTHER STRUCTURES

12

Unfinished Buildings

(1) The price of an unfinished building shall be established by assigning the full number of points to the separate finished structures and fittings. The unfinished structures and fittings shall be assigned the number of points determined by the ratio of the amount of work and construction carried out to the overall planned volume per design documentation verified by the building bureau. The resultant number of points shall be multiplied by the rated unit and value of one point of the building in question.

(2) As regards unfinished buildings which have been affected by the length of the construction process, and whose lifetime has consequently been affected, adequate depreciation shall be taken into account.

13

Buildings Ear-marked for Demolition

The prices of buildings which the appropriate building bureau has ordered or permitted to be removed (8) for owner's reasons, shall be equal to the price of the material which can be salvaged by their demolition.

14

Other Structures

The prices of other structures which are not specifically mentioned in this Decree (e.g. graveyard architecture) shall be equal to the costs of erecting a similar or comparable structure at the building site at the time of its transfer or conveyance after subtraction of adequate depreciation.

SECTION EIGHT

LANDS

15

8

91

Price of Lands

(1) The price of 1 m² of land or part thereof designed as a building lot (8), or for founding a garden, or of a lot registered in the land register as a built-up area and court-yard(9), garden(10) and lots built-up line structures, unless the lot is to be assessed per paragraph 2, shall amount to :

- a) 1700,- Kcs in the capital city of Prague
- b) 800 Kcs in statutory cities (11), Frantiskovy Lazne and Marianske Lazne,
- c) 500,- Kcs in Cesky Krumlov, Jachymov, Jesenik, Karvina, Luhacovice, Poděbrady and Teplice
- d) 150,- Kcs in boroughs with more than 15 000 inhabitants,
- e) 100,- Kcs in boroughs with more than 5 000 inhabitants,
- f) 70,- Kcs in boroughs with more than 2 000 inhabitants,
- g) 20,- Kcs in other boroughs.

The price shall be established per Annex no 7.

If the borough has a price map for the separate localities in its cadastral territory, approved by the Ministry of Finance of the Czech Republic, the prices listed in the map shall apply, and prices sub a) to g) shall not apply.

(2) The price of land with a public thoroughfare, or of a lot (or part thereof) designed for constructing a public thoroughfare (3) shall amount to 30% of the price listed in paragraph 1. Only item 1 or 2 from Annex no 6 may then be applied. If the lot is registered in the land register as agricultural land or forest land, the lowest price is the price established per paragraphs 4 to 8.

(3) The price per 1 m² of a lot or part thereof designed for a building(8) for individual recreation(12), or of a lot registered in the land register as an area built-up by a building for individual recreation, as well as a court-yard(9) and garden(10) which form one functional unit with such a building, shall be established per paragraph 1, provided it is higher than 100,- Kcs per 1 m². Otherwise the price of these lands shall be 100,- Kcs per 1m². The price shall be adjusted per Annex no 7.

(4) The price of land registered in the land register as arable land, fruit-tree orchard, vineyard or hop-garden shall amount of 6.20 Kcs per 1 m².

(5) The price of land registered in the land register as a meadow or pasture shall amount to 3.20 Kcs per 1 M².

(6) The price of land registered in the land register as forest land shall amount to 3,80 Kcs per 1 m².

(7) If agricultural land is not registered in the land

register, because it was combined into soil units registered in the land register, its price shall be established with a view to the type (culture) of the soil unit in which the land is located, or in which most of it is located.

(8) If any of the participants in the proceedings conducted by a state authority should not agree with the price established per paragraphs 4 to 7, the price of these lands shall be established according to the rates specified in Annex no. 8, or Annex no 9.

(9) The price of the lands registered in the land register other than specified in paragraphs 1 to 6 shall amount to 3,-Kcs per 1 m²

16

Fee for Establishing Right to Personal use of Lands

The fee for establishing the right to personal use of land(14) shall be established according to the rates given in 15, par. 1 and 3 with a view to the purpose for which the land is going to be or is being used.

17

Compensation for Temporary Use of Land

(1) For business purposes including agricultural production, the compensation in concluding contracts on temporary use of land(15) shall be established by agreement.

