



NEWSREAL

The Seattle Chapter of the Appraisal Institute Newsletter

September 2008



President's Message

by Chris Berger, MAI
Seattle Chapter President

I hope everyone is having a great summer. As we close in on the Fall season, I would like to bring a few items to your attention.

New 2009 Chapter Leadership

Congratulations to the 2009 chapter leaders! The newly elected slate includes: Chris Monger, MAI-Secretary; Mary Campos, SRA-Director; Renee Schaefer, MAI-Director; Judson Clendaniel, MAI, Chris Gibeault, Greg Goodman, MAI & Justin Slack, SRA - Regional Representatives; Selena Woods-Residential Associate Member Liaison; and Matt Bacon-General Associate Member Liaison. Welcome!

Fall Conference

Our second annual Fall Conference is set for November 5, 2008 at the Washington State Trade and Convention Center. The day-long conference includes four education modules to choose out of a pool of 12 offerings (7-hrs of CE). The offerings are organized into three tracts: Commercial; Residential; and Legal/other. The tracts are both interesting and informative with broad appeal to all of our members. We had over 200 participants last year and expect higher attendance this year. In addition to the education, there is a continental breakfast and lunch (each with keynote speakers) and a reception to close out the day. Keynote speakers this year include Michael Parks of Marple's and Robert Murphy with Fannie Mae, Washington, D.C.

Attendees can accomplish three things by attending: 1) Gain 7 hours of CE from a series of interesting/informative educational topics that you select; 2) Network and socialize with your peers over decent meals at a great venue; and 3) Support your local chapter/organization. If you register before

September 30th or as part of a group of 4 or more – you will receive a price discount. Please refer to the Seattle Chapter website for more information: www.ai-seattle.org

September Chapter Dinner Meeting

Our next Chapter dinner meeting is scheduled for September 17, 2008. This will be a popular evening as we feature Gary Taylor, MAI - National Chair of the AQB - as our speaker. It will be an opportunity to hear first hand information about the new 2008 AQB requirements. We also have some newly designated members to acknowledge that night and will recognize our past Seattle Chapter presidents. Please register prior to September 12th to receive the preferred rate.

New Seattle Chapter Web Site

We have been in need of revamping of our chapter website for a long time and with the good work of our 2008 Technology Committee headed by Jim Greenleaf, MAI and Seattle Operating Support who did the work - we have launched the new site. You will find the content much improved both organizationally and graphically with improved access to our key resources including education information and our local appraiser search function. The link to the new site is again: www.ai-seattle.org.

Appraiser of the Year

The Appraiser of the Year will be awarded at the November 19, 2008 Chapter Dinner and Installation of Officers Meeting. This individual will be recognized for the time and talent they have contributed to the appraisal profession and the Seattle Chapter. Board members are the only ones excluded from consideration. Please take time to consider this important distinction and submit your nomination in writing to the Chapter office (email is okay) by Friday, October 3, 2008.

That's all for now – remember to register early for better pricing.

Chris Berger, MAI
2008 Seattle Chapter President

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Submission date for Newsreal: September 19, 2008

Upcoming Courses

Attacking & Defending An Appraisal in Litigation

September 9, 2008

Ted Whitmer, MAI, CCIM, and Attorney will present the framework and considerations for attacking and defending an appraisal in litigation. Common mistakes made in appraising and testifying concerning an appraisal are stressed. Various standards and ethical rules that are commonly misapplied or misunderstood are highlighted and explained. In addition, common tricks, and how to prepare for tricks on cross-examination are identified, as well as answering hypothetical questions at trial. Substantive appraisal theory differences that often cause different approaches and thus values for appraisals in litigation are also highlighted.

Instructor: Ted Whitmer, MAI, CCIM
Credit: 7 hours CE
Location: Hawthorn Suites, 6329 S 212th Street, Kent

Appraising for Legal Issues and Moot Court

September 10, 2008

The "Moot Court" portion of the class will allow six appraisers the chance to practice being an "Expert Witness" in a casual court setting.

Moot court will allow the appraiser the opportunity of answering questions (cross examination) regarding an appraisal. After each session, experts will critique the cross examination and offer suggestions that will help the appraiser enter into a new field of Appraising for Legal Issues.

Presenters: Richard Hagar, SRA & Ted Whitmer, MAI, CCIM
Credit: 6 hours CE
Location: Hawthorn Suites, 6329 S 212th Street, Kent

Advanced Sales Comparison & Cost Approach

September 11-13 & 15-17, 2008

Participants explore ways to identify and measure elements of comparison as well as methods to select and support adjustments including graphing, pairing, sorting, regression analysis, and qualitative analysis. After reviewing the standard methods of calculation, the course explores special applications and common errors in using or misapplications of the approaches. All components of the cost approach are explored thoroughly, with particular attention paid to feasibility and current cost, including supporting entrepreneurial incentive and calculating lease-up costs. In addition, participants study advanced data confirmation techniques, learn how to make all three approaches consistent in the reconciliation process, and discover traps to avoid.

