

Sacramento Sierra Chapter



APPRAISAL NEWS

& Review

Sacramento Sierra Chapter
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October 2006

PRESIDENT'S MESSAGE by Richard Van Steenkiste, MAI

Now that fall is here, Chapter activities move back into high gear. We have two events on the horizon that you will want to take advantage of: a chapter BBQ and social event and the annual Tahoe Conference. More about these in a moment.

First, an important piece of news from National: **John Ross, CEO of the Institute, has announced that he will leave AI in 2007 after 10 years as leader of the national staff and managing the day-to-day operations of the organization.** No specific timetable was given; apparently he will remain until a suitable replacement is found. No particular reason for the resignation was given. He simply says he felt it was time to move on to new challenges and opportunities.

If you miss the Texas BBQ on Thursday, October 5 in Royer Park in Roseville, you will miss some really great food and fun. Our vice-president, Marshall Meager, MAI, is a Texan and a BBQ chef of some renown, and he has organized this event for us as a way to get together with friends, colleagues, associates and clients in a beautiful outdoor setting at a price that can't be beat. In addition to some of the best BBQ you will ever eat, there will be soft drinks and adult BEvERages. Also, the incredible suspense concerning who has been elected as officers and board members for 2007 will be ended, and the winners (?!) will be announced. Make your reservations NOW! 3 to 6 p.m. \$10 per person. Sign up online at www.sac-ai.org See you there.

It's not all fun and games, however. Also coming soon is our annual Tahoe Conference, Thursday and Friday, October 26 and 27 at Harrah's at South Lake Tahoe. Well, since it's at Harrah's I guess this will be fun and games as well.

Seriously, we have two great new seminars available. On Thursday, we have a 7-hour seminar entitled *What Clients Would Like Their Appraisers to Know: How to Meet Their Expectations*. The AI's Client Advisory Committee talked to all kinds of clients and put this seminar together to help us understand and deliver what our clients expect, want and need from us. You'll be surprised at some of the answers, and no matter how long you have been appraising, you will be more attractive (intellectually at least) to your clients when you start putting into practice some of the things you learn at this seminar.

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UPCOMING EVENTS

October 5.....	Texas Barbeque
	Lake Tahoe Seminars
October 25...7 Hour	USPAP Update
October 26.....	What Clients Would Like Their Appraisers to Know
October 27.....	Condo's Co-ops, PUDs
November 30/December 1	The Uniform Standards for Federal Land Acquisitions (Yellow Book)

2006 SUMMER CONFERENCE

A chapter-developed conference was held at the Dante Club on August 24th. Conference attendees enjoyed the syllabus, a breakfast, and lunch at the club. The conference provided an update on a number of pertinent topics, as summarized below:

Good News From OREA: Greg Harding from OREA was on hand for an update. OREA will institute temporary license fee reductions (see related article). The grace period for a license renewal will be extended to two years.



Greg Harding and Steve Harrington, MAI

Applicants cannot have more than five attempts to pass the examination during a 12-month period. The education requirements will increase in 2008. Street scenes with the Beatles in the cross walk will raise a red flag. Refer to the OREA web site for more information.

You CAN Fire A Client: Ann O'Rourke provided some business practice tips. You can increase your income without raising prices. "Fire" the high-maintenance clients. Take fewer assignments from low-profit clients. Use support staff to return calls regarding report status, etc. Specialize in property types and geographic areas. Ann referenced a good small business book – The E-Myth, Revisited, Why Most Small Businesses Don't Work and What to Do About It, by Michael Gerber.

Bonds, The Financing Mechanisms: Jim Glickman, MAI, presented some useful information regarding bond financing. Remember these liens are senior to the first mortgage lender, thus lender clients will want these identified and in most cases quantified. The Official Statement (OS) can provide

a number of pertinent details. Refer to www.treasurer.ca.gov/cdiac/publications for the Recommended Practices in the Appraisal of Real Estate for Land Secured Financings (CDIAC 04-06) – July 2004. In analyzing bonds it is important to be consistent in the analysis of bond liens on the subject property and comparable data.

The Value Opinion is Confidential Information: Stephanie Coleman, MAI, SRA, reminded the audience that we must not disclose confidential information or assignment results. It is a good idea to pass any information designated as confidential from the client to the appraiser. Information has to come from the client to technically be considered confidential. (The client is the party that hires the appraiser.) Although it is probably good business practice to keep information from other parties confidential when asked to, it is not required. Remember on work samples to new clients, get permission or redact the conclusions and other identifying information. Be aware of what you can and cannot share when confirming sales.