(2) The compensation in concluding contracts on temporary use of land for purposes other than those mentioned in paragraphs 1 and 3 in boroughs listed in (amounts are per 1 m² and year):

a)	15, par 1, item a)	5,- Kcs
b)	15, par 1, item b)	4,- Kcs
c)	15, par.1, item c)	3,50 Kcs
d)	15, par.1, items d) and e)	3,- Kcs
e)	15, par.1, item f)	2,- Kcs
f)	15, par.1, item g)	1,- Kcs

(3) The compensation in concluding contracts on temporary use of land for individual recreation in the boroughs listed in 15, par. 1, item a) shall amount to 5,- Kcs per 1 m² and year, and in the other boroughs 4,- Kcs per 1 M² ad year. If a structure serving individual recreation, or its appurtenances, are located on forest land, the compensation in concluding the contract for temporary use of land shall amount to 9.50 Kcs per 1 m² of actually built-up area per year.

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(4) The compensation in concluding contracts on temporary use of land between legal entities shall be established by agreement, unless stipulated otherwise in 23, par. 2.

SECTION NINE

PERMANENT STANDS

18

(1) The price of fruit trees shall be established according to Table I of Annex no. 10.

(2) The price of vineyard growth including vineyard facilities shall be established according to Table II of Annex no 10.

(3) The price of hop growths and hop-garden facilities shall be established according to Table III of Annex no. 10.

(4) The price of forrest stands shall be established according to Table IV and V of Annex no. 10.

(5) The price of decorative wood species shall be established per Table VI of Annex no. 10.

SECTION TEN

PROVISIONS COMMON TO PART ONE

19

If the owner of the structure gained ownership after June 1, 1953 for a price higher than established per 2 to 12, this higher price, after deducting the price increase in the previous transfer per 20 of this Decree, and 21, and/or 20 (wording applicable until 31. 8. 1990) of Decree no. 132/1083 SB on the price of buildings, land, permanent stands, fees for establishing right to personal use of land, and compensation for temporary use of land, and after deducting depreciation, shall also be the price applicable for future Transfers and conveyances of the ownership of these structures. The higher price can be proved by contract of purchase together with an expertise, on the base of which the contract was registered, by invoices of the builder, or by detailed item-by-item building budget at the price levels applicable at the time of construction.

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In contractual transfers prices different from those established may be negotiated. However, a higher price shall not be negotiated if compensation is being made from the state budget.

21

The compensations for temporary use of land per 17, par. 2 and 3 are the highest admissible compensations.

22

In transferring structures and land to state ownership, provided these will continue to be used for purposes of the state, the Ministry of Finance of the Czech Republic may grant an exception to the provisions of this Decree at the request of the purchaser.

PART TWO

PRICES OF STRUCTURES LIQUIDATED IN ACCORDANCE WITH TERRITORIAL PLANNING DOCUMENTATION FOR PURPOSES OF LARGESCALE DEVELOPMENT OR MINING, AND PRICES OF LAND AND PERMANENT STANDS BEING TRANSFERRED FOR THE SAME PURPOSES

23

(1) The prices of structures which are to be liquidated in accordance with territorial planning documentation for reasons of largescale development or mining, and the prices of land and permanent stands being transferred for the same reasons, provided they are being paid for from the state budget or from communal budgets, shall be equal to no more than the costs of erecting the same or comparable structures and of obtaining land at the building-site at the time of transfer. Adequate depreciation shall be deducted from the prices of the structures.

(2) Compensation for temporary use of land for purposes of large-scale development or mining in accordance with territorial planning documentation, provided it is paid for from the state budget or communal budget, shall be equal to no more than the compensation stipulated in 17, par. 2 and 3.

PART THREE

PRICES OF STRUCTURES, LAND AND PERMANENT STANDS IN TRANSFERS TO CZECHOSLOVAKIAN LEGAL ENTITIES WITH FOREIGN PARTICIPATION, OR TO FOREIGN LEGAL ENTITIES

12

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(1) In transferring ownership of structures, land and permanent stands to Czechoslovakian legal entities with foreign participation, or foreign legal entities, the price shall be calculated at the price level on the foreign market base on technical assessment using methods which are routine abroad (FRG or Austria), and shall be converted to Czechoslovak currency at the rate applicable on the date of issuing the assessment. Prices different from the calculated price may also be used in transfers. The price shall become effective only after approval by ministry of Finance of the Czech Republic. The approved price shall be considered to be the price established in accordance with Decree. Approval of the Ministry of Finance of the Czech Republic shall not be required if the assessment of the privatized property is part of a privatization project approved, price inclusive, per Act no. 92/1991 SB on the conditions of transfer of state property to other entities.

(2) The compensation for temporary use of land if the user is a Czechoslovakian legal entity with foreign participation, or a foreign legal entity, shall be established by agreement.

