Hello! I am Ken Pruett, and I am your new President.

A little about myself… My wife, Amy Coston, and I reside in San Antonio. We have three children, Katie, serving in the Navy, stationed at Whidbey Island, WA, and expecting our first grandchild in December. Charlotte, yeah, she prefers Charley, is serving in the US Army, and is stationed at Ft Bliss in El Paso. Spencer, the young one at 24, works for Alpha Warrior, traveling the globe bringing fitness to our military.

I have been appraising since 2002. I came from a background in hospitality. I thought I had enough of dealing with the public, and I thought appraising could, at the end of the day, provide a soul satisfying completeness. Ah, youthful enthusiasm!

It has been that, and much more, over my career. Which brings me around to my “why” do I want to lead the ATA. My success as an appraiser is due to the contributions, and collaborations, of those that came before me, and I continue to benefit from them. We have all benefited from our mentors, from direct supervision, and indirectly, as they lead by example. I have a hobby, I take on endurance challenges. In a nutshell, I put a 30+lb rucksack on my back and go walk around for miles. I just did a “Light” on Saturday, remembering and honoring the soldiers of the Vietnam conflict, with a total distance covered of 5 miles. Along the route, the Cadre introduced stressors to the mix. Individually, they could be insurmountable, but as a group and as a shared burden, we rocked n rolled through! The solution is simple, “if you want to go fast, go alone, if you want to go far, go together.” I feel blessed with the opportunity to pay it forward and to take the lead.

We are at an interesting crossroads in the Appraisal industry. Interesting could be quite an understatement. We are being assaulted by the emergence of big data, evaluation products, bifurcated appraisals, raised De minimis levels, new forms, and a “diminished” reliance upon the real estate appraiser. Those that have been charged to protect the public trust are being told to do it faster and do it cheaper. The interest of the homebuyer is being supplanted with expediency and immediacy. All I am trying to do is protect a homeowner as they make the largest financial investment of their lives, and, as an added direct benefit, protect the backbone of a much greater financial network. And somewhere along the way, provide for my family.

We as an organization need to determine the facts of these changes. As these rules change, we need to remain the stewards of the public trust. We need to look over these changes, and be allowed to bend with, but not break, the appraisal process. I believe our strength will come from our individual research and pooling of our gathered knowledge about these pro-
From the President (con’t)

(Continued from page 1)

proposals. It is our nature as appraisers to be neutral and not to take up positions of advocacy. We research, gather facts, analyze the data, and arrive at a conclusion. This is where the ATA will benefit us as a whole. As a group, we have strength in a shared voice. Your Board is continually challenged to bring forth the information you need to make educated business decisions regarding your growth as professional appraiser, and your appraisal practice. We are charged to put the issues before you, with as much information as possible, before they are issues. At the end of the day, we all share the same concerns. We all have families, and dreams, to feed.

Now, is the best time to reach out to your fellow Appraiser, to network, and encourage a meeting of the minds. If we are complacent in our resolve, we shall inherit our future from others. And the interests served will not be ours. It’s a darn good time to share a lunch, and concerns, with your peers. Tell them about the ATA, cause together, we will go far!

--Ken

New and Designated Members

The ATA President and Board of Directors would like to welcome our newest members:

Patrick Delaney, Prosper
Chase Elmer, Abilene
Tammy Kelly, Forney
Bradford Lambeau, Irving
Dorothy Moore, Dallas
John Sledge, San Antonio

Congratulations to those who were recently awarded designations:

Bianca Dulfer, ATA-R
Alecia Martinez, ATA-R
Robert Partin, ATA-R
Roy Thompson, ATA-L

If you are interested in applying for a designation with ATA, please go to our website, www.txappraisers.org, and click on the Join Us link and download the Designation Application.

ATA Past President, Ian Martinez, ATA-R and 2019 Appraiser of the Year, Brandi Dunagan.