(Kudos to Janet Holland, MAI for preparing the above article)



Stephanie Coleman, MAI, SRA



Jim Glickman, MAI

(from page 1)

The second 7-hour seminar on Friday is *Condominiums, Co-ops and PUDs*. This is a brand new, timely seminar for both general and residential appraisers. All over the country – as here in our region certainly – condominiums are becoming increasingly popular with buyers and developers. As a general appraiser, you will be called upon to appraise proposed projects or phases of projects, and this seminar teaches you how the Institute believes this should be done. The methodology involves some new techniques in the Income Approach, which will be detailed in this seminar. Residential appraisers will learn proper techniques for assess-

ing the value of individual units within complexes and for analyzing the market in which they compete.

You can sign up for both seminars at a discounted rate or for either seminar individually at our chapter web site. **Act quickly and you can still take advantage of some great seminar room prices at Harrah's: only \$69 per night for Wednesday and Thursday nights and \$99 for Friday night. Be sure to tell the hotel you want the Appraisal Institute Tahoe Conference rate.**

Don't let your competition have an advantage by having these seminars as part of their qualifications when you don't have them. Sign up NOW!

TEXAS STYLE BBQ

Join your fellow local appraisers for a sumptuous meal of slow-cooked tri-tip, chicken, and sausage catered by Uncle Alan's BBQ and Catering and prepared by some of our chapter's own Texans (including Marshall Meager and Scott Beebe).

Who: All chapter members and their guests. Family and client attendance is encouraged.

When: Thursday, October 5, 2006 at 3:00p

Where: Royer Park in Roseville

Activities: Wiffle Ball Home Run Derby, Appraiser Price Is Right, Bocce Ball

Food: Texas BBQ including tri-tip, chicken, and sausage as well as side dishes and various beverage selections (including both adult and non-adult beverages).

Cost: JUST \$10/Person!!!!

Registration: Register ASAP. We must have a firm head count at this time for the caterer. **Please do not send registration and payment to the chapter office. Direct questions and comments to Michelle van de Pol at mvandepol@irr.com or (916) 949-7370.**



FROM THE EDUCATION COMMITTEE... *(by Steve Harrington, MAI, Education Chair)*

Attendance for our educational offerings throughout 2006 has been strong and we look forward to strong attendance during the last quarter of the year also. As of September 2006, the Sacramento-Sierra chapter sponsored 10 Appraisal Institute courses, one Appraisal Institute seminar, and a one-day educational conference. The overall average is approximately 37 attendees per class. We thank our members, and non-members, who support our educational offerings. Without your support, we would not be able to provide such a wide variety of courses and seminars.

The upcoming Lake Tahoe seminars will be interesting to both general and residential appraisers. In support of the Reno/Carson City/Tahoe chapter of the Appraisal Institute, **our annual South Lake Tahoe conference will begin on Wednesday October 25, with the 7 hour USPAP update. *What Clients Would Like Their Appraisers to Know*** is a very popular seminar nationally, and it will be presented on Thursday, followed by **Condominiums, Co-ops, and PUDs**, a new seminar that will be presented on Friday. As known by most appraisers throughout the Sacramento Metropolitan Area, development of new condominium, townhouse, and PUDs, and conversion of older multi-tenant units to condominium and townhouse projects, has increased significantly over the last several years. Since this trend is expected to continue, and will likely increase in the future, it is important that residential and general appraisers understand these forms of ownership, and remain current on the latest terminology and techniques.

Mark your calendars for **October 25, 26 and 27**, and enjoy Lake Tahoe. **Great Discounted Room Rates:** Sunday - Thursday \$69; Friday, \$99; Saturday, \$139. **The rooms must be reserved through the chapter office**, and these **discounted rates expire October 2, 2006**, so sign-up for classes now, and get your room reservations before these cheap rates expire. REGISTER ONLINE REGISTRATION AT: <http://www.sac-ai.org/event.html>.

Uniform Standards for Federal Land Acquisitions, commonly known as "the yellow book" seminar, will be given **November 30 and December 1**. It has been brought to our attention that a number of government agencies are now enforcing the requirement of "Yellow Book" education in order for appraisers to perform work for the government. **If appraisers cannot prove they have taken a Yellow Book course, they cannot be hired by the agency to do the work.** This is not limited to one part of the country. It is a nationwide issue. The Yellow Book course will be taught by Brian Holly, MAI, Chief Appraiser, U.S. Department of Interior. Brian is also one of the authors of the "Yellow Book", and it should prove to be an interesting two-day seminar. This class will be held at the Double Tree Hotel in Sacramento, and there is limited seating. **We have had a very positive response to this offering, and are filling the seats fast.** We are restricted to a maximum of 65 seats and we are already over **80% full - so sign-up early if you plan to attend this class.**