Instructor: Ted Whitmer, MAI, CCIM
Credit: 40 hours CE
Location: Hawthorn Suites, 6329 S 212th, Kent

To register or to find out more about other courses being offered, go online to www.ai-seattle.org.
 For more information, please contact: Jessica Larson at (206) 622-8425 or by email: aisea@qwestoffice.net

September Chapter Calendar

DATE	EVENT	LOCATION/TIME	HOURS
September 9	Finance Committee Meeting	9:30 AM by Phone	
September 9	Attacking & Defending An Appraisal in Litigation	Hawthorn Suites 6329 S 212th Street, Kent	7 hr CE
September 10	Appraising for Legal Issues and Moot Court	Hawthorn Suites 6329 S 212th Street, Kent	6 hr CE
September 11-13 and 15-17	Advanced Sales Comparison & Cost Approach	Hawthorn Suites 6329 S 212th Street, Kent	40 hr CE
September 17	Board Meeting*	Broadmoor Golf Club 2340 Broadmoor Dr E., Seattle	
September 17	Seattle Chapter Dinner Meeting & Past Presidents' Night	Broadmoor Golf Club 2340 Broadmoor Dr E., Seattle	

* All Chapter members are welcome to attend Board Meetings. Call the Chapter office for directions.

For More Information

For more information on the Seattle Chapter of the Appraisal Institute's upcoming events, contact (206) 622-8425, or via email at aisea@qwestoffice.net. Information can also be located at the Seattle Chapter website at www.ai-seattle.org.



**Appraisal
Institute®**

*Professionals Providing
Real Estate Solutions*

Date:
September 17, 2008

Schedule:
5:00 - 6:00 PM
Associate Members Meeting

5:30 - 6:30 PM
Chapter Social and Dinner
Registration

6:30 - 8:30 PM
Chapter Dinner Meeting
"New AQB Requirements"

Presenter:
Gary Taylor, MAI, SRA, CCIM,
Chair of the Appraiser
Qualifications Board

Location:
Broadmoor Golf Club
2340 Broadmoor Dr E.
Seattle, Washington

Seattle Chapter Dinner Meeting & Past Presidents' Night

Dinner Meeting Presentation **Gary Taylor, MAI, SRA, CCIM, Chair of the Appraiser Qualifications Board**

Although the Appraisal Standards Board implements national rules for all appraisers across the nation, the AQB provides the recommendations to establish them.

Past Presidents' Night

Join us for our September Chapter Dinner Meeting & Past Presidents' Night! This meeting will recognize our Past Chapter Presidents who worked tirelessly to make the Seattle Chapter one of the foremost chapters of the Appraisal Institute.

Residential Associate Members Meeting

Due to changes in the market, more and more clients are looking for designated appraisers to complete assignments. This includes the IRS for estate and gifting appraisals, lending institutions looking for the "real" value in a declining market, and the legal community when they need an "expert witness" to testify. Come listen to Scott Adams, MAI, Chief Appraiser from Banner Bank discuss his reasoning in choosing SRA designated appraisers for his bank's assignments, as well as Mary Campos, SRA, Justin Slack, SRA and other recently designated appraisers share their experiences after receiving their SRA designations. The designation process for the SRA has been redesigned over the past few years attempting to make it more convenient for appraisers to get designated.

Designation Certificate Presentations

Murray Brackett, MAI and Darin Shedd, MAI, will present the MAI Designation Certificate to Gregory L. Goodman, who was awarded his MAI Designation in May, 2008.

Michael B. Lamb, MAI, SRA, will present the SRA Designation Certificate to Ian Lamb, who was awarded his SRA Designation in June, 2008.

Meal Options:

London Broil
Chicken Marsala

For more information or to register online go to
<http://ai-seattle.org/blast/dinner.html>

Please complete the following form and return with your check to: Seattle Chapter of the Appraisal Institute, c/o HomeStreet Bank, 8050 15th Avenue NW, Seattle, WA 98117. Phone: (206) 622-8425, Fax: (206) 623-4474, Email: aisea@qwestoffice.net.

Name _____
 MAI SRA SRPA Associate Affiliate

Firm _____

Address _____

City/State/Zip _____

Phone _____

Email _____

Fees

No Cost Prepaid Seattle Chapter Members

Substitutes for prepaid members,
please provide member name

No Cost Past President

No Cost Past President's Significant Other

Registration By September 12, 2008

\$40.00 Appraisal Institute Member Rate

\$50.00 Non-Member Rate

Registration After September 12, 2008

\$50.00 Appraisal Institute Member Rate

\$60.00 Non-Member Rate

Seattle Chapter of the Appraisal Institute

FALL REAL ESTATE CONFERENCE

November 5, 2008

Washington State Convention & Trade Center



This one-day event will appeal to appraisers, bankers, attorneys specializing in real estate transactions, and real estate brokers and sales persons. Education will be offered in all of these areas of expertise and provide 7 hours of continuing education credit. Sessions will focus on such topics as repositioning distressed properties, green buildings, mediation and arbitration, and financial reports, and attendees will receive updates regarding the state of the markets of the major property types - office, industrial, retail, and multi-family.

KEYNOTE SPEAKERS:

Michael J. Parks - Marple's Pacific Northwest Letter

Robert T. Murphy - FANNIE MAE, Washington D.C.

Following the afternoon education sessions, the Conference will continue with an evening reception and networking opportunities.

Raise the profile of your company in the local real estate community by participating in the Conference as a sponsor or exhibitor. Note that exhibitors will occupy prime space in the banquet hall where all meals and refreshments will be served.

