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OHIO REAL ESTATE CONSULTANTS, INC.

FEBRUARY 2014 NEWSLETTER

This letter will update you on our current assignments, the trends we see in the industry, staff accomplishments, community service and other current information.

Current Assignments

- Condominium Community, Southwest Franklin County
- Commercial/Retail Building, Dublin
- Multi-Tenant Medical Office, Northwest Franklin County
- Office Condominiums, Dublin
- Office Land, Dublin
- Senior LIHTC Apartment Community, Cincinnati MSA
- Mixed-Use Infill Subdivision, Cleveland MSA
- Market Rent Apartments, North Central Columbus
- Vacant Land, Arena District
- Single-Tenant Office, Grandview/Upper Arlington
- OSU Campus Rental Housing
- Historic Property, Cleveland MSA
- Six (6) Agricultural Easements, Southwest Ohio
- Two (2) Eminent Domain Assignments, Columbus MSA
- Airport Property, Port Columbus
- Warehouse Facility, East Columbus MSA
- Vacant Land, Columbus CBD
- Senior Housing, Cincinnati MSA
- Scattered Site LIHTC, Southwest Ohio
- Affordable Housing Rehabilitation, Southwest Franklin County
- Affordable Housing Rehabilitation, Southeast Ohio

You and/or your clients may benefit from information we have used in our current assignments, as well as the assignments we have completed within the past 12 months.

The 2014-2015 Uniform Standards of Professional Appraisal Practice (USPAP) modifications are the most significant changes to the guidelines for more than five (5) years. The Appraisal Standards Board and the Appraisal Foundation have identified nine (9) revisions to the standards. These revisions are listed as follows.

REVISIONS TO USPAP AND USPAP ADVISORY OPINIONS

After the publication of the 2012-2013 edition of USPAP, a series of two requests for comment papers and three exposure drafts were released to obtain feedback on possible modifications for the 2014-2014 edition. On February 1, 2013, the Appraisal Standards Board (ASB) adopted modifications for the 2014-2015 edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP). These modifications include:

1. **Revisions to the DEFINITIONS of “Assignment Results” and “Scope of Work”** ó Based on comments received, there was a need to clarify the definition of “Assignment Results”. In an appraisal assignment, assignment results currently include more than just the appraiser’s opinion of value, as the appraiser is responsible not only for the opinion of value, but for the other opinions formed as part of an appraisal or appraisal review assignment. The change to the definition was made to clarify this point. The change to the definition of Scope of Work makes it consistent with the application of the SCOPE OF WORK RULE.
2. **Revisions to the PREAMBLE – When Do USPAP Rules and Standards Apply?** ó A section was added to clearly state when the Rules and Standards apply.
3. **Certification Requirement Related to Current or Prospective Interest and Prior Services** ó The ETHICS RULE was edited to clarify that in assignments in which there is no appraisal or appraisal review report, only the initial disclosure to the client is required ó a certification is required only for appraisal and appraisal review assignments.
4. **Revisions to the COMPETENCY RULE** ó The COMPETENCY RULE has always required that an appraiser be competent to perform the assignment, or acquire the necessary competency to perform the assignment, or withdraw from the assignment. However, the COMPETENCY RULE previously did not expressly require the appraiser to act competently in the given assignment. The change to the COMPETENCY RULE now clearly states that the appraiser must perform competently when completing the assignment.

5. **Report Options in STANDARDS 2, 8, and 10** ó USPAP previously had three written report options for real property and personal property appraisal assignments: Self-Contained Appraisal Report, Summary Appraisal Report, and Restricted Use Appraisal Report. USPAP now has two written report options, Appraisal Report and Restricted Appraisal Report, for real property and personal property appraisal assignments; this is similar to STANDARD 10 Business Appraisal Reporting. In STANDARDS 2, 8, and 10, the "restricted use" report option name was changed to Restricted Appraisal Report.

An Appraisal Report must summarize the appraiser's analysis and the rationale for the conclusions. A Restricted Appraisal Report might not include sufficient information for the client (no other intended users are allowed) to understand either the appraiser's analyses or rationale for the appraiser's conclusions.