EVENTS & EDUCATIONAL OFFERINGS FOR 2006

Offered by the Sacramento Sierra Chapter of the Appraisal Institute

Date	Course/Seminar	Instructor	Location
October 6	Texas Barbeque/Chapter Meeting		Royer Park
October 16	Board Meeting		Rusty Duck
October 25	7 Hour USPAP Update	Stephanie Coleman, MAI, SRA	Lake Tahoe
October 26	What Clients Would Like Their Appraisers to Know	Richard Borges, MAI	Lake Tahoe
October 27	Condos, PUDs, Co-ops	Dean Zantow, SRA	Lake Tahoe
November 30 and December 1	Uniform Standards for Federal Land Acquisitions	Brian Holly, MAI	Doubletree Hotel Sacramento

For up-to-date information and online registration for all events offered by this Chapter, check out our website at: www.sac-ai.org or contact Elaine or Emily at the Chapter office at (916) 972-9700.

EVENTS & EDUCATIONAL OFFERINGS FOR 2007

Offered by the Sacramento Sierra chapter of the Appraisal Institute

The education committee is currently working on plans to add additional classes to the schedule, to include an advanced course or courses. If you have any suggestions please contact a member of the education committee.

Course/Seminar	Dates	Instructor
Basic Appraisal Principles	January 19/20 January 26/27	Nelson Bowes, MAI
7-Hour National USPAP Update	February 1	Tom Boyle, MAI
15-Hour National USPAP	February 8/9	Harry Holzhauer, MAI, SRA
Basic Appraisal Procedures	February 23/24 March 2/3	Nelson Bowes, MAI
Basic Income Capitalization	March 22/23/24 March 29/30/31	Gary DeWeese, MAI
Real Estate Finance, Statistics, & Valuation Modeling	April 19/20	Dawn Molitor, SRA
General Market Analysis and Highest and Best Use	May 9, 10, 11, 12	Harry Holzhauer, MAI, SRA
Residential Report Writing & Case Studies	May 18, 19	Dawn Molitor, SRA
Summer Conference: Topics TBA	August (TBD)	TBD
7-Hour National USPAP Update Course	September 7	TBD
The Appraiser as an Expert Witness: Preparation and Testimony	September 28/29	TBD
Tahoe Seminar (Day 1):	Review Commercial Appraisal Reports	October (TBD)
Tahoe Seminar (Day 2):	TBD	October (TBD)
Seminar: TBD	December 1	TBD

NEWS FROM OREA

The Office of Real Estate Appraisers has announced regulation changes that go into effect September 7, 2006. The changes include but are not limited to the following:

- Temporary reduction in issuance fees to \$150.00 for Trainee and Residential License and \$200.00 for Certified licenses effective through June 30, 2010, unless extended.
- The issuance fee reduction applies to *Application for Issuance of License* (REA 3008) received on or after September 7, 2006, and for license renewals effective September 7, 2006, or later. If you have already submitted your renewal application, OREA will refund the fee difference.

The following charts reflect the fee changes:

LICENSE LEVEL	Initial Application (REA 3001)	Application for Issuance of License (REA 3008)		Total Fees**	
		Current Request for Issuance Fee	NEW Request for Issuance Fee	Old Fees	New Totals
Trainee License	\$220	\$310	\$160	\$530	\$380
Residential License	\$220	\$385	\$235	\$605	\$445
Certified Residential	\$220	\$460	\$285	\$680	\$505
Certified General	\$220	\$460	\$285	\$680	\$505

LICENSE LEVEL	Renewal Applications	
	Current Renewal Fees	New Renewal Fees
Trainee License	\$460	\$310
Residential License	\$535	\$385
Certified Residential	\$610	\$435
Certified General	\$610	\$435

** Does not include examination fees paid to course provider

Other regulation changes include:

- License renewal grace period is extended from one year to two years.
- Applicants shall not be allowed more than 5 attempts to pass the examination during the 12 month period the admit letter is valid.
- Trainee education must be completed within the five-year period immediately preceding the application date.
- Residential License experience requirements must be obtained over a period of not less than 12 months.
- 50% of appraisal work experience requirements may be obtained through case studies and practicum courses that are approved by the AQB Course Approval Program.
- 50% of continuing education or basic education requirements (but not both) may be obtained by instructing approved basic education and continuing education courses.