- * Special Group Rate: \$175 per person
- * Early Registration Discount: \$195 per person
- * Standard Conference Fee: \$225 per person

For more information and to register go to:

<http://ai-seattle.org/fallconference08.html>

LOCATION:

Washington State Convention & Trade Center

800 Convention Place
Seattle, WA 98101

SCHEDULE:

Registration/Continental
Breakfast
7:00 AM

Conference Hours
8:00 AM - 5:00 PM

Luncheon Speaker
12:15 PM

Post Conference Networking
Reception
5:00 PM - 6:30 PM

2008 COMMITTEE MEMBERS:

Scott Biethan, MAI, CRE, FRICS-
Chair

Mary Campos, SRA

Jim Greenleaf, MAI

Mel Morgan, Jr., MAI

David Parsons, SRA

Allen Safer, MAI

Gretchen Young, MAI, FRICS

SPONSORS:

Platinum

CB Richard Ellis

GVA Kidder Mathews

Bronze

Lamb Hanson Lamb

CALL FOR APPRAISER OF THE YEAR NOMINATIONS

The chapter is looking for nominations for the 2008 Chapter Appraiser of the Year award. This individual will be recognized for the time and talent they have contributed to the appraisal profession and the Chapter. Nominations should be in writing and should be sent to the Chapter office (email is okay) by Friday, October 3, 2008. Include the name of the member, and why they deserve to be recognized. Board members are excluded from consideration. The Appraiser of the Year will be awarded at the November 19, 2008 Chapter Dinner and Installation of Officers Meeting.

Past Appraisers of the Year:

2007 Scott Biethan, MAI
2006 Jim McGowan
2005 Jim Greenleaf, MAI
2004 Marc Campos, MAI, SRA
2003 Bill Coffin, MAI
2002 Bruce C. Allen, MAI, SRA
2001 Allen Safer, MAI
2000 Jim Irish, SRA
1999 Courtney Hashimoto, MAI

NEW SEATTLE CHAPTER MEMBERS

A warm welcome is extended to these new members who joined our chapter this summer!

Abigail J. Blue
Paul D. Bowen, Certified Asset Analysts
Jerry T. Bunn, Harbor Pointe Appraisal
Patrick Joseph Donahue, A + Valuation
Theodore R. Farmer, Jr., TRF Appraisal, LLC
James Fres Fernandez
Justyn Freeman
Patricia L. Gibson
Rishelle F. Gifford
Jeffrey A. Hanson, Kitsap County Appraisal, Inc.
Randy Ernest Hibbard, The Therrien Co. Inc.
Michael A. Imes
Jeffrey Johnson, Cascade Appraisal
Andrew N. Kesterson, Atled Enterprises
Dave Kiehle, CB Richard Ellis
Donald E. Lipp
Mitchell J. Olsen
Susan Santos
Scott W. Torre
Beth Nozicka Vertz
Nicholas O. Walker

NEW MEMBER - MICHEAL IMES



Micheal Imes, IFA, CAR

VA#1011
Appraisers, Inc.
PO Box 1372
Gig Harbor, Wa 98335
253.858.6551 Office
253.857.6817 Fax
m.imes@appinc.net

How I got involved: Brother of a friend. Just kind of fell into it after serving in the US Army.

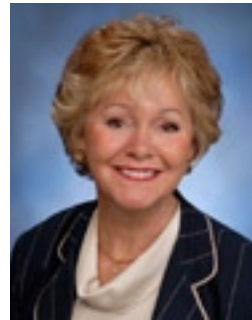
Background: BA in Sociology and completed Graduate work (no thesis) at Humboldt State University, Arcata, CA.

Why AI: To achieve SRA and career advancement.

Mentors: None, currently searching for a mentor in order to advance my license to General Certified.

Interests outside: My relationship with Christ, family, mountain climbing/hiking, hunting, and I am a volunteer for Eyes In The Woods.

THEDDI WRIGHT CHAPPELL, CRE, MAI, RICS, AAPI, LEED AP



"The Seattle office of Cushman & Wakefield has hired Theddi Wright Chappell, CRE, MAI, RICS, AAPI, LEED AP, as the Managing Director of Valuation and Advisory Services for the Capital Markets Group in Washington. Ms. Chappell will also head Cushman's new National Green Building Valuation and Advisory Services specialty practice."

APPRAISAL INSTITUTE SEATTLE CHAPTER OFFICE

Some of you may not be familiar with Seattle Operating Support, but they are an association management company located in Ballard. They have been our chapter office for many, many years. When you call the chapter office, they are there to help regarding membership, education, and a variety of other topics. Their team consists of:

Elly Snow - Chapter Executive Secretary
Jim Walker - Marketing & Sponsor Relations
Jessica Larson - Event Coordinator
Mike Gudder - Payables & Receivables, Financial Reporting
Dyana Oram - Graphic Design, Web Design
John Gillanders - Administrator & Registrar
Dana Culhane - Administrator

ASSOCIATE MEMBER LIAISON REPORT

Thanks to the associates that attended the 2nd Annual “Associates Bowling Night Out” at The Garage on Capitol Hill. The event was held on June 5th and 10 brave souls made it out to show off their bowling skills. Though not officially part of the Associate function, there were some interesting side bets, with a few associates having to do pushups in front of the group due to their low scores. The high score for the evening went to Matt Bacon with a 194 (well below the record 221 set in last year’s inaugural event).

Two \$50 certificates to be used towards upcoming Chapter courses or seminars were given away in a random drawing and the big winners were Sylvester Cann (Cushman Wakefield) and James Poliyanskiy (Appraisal Group of the Northwest).



Back row: Matt Lange, Ian Lamb, James Poliyanskiy, Matt Bacon
Front row: Sean Rhodes, Greg Bucklin (below), Michael Eachus, Jason Maraz, Sylvester Cann, Ady Bee-Lane

If you haven’t done so already, check out the new Chapter website (<http://ai-seattle.org/>). Under the FOR OUR MEMBERS link you will find contact information for the Associate Member Guidance and Associate Member Liaisons, as well as some great links that can help you track your designation path.