Additional edits were made to the minimum report requirements. In Standards Rule 2-2(a)(i), clarifying changes were made regarding intended users. The order of the requirements in subsections (iii) and (iv) within Standards Rule 2-2(a) were rearranged. In Standards Rule 2-2(a)(vi), the date of report was defined. In Standards Rule 2-2(a)(vii) and 2-2(b)(vii) the statement, "The signing appraiser must also state the name(s) of those providing the significant real estate assistance" was edited. The new statement eliminated "the signing appraiser, and states "The name(s) of those providing the significant real property appraisal assistance must be stated in the certification." In Standards Rule 2-2(a)(viii), "agreements of sale" was added. In Standards Rule 2-2(a)(ix) and 2-2(b)(ix), the statement was divided with the last part of the statement becoming Standards Rule 2-2(a)(x) and 2-2(b)(x). The remaining items under these Standards Rules were renumbered. Similar changes were made to Standards Rules 8-2 and 10-2.

Lastly, to be consistent with items identified in the development requirements of Standards Rule 1-2(e)(i), an edit was made to Standards Rule 2-2(a)(iii) to include the summarization of legal characteristics relevant to the assignment. This edit is not viewed by the ASB as a new requirement; rather, it clarifies legal characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal must be communicated.

6. **Revision to Standards Rule 3-5** ó STANDARD 3 now requires a date of the appraisal review report which makes STANDARD 3 consistent with the other Standards which require the date of the report.

7. **Retirement of STANDARDS 4 and 5** ó STANDARDS 4 and 5 addressed real property appraisal consulting development and reporting. STANDARDS 4 and 5 have been retired due to the confusion and misuse of these Standards. Revisions and additional Illustrations were made to Advisory Opinion 21 to demonstrate how an appraiser can complete assignments that include services other than appraisal or appraisal review. The use of the term “appraisal consulting” has been eliminated in USPAP.
8. **Revisions to Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2*** ó Due to the changes in reporting format options, Advisory Opinions 11 and 12 were edited to demonstrate the impact of these changes. In addition, the scope of these two Advisory Opinions was expanded to include Standards Rule 10-2.
9. **Revisions to Advisory Opinion 12, *Performing Evaluations of Real Property Collateral to Conform with USPAP*** ó Due to changes in the *Interagency Appraisal and Evaluation Guidelines* effective December 2010, Advisory Opinion 13 has been revised.

Administrative edits were also made to USPAP and all guidance material, including the *USPAP Advisory Opinions* and *USPAP Frequently Asked Questions*, for conformity and consistency. The details of the changes to the 2014-2015 edition of USPAP can be read on The Appraisal Foundation’s website, www.appraisalfoundation.org in a document entitled *2013 Summary of Actions Related to Proposed USPAP Changes*.

Source: The Appraisal Foundation

Commentary – Ohio Real Estate Consultants, Inc.

Revisions 1-4 and 6 further clarify the intent of the respective standards.

Revision 7 removes the appraisal consulting option due to apparent misuse. This removal narrows the focus of the appraisers, which hopefully will eliminate any confusion in this regard.

Revision 9 clarifies how evaluations must be completed by appraisers. “An evaluation, when performed by an individual acting as an appraiser, is an appraisal. In addition to complying with USPAP, the appraiser must be aware of, and comply with, any additional assignment conditions and reporting requirements imposed on the assignment.”

Revisions 5 and 8 are the most significant changes affecting most users of appraisers. These revisions change the three appraisal options (Self-Contained, Summary and Restricted-Use) to two options: Appraisal Report and Restricted Appraisal Report. The Appraisal Standards Board and the Appraisal Foundation, after years of trying to establish subjective guidelines differentiating a Summary Report from a Self-Contained Report, have decided to leave this up to clients and the appraiser when defining the scope of work.

The Restricted-Use Appraisal Report remains relatively unchanged. Typically, this type of report is not used for lending purposes because other than the client, no other intended users are allowed.

In the end, I think that the revisions to USPAP will reduce confusion. With more clarity, the standards will hopefully increase the public trust in the appraisal profession.

Company News

The Appraisal Institute has established two (2) new professional designations: AI-GRS and AI-RRS. These are general and residential review appraisal designations. Thomas R. Horner, MAI, SRA, ASA, is a candidate for the AI-GRS designation (AI-General Review Specialist).

Andrew Keriazes recently completed the General Appraiser Sales Comparison Approach Course offered by the Appraisal Institute.

Kim Eilerman, MAI, recently completed the 7-Hour Uniform Standards of Professional Appraisal Practice (USPAP) Course.

We hope you found this newsletter information. If you would like additional information, please visit our website at www.ohiorealestate.org or call us at 800-536-0038.