PART FOUR

STARTING PRICES OF STRUCTURES, LAND AND PERMANENT STANDS OWNED BY THE STATE FOR PURPOSES OF PUBLIC AUCTIONS

25

Structures

(1) The prices of structures owned by the state and ear-marked for public auction (15) shall be established by multiplying the purchase price by the index given in Table no. 1. The starting price shall equal the price of the structure thus established, corrected by the coefficient given in Table no. 2. The purchase price of the structure for the purposes of this Decree shall be the price for which the structure was or could have been erected at the time of its origination. This price shall be established using the accounts of the organization which has the right of management of the structure.

Table no.1

Purchase price at the price level of :	Index
Up to 20.6.1936	4.00
20.6.1939 - 31.12.1942	2.27
1.1.1943 - 31.12.1945	1.99
1.1.1946 - 31.12.1951	0.39
1.1.1952 - 31.5.1953	0.47

1.6.1953 - 30.6.1959	3.82
1.7.1959 - 31.3.1964	4.49
1.4.1964 - 31.12.1965	4.79
1.1.1967 - 31.12.1969	3.20
1.1.1970 - 31.12.1976	4.16
1.1.1977 - 31.12.1981	4.09
1.1.1982 - 31.12.1984	2.63
1.1.1985 - 31.12.1988	2.35
1.1.1989 - 31.12.1989	2.27
1.1.1990 - 31.12.1990	2.12
From 1.1. 1991 onwards	1.00

Table no 2

Structure from the year	Coefficient
Up to 1939	0.25
1931 to 1940	0.40
1941 to 1950	0.50
1951 to 1960	0.60
1961 to 1970	0.70
1971 to 1980	0.85
1981 onwards	0.95

(2) If the structure underwent complete repairs after 1970, or if additions were made to it or a superstructure built, not included in the accounting books separately, the starting price established according to the foregoing paragraphs shall be increased by 10%. Construction jobs carried out before 1970 shall not be taken into account.

(3) If the purchase price of the structure is not recorded in the accounting books, the starting price of a structure owned by the state and ear-marked for public auction shall be established per 2 and 12 of this Decree.

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Land and Permanent Stands

(1) The price of land shall not be regulated. In establishing the starting price of land, namely the size and importance of the borough, the type of building lot, the commercial and industrial position, accessibility and infrastructure, and other special conditions if applicable, which may effect the price, shall be taken into account.

(2) The starting price of permanent stands shall not be regulated. In establishing the price of a permanent stand, namely its quality, type and the environment shall be taken into account.

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The price achieved in public auction cannot be applied in increasing the price per 19.

CONCLUDING PROVISIONS

28

The Decree of the Ministry of Finance, prices and Wages of the Czech Republic no. 182/1988 SB on the prices of structures, land, permanent stands, fees for establishing the right of personal use of land, and compensation for temporary use of land, as amended by Decrees no. 316/1990 SB, no.589/1990 SB and no. 40/1991 sb, is hereby cancelled.

Minister :

Ing. Spacek

- 1) 88, par. 1 and 2 of Act no. 50/1976 SB on territorial planning and the building rules (Building Act)
- 2) 128, par. 1 of the Civil Code. 60, par. 1 of Act no 41/1964 SB on the management of apartments.
- 3) CSS 73 4055 "Calculation of built-up space of building objects"
- 4) Art. 48 and 50 of CSS 73 4301 "Residential buildings".
- 5) 58 of Act no. 41/1964 SB
- 6) 48 and 51 of Decree of the FM TID no. 83/1976 SB on general technical conditions of development
- 7) 49, 50 and 56, par. 1 of Decree no 83/1976 SB
- 8) 6 of the Decree of the FMTID no. 85/1976 SB on details of territorial proceedings and the building bureau.
- 9) Part B, item no. 4 of the annex to Decree no 23/1964 SB, with procedures relevant to Act no 22/1964 SB on registration of real estate
- 10) Part A item no
- 11) 3, par. 1 of the Act of the CNC no 367/1990 SB on boroughs.
- 12) 47 of Decree no 83/1976 SB.
- 13) Part A, items 1, 2, 3 and 5 of the annex to Decree no. 23/1964 SB as amended by decree no 133/1965 SB
- 14)
- 15) 397, par. 3 of the Civic Code
- 16) 'For example, Act no 427/1990 SB on the transfer of state ownership of some objects to other legal and natural entities, as amended by Act no. 541/1990 SB

EXHIBIT "C"