Reflections of an Incoming President Marshall Meager, MAI

As I look back over my involvement in the Sacramento-Sierra Chapter for the past five years in anticipation of the responsibilities of the upcoming year, I have several observations. While I have been a Member of the Appraisal Institute for 10 years and involved with the AI organization and its predecessors for over 20 years, my active involvement in the San Antonio, North Texas, NorCal and Sacramento-Sierra Chapters was very limited until about five years ago. A good friend, Cydney Bender Reents "extended the invitation" to serve on the board. Later another friend Richard Van Steenkiste, would extend the offer to serve as an officer.

It has been a journey which has brought some rich experiences and friendships. After many years of being noticeably absent from direct involvement in the organization, a combination of good old fashion guilt and a sense of duty persuaded me that it was time to give time and service to a profession that has given me much. *(The story that I have frequently told that Richard got me drunk and the next thing I knew I was an officer is simply an exaggeration.)*

I have grown from the experience and have forged some deep friendships. The experience has afforded some opportunities to travel to Portland, Seattle, Chicago and recently to San Francisco to receive training for the incoming Chapter Presidents at the Pan Pacific Conference. The experience of serving as a member of the Regional Board has introduced me to appraisers from our region. Several have been most helpful, but one in particular put a lot of time and energy toward being a mentor and friend. Karen Mann has served in numerous capacities at the Chapter, Regional and National level. We have spent a number of hours after meetings discussing issues and ideas. I thank her for her enthusiasm for the profession, her service to AI, and helping others like myself to get a clue about what to do. I would be remiss if I did not also mention the wonderful professional service we receive from our Executive Director, Emily Bernardis. For her, it is more than a job - it is a "crusade" to deliver excellent service to our members. I thank her for level of devotion to our organization and her staff.

We have a lot of challenges ahead as a mem

bership. We have had some capable leadership at the national level. These leaders have made significant changes to governance or committee structure reducing and realigning those organizations from over 50 committees to 12 committees. We now have a leaner, more nimble organization. The staff organization under went a new alignment and restructure, which is just being completed. I want to briefly address the foundation for some of those changes.

A book I would highly recommend is called the **"Seven Measures of Success"**. Some of the key strategies being followed by the Appraisal Institute might also benefit each of us in our business and personal lives. Some of the characteristics of a successful organization include: A culture of customer service, products aligned with service, strategies which are data driven (based on research), dialogue and engagement with members, leadership which has vision and generates ideas, organizational adaptability (adapt or become extinct), stick to core strategies, and finally build alliances with other similar organizations.

All of these ideas have merit, which sound good and make sense. To move our organization forward at both a local and national level we need to convert these ideas to action. I think one of the most important things I learned at this training is to accomplish goals, 70% of the energy must first go into planning; the other 30% is carrying out the plan.

As a board and officers we will be holding our second annual planning retreat early in 2007. In the meantime I will be working on a master plan; we will coalesce our ideas at that board retreat. Our first board retreat held at Richard's home was a success on a number of levels. We got to know each other better and we were on the same page in terms of what we wanted to accomplish in 2006.

I look forward to serving in the upcoming year. I invite you to call me with your ideas, suggestions and yes-even criticisms. I hope together we can live up to the ideas espoused by our membership organization of being the best trained and educated practitioners and the most ethical professionals who serve the public.



Incoming President, Central California Chapter; John Ross, CEO Appraisal Institute and Marshall Meager, MAI, Incoming President Sacramento Sierra Chapter

Chapter Leadership Program, September 16, 2006, San Francisco, CA



Dick Powers, President, Appraisal Institute and Marshall Meager, MAI

IN MEMORIAM

Marvin Ray Goodman passed away June 18, 2006 at the age of 46. Marvin had worked for nine months in the Sacramento CB Richard Ellis office as a staff appraiser and had recently joined the local Sacramento Sierra Chapter of the Appraisal Institute. However, many local appraisers and real estate professionals knew Marvin for his 17-year employment term with the Yolo County Assessor's Office performing commercial appraisal work for tax assessments and performing tax appeal work. Memorial services were held at the Rocklin 3^d Ward Chapel, interment followed at the Newcastle District Cemetery.

Marvin is survived by his wife Mona, children Erik, Jamie, and April and step-son Nicholas, four siblings and numerous nieces and nephews.

An avid baseball fan of the San Francisco Giants, as well as a recreational softball player, Marvin played in his church league as well as on the CBRE company team. Marvin and Monawere very outgoing and fully enjoyed their lives

together. They enjoyed traveling together. Del Cabo San Lucas, Mexico, where the Sea of Cortez and the Pacific Ocean meet, was a favored destination.

Marvin will be missed for his dry wit and easy going nature, his professionalism, and his commitment to what he cherished most, his wife and family.