Please stop by the Associate Liaison table at the September Chapter Dinner Meeting and introduce yourself.

Ian Lamb
Residential Associate Member Liaison
206-903-1500
ilamb@lambhansonlamb.com

Matt Bacon
General Associate Member Liaison
206-436-1179
mbacon@irr.com

TRAINING THE TRAINEE: DEFINING SUPERVISION

By: Valerie A. Dreas, Certified General Appraiser

I remember back to those blissfully ignorant days when I said “yes” to be an appraisal trainee. I was lucky and worked for a large corporation and thus, a salary and benefits were included in this career change. It was not until several years later when I left that company to become a fee appraiser that I really began to appreciate the abject poverty and financial worry that I had been spared during my apprenticeship.

Trainee Selection

Therefore, when a potential trainee consents to go through that financial struggle, I do not take the responsibility of training someone to be an appraiser lightly. One, their success or lack thereof will reflect back on me; and two, I do not want someone to lose their license and career because of something I did or did not teach them. And so, the task of taking on a trainee should be considered – like marriage – soberly and carefully with all due consideration for the amount of time that will be expended, and likely never recouped, during the three year process.

It is important for a supervisor to pick someone who has the potential for greatness as an appraiser. Sometimes, that is not always readily seen in the interview process. So, I look for several things: intelligence, writing skill (yes I do ask for a writing sample), articulation, education, and the all important computer skills. I also look for someone with a backbone and enthusiasm for doing the job. I also have the heart to heart talk about the financial struggles that are expected. I usually get one of two reactions: “That will not happen to me.” or “Uh, maybe I’ll work for McDonalds. They pay better.”

As an aside, I will just mention here about the backbone part. I have fond memories of my review sessions with my supervisor. We would discuss the report at length and then I would exit her office and my coworkers would ask me if I was okay. I realized that our discussions got sort of loud as we both passionately “discussed” appraisal theory and practice. However, I look at it this way; it was great training for responding to those pesky clients who “insist” that the value is too high or too low – whichever position is to their advantage. Further, a backbone will help offset the rejection and downright rudeness encountered when trying to confirm comparables with buyer, sellers and brokers. Ya’ll are smiling right now cause you know what I mean.

Defining Supervision

Merriam Webster defines the word **supervision** as “the action, process, or occupation of supervising; especially: a critical watching and directing (as of activities or a course of action). In applying this to trainee supervision, the meaning here is to watch or review critically whatever a trainee does. The same source defines **critical** as “exercising or involving careful judgment or judicious evaluation.” Therefore, supervising and critically evaluating a trainee’s work does not involve sending them out on their own and reading through the report and putting a signature on it. What it does involve is a lot of time and effort in carefully guiding a trainee’s thinking regarding

how to look at properties, understanding the scope of work for the appraisal, defining potential problems, and understanding valuation and economic theory.

Client Relationships

I have several hard and fast rules regarding client relations and trainees. My trainees do not discuss anything with a client other than setting up the site visit or asking for specific documents. They are never to discuss the valuation or issues regarding the property with a client – EVER. During the site visit, they are to take pictures and wait to ask me questions later. (The no talking rule abates when the trainee has some more experience under their belt.) As a trainee's education and experience grows and they get closer to sitting for their license exam, they become more involved in the business of dealing with clients and putting together proposals and marketing packages.

I expect the new trainee to be in my office almost 70 percent of their day for the first few months and joined at the hip when out in the field. My focus is commercial property and that is a very broad range of property types, each with its own unique issues that need to be addressed. I have forms for site visits and comparables visits to help direct a trainee's focus. I have scripts for verifications so that the main questions are asked and answered.

Every detail is looked at, reviewed, and discussed with respect to the final work product. Comparable searches are done together, at first. Later, the trainee performs searches on their own and then comes in to discuss them. While we are talking, I'm pulling up the databases as well to see if we get the same properties. Afterward, each comparable is analyzed and red flags are noted. At this time, I explain what is important for this property type to look at and what questions will need to be asked during the confirmation process.

When the valuation has been completed, the final report document is brought up and reviewed – line by line. The file and the trainee are at my desk during this process to answer questions. If there are holes in the report that need to be addressed, I ask questions like who, what, where, when and why. If the trainee cannot answer those questions to my satisfaction, they are sent back to their desk to get the answers. Obviously, this is a time consuming process. However, by the time I am finished reviewing the report and concluding the final value, I know everything about how the value was derived.

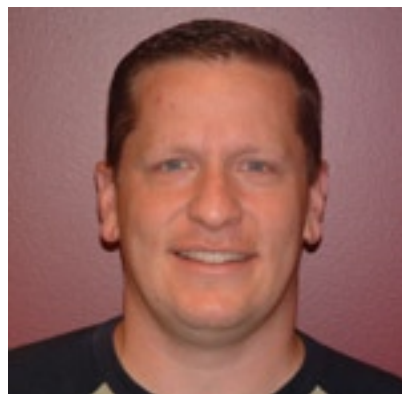
It disturbs me when clients tell me that they hired a certified appraiser and when they call with a question regarding a report, they are passed to a trainee to answer their question. Basically the supervising appraiser is saying they do not know enough about how the value was derived to answer the question. This also undermines the client's confidence in the value, because a person without the specialized knowledge they are paying for performed the appraisal. That should never happen. The supervisor's signature is attesting to the fact that the value is true. How can they attest to that if they cannot discuss how the value was derived?