Congratulations Brandi!

ATA Past President, Ian Martinez, ATA-R and 2019 Life Member Awardee, Diana T. Jacob, ATA-G.

Congratulations Diana!

Chairman of the Board, Bobby Crisp, ATA-R and Past President, Ian Martinez, ATA-R.

Thank you for your service Ian!
New Board of Directors

Laurie Fontana, MNAA, ATA-R has been an active entrepreneur and community and State volunteer since 1990. With over 33 years of leadership experience in Management, Real Estate Appraisal and Coaching, she pursues continuing education and community engagement through a number of memberships and certifications including ATA, TAR, HAR, AACC, ICCA, ICF, HLSR, DOL.

She has served as the Vice Chairman of TALCB (Texas Appraiser Licensing and Certification Board), the Chairman of the Enforcement Committee and the Chairman of the AMC Committee of TALCB. She is also a volunteer for HLSR and DOL as Vice Chairman and Chairman of Membership respectively, and has initiated community programs such as Joy of Life Ministries.

Laurie studied at Texas State University, HCC, and currently at Liberty College in the program of Psychology. She is obtaining her masters in Life Coaching.

Kim Mitchell, ATA-R was born and raised in San Diego, CA and moved to San Antonio over 37 years ago from Alaska. Kim is happily married to her husband of nearly 29 years, Rod Mitchell, a retired Real Estate Broker and Certified Residential Real Estate Appraiser. Together they have 22 grandchildren, 4 great grandchildren, 3 cats and 3 dogs. When she is not busy working a one-woman appraisal business, Kim enjoys cruising with her husband and their friends and visiting family in California, Washington, Illinois and Missouri. She has been a Certified Residential Real Estate Appraiser for 18 years, after an extended period of about 7 years as an appraiser trainee. Kim is looking forward to serving on the Board of the Association of Texas Appraisers, an organization she feels has consistently helped make her a better appraiser.

He has been a member of the ATA since 2008.

He is married to Amy Coston (who is also an appraiser) and they have three children, Katie, Charlotte, and Spencer.

For fun, Ken enjoys tossing on a heavy backpack and walking for a few miles.

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ATA Upcoming Meetings

WEST TEXAS

The ATA West Texas Area meeting will be held on November 22 in Abilene at the Abilene Association of Realtors (626 S. Pioneer, Abilene, TX) from 8:00 a.m. to 5:00 p.m.

We will offer an 8-hour course, Residential Sales Analysis – The Adjustment Process. This course explores fundamental skills of developing a residential Sales Comparison Approach focusing on the evidence of support for adjustments.

Hotel Accommodations: ATA has negotiated a $109 sleeping room rate for this meeting at the Courtyard by Marriott Abilene Southwest/Abilene Mall South, 4350 Ridgemont Dr, Abilene, TX 79606. To reserve your room, call (325) 695-9600 and mention Association of Texas Appraisers. This room block expires on Nov. 1.

ACE/MCE Hours:
Course is approved for 8 Hours of ACE (No. 36691, Provider No. 9) and MCE (No. 36712, Provider No. 9974).

Abilene Registration Fees:
The fee to attend the Abilene meeting is $100 for ATA members and $200 for non-members. Prices increase $20 14 days prior to the meeting so register early! (Fees include breaks and lunch.)

Thank you to the Abilene Association of Realtors for providing the meeting space.

ATA MID YEAR MEETING

The 14th Annual ATA Mid-Year Meeting February 20-21 at the Courtyard New Braunfels River Village, 750 IH 35 North, New Braunfels, TX 78130.