Welcome New Members

The Sacramento Sierra Chapter of the Appraisal Institute is pleased to introduce the following new Associate Members:

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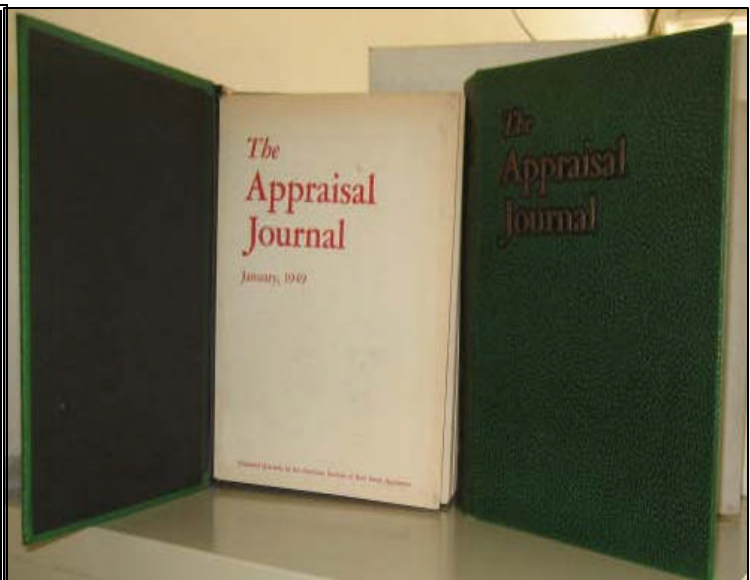
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***Yours for the asking* - - - - -**

- Have you ever wondered what the Appraisal Journal might have looked like in 1948, 1949, 1950, 1951 or 1952?
- Are a collector of all things old or unusual?
- Have a great desire to preserve history?
- Or just have a lot of shelf space?

This is your opportunity to come and pick up two boxes of journals from the Chapter Office. Call 916-972-9700 to arrange a pickup time. We'd love to hear from you!



NEWS FROM NATIONAL

Appraisal Institute “On Track”

The following summarizes the information reported during the third-quarter Board of Directors meeting, which took place September 20-21 in San Francisco:

- Numerous Appraisal Institute programs and project team efforts are proceeding on track, including: development of an education program on conservation easements; online seminars dealing with GIS anticipated for 2007; and, training programs for clients of appraisal services on such topics as USPAP, scope of work, and readdressing appraisals.
- The three pilot Shared Interest Groups, which got underway earlier this year are doing well, with member participation at kick-off events and in online discussion strong thus far.
- The Visibility Campaign, now nearing the end of its second year, continues to build media interest, especially through the use of AI members as spokespersons on national radio and TV outlets such as CNN.
- Trends in most areas of membership recruitment and retention have been positive for the year. As of August, growth in the associate member category is up approximately 11 percent. A total of 1,719 new members were added for the year through August 31, compared with 1,431 for the same period in 2005.
- Vice President Wayne Pugh, MAI, who chairs the Finance Committee this year, reported that the organization's overall financial position is healthy, based in part on continued growth in online education and network (i.e., chapter-presented) course offerings as well as savings in some operational areas.
- Plans for next year's 75th anniversary celebrations were further outlined to the Board. The major event of the year will take place July 14-22, 2007, in Las Vegas. A variety of programs and activities are being planned, providing interest and appeal for all Appraisal Institute members to attend. A full calendar of meetings and other events to take place during the anniversary year will be posted on the Web site as soon as all dates and locations are confirmed.
- The Strategic Planning Committee has drafted alternative vision and mission statements for the Appraisal Institute, which will be circulated for comment to all members prior to the next Board of Directors meeting. The thrust of the statements will be to position the organization and its members as

leaders in a more broadly defined field of valuation services, rather than to real estate-related services. All members will have the opportunity to express their views on the issue when the statements are circulated in October with the next 45-day notice.

At the conclusion of the Board meeting, CEO John Ross announced his intention to leave the Appraisal Institute in 2007 to explore other opportunities. In making known his decision to step down, he expressed the belief that the organization is prepared to meet the challenges facing the profession in the coming years. The Board of Directors will next meet in Chicago on December 4-5, 2006.

Home Prices Decline for First Time in 11 Years

The median price for existing single-family homes nationwide slipped 1.7 percent from last August, according to the National Association of Realtors; they added that it was the first such decline since April 1995. While figures for home sales were actually slightly better than expected, suggesting the housing market may be stabilizing, a sagging condominium market in the South and West is blamed for the overall price drop and ballooning inventories are likely to put pressure on prices for the next few months at least, NAR said.