The recent change in Washington law regarding the trainee's bill was a good one. However, it is only half the battle. The

remaining battle needs to be fought in each appraisal office with respect to what supervision entails. It is up to each designated and certified appraiser to ensure that appraisal quality is at its highest, and that trainees are adequately trained and supervised so that the next generation of appraisers are better than the last. My ultimate hope is to hear someone say "that person is a damn good appraiser." My response will be "I know. I trained them."

Comments regarding this article can be posted at www.lambhansonlamb.com/blog.

GREGORY L. GOODMAN, MAI AWARDED MAI DESIGNATION



Seattle, WA—Gregory L. Goodman, an associate with Allen Brackett Shedd, has been awarded the Appraisal Institute's prestigious MAI membership designation. The designation is held by appraisers who are experienced in the valuation of commercial, industrial, residential, and other types of properties, and who advise clients on real estate investment decisions. Mr. Goodman was granted the designation on May 12, 2008, and he will be honored in Seattle during the September 2008 Appraisal Institute Chapter meeting.

Appraisers holding the MAI designation have met rigorous requirements relating to education, testing, experience, and demonstration of knowledge, understanding, and ability. The MAI designation is earned upon the successful completion of a graduate-level curriculum, which includes a comprehensive exam, a written demonstration appraisal report and attaining 3,000 hours of qualifying experience beyond state certification requirements.

Mr. Goodman has been actively engaged in the appraisal of real property since 2000. He specializes in the appraisal of vacant and improved commercial, industrial, residential, and mixed-use projects comprised of retail, office and residential uses, subdivisions, sensitive area properties, retail and utility corridors, lake bedlands, shopping centers, and auto dealerships. Mr. Goodman received his BA from the University of Washington where he majored in Business Administration. His professional associations and affiliations includes a membership in the Appraisal Institute.

APPRAISAL COMPANY MERGER

American Home Appraisals and Capstone Valuations are pleased to announce the merger of their two companies.

Along with the merger, Certified Residential Appraiser Paul Greatorex joins the firm of American Home Appraisals. Paul has more than 18 years of appraisal experience and is a former Vice President and District Appraisal Manager for Bank of America. AHA's staff now includes a former Vice President (P. Greatorex) and appraisal Review Manager (Graham Albertini, SRA). When you need a great appraisal, call American Home Appraisals at 206-236-3037.

Find out more at: www.americanappraisals.com

National News

THE APPRAISAL INSTITUTE SEEKS YOUR HELP

In light of the recent earthquakes, flooding and tornadoes in the Midwest and raging fires in California and Florida, the Appraisal Institute Relief Foundation's Board of Directors is requesting your support. Any amount is welcome and much appreciated.

Please forward your donation to:
Appraisal Institute Relief Foundation
c/o Marion Hanson
Appraisal Institute
550 W. Van Buren Street, Suite 1000
Chicago, IL 60607
Ph: 312-335-4402
E-mail: relieffoundation@appraisalinstitute.org

The Appraisal Institute Relief Foundation Board thanks everyone for their generosity in the wake of Hurricane Katrina. The Foundation developed out of membership interest to provide direct assistance to members and employees of the Appraisal Institute affected by Hurricane Katrina.

To date, the AIRF received approximately \$273,000 in chapter, individual member and Appraisal Institute employee contributions, and disbursed approximately \$73,000 to 44 individuals. Funds received by the Appraisal Institute Relief Foundation are allocated directly to victims requiring assistance, with the exception of marginal administrative costs, which have been limited to required financial accounting services and tax obligations.

The AIRF continues to receive positive feedback from those who have benefited from the disbursements, with disaster victims generally expressing sincere appreciation, particularly as the organization recognized their plight and reached out to provide

both personal and financial support. Typifying these responses, one recipient wrote, "You folks prove that people are genuinely good by nature. Those of us who have been caught up in this phenomenal disaster certainly appreciate what you are doing for us."

The long-range objective of the Appraisal Institute Relief Foundation is to be able to provide assistance as well as serve as a resource center for information on "best practices" in the event of a disaster.

The long-range goal of the AIRF is to be able provide immediate assistance to members who are victims of catastrophic disasters. To that end, the AIRF continues to solicit donations for future needs, and a voluntary contribution to AIRF is now included on membership dues notices. On behalf of the Appraisal Institute Relief Foundation, thank you again for your generosity:

Jim Amorin, MAI, SRA, President
David Taulbee, MAI, Vice-President
Nick Tillema, MAI, SRA
Michael Wolin, MAI, SRA
Roy Caves
Sara Stephens, MAI

The Appraisal Institute Relief Foundation is pleased to announce that the IRS has approved our application for 501(c)(3) status. A 501(c)(3) organization is exempt from paying federal income taxes. Additionally, all persons and organizations that make contributions (money or property) to a 501(c)(3) organization are able to claim deductions for their donations on their federal income tax under section 170 of the Internal Revenue Code. The Appraisal Institute Relief Foundation is available to provide emergency financial assistance to those who may need it. If you need assistance, or are aware of any eligible recipients who may, please contact the Appraisal Institute Relief Foundation at relieffoundation@appraisalinstitute.org for more information.

NOW AVAILABLE: UPDATED VERSION OF 15-HOUR USPAP ONLINE COURSE

An updated version of the online course, 15-hour National USPAP Online Equivalent Course, is now available to students! The course now reflects the current 2008-2009 edition of USPAP and passed a thorough review conducted by the Appraisal Foundation before receiving approval for online education students. For online registration and other information, please go to www.appraisalinstitute.org, on the left side bar, click "Go" next to "Find Education Programs", and follow the steps to this online course.