BY-LAWS OF THE CZECH CHAMBER OF APPRAISERS

Bye-laws of the Czech Chamber of Appraisers

approved by the 1. General Meeting held in Prague
on March 26, 1992

Name of the Association: the Czech Chamber of Appraisers
Seat: Vodičkova 30, 111 21 Praha 1

Article I General Provisions

1. The Czech Chamber of Appraisers is a voluntary and independent professional association and its activities include the entire territory of the Czech republic.
2. The activities of the Czech Chamber of Appraisers complies with the bye-laws and resolutions of the General Meeting and the Board of Directors.
3. The Czech Chamber of Appraisers uses in addition to its unabbreviated name also its abbreviation TCCA.
4. The Czech Chamber of Appraisers is an independent legal entity.
5. The working year of the Czech Chamber of Appraisers is the calendar year.

Article II. Purpose and Objects

1. The objects of the Czech Chamber of Appraisers in the Czech Republic are:
to associate the appraisers of fixed assets
to represent the appraisers in professional and legal matters as well as in cultural matters in general both of national and international level
to strive for high professional level of the appraisers corresponding to the international standards and to this respect:
to hold lectures in the form of seminars and congresses,
to publish non-periodical documents and books,

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to improve qualification in the form of training and postgraduate studies,
to establish methods of appraisement of the value of property,

to promote relations with governmental bodies, banking institutions and real estate agencies,

to provide consulting and advising services in the field of appraisement of the value of property both for legal subjects and private persons.

2. The Czech Chamber of Appraisers pursues neither political nor economical objects. It is politically and economically independent.

Article III

Membership

1. A member of the Czech Chamber of Appraisers may be any applicant who (1) is evidently involved in appraising and (2) is more than eighteen years of age and (3) agrees with the by-laws of the Czech Chamber of Appraisers and (4) pays membership fees in due terms.
2. Rights of the Member:
 - to vote and to be eligible for election to all the bodies of the Czech Chamber of Appraisers,
 - to be informed on the principal activities of the Czech Chamber of Appraisers,
 - to participate in and to be involved in the professional activities of the Czech Chamber of Appraisers,
 - to consult the Czech Chamber of Appraisers about professional issues,
 - to be entitled to the benefits of the Member of the Czech Chamber of Appraisers.
3. Membership is terminated if the payment of membership fees is in arrears for a period of one calendar year.
4. Satisfying of conditions of the admission into membership are examined and approved by the Board of the Directors of the Czech Chamber of Appraisers.

Article IV

Honorary Membership

1. Honorary membership in the Czech Chamber of Appraisers may be conferred to a citizen because of his special merits for the development of the discipline and the prestige of the Czech Chamber of Appraisers. Honorary membership may be conferred both to a Czechoslovak citizen and to a foreigner. Honorary Membership is conferred by the General Meeting of the Czech Chamber of Appraisers.
2. Each Honorary Member may participate in all undertakings held by the Czech Chamber of Appraisers without obligation to pay any fees.

Article V

Bodies of the Czech Chamber of Appraisers

1. The Czech Chamber of Appraisers has the following bodies:
 - the Board of Directors
 - the Supervisory Committee
 - the General Meeting
2. The Board of Directors of the Czech Chamber of Appraisers is an executive body of the association. The Board of Directors is elected by the General Meeting and shall report to the General Meeting. Meetings of the Board of Directors shall be held at least four times a year. Activities of the Board of Directors shall be managed and coordinated by the President of the Czech Chamber of Appraisers.

The Board of Directors consists of five members. The Board of Directors shall elect from its members the President of the Czech Chamber of Appraisers. Another members of the Board of Directors are the Treasurer and the Secretary General who shall be elected also by the Board of Directors.

The Treasurer and the Secretary General shall be in charge of the financial affairs of the Czech Chamber of Appraisers.

The President, the Treasurer and the Secretary General shall decide all urgent matters within periods between the meetings of the Board of Directors.

The President, the Treasurer and the Secretary General shall be elected by the members of the Board of Directors. The quorum of the Board of Directors shall consist of three fourths of its members and a candidate shall be elected by two thirds of votes present at the meeting.