The following events will be held at this mid-year meeting:
- Friday morning - 8:00 a.m. - Noon
- TREC Legal I** (Separate Registration Fee)
- Friday afternoon - 12:30 p.m. - 1:00 p.m. - Welcome and Association Update
- Friday afternoon - 1:00 p.m. - 5:00 p.m. - An Appraiser’s Guide to the Income Approach—Residential and Commercial Concepts
- Friday evening - 5:00 p.m. - 6:30 p.m. - Networking Reception
- Saturday - 8:00 a.m. - 4:00 p.m. - 2020-2021 USPAP Update Course. (Each attendee must have their own copy of the 2020-2021 USPAP Document—no sharing allowed).

The ATA Board of Directors will meet Friday morning from 9:00 a.m. to 11:00 a.m.

Attendees will have the opportunity to network with fellow appraisal professionals at the continental breakfast, breaks, lunch, and at the networking reception Friday evening.

Hotel Accommodations:
A block of rooms has been reserved for meeting attendees at the Courtyard by Marriott River Village. Sleeping rooms are $129 (plus tax) per night for single/double rooms. Reservations must be received by January 21, 2020. After this date, reservations will be accepted on a space and rate availability basis. Call (800) 769-8380 and mention ATA.

ACE/MCE Hours:
This meeting will be submitted for 11 ACE and MCE hours.

Mid-Year Registration Fees:
The fee to attend this meeting is $150 for ATA members and $300 for non-members. Fees increase $20 14 days before the meeting. (Fees include opening reception, breaks and lunch on Saturday.)

Registration with payment must be received at least five business days in advance of the conference to guarantee your registration. If you have not received an e-mail confirmation one week prior to the conference, please call ATA at (210) 837-7123, M-F, 9:00 a.m.-4:00 p.m. to confirm your registration.

Exhibitors/Sponsors:
If you are interested in exhibiting or sponsoring, please contact info@txappraisers.org or download the exhibitor/sponsor form here.

Cancellations/Refunds:
Written requests received three business days prior-full refund; fewer than three business days prior-no refunds will be issued.

Who Should Attend:
Anyone who needs to stay on the leading edge of appraisal issues, as well as professionals who are responsible for keeping appraisal processes in compliance.

ATA Connections

2019-2020 Dues

Your 2019-2020 Dues notices were emailed to you in early August. If you have not paid your dues yet, please do so immediately.

If you have any questions, please email info@txappraisers.org. Your continued support of ATA and its efforts are sincerely appreciated.

Don’t forget to Like Us on Facebook:
https://www.facebook.com/AssociationofTexasAppraisers

www.txappraisers.org
Automated Valuation Models (AVMs) are no match for a well-trained appraiser

Years ago, during the advent of computers, movies like 2001: A Space Odyssey, Brazil or War Games illustrated how a small computer error could lead to catastrophe. Back then, we were reluctant to cede control to machines. Now that computers are ubiquitous (in phones, cars, watches and appliances) we’ve grown more trusting. In fairness, computing power in terms of processing and software is now much more advanced. But when it comes to real property valuation, concern for the limits of computers is a healthy thing.

Garbage
We’ve all heard the phrase ‘garbage in garbage out’. Outliers are often garbage data. Some outliers represent the extremes of pricing and others are typos. I sometimes see sales and wonder how it was financed, be- cause there’s no way it could have happened. Perhaps the buyer’s parents lived next door so it was worth more to them? Dozens of other reasons for non-arms-length transaction occur every day. Do AVMs call Rea- ltors® to check?

I recently saw a sale that listed for $350k and sold for $430k. It actually sold for $340k but the agent trans-posed the first two numbers. I down-load large numbers of sales for re- gression and there are almost always oddball entries like 64 garage bays, 1,950 year old houses and those with 32 baths. Some extreme outliers will be filtered out of AVM models, but some will not. In theory, most AVMs use such large numbers of sales that a few outliers or typos shouldn’t matter much. . . . in theory.

