

Appraisal Foundation—Do We Stay or Do We Go?

an opinion by Jim Todora, CAE, MAI

This paper is based on a presentation at the International Association of Assessing Officers 73rd Annual International Conference on Assessment Administration, September 12, 2007, Atlanta, Georgia.

The International Association of Assessing Officers (IAAO) faces a decision that will likely have crucial and long lasting effects. Although IAAO was one of the founders of The Appraisal Foundation (TAF) and has been a sponsoring member since its inception, recent changes might require IAAO to make significant changes to its structure that will affect its members and especially its professionally designated members, professional designation candidates, and those aspiring to become professionally designated members. Instructors, the education program, the budget, and affiliate memberships could also be affected. Much of IAAO's current authority could be abdicated to TAF as a result of these recent changes.

The report that follows was originally submitted to the IAAO Executive Board at its January 2007 meeting. The report contains factual data and comments to help the reader visualize the framework for the discussion. It also contains an analysis and recommendations. The opinions and recommendations reported are mine alone, but, formed after speaking with numerous members and others on this subject.

The underlying question to be answered is what relationship should exist between IAAO and TAF? Furthermore, what is the best structure to support that relationship?

The International Association of Assessing Officers and The Appraisal Foundation

IAAO has been a member of TAF since its inception in the late 1980s. IAAO now finds itself faced with challenges resulting from this membership and affiliation. In large part, these challenges come from the changes being implemented by the Appraiser Qualifications Board (AQB) to its criteria for state licensed and certified appraisers effective January 1, 2008.

AQB has increased the education segment of its criteria to include college level training and a 67% increase in the number of qualifying education hours for certified appraisers.

TAF was originally formed in response to the Savings and Loan crisis of the 1980s. Its purpose was to develop standards and qualifications for appraisers performing services for Federally Related Transactions, primarily for mortgage loan purposes. Even though this initial purpose is unrelated to

ad valorem tax, IAAO is one of the original sponsoring organizations of TAF and has adopted the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by its Appraisal Standards Board (ASB).

Of particular concern is an amended condition adopted by TAF on October 16, 2004 that states:

Organization must require all its appraisal-designated members to meet, in the areas of education, experience and continuing education, the minimum criteria adopted by the Appraiser Qualifications Board for corresponding Uniform Standard(s), which were in effect at the time the designation was awarded. The organization will also require its designated members to fulfill the continuing education requirements as reflected in the current AQB Criteria. Where no minimum qualification criteria have been adopted by the Appraiser Qualifications Board, the organization will demonstrate meaningful requirements for education, experience and continuing education, and examination for its designated members. (emphasis added)

This suggests IAAO must require anyone receiving an appraisal designation on January 1, 2008 and thereafter to meet these new AQB requirements. IAAO appraisal designations include a specific focus on property tax. The new AQB education criteria do not address this specific focus and thus it alone will not satisfy IAAO education standards for awarding a professional designation.

IAAO's association with TAF has always required a financial contribution; IAAO has unequivocally adopted USPAP even though it cannot control its changes and revisions; IAAO has required USPAP training prior to awarding professional designations even though IAAO cannot control the content of the training; and now IAAO must give up control of its education program for designated members, otherwise it will jeopardize its Appraisal Sponsor status with TAF.

With the implementation of the 2008 AQB criteria, TAF has effective control of significant portions of the IAAO Professional Designation Program, education offerings and instructor selection. Given these circumstances, IAAO's association with TAF must be reexamined. The desired relationship between IAAO and TAF must be defined.

The **internal areas** affected by IAAO affiliation with TAF can

be summarized as follows:

- Designations
- Education
- Instructors
- Membership
- Budget/finance

In addition these **external relationships** could also be affected:

- Alberta Assessor's Association
- University of British Columbia
- International relations

The following paragraphs contain details that help explain how these areas could be affected as greater control is relinquished to TAF.

Designations

Table 1 compares current IAAO CAE and RES designation requirements to TAF appraisal certification requirements.