3. The Supervisory Committee shall be an independent supervisory body of the Czech Chamber of Appraisers. It shall be elected by the General Meeting and shall report to the General Meeting. The Supervisory Committee shall supervise whether the by-laws are observed and resolutions of the General Meeting and the Board of Directors are fulfilled and shall also exercise control over the financial affairs of the Czech Chamber of Appraisers. The Supervisory Committee shall consist of three members and elects from its members the Chairman of the Supervisory Committee.
- 4.1. The General Meeting is the highest body of the association and consists of all the members of the Czech Chamber of Appraisers present at the Meeting.
- 4.2. The General Meeting is called at least once a year or if requested by at least one tenth of the Members. Such a meeting must be called in writing at least 15 days prior to the date of the meeting. The items on the agenda of the General Meeting may be accepted by letter ballot until the date of meeting.
- 4.3. The quorum of the General Meeting consists of at least two thirds of the members of the Czech Chamber of Appraisers present at the meeting.
- 4.4. The General Meeting takes its decisions with simple majority of the votes present at the meeting.
- 4.5. The competencies of the General Meeting include:
 - election of the Board of Directors
 - election of the Supervisory Committee
 - fixing of membership fees.

Article VI

Financial Affairs

1. Responsibility for the financial affairs of the Czech Chamber of Appraisers rests with the Treasurer of the Czech Chamber of Appraisers and his activity is governed by rules approved by the General Meeting as well as by general legal provisions.

2. The property of the Czech Chamber of Appraisers consists of tangible property and cash. The Czech Chamber of Appraisers shall exercise control over the assets and shall be liable to the third persons only to the extent of the value of the assets.
3. Income of the Czech Chamber of Appraisers consists of:
membership fees,
income from professional activities of the Czech Chamber of Appraisers,
endowments,
subsidies and donations from other subjects.
4. The membership fees and their collection are determined by the Board of Directors of the Czech Chamber of Appraisers.

Article VII

Closing Provisions

1. The persons entitled to act on behalf of the Czech Chamber of Appraisers are the President and the Secretary General and in financial affairs the Treasurer as well as the members of the Board of Directors authorized in writing.
2. The body acting on behalf of the association until the bodies stipulated in Article V are elected shall be a Preparatory Committee consisting of members according to the Appendix 1 of the Bye-laws.
3. A rule of procedure and principles of management shall be approved by the General Meeting.
4. The liquidation of the Czech Chamber of Appraisers and its assets shall be decided on at a General Meeting by a two third majority of the votes present at the meeting.

Appendix 1

The list of the members of the Board of Directors who were elected at the foundation meeting held on March 26, 1992 is an integral part of the Bye-laws.

The Board of Directors of the Czech Chamber of Appraisers

First Name	Surname	Citizen's Index Number	Signature
Jan	Stiess	471228/118	
Jaromír	Ryska	450514/038	
Petr	Skolil	441213/027	
Bedřich	Malý	401020/047	
Ivana	Frýbová	476021/035	

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EXHIBIT "D"

SUGGESTED PROGRAM FOR

***CENTER OF EDUCATION
SCHOOL OF VALUATION
IN PRAGUE***

Educational Activities in the Near Future

Before the end of the year 1992 a course is planned, that lecturers from abroad are to participate in and the purpose of which is to improve qualifications (professional qualifications) of bank clerks involved in appraisal of properties in case of more complex transactions and credits granted by their banking institutions. From October to December 1992 a project of a specialized courses for members of the Czech Chamber of Appraisers will be elaborated. The project will cover techniques of appraisal of real estate, movable property, securities, appraisal of enterprises including their management and, last but not least, also legal, ethic and accounting aspects.

At the same time a project of specialized course at a level of the secondary school - including technical and organization conditions to be met - is being considered.

The main aim of the School is to provide students with a sound basic knowledge of the fundamental techniques of property valuation and an appreciation of the economic, fiscal, management and legal framework of the land and property markets, with a special focus on the management aspects of real property. The first a one postgraduate semestr Diploma course in Valuation of Property will be hold in Prague starting date January 1993.

Course Structure

SUBJECTS	APPROX TOTAL TEACHING HOURS	
	lectures	other
Introduction to Information Technology & Computing	5	5
Mathematics of Finance	10	10
Principles of Land Economics	10	15
Practice of Land Economics & Planning	20	20
Assets Valuation	30	50
Principles of Property	20	20
Marketing & Management	20	10
Building Construction	15	10
Property finance & development	20	10
	-----	-----
	150	150

Prerequisites

The minimum entrance qualifications that will be accepted for admission to the proposed course are:
A good honours degree in a related discipline viz Law, Economics, Geography and Engineering;

An ordinary degree in a related discipline plus relevant practical experience; or

Such other qualifications and experience that are deemed satisfactory by the Board of Studies in Property Valuation.