What about when the outliers are more frequent. There are all sorts of distress sales on the low end of the price range that aren’t identified as such, at least in a way that an AVM would find. In the Houston Market, hundreds if not thousands of properties sold as is after flooding in Hurri cane Harvey in varying stages of remediation and rehab. In many neighbor- hoods, the only way to identify those sales is by reading the agent’s comments. Because not all of them use the word ‘flood’ in the description, even word searches proved inadequate for finding them. Other garbage I’ve been seeing lately is the wrong garage bay count. I frequently see listings with a 2-car garage listed as 1. The agents meant there is one 2-car garage; but without looking at photos, calling the agent or comparing with tax records, there is no way of knowing. Can AVMs identify these errors or will they be factored into their models?

Art or Science
The problem with the garbage in garbage out expression is that it implies that the flaw in the AVM mod- el is the data input. What if the flaw in the model is relying solely on numbers? Numbers don’t tell the whole story when it comes to home buying. Home prices are in part a reflection of human behavior and we humans are not always logical or consistent. Buying and selling a house is a big deal and emotions often play a big role. Irrational exuberance, as it has famously been described, often accounts for outliers and market bub- bles. Can a computer model assess human behavior?

What about all the property character-istics that are non-numerical? How do AVMs account for curb appeal? A house with ‘ugly’ flooring offers no less utility than an identical house with the trendiest floor fashion. Both may be in C3 condition but one will likely sell for more. Some beneficial views are obstructed or offset by an ad- verse influence, others are pretty good and then some are just WOW. View, quality, condition, location, fea- tures and amenities can have a large impact on values; but are inadequate-ly addressed by AVMs because they are non-numeric; i.e. these features are not quantified by number in the data. Sometimes it takes a human being to recognize, appreciate and understand the value of some property elements.

Numbers Don’t Lie
Numbers don’t lie, but they don’t always tell the truth either. A regression analysis I ran recently suggested a bathroom adjustment of $35,096 for houses with an average price of about $310,000. The regression mod- el was very linear and showed a high level of confi- dence (multiple R² = 0.939, adjusted R² = 0.894 and P-value = 6.44E-5 on 186 ob- servations of 6 variables). Re- gression mod- els are good at detecting patterns. Patterns represent correlation, not causation. The neighborhood had houses of varying quality. The higher-quality houses tend to have more bathrooms, so the cause of the price difference had more to do with quality than an additional bathroom. An appraiser familiar with the market would know which sections of the neighbor- hood contain which quality, but would an AVM?

There are other problems with a strictly mathematical analysis. Appraisers look to comparables that are the most similar for an indication of value. Ideally, we look for comps that require no adjustments. By contrast, regression requires the data to be different in order to measure adjust-ments. Regression produces one ad- justment for a wide range of proper-

(Continued on page 6)
ties that is similar to an average. If the relationship is linear that’s fine, but most relationships are non-linear. We’ve all learned about diminishing returns, fixed versus variable costs and economies of scale. These are all reasons sales data is non-linear. Are all bathrooms worth the same amount? A 2nd bath in a 1,600 sf 3 bedroom house may be worth $8k but a 3rd or 4th bath is likely worth less and a 5th bath might add no value or even have a negative impact.

Then there’s the issue of collinearity, a problem that occurs when two elements of comparison (property characteristics) tend to track together, like the quality and bath count example above. When one increases so does the other. The model cannot distinguish between two property variables; bath count and quality, only that they react similarly. Just like in algebra, multiple variables can mean multiple solutions. A knowledgeable market expert, like an appraiser for example, could look at the output and recognize whether or not the coefficients are reasonable or even backwards. An appraiser can judge whether baths are really worth $35,000 or if there’s something else influencing that number. AVMs and regression are limited to numerical analysis, appraisers are able to account for factors not considered in the numbers.

In fairness, most AVMs are more sophisticated than a basic multiple regression analysis. Some AVMs can account for non-linear variables and most use algorithms, a series of instructions to prioritize, filter and sort data and calculations. But no matter how complex, algorithms are fixed sets of instructions, created by people. Unless these people understand the intricacies in each and every market across the country, they won’t be able to tell the computer what to look for, how to find it or what to do with it.

