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February 6, 2018

The Honorable Senator Barker
300 SW 10th
Topeka, Ks 66612-1504

Dear Senator Barker and Committee Members:

Re: HB-2414

My name is Sally Pritchett, Executive Director of the Kansas Real Estate Appraisal Board. I am submitting written testimony on behalf of the Board in opposition of HB-2414.

The first item I would like to address is the Appraisal Institute's Valuation Standards. One of the major functions of this Board is to protect the public. If the Board had two sets of standards (The *Uniform Standards of Professional Appraisal Practice* (USPAP) is the generally recognized ethical and performance standards for the appraisal profession in the United States), this would make it nearly impossible to investigate or discipline appraisers. Another problem we see with this is if we allow one organization to use their private standards, it would open the door for the other organizations around the country to also use their separate set of standards.

At this time, it is unknown what costs would be incurred by appraisers and the Board. I would guess they would need to purchase the Set of Standards and possibly take classes to understand. It is unknown if appraisers who do not belong to the Organization would be required to join to obtain this information.

The Appraisal Institute appeared before the Board last January and presented their intentions regarding this bill. After listening to their presentation, the Board voted to oppose the legislation the Institute intended to introduce. However, they were

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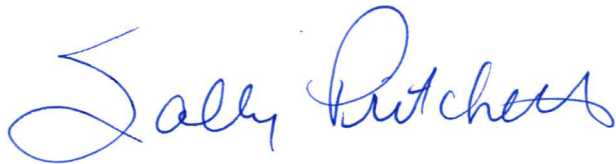
Testimony on HB-2414

invited to work with the Board to try and come up with something everyone could agree to. To date this has not happened, and we have not heard from them since.

I have contacted other states and I have not found any that like, plan to adopt, or use the Appraisal Institute Valuation Standards.

The second item I would like to address is Evaluations. Kansas is a mandatory licensing state. All licensed or certified appraisers practicing in Kansas must follow USPAP. Therefore, when doing an evaluation, they must comply with USPAP. There is a lot of belief that this cannot be done by a licensed/certified appraiser without a lot of additional time and expense, which does not allow them to compete with others who can do evaluations without following USPAP.

The Appraisal Foundation has an online Webinar which shows step by step what is necessary to perform a USPAP compliant evaluation without additional time or expense, making it very simple for appraisers to complete. I have also attached both the residential and non-residential restricted appraisal report forms



Sally Pritchett, Executive Director

On behalf of the Kansas Real Estate Appraisal Board

RESIDENTIAL RESTRICTED APPRAISAL REPORT

(THIS SAMPLE RESIDENTIAL RESTRICTED APPRAISAL REPORT COMPLIES WITH USPAP STANDARDS RULE 2-2(b))

Use of this report is limited to the client(s). The rationale for how the appraiser arrived at the opinions and conclusions set forth in this report may not be understood properly without additional information that is in the appraiser's workfile.

Subject Address: 123 Maple Street, Anytown, NH 03999
Legal Description: See Washington County Registry of Deeds – Book 1111, Page 222
Property Type: A 1.1 acre parcel with a 2,255 square foot, 1-story owner-occupied single-unit residence
Clients: John Doe and Jane Doe, 123 Maple Street, Anytown, NH, 03999
Intended Use: To assist the client(s) in determining an equitable division of assets in a dissolution of marriage. No other uses of the assignment results are intended by the appraiser.
Intended Users: John Doe and Jane Doe. No other users of this report are intended by the appraiser.
Property Rights: Fee Simple
Type of Value: Market Value

Source of Value Definition: Although the appraisal communicated in this report was not prepared for a financial institution, the commonly-used definition of market value found in the federal regulations of the agencies that regulate financial institutions has been used in this assignment.

Scope of Work: Onsite interior and exterior inspection of the subject and review of tax assessor's records and a prior MLS listing of the subject property. The appraiser measured the exterior of the dwelling.

The sales comparison and cost approaches were developed. Properties such as the subject are seldom rented and there is no reliable data to develop an income approach. The income approach is not necessary for credible assignment results.

Comparable sales data was taken from local MLS and confirmed via public records and discussions with listing agents. The lack of sales of properties similar to the subject within the subject neighborhood made it necessary to use sales from surrounding areas.

The cost approach was developed using the Marshall and Swift Residential Cost Handbook.

Conditions of Appraisal: The appraisal was performed with no extraordinary assumptions or hypothetical conditions.

Sale and Listing History: There is no current agreement of sale, listing, or option regarding the subject property. There have been no sales or other transfers of the subject property within three years prior to the effective date of this appraisal.

OPINIONS AND CONCLUSIONS

Highest and Best Use: Continued use as-is. The existing use as a single-unit residence contributes to the value of the site. Conversion to any other use would not be legal.

Exposure Time: The appraiser's opinion of reasonable exposure time for the subject property is approximately 120 days.