USPAP Q & A

Vol. 10, No. 6 June 2008

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

Special Note: The following questions and responses address issues related to assignments subject to the jurisdiction of “The Uniform Relocation Assistance and Real Property Acquisitions Act” (aka “Uniform Act”).

The ASB has been engaged in a series of communications with appraisers who perform work under the Uniform Act. The following questions are typical of the questions that have arisen over the years. Since the issues have broader application, the ASB has elected to publish these specific questions and answers to assist other users of USPAP in similar work or to assist in the general understanding of the JURISDICTIONAL EXCEPTION RULE.

As with all USPAP Q&A, the advice presented is based on the specific circumstances presented and may not be applied equally to seemingly similar situations. **Appraisers are cautioned not to rely on the USPAP Q&A as a substitute for developing a thorough understanding of the provisions of the “Uniform Act”.**

UNIFORM ACT AND SCOPE OF WORK

Question:

I’m doing an appraisal assignment for a government agency that is subject to the jurisdiction of “The Uniform Relocation Assistance and Real Property Acquisitions Act of 1970, as Amended” (aka “Uniform Act”), and its implementing regulation, 49 CFR Part 24. The regulation requires the acquiring agency to develop the scope of work and define the appraisal problem “cooperatively” with the appraiser. This is somewhat different from USPAP’s SCOPE OF WORK RULE which places that responsibility primarily on the appraiser. The agency is providing a draft scope of work and asking me to comply with that as a minimum assignment condition. This raises two possible scenarios:

- (A) If the agency scope of work seems appropriate, do I need to state somewhere in my report that the scope of work was developed by the agency with my concurrence?
- (B) Assume that I believe the agency scope of work is inappropriate or inadequate. I discuss this with the agency and they insist that the scope of work they have developed is appropriate for their program needs. Can I complete the assignment and be in USPAP compliance?

Response:

The answer to both questions is the same. It is the appraiser’s responsibility to determine and perform the appropriate scope of work.

The scope of work performed in the assignment must be disclosed in the report. However, USPAP does not address disclosure of the client’s role in determining the scope of work.

Direction from the client on the scope of work is acceptable if the appraiser is able to develop credible assignment results. If the scope of work specified by the client does not allow the development of credible assignment results, the appraiser needs to discuss changing the scope of work or withdraw from the assignment.

VALUATION METHODS AND JURISDICTIONAL EXCEPTION RULE

Question:

I am doing an appraisal assignment for a government agency that is subject to the provisions of the “Uniform Act” and implementing regulation 49 CFR Part 24. They have provided me with a reference to a State Court of Appeals ruling which indicates that standing timber and landscaping impacted by a public project must be appraised based on the value it contributes to the subject property as a whole, and not as individual items. They have informed me that this appeals case is frequently cited in condemnation cases and almost always upheld by trial courts in this state. Based on this court decision, the agency has adopted a policy that all standing timber and landscaping be valued in this manner.

On this issue of landscaping, does using “contributory value” versus “replacement value” constitute a Jurisdictional Exception – or an assignment condition, since it is applied to all such government agency assignments in this state?

Response:

The USPAP JURISDICTIONAL EXCEPTION RULE does not apply in this circumstance since there are no requirements in USPAP addressing the proper valuation techniques for standing timber and landscaping. The Rule only applies when there is a conflict between the requirements of USPAP and the applicable law or public policy requirements of a jurisdiction.

USPAP requires that in the development of an appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal. Further, the COMPETENCY RULE requires recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.

The agency policy on the valuation of standing timber and landscaping is an assignment condition and must be considered in the scope of work decision. However, an appraiser cannot perform an assignment with a condition that would produce assignment results are not credible in the context of the intended use.

“BEFORE ACQUISITION VALUE” AND STANDARD RULE 1-4(f)

Question:

I'm doing an appraisal assignment for a government agency that is subject to the provisions of the “Uniform Act” and its implementing regulation (49 CFR Part 24). In the “Before acquisition value” appraisal, the regulation requires appraisers to disregard any decrease or increase in the market value of the property that has been caused directly by the project. This regulation appears to conflict with USPAP, Standard Rule 1-4(f), which addresses the analysis of the effect on value of anticipated public or private improvements.

Obviously, I must comply with the Federal law and regulations, but I am unsure how to reconcile this with the requirements of USPAP, Standard Rule 1-4(f).

Does this situation create a USPAP “Jurisdictional Exception” or is this simply an assignment condition?

Response:

49 CFR Part 24 is an assignment condition where it applies.

The 49 CFR Part 24 regulation that requires appraisers to disregard any decrease or increase in the market value of the property that has been caused directly by the project in the “Before acquisition value” appraisal is not a Jurisdictional Exception because the regulation does not conflict with the requirements of USPAP. A Jurisdictional Exception is only created where USPAP is contrary to a requirement of law or public policy.

USPAP SR 1-4(f) becomes applicable in an assignment only when the scope of work includes the analysis of anticipated improvements.

When analyzing anticipated public or private improvements, located on or off the site, an appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions. (bold added for emphasis)

The intended use of the assignment drives the appraiser's decisions in identifying relevant property characteristics and assignment conditions. The decision to analyze the effect on

value of an anticipated off-site improvement is part of the scope of work decision. The scope of work in “Before acquisition value” assignments prepared under the Uniform Act is based on a condition that anticipated project improvement will not be recognized; therefore SR 1-4(h) does not apply.