The Typical Buyer
One of our task as appraisers is to determine which property characteristics are important enough to achieve price differentials; i.e. the elements of comparison. That changes from market to market. Buyers seeking acreage homes with a stable for horses have different priorities than those looking for a high-rise condo. An important property characteristic in one market or even one segment of a market may have no value in another. Let’s look at just one property characteristic; land. In waterfront communities, frontage can be the most important factor, more so than lot size. In others, the size of the lot is most important. In some neighborhoods, lot width is most important. In many of the planned unit developments (PUDs) where I appraise, the builders and developers plan the quality, design and house size based on the lot width. As a result, a 13,000 sf lot in a 60’ wide section of a development is less valuable than a 12,000 sf lot in an 80’ wide section. Both lots might have 3,500 sf houses with a similar bedroom, bath and garage count, but the one on the 80’ lot will sell for a higher price. Can an AVM make the distinction between lot size and lot width? What if a pie-shaped lot in an 80’ section has a 50’ frontage, will the AVM still recognize it as 80’?

The Bottom Line
Some automation should be expected in almost every industry. There’s online ordering and self-checkout in retail and more manufacturing jobs have been lost to robots than offshore competitors. There’s already a good deal of automation in appraising. I’m able to import my comp and subject data rather than type it all in. AMCs and appraisal software have automated quality control reviews. The real question is one of balance. How much is enough and how much is too much?

The auto industry actually de-automated to some extent finding that too much automation limited flexibility and in some cases lowered quality. They found people could adapt to variations or change in production more quickly. Similarly, over-automation has caused some appraisers to stop working with some of the large AMCs as some automated QC reviews add too much time and headache to every order.

There is already automation in valuation. AVMs have been around for a while and are becoming more common. Freddie Mac Home Value Explorer® launched almost a decade ago. Fannie Mae already has Collateral Underwriter but reportedly has a separate AVM in the works as well. Fannie, Freddie and FHA need our data input. Collateral Underwriter and like databases get data from appraisals. For the time being, they do not access the private sides of MLS systems around the country. For now, they prefer to have that data verified by appraisers but that may not always be the case.

There are many in the mortgage industry who prefer AVMs over appraisers. AVMs are cheaper and faster than an appraisal. Reportedly, the accuracy of AVMs are constantly improving. The standardization of the 1004 URAR form has no doubt added to the pool of data available and further improved the accuracy of some models. But as the countless law suits against Zillow suggest, AVMs are far from foolproof. The models are complex and constantly require tweaking that makes them even more complex. As I mentioned earlier, these AVMs are models created by people, and people make mistakes. Make a mistake on an appraisal — impact one property. Make a mistake on a valuation model…….? Sooner or later, there will be an occasion when like in 2001: A Space Odyssey, the computer will fail. Hal will not open the pod bay doors. When the inevitable happens, appraisers will be left standing as the go-to experts in the valuation industry.
Succession planning for business owners

Planning in business doesn’t just help keep you on track – it also helps you be more confident in your decisions. We recently polled 500 SME owners and found that a third of those with a clear succession plan in place felt more confident about the future of their businesses. A further 17% said having a succession plan in place had brought their families closer together.

There is a common misconception that accountants are only there to count the beans and crunch the numbers. But we all know that isn’t true. If you make yourself as useful as possible during the process of succession planning, you can position yourself as a key strategist for your clients.

Here’s how.

Develop an exit strategy

Business owners often underestimate the time and effort it takes to sell a business. As an accountant, your job is partially to make them understand that it can be the work of months and years – and that it needs to be a key focus.

The more delays there are, the more pain clients will suffer; if it becomes especially protracted, it can lead to a more complex exit, a less tidy handover, and, if the market has moved on, a lower price. So, the first step is to devise a workable plan.