The median price of an existing single-family home in August was \$225,000, down 2.2 percent from \$230,000 in July and down 1.7 percent from \$229,000 a year ago. This was also the first month-to-month price decline since April 1995. But the price declines from July to August were due largely to sagging condominium sales. Single-family homes sales were unchanged month to month, while condo sales fell 3.5 percent. Since last year, however, single-family home sales are down 10 percent. Condo sales fell 14.5 percent. The number of homes on the market grew 1.5 percent to 3.92 million units, which amounts to a 7.5-month supply – the biggest since April 1993. While 2006 will be third-best year ever in terms of the number of homes sold, prices will continue to fall as the inventory is worked off, said David Lereah, NAR chief economist.

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Spotlight on the Appraisal Institute

The September *Spotlight on the Appraisal Institute*, a compendium of national press clippings that comprise Appraisal Institute members, staff or policies, features five articles with topics ranging from valuation insights pertaining to cooling housing markets to renovation and remodeling tips for homeowners. For all of these stories, visit: www.appraisalinstitute.org/membersonly/spotlight/.

Since *Spotlight* is a member-only benefit, intended to keep members up-to-date on the Appraisal Institute's visibility in the media, a member login name and password are required.

CA Considers Law Distinguishing Between AVM / Appraisal

A measure under consideration by the California House of Representatives would authorize a California finance lender licensee to collect a fee for use of an automated valuation model result prepared by a third party, not to exceed the actual cost paid to the third party for a written automated valuation model result in lieu of an appraisal, as specified. H.B. 2416, introduced by State Rep. Alberto Torrico, D-Fremont, was amended by the California Senate at the end of August. The bill would also authorize a licensee to charge a reduced fee for appraising the same real property one year after collecting a fee for an automated valuation model result if the borrower has obtained a new or additional loan. The bill would require a licensee in a loan transaction secured by real property to provide notice, as specified, to a borrower that, upon request, the borrower is entitled to receive a copy of the automated valuation model result, provided he or she has paid for the AVM result.

The measure prevents a borrower from being charged for both an AVM result and a full appraisal for the same transaction. The bill also specifies that only one fee may be collected for providing the AVM on the same property unless the borrower has obtained a new or additional loan and more than one year has elapsed since the prior AVM result. Additionally, the measure provides that if a fee for an AVM result has been paid within the one-year period, then an appraisal fee minus the amount paid for the AVM may be charged for the appraisal on the same property. The proposal also requires a written statement stating that an AVM is not an appraisal but a computerized property valuation system that is used to derive a real property value.

"It's interesting that the California legislature recognizes the need to clarify the difference between an AVM and an appraisal," John McChesney, MAI, of Swift Real Estate Solutions in New Jersey, a member of the Appraisal Institute's Government Relations Committee, said. "This reinforces the idea that the line can be blurred sufficiently to cause consumers to be potentially misled by results."

Freddie Mac Revises Electronic Transmission Guidelines

In response to increased instances of appraiser identity theft, Freddie Mac issued an August 21 bulletin providing additional guidance regarding the receipt of appraisal and inspection reports via fax transmission or other means of electronic transmission. **Effective immediately**, sellers/lenders must ensure that the appraiser's systems, processes and procedures for creating, signing, transmitting, sending, storing and maintaining electronic or fax copies of appraisal or inspection reports are safe, sound and secure. The revised Freddie Mac Guide also requires that a seller/servicer (i.e., lender) notify Freddie Mac immediately if it becomes aware of the unauthorized or improper use of the appraiser's signature in connection with any appraisal or inspection report submitted as an electronic record or as a fax copy or suspects there has been an unauthorized alteration of an appraisal or inspection report, including photographs and other supporting materials submitted as an electronic record or as a fax copy.

Jacqueline Doty, Freddie Mac's Collateral Policy Director, says the agency's Institutional Investigation Unit is observing more and more instances of appraiser identity theft and altered appraisal reports, which she says are due, in part, to appraisers not taking proper precautions to protect their own signature and lock the report. "A fraudster discovers this and seizes the opportunity," she said. One remedy used by Freddie Mac is to exclude the perpetrator from doing business with Freddie Mac. In the future, Freddie Mac may also exercise this remedy option against a negligent appraiser for failure to maintain adequate controls over the safeguarding and protection of their signatures. Some examples of such negligence cited by Doty include storing appraiser signatures on a shared computer directory, which allows a person with access to the shared directory unlimited access; supervisory appraisers who give access to a trainee, who then prepares reports that supervisor claims he/she never signed; and appraisers who give out their computer password or leave their password on a note stuck to their computer monitor, etc.