In an appraisal with an assumed condition that is contrary to known fact, the assumed condition is a hypothetical condition. A “Before acquisition value” appraisal assignment that does not include recognition of the project would require the use of a hypothetical condition because this is contrary to a known fact. The Comment to Standards Rule 1-2(g) states:

*A hypothetical condition may be used in an assignment **only if:***

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;*
- use of the hypothetical condition results in a credible analysis; and*
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions. (bold added for emphasis)*

In the reporting of a real property appraisal report, USPAP Standards Rule 2-1(c) states that the real property appraisal report must:

*clearly and accurately disclose all assumptions, extraordinary assumptions, **hypothetical conditions**, and limiting conditions used in the assignment. (bold added for emphasis)*

This requirement creates an obligation to disclose all hypothetical conditions used in the assignment. USPAP real property appraisal report requirements state that the report must, at a minimum:

clearly and conspicuously:

- state all extraordinary assumptions and hypothetical conditions; and*
- state that their use might have affected the assignment results; (bold added for emphasis)*

This requirement directs the appraiser to provide a clear and conspicuous statement of the hypothetical conditions. The form and location of the statement is left to the discretion of the appraiser, but it must be clear and conspicuous to intended users.

UNIFORM ACT AND THE REVIEW OF “LOW VALUE” ACQUISITION APPRAISAL REPORTS

Question:

I am a review appraiser for a government agency that is subject to the provisions of the “Uniform Act” and its implementing regulation (49 CFR Part 24). There is a provision in this Federal regulation that allows an acquiring agency to adopt an appraisal review reporting process, in cases of “low value” acquisitions,

that may be as simple as the review appraiser stamping such an appraisal report as “approved”, and signing and dating that action.

This process is intended to be used only in certain acquisitions, such as a partial acquisition for a highway project – and then only in those that are very minor in their impact to the subject properties and which clearly do not result in legally compensable damages to the remainders or any change in highest and best use. Examples of these appraisal reports might be those performed to value easement areas and/or very minor fee simple acquisitions.

In these cases, this Federal regulation obviously requires much less than is typically required in STANDARD 3 of USPAP.

How does the ASB characterize a review appraiser’s simple approval in these instances (Jurisdictional Exception or assignment condition)?

Response:

49 CFR Part 24 is an assignment condition where it applies. There is no Jurisdictional Exception because the “Uniform Act” and its implementing regulation (49 CFR Part 24) allows the use of this “simplified” review process in cases of “low value” acquisitions but does not require it. A Jurisdictional Exception is only created where compliance with USPAP is contrary to a requirement of law or public policy. The “Uniform Act” does not mandate the use of this “simplified” review process in cases of “low value” acquisitions, therefore it is not a requirement of law or public policy; consequently, the “simplified” review process is not contrary to USPAP.

USPAP STANDARD 3 applies to appraisal review assignments and provides for flexibility in the scope of work for the review. Based on the intended use and purpose of the appraisal review, the reviewer can determine an appropriate scope of work necessary to develop credible assignment results.

In the review of “low value” acquisition appraisal reports under the Uniform Act, the “simplified” appraisal review process must produce credible assignment results in light of the intended use. If this USPAP requirement is satisfied, the appraisal review process is acceptable.

The USPAP requirements for an appraisal review assignment also allow flexibly in reporting the results of an appraisal review assignment. The format of the appraisal review report is not addressed by USPAP, but STANDARD 3 states:

Appraisal review requires the reviewer to prepare a separate report setting forth the scope of work performed and the results of the appraisal review.

The application of a stamp to the appraisal report under review does not comply with this reporting requirement. The review appraiser must ensure that the content of the review report complies with the requirements of Standards Rule 3-2.

USPAP Q & A

Vol. 10, No. 7 July 2008

Question:

I am an appraiser who has been asked by my client to submit my appraisal reports to them electronically. Assuming that I have satisfied the reporting obligations in the creation of the report, what are my obligations in the use of electronic delivery systems?

Response:

USPAP does not specifically address this issue, but there are general ethical obligations that are relevant. The Conduct section of the ETHICS RULE states, in part:

An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report...

Communication in this instance means transmission of the report, which can occur through such mechanisms as U.S. mail, private courier service, fax, e-mail, or web portal. The appraiser’s obligation is to not transmit a misleading or fraudulent report.

In the transmission of electronic reports, the appraiser’s obligation is to ensure that the report that is transmitted is not misleading or fraudulent. Therefore, the appraiser needs to be familiar with the electronic report created by the software used in the assignment. The appraiser must have a sufficient understanding of the report generating software used in an assignment to avoid the communication of misleading reports. In order to comply with USPAP, the electronic report that will be sent to the client must be examined by the appraiser prior to transmission to ensure that it is not misleading or fraudulent.

An appraiser cannot control what a client or intended user does with his or her appraisal report. USPAP establishes requirements only for appraisers, not clients, intended users, or others. Once an appraisal report has been transmitted to the client, USPAP places no further responsibility on the appraiser for the client’s use of that report.

CAN APPRAISERS PERFORM “COMP CHECK” ASSIGNMENTS?

Question:

I’m a residential appraiser and have been asked to perform a “comp check” (or “pre-comp”) assignment, where a client wants to get an idea of the value of a home prior to proceeding with a mortgage financing transaction. Does USPAP allow me to perform this type of assignment?