Managing the emotional side of things is just as important as keeping a handle on the finances. Selling a business can stir up strong feelings: owners have built their companies up and many view them as their babies.

Add that to the regular stresses of selling an organization and it is easy for tempers to flare and second thoughts to manifest. Being patient is extremely important – but so is explaining the process in a compassionate, rational and thoughtful way.

Remember that for many business owners, selling a company is a once-in-a-lifetime event. It is not the kind of thing they will be used to, and accordingly, it is the kind of thing that can spark anxiety. So be their guiding force, educate them on how the process works and create a clear schedule.

Once they know what to expect, figure out who the most likely buyer is. Many businesses are sold to family or employees, and that can require a particular kind of succession plan. For example, if they do not have the money to purchase the company outright, you might need to account for staggered payments and a slower transition than you were expecting.

Get it sale ready

You wouldn’t sell a house with a mold problem or a half-finished paint job, and you shouldn’t sell a business that is not at its best either. Succession planning is a good opportunity to take care of all the little things the owner has been putting off for later – like modernizing outdated systems.

To help small businesses understand what needs to be done and at which times, it is useful to set up an advisory board of experts to provide the necessary guidance.

Start by getting the finances in good shape. An astute buyer will want to see two years of clean financial data at minimum – so if the accounts are in disarray, they will need to be sorted out. Employ digital accounting software to make sure all records are up to date.

Next, think about how you can help raise the value of the business and thus the likelihood of finding a good buyer. What would make you or your client pause if they were looking to purchase a company? Think about it and then look to fix it pre-emptively. It can make a real difference to the sale price.

Systematize and automate whatever you can. If any accounting function is done manually, change it so that it can be done automatically. The new owner will want to get started as quickly as possible – let them and they will be more likely to get off to a good start.

Get it sold

When your client is ready to sell, you will need to be ready too. They will need to work with a number of outside professionals at this stage. That is, unless your firm has a specific business brokering focus – so you can benefit by bringing brokers and lawyers into your orbit. This will allow you to offer referrals, which can earn repeat business and impress clients.

Keep talking to your client at this stage. Let them know what they can expect from lawyers, brokers and the due diligence process. Communication is the most important part of succession planning.

With small businesses, and especially family owned businesses, it is vital to have a clear succession plan in place, even if the client is not planning on handing the business over. As an accountant, you can play either a peripheral or an integral part in helping your clients sell successfully. Choose to be as useful as possible and your clients will choose to work with you again.

About the author: Glen Foster is director, partner sales at Xero, As the Director of Partner Sales for Xero, his role is to develop and execute strategies that enables their partner channel to grow. His days are spent coaching and mentoring some highly successful sales team members, educating and leading them to ensure they reach their full potential.

Reprinted from Accountancy Daily
Accessory Dwelling Units

So, what exactly is an accessory dwelling unit? Quite simply, it is an additional, fully functional, independent living space that can be attached, detached, or created within a single family housing unit. Accessory Dwelling Units are commonly referred to as an ADU.

These ADUs are typically occupied by family members, utilized as a guest suite, and yes occasionally, it is an income-producing rental unit. Does the appraiser have a burden to fully explore the particulars concerning an ADU when doing a residential appraisal? Yes, the appraiser certainly does. Scope of work expands upon discovery of this type of improvement; additional identification and research is now required for complete understanding of the improvements and how the market reacts to this specific improvement.

Fannie Mae:
Let’s take a look at some Fannie Mae guidance regarding identification of an ADU. Fannie clearly defines an ADU:

- An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom.

As a further clarification, Fannie states that an example of an ADU could be a living area over a garage or a basement unit. Attention to the details of the property characteristics will reveal if the property is a one-unit property with and ADU or if it is a two-unit property. Some of those characteristics noted are the existence of separate utilities, a unique postal address, and whether the unit is rented. The following conditions for eligibility must be present: 1. The property is defined as a one-unit property. 2. There is only one accessory unity on the property. 3. The appraisal report demonstrates that the improvements are typical for the market through the analysis of at least one comparable property with the same use. 4. The borrower qualifies for the mortgage without considering any rental income from the accessory unit.