Education methods

The teaching and learning methods have been adopted to suit the particular needs of the students. The students will have good first degrees in cognate subjects and some will be mature, with varied work experience. As such a greater emphasis will be put on the students working independently, than might be expected of other undergraduate students.

By working in groups the students can gain confidence from each other, prior to and during presentations. The precise ratio of seminar to tutorial will vary from subject to subject depending on the nature and content of the syllabus.

The course is based primarily on a framework of lectures and student centred learning. The student centred learning will include tutorials, seminars, coursework, case studies and simulations.

In view of the nature of the students backgrounds, great emphasis will be placed on the interaction between markets and government intervention. The importance of good, reliable data and good analysis will also be highlighted.

Coursework

Coursework is required for each subject and normally would be either a written assignment of up to 1500 words or an oral presentation, both individual and group based.

Individual assessment of group presentations can be achieved by ensuring topics are capable of subdivision so that each student is allocated or takes responsibility for a subset.

It is designed to ensure that students are competent to apply their knowledge and understanding as it develops through their course, to demonstrate and improve their powers of expression, critical analysis and to provide feedback on performance.

Additionally, coursework may be set to test a students' knowledge in an area that does not lend itself to assessment of formal, time constrained examination.

Required reading

The students will be expected to undertake background reading of recommended texts and journals. This will supplement their programme of lectures, tutorials and seminars and will assist them in their examinations and coursework.

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Centre of Education

School of Valuation
in Prague

EDUCATIONAL PLANS

Milestones on the Path to Education

It is beyond any dispute that we in the Czech Republic are witnessing the start of an era finally appreciating the importance of human resources. The path leading to the goal, i.e. to the creation of a highly qualified expert in banking and financing able to deliver top performances in this field within 10 - 15 years, crosses borders of a single country. Such an expert has to be a graduate and furthermore, he is supposed to attend short-term non-university specialized courses after a certain period of time after his graduation.

There are indications that various sectors are considering this matter and that there are also sectors organizing such education - but only for their internal use.

Our idea is completely different - we want to create a graduate qualified for financing and banking, with a degree accepted outside this particular sector, too, and probably even outside the territory of the Czech Republic. The graduate will make a good second to his counterparts abroad and even excel them in some respects.

This is an advantage based on the reputation of the educational institution as well as on the high quality of the education provided. We do not know any institution which prefers creating somebody's else good reputation to its own reputation. Therefore, it is not possible to found the project on principles of an association.

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Organization of Education

The basis of the whole system will be formed by comprehensive and fairly independent blocks. A system of these blocks will cover higher professional education, language education, and a short-term non-university education.

These blocks will be functionally complemented by specialized courses attended by the graduates 10 or 15 years after their graduation. The whole system will be managed by an institution called the Centre of Education. In addition to its educational activities, the Centre will supply the members of the Czech Chamber of Appraisers with information.

The system will be introduced stepwise with respect to the legislation of the Czech Republic. In the next school year 1993/1994 it is possible to start with specialized education at a level of the secondary school. At the end of the 2-year specialized course the legislation is supposed to permit a short-term non-university education.

EXHIBIT "E"

**AGENDA
INTERNATIONAL EXECUTIVE BOARD MEETING**



The Czech Chamber of Appraisers

111 21 Prague 1, Vodičkova 30, Czechoslovakia

Phone: 02 / 23 50 856

SCHEDULE

for the 1st meeting of the International Executive Board of School of Valuation

Prague, 16th October 1992

- 9.30 - 9.40 - Presentation of Delegates
- 9.40 - 10.00 - Introduction speech:
Profession of valuers and their education
in the Czech Republic
President of the Czech Chamber of Appraisers,
Mr. Stieš
- 10.00 - 10.10 - Review of legislative possibilities for
establishing of School
Representatives of the Czech Ministry of
Education and the Czech Ministry of Justice
- 10.10 - 13.00 - Discussion: Systems of Education for Valuers
(Appraisers)
- I. Great Britain
 - II. Germany
 - III. Belgium
 - IV. France
 - V. Norway
 - VI. Sweden
 - VII. USA
- 13.00 - 13.30 Recommendation for next work of Executive
Board
- 13.30 - 14.30 Lunch
- 14.30 End of meeting

EXHIBIT "F"

LIST OF INVITEES TO INTERNATIONAL BOARD MEETING

P. Champness - United Kingdom

P. Leregle - France

W. Schwenk - Germany

Mr. Persson - Sweden

M. De Clerk - Belgium

Mr. Larsen - Norway

F. Reuter - Germany

R. Vogel - Germany

P. Konikoff - United States