EMINENT DOMAIN ISSUES

Michigan Passes Eminent Domain Law Requiring 125% Fair Market Value

A measure that narrowly defines "public use" to not include private economic development and requires a local municipality to compensate the owner of property 125 percent of fair market value in all condemnation cases was signed into law by Michigan Gov. Jennifer Granholm September 20. Effective immediately, H.B. 5060 prohibits taking property for economic development or to gain tax dollars. The legislation was designed as a complement to a proposed constitutional amendment about eminent domain that will be on the November ballot. Supporters said the bipartisan bills would affirm the allowable uses of eminent domain as established in a 2004 Michigan Supreme Court ruling. For the full bill, visit <http://tinyurl.com/puubf>

Texas Shuts Down Anti-Eminent Domain Business Citing Illegality

The Texas Attorney General's Office has filed a lawsuit seeking to stop a Killeen-based firm from claiming it can protect property owners from having their land seized for the Trans-Texas Corridor. The business, *You Can't Take It*, planned to charge customers to develop commercial projects on their land that would increase property values, said Hale Stewart, a Houston lawyer representing the business. The property owner could then fight eminent domain by claiming that the commercial use of the land would create more tax revenue than if the land was seized for public use. A 2005 U.S. Supreme Court ruling made tax revenue from a new project a factor in whether it was viable to condemn land for eminent domain, Stewart said.

The state is in the early stages of implementing the Trans Texas Corridor highway system that Gov. Rick Perry first proposed in 2002. The overall plan calls for 4,000-plus miles of tollways and railways across the state with the first stretch running roughly parallel to Interstate 35. The plan has sparked fear among some rural landowners who are concerned they'll be forced to sell their land to the state to make way for the project.

According to the lawsuit, the business claimed the state would offer property owners 75 percent of the appraised value of their land during eminent domain proceedings. Chris Bishop, a spokesman for the Texas Department of Transportation, said right-of-way acquisition for the corridor project is still several years away. He said law requires that offers for property be based on 100 percent of its appraised value.

"What we had planned to do was go in there and plan development projects ahead of the Trans-Texas Corridor," said Douglas Lee Thayer, *You Can't Take It's* chief executive officer. The business offered its services for \$600 to start followed by \$100 monthly payments, according to the lawsuit filed September 11. The Attorney General's Office said the commercial lease agreement the business was proposing can't be done. "They have no standing whatsoever to insert themselves into such legal proceedings, and homeowners, who are already protected by the Constitution, will find they have paid a lot of money for a service that is null and void," Texas Attorney General Greg Abbott said in a statement.

Mark your calendars! More details coming soon

Plans for the Appraisal Institute's 75th anniversary celebrations. The major event of the year will take place July 14-22, 2007, in Las Vegas. A variety of programs and activities are being planned, providing interest and appeal for all Appraisal Institute members to attend. A full calendar of meetings and other events to take place during the anniversary year will be posted on the Web site as soon as all dates and locations are confirmed.

State of California - Proposition 90

(The following includes summary information per the State of California, Legislative Analyst's Office)

Proposition 90 is an important proposed initiative and constitutional amendment relating to government acquisition and regulation of private property to be considered by California voters in the upcoming November election. .

Proposition 90 would amend the California Constitution to:

- Require government to pay property owners if it passes certain new laws or rules that result in “*substantial economic losses*” to their property.
- Limit government authority to take ownership of private property.

This measure applies to all types of private property, including homes, buildings, land, cars, and “intangible” property (such as ownership of a business or patent). The measure’s requirements apply to all state and local governmental agencies.

What Laws and Rules Could Require Compensation?

While the terms of the measure are not clear, the measure provides three examples of the types of new laws and rules that could require compensation. These examples relate to land use and development and are summarized below.

- **Downzoning Property.** This term refers to decisions by government to reduce the amount of development permitted on a parcel. For example, a government action to allow construction of three homes on an acre where five homes previously had been permitted commonly is called “downzoning.”
- **Limitations on the Use of Private Air Space.** This term generally refers to actions by government that limit the height of a building. For example, a government rule limiting how tall a building may be to preserve views or maintain historical character often is called a limitation of “air space.”
- **Eliminating Any Access to Private Property.** This term could include actions such as closing the only public road leading to a parcel.

In addition to the examples cited above, the broad language of the measure suggests that its provisions could apply to a variety of future governmental requirements that impose economic losses on property own-

ers. These laws and rules could include requirements relating, for example, to employment conditions, apartment prices, endangered species, historical preservation, and consumer financial protection.

Would Government Pay Property Owners for All Losses?

Under current law and court rulings, government usually is required to compensate property owners for losses resulting from laws or rules if government’s action deprives the owners of virtually all beneficial use of the property. This measure (Proposition 90) specifies that government must pay property owners if a new law or rule imposes “*substantial economic losses*” on the owners. While the measure does not define this term, dictionaries define “substantial” to be a level that is fairly large or considerable. Thus, the measure appears to require government to pay property owners for the costs of many more laws and rules than it does today, but would not require government to pay for smaller (or less than substantial) losses.