In addition, guidance reveals that the use must also conform to the subject’s neighborhood and to the market. It is interesting to note, if the subject property does NOT comply with zoning, then the appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use. There are several conditions that must be met in order for the property to be eligible:

- The lender confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property.
- The use conforms to the subject neighborhood and to the market.
- The property is appraised based upon its current use.
- The appraisal must report that the improvements represent a use that does no comply with zoning.
- The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use.

So we see from this guidance that a complete analysis of the highest and best use of the property as improved must be performed. Also, the appraiser must research zoning in order to properly complete the appraisal regarding the legal use, legal non-conforming use, or illegal use of the property.

HUD:
If the appraisal assignment is for HUD/FHA, then we reference the HUD Handbook 4000.1.

- An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities.

It is also important to note the requirement for a highest and best use analysis to be performed. Per HUD, the highest and best use analysis will reveal if the property is a single-family dwelling with an ADU or if it is a two-family dwelling. Per HUD:

- The conclusion of the highest and best use analysis will then determine the classification of the property and the analysis and reporting required.

HUD specifically names some of the qualifiers for a property improvement to be identified as an ADU. The ADU is usually subordinate in size, location, and appearance to the primary dwelling unit and may or may not have separately metered utilities or separate means of ingress or egress. Also, HUD reminds us that the appraiser must not include the living area of the ADU in the calculation of the gross living area (GLA) of the primary dwelling.

USDA:
If the appraisal assignment is for U.S. Department of Agriculture (USDA), then we need to look no further than the HUD Handbook 4000.1 for the specific guidance regarding an ADU. Effective September 14, 2015, the prior HUD Handbooks (4150.2 and 4905.1) became obsolete and were replaced with the HUD Handbook 4000.1. We’ve already fully addressed HUD’s definition of an ADU.

VA:
Next, let’s assume the appraisal assignment is for The Department of Veterans Affairs (VA).

(Continued on page 9)
ADU’s Con’t

(Continued from page 8)

Affairs (VA). Does the appraiser expect to find many differences in guidance from HUD or Fannie Mae? The answer to that question is no, not very different at all. Let’s look at the VA Pamphlet 26-7, Revised, Chapter 11
• VA defines an Accessory Dwelling Unit (ADU) is a living unit including kitchen, sleeping, and bathroom facilities added to or created within a single-family dwelling, or detached on the same site. A manufactured home on the site could be an ADU. The dwelling and the ADU together constitute a single real estate entity.

Once again we see, as with Fannie Mae and HUD, it is also important to note the requirement for a highest and best use analysis to be performed. The appraiser will determine if the property is a single-family dwelling with an ADU or a two-family dwelling. VA makes it abundantly clear that the highest and best use must be a legal use. Additional research is required for clarification on a legal or illegal use.

VA specifically names some of the qualifiers for a property improvement to be identified as an ADU. An ADU is usually subordinate in size, location, and appearance to the primary dwelling unit and may or may not have separately metered utilities and separate means of ingress and egress.

Once the appraiser has established that an ADU is present, what is VA’s protocol for reporting the gross living area?
• The appraiser must not include the living area of the ADU in the calculation of the GLA of the primary dwelling. The ADU must be valued separately as a line item on the market data grid.

For VA, there is no specific guidance on including a comparable with an ADU; however, the appraiser is tasked with demonstrating the acceptability and marketability of such an improvement.

Non-Lender loans:
Now, let’s assume the appraisal assignment is for an in-house loan or perhaps for an individual. It is a USPAP requirement that the appraiser identify the property improvements correctly. As previously stated, gross living area for the ADU should be separated out for clarity.