Indicated Values: Sales Comparison Approach: \$282,000; Cost Approach: \$279,000 (rounded)

Effective Date of Value: July 1, 2016

Opinion of Market Value: The sales comparison approach is the best indicator of value for single-unit residential properties in this market. The cost approach supports the value indicated by the sales comparison approach. Therefore, the appraiser's opinion of market value is:

\$282,000



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ASSUMPTIONS AND LIMITING CONDITIONS

This assignment was conducted, and the report presented, subject to the following assumptions and limiting conditions. The use and acceptance of this report indicates that the client accepts these assumptions and limiting conditions.

{Assumptions and limiting conditions will vary by appraiser and by assignment.}

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

{Appraiser may insert additional certifications as needed, such as those required by a professional association}

Xxxxxxxx Y. Zzzzzz

Appraiser's Signature

July 12, 2016

Date of Report/Certification

These samples are not intended to be used as templates for appraisal assignments. They are intended only to be examples. Please see Standards Rule (SR) 2-2(b) for guidance. Some highlights are presented below:

- 1) These samples of a Restricted Appraisal Report on an office building and a single unit residence following SR 2-2(b) do not address all possible alternatives that may need to be addressed in the report.
- 2) The supporting documentation for the appraiser's research and analysis that is retained in the workfile in an assignment with a Restricted Appraisal Report will be the same as, or perhaps greater than, the documentation retained for an Appraisal Report.
- 3) Restricted Appraisal Reports are specifically restricted to use by the client(s) only; however, the client can be more than one person and/or entity, such as, a husband and wife, multiple partners, Bank A and Bank B, etc.
- 4) In a Restricted Appraisal Report most of the content must be stated; however, the Comment to S.R. 2-2(b)(vii) states "Because the client's reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed."
- 5) One topic where it is necessary to summarize, rather than state, in a Restricted Appraisal Report is addressed in the Comment to SR 2-2(b)(viii), which states: "When reporting an opinion of market value, a summary of the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with SR 1-5 is required. If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required."
- 6) It is also important for the appraiser to "state the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained" as required by SR 2-2(b)(viii).

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NON-RESIDENTIAL RESTRICTED APPRAISAL REPORT

(THIS SAMPLE NON-RESIDENTIAL RESTRICTED APPRAISAL REPORT COMPLIES WITH USPAP STANDARDS RULE 2-2(b))

Use of this report is limited to the client(s). The rationale for how the appraiser arrived at the opinions and conclusions set forth in this report may not be understood properly without additional information that is in the appraiser's workfile.

Subject Address: 456 Central Boulevard, Anytown, New Hampshire, 11111
Property Type: 100,000 square foot, 5-story owner-occupied office building on 15± acres
Client: Jones Widget, Inc., 123 Main Street, Washington, DC, 99999
Intended Use: Internal Asset Management. No other uses of this appraisal are intended by the appraiser.
Intended User: Jones Widget, Inc. No other users of this appraisal are intended by the appraiser.
Property Rights: Fee Simple
Type of Value: Market Value

Definition of Market Value: Although the appraisal communicated in this report was not prepared for a financial institution, the commonly-used definition of market value found in the federal regulations of the agencies that regulate financial institutions has been used in this assignment.

Conditions of Appraisal: The appraisal was performed as is; no extraordinary assumptions or hypothetical conditions were used.

Sale & Listing History: There is no current agreement of sale, listing, or option regarding the subject property. There have been no sales or other transfers of the subject property within three years prior to the effective date of this appraisal.

Scope of Work: Subject description was obtained from interior and exterior inspection, building plans, municipal records, and discussions with the property owner.

As detailed below, all three approaches to value were developed: Cost; Sales Comparison; and Income Capitalization. Comparable sales data, for both improved and unimproved properties, was taken from the local MLS, CoStar, and company records. Sales were confirmed via public records and discussions with parties to the transactions. Construction costs were obtained from Marshall-Swift Valuation online service, SwiftEstimator. Market rent, expenses, and investment rates were forecast based upon data provided by area professionals, including investors, real estate agents, and building managers.

OPINIONS AND CONCLUSIONS

Highest and Best Use: The existing use is the highest and best use.

Exposure Time: The appraiser's opinion of reasonable exposure time for the subject property is 3 to 6 months.

Effective Date of Value: May 11, 2016

Result of Approaches to Value:

Cost Approach	\$35,000,000
Sales Comparison	\$34,000,000
Income Approach	\$31,500,000

Reconciliation: Due to the difficulty associated with developing a credible estimate of accrued depreciation, the cost approach is employed only as a test of reasonableness.

The market is driven primarily by owner occupants, although the high caliber of the tenant mix draws some investor interest. Therefore, the income approach has been developed, but given minimal weight.

Because the strongest demand for the subject is by owner users, most weight was placed on the sales comparison approach. A sufficient number of comparable sales were available in the subject neighborhood to develop a credible indication of value by the sales comparison approach. This value is also supported by the other two approaches to value.



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The supporting documentation for the analyses and the development of the approaches to value is retained in the appraiser's workfile.

Opinion of Market Value: \$34,000,000

ASSUMPTIONS AND LIMITING CONDITIONS

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- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

(Appraiser may insert additional certifications as needed, such as those required by a professional association)

XXXXXXXX Y. Zzzzzz
Appraiser's Signature

July 1, 2016
Date of Report/Certification

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