Response:

Yes. As stated in FAQ #130 in the 2008-09 edition of the USPAP document, these types of assignments are allowed under USPAP. To understand the USPAP requirements, it is important to identify exactly what the appraiser is being asked to do. If the appraiser is asked to “provide comps,” that would typically mean

the appraiser would be exercising his or her own judgment to determine which sales are most “comparable” to the subject property. The appraiser may choose to include only those sales that he or she deems are most similar to the subject in size, location, quality, etc., which could mean that certain sales may be omitted. In this case, the resulting data would have been “filtered” by the appraiser’s judgment, which would have the net effect of providing a range of value to the client. This range of value is defined as an appraisal under USPAP; therefore, the appraiser would be obligated to comply with STANDARDS 1 and 2.

But as FAQ #130 also states, “comp check” assignments should be contrasted to requests for an appraiser to simply provide data. For example, an appraiser asked by a client to provide “sales data of all homes located within a one mile radius” of a specific address could comply with the client’s request without complying with STANDARDS 1 and 2, because the appraiser would just be providing sales data pursuant to the client’s defined parameters. In this example, the appraiser must be careful not to communicate any opinions or conclusions regarding the data provided.

For additional related guidance on this topic, please refer to Advisory Opinion 19, Unacceptable Assignment Conditions in Real Property Appraisal Assignments and Illustration #4 “Appraisal and Market Information” in Advisory Opinion 21, USPAP Compliance.

CAN APPRAISERS PERFORM “COMP CHECK” ASSIGNMENTS FOR FREE?

Question:

Does USPAP allow appraisers to perform “comp check” assignments for free?

Response:

Yes. However, the appraiser would have to ensure that receiving a “full” appraisal assignment is not contingent upon the result of the “comp check” assignment. The Management section of the ETHICS RULE states, in part:

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

- 1. the reporting of a predetermined result (e.g., opinion of value);*
- 2. a direction in assignment results that favors the cause of the client;*
- 3. the amount of a value opinion;*
- 4. the attainment of a stipulated result; or*
- 5. the occurrence of a subsequent event directly related to the appraiser’s opinions and specific to the assignment’s purpose. (Bold added for emphasis)**

IS DISCLOSURE OF A FREE “COMP CHECK” ASSIGNMENT REQUIRED?

Question:

If I perform a free “comp check” assignment and my client subsequently requests me to perform a “full” (or more “traditional”) assignment on the same property, do I have to disclose the free “comp check” assignment as having provided a “thing of value” to procure the new assignment?

Response:

No. The Management section of the ETHICS RULE states, in part:

The payment of undisclosed fees, commissions, or things of value in connection with the procurement of an assignment is unethical.

Since USPAP prohibits the second assignment from being contingent upon the first, the free “comp check” could not be considered part of “procuring” the second assignment. Therefore, disclosure of the free “comp check” assignment would not be required. Appraisers may, of course, elect to disclose the prior assignment, but it is not required by USPAP.

An appraiser can provide a free “comp check.” An appraiser cannot provide a free “comp check” AND the pursuant appraisal if the engagement was contingent upon developing or reporting predetermined results.

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COMMERCIAL APPRAISER POSITIONS

Integra Realty Resources – Seattle is seeking commercial real estate appraisers with a minimum of two years commercial appraisal experience. Candidates need to be proficient in MS Word and Excel software and have good time management skills.

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REVIEW APPRAISER POSITION

Banner Bank is currently seeking a senior review appraiser, to start immediately, for a full-time position in the Appraisal Department, located in Bellevue. Primary job responsibilities will include ordering and reviewing commercial appraisals, including residential construction projects, although there may be some limited residential appraisal review as well. The employee's primary responsibility will be the review of appraisal assignments completed by fee appraisers for a variety of property types in Washington, Oregon and Idaho, as well as Chief Appraiser management support, with additional responsibilities as appropriate. In-house appraisal assignments will be very limited. There will be some necessary travel within Banner Bank's footprint and proficiency with Microsoft Office products is required. We are currently in the process of implementing Exact Bid's RIMS appraisal ordering/management system, so familiarity is a plus.

Qualified candidates will have a minimum of 5

years of experience in commercial appraising or a similar pursuit, a "Certified General" Real Estate Appraiser License is required and Appraisal Review experience is requested. Banner Bank offers a competitive salary and benefit package; salary depends on experience. Send resume and cover letter to Scott Adams c/o Banner Bank, 3005-112th Avenue NE, Suite 100, Bellevue, WA 98004; email questions/replies can be sent to sadams@bannerbank.com. EOE/MF/DV

COMMERCIAL APPRAISER

PGP Valuation, Inc. has immediate opening for Commercial Appraiser.

PGP has a regional presence and national expansion plan due to the recent partnership with Colliers International. We now have the ability to serve national clients and seek the right person to grow with our company.

We currently have over 150 appraisers in 11 US markets, and an additional 70 appraisers in 5 Canadian markets. We provide a variety of valuation services to corporations, financial institutions, government agencies and the public sector. We are now accepting large assignments including portfolio work. There are opportunities locally, nationally and globally if you have that desire. We currently seek a local candidate, however, if you have aspirations to travel, there may be that opportunity for you.

We are seeking the best candidate. Do you already have your general license, and would like to join a company with a future? Bring your appraisal expertise and skills, and we have a review team and office staff to support you.

We seek an individual with a high degree of integrity and a desire to grow in an atmosphere of support. You will be provided with state of the art technology, data and support staff. We offer an excellent benefit package that includes a 401k plan and a production oriented compensation plan.

PGP has a reputation for excellence and could be a good fit for you if you strive to be the best as well. Please call Suzanne Coleman at 206-965-1111 or email your resume' to: suzanne.coleman@pgpinc.com.

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