Limiting Government Authority to Take Property

The measure (Proposition 90) makes significant changes to government authority to take property, including:

- Restricting the purposes for which government may take property.
- Increasing the amount that government must pay property owners.
- Requiring government to sell property back to its original owners under certain circumstances.

The major changes proposed by the measure are discussed below, beginning with the situations under which government could—and could not—take property.

Under What Circumstance Could Government Take Property?

Under the measure, government could take private property to build public roads, schools, parks, and other government-owned public facilities. Government also could take property and lease it to a private entity to provide a public service (such as the construction and operation of a toll road). If a public nuisance existed on a specific parcel of land, government could take that parcel to correct the public nuisance. Finally, government could take property as needed to respond to a declared state of emergency.

(continued on page 14)

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What Property Takings Would Be Prohibited?

Before taking property, the measure requires government to state a "public use" for the property. The measure narrows the definition of public use in a way that generally would prevent government from taking a property:

- **To Transfer it to Private Use.** The measure specifies that government must maintain ownership of the property and use it only for the public use it specified when it took the property.
- **To Address a Public Nuisance, Unless the Public Nuisance Existed on That Particular Property.** For example, government could not take *all* the parcels in a run-down area unless it showed that each and every parcel was blighted.
- **As Part of a Plan to Change the Type of Businesses in an Area or Increase Tax Revenues.** For example, government could not take property to promote development of a new retail or tourist destination area.

In any legal challenge regarding a property taking, government would be required to prove to a jury that the taking is for a public use as defined by this measure. In addition, courts could not hold property owners liable to pay government's attorney fees or other legal costs if the property owner loses a legal challenge.

How Much Would Government Have to Pay Property Owners?

Current law requires government to pay "just compensation" to the owner before taking property. Just compensation includes money to reimburse the owner for the property's "fair market value" (what the property and its improvements would sell for on an open market), plus any reduction in the value of remaining portions of the parcel that government did not take. State law also requires government to compensate property owners and renters for moving costs and some business costs and losses.

The measure appears to increase the amount of money government must pay when it takes property. Under the measure, for example, government would be required to pay more than a property's fair market value if a greater sum were necessary to place the property owner "in the same position monetarily" as if the property had never been taken. The measure also appears to make property owners eligible for reimbursement for a wider range of

costs and expenses associated with the property taking than is currently the case.

For additional information refer to:

http://www.ss.ca.gov/elections/vig_06/general_06/pdf/proposition_90/entire_prop90.pdf

**General Election
Tuesday, November 7, 2006
Polls open 7:00 a.m. & Close 8:00 p.m.**

October 23; last date to register

October 31; last day to mail request for absentee ballot

DO YOU HAVE THE 2006 EDITION OF USPAP?

All Appraisal Institute Members are entitled to receive one free copy of USPAP per year. To obtain a copy call AI @ (312) 335-4469. There will be a recorded message asking you to leave your name and mailing address. (Additional copies are available for \$15.)

Since significant changes have been made to USPAP during the past year – this would be a good time to call & request your *free copy!*

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**Next Newsletter Deadline
November 10, 2006**

APPRAISAL POSITIONS AVAILABLE

RYAN & MURPHY GROUP, Inc. is interviewing for a commercial appraiser position. Compensation is fee split based on appraisal competency, writing abilities and knowledge of the market area. The proper candidate for this position is a self directed individual who thrives on appraising a diverse range of property types for various intended uses. Please do not call, send cover letter and resume to:

Richard A. Murphy, MAI
Ryan & Murphy Group, Inc.
1647 Court Street, Suite 100
Redding, CA 96001

MAI OR ADVANCED CANDIDATE—San Diego firm looking for an experienced appraiser for full time appraisal and review work. Flexible schedule with health insurance and retirement plan. Possible relocation reimbursement. Applicant must have strong analytical and writing skills and must be extremely detail oriented. Please email qualifications to scott@arensgroup.com.

COMMERCIAL REVIEW APPRAISER: Rabobank, N.A. is seeking an experienced Review Appraiser to perform appraisal reviews in compliance with USPAP Standards. Will also assure accurate assessment of commercial real estate values and assist with interpreting and implementing regulations. Qualified candidates will possess a Bachelor's degree and 5+ years of commercial appraisal experience. California appraisal certification required. Location is to be determined, with the bank offering various locations throughout California. For an application call (760) 370-3385 or visit our website www.rabobankamerica.com.

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