The functional utility of a single-family home with an ADU is somewhat different from a single-family home with the exact same overall living space. It is incumbent upon the appraiser to possess the skill required to identify the difference between the two and to understand the market’s reaction to each. Now, the price per square foot adjustment in the grid must reflect the market’s reaction to the accessory dwelling unit’s living space. As we have noted from the guidance previously stated, it would be a best practice to line-item the ADU. Accessory units may or may not have a square footage adjustment that is equal to the gross living area of the home. That is the appraiser’s burden to adjust in accordance with the reaction to such improvements.

As we can see from all of the stated guidance, the scope of work is expanded when an additional living space is present. Let’s be careful in the identification of this improvement; be exact and be thorough in the reporting of its existence.

In conclusion, the aforementioned guidance for HUD, USDA, VA, and Fannie Mae is very specific. Bear in mind, an analysis of highest and best use is essential when additional living spaces are present. Also, zoning is a key factor and should be fully researched. If a property has more than one ADU; notifying the client of this is essential. The bottom line is this: the appraiser must demonstrate acceptability in the marketplace.

Melissa Bond is a certified residential appraiser and educator from Picayune, MS.

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Governor Appoints Three New Members to TALCB Board

TALCB announced the Governor’s appointment of new chair Sara Jones Oates, and public members, Stephanie Robinson, and Lisa H. Sprinkle for terms to expire on January 31, 2025.

Chair Sara Jones Oates of Austin, will be replacing former Chair, Jamie Wickliffe. Oates has previously served as chair of the Appraisal Management Company Committee for the board. Oates is the owner of Total Appraisal Management and Review and is a licensed Appraiser. She is a member of the Foundation Appraisers Coalition of Texas. Oates received her Bachelor of Arts in government from UT Austin.

Stephanie Robinson of McKinney is Chief Operations Officer of New Life Industries, LLC. She is an active member of First McKinney Church and a volunteer for McKinney Christian Academy and Boyd High School. Robinson received a Bachelor of Business Administration in entrepreneurship and strategic management from the University of North Texas.

Lisa Sprinkle of El Paso is a retired paralegal. She is a former president of the State Bar of Texas Paralegal Division and a former director of the Affiliate Associations for the National Association of Legal Assistants. Additionally, she previously served as president of the El Paso Paralegal Association and as a member of the El Paso County Bar Association Ethics Committee. Sprinkle received a Bachelor of Science in psychology and criminal justice from Southwest Missouri State University and College of the Ozarks.

The newly appointed Chair and Board members’ first meeting will be November 14, 2019, in Austin. TALCB is a nine-member board composed of four certified real estate appraisers and four public members appointed by the Governor to serve staggered two-year terms. The Executive Secretary of the Texas Veterans Land Board is the ex-officio ninth member. TALCB welcomes these new members of the Board and looks forward to their insights as it pursues its mission to protect consumers in Texas.

Thank you Jamie Wickliffe, ATA-G for your many years of service on the Board!

Appraiser Awards/Scholarship

Don’t forget ATA’s Regional Outstanding Service Awards. If you feel someone is deserving of one of the Awards, you can nominate them for an Outstanding Service Award. You can also self-nominate.

Also, don’t forget about the Pospisil Scholarship Award. You can nominate (or self-nominate) to receive $100 toward your education.

Click here for links to the Outstanding Service Award Nomination and Pospisil Scholarship Award forms.

TALCB Corner

Mark your calendar for the next TALCB meeting, scheduled for Nov. 14 at 10 a.m. at the Stephen F. Austin Building, Room 170, 1700 North Congress, Austin, TX.

Log on to https://www.talcb.texas.gov/ and download the agenda and meeting materials.

If you can’t make the meeting in person, it will be broadcast live on the TALCB website.

The opinions and statements expressed herein are those of the individual authors and do not necessarily reflect the viewpoints of the Association of Texas Appraisers or of its individual members.

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