The content of the education hours is different between IAAO and AQB. Educational areas currently covered by IAAO, such as tax rates, tax policy, assessment administration, and equity of appraisals would need to be added since these are not covered under the AQB subtopics. Therefore, if IAAO were to require its new CAE and RES designees to complete the AQB-required education, not only would the AQB education hours need to be completed but also the advanced IAAO educational content not covered within the 300 and 200 hours respectively must be required.

Furthermore, if IAAO were to not require this additional advanced education and simply equate its designation requirements to those of a state certified appraiser then an IAAO designation would mean no more than a state certification. Therefore why pursue a designation through IAAO?

If IAAO abdicates its authority to establish requirements for professional designation to TAF or AQB then it will no longer be in control of its own program. The ability to permit course exam challenges, establish course equivalencies or reciprocity agreements would cease.

Education

Table 2 shows the January 1, 2008 course

requirements of AQB for its Residential and General credentials as certified appraisers. None of these courses address

mass appraisal, assessment administration, tax policy, mapping, GIS or personal property appraisal.

Table 1. Comparison of current and proposed certification requirements

| Organization | IAAO | TAF 1/1/08 |
|----------------------------------------|-------------|--------------------|
| Credential (Designation/Certification) | CAE | General |
| Qualifying Education Hours | 172 | 300 |
| College | N/A | Bachelor level |
| Years/Hours Experience | 5 yrs. | 3000 hrs (30 mos.) |
| Examination | 8-hr comp | AQB |
| Demonstration | 2 projects | N/A |
| Credential (Designation/Certification) | RES | Residential |
| Qualifying Education Hours | 142 | 200 |
| College | N/A | Associate level |
| Years/Hours Experience | 3 yrs. | 2500 hrs (24 mos.) |
| Examination | 4-hr Master | AQB |
| Demonstration | 1 project | N/A |

Table 2. AQB course requirements for residential and general credentials

| | Course | Hrs. | Residential | General |
|--------------|------------------------------------------------------------|------------|-------------|------------|
| 1 | Basic Appraisal Principles | 30 | R | G |
| 2 | Basic Appraisal Procedures | 30 | R | G |
| 3 | The 15-hour National USPAP Course or Its Equivalent | 15 | R | G |
| 4 | Residential Market Analysis and Highest and Best Use | 15 | R | |
| 5 | Residential Appraiser Site Valuation and Cost Approach | 15 | R | |
| 6 | Residential Sales Comparison and Income Approaches | 30 | R | |
| 7 | Residential Report Writing and Case Studies | 15 | R | |
| 8 | Advanced Residential Applications and Case Studies | 15 | R | |
| 9 | Appraisal Subject Matter Electives | 20 | R | |
| 10 | Statistics, Modeling and Finance | 15 | R | G |
| 11 | General Appraiser Market Analysis and Highest And Best Use | 30 | | G |
| 12 | General Appraiser Sales Comparison Approach | 30 | | G |
| 13 | General Appraiser Site Valuation and Cost Approach | 30 | | G |
| 14 | General Appraiser Income Approach | 60 | | G |
| 15 | General Appraiser Report Writing And Case Studies | 30 | | G |
| 16 | Appraisal Subject Matter Electives | 30 | | G |
| Total | | 395 | 200 | 300 |

Table 3. IAAO hours, by course, permitted for AQB Core Curriculum

| | |
|--------------------------------------------------------------|----------|
| 101—Fundamentals of Real Property Appraisal | 30 hours |
| 102—Income Approach to Valuation | 30 hours |
| 201—Appraisal of Land | 30 hours |
| 112—Income Approach to Valuation II | 30 hours |
| 151—USPAP Nationally Approved Course | 15 hours |
| 311/312—STATS -Residential or Commercial/Industrial Modeling | 15 hours |
| Electives—Miscellaneous material | 30 hours |
| Total=180 hours | |

IAAO, as shown in table 3, currently offers a maximum of 180 hours in the areas that *might* provide coverage in AQB subtopics. It is doubtful the 180 hours would be entirely approved under the AQB Course Approval Program (CAP) without significant revision.

IAAO offers just less than 1,000 classroom hours of education through its courses, workshops, and one-day forums. However, coverage of specific subtopics in the new AQB requirements cannot be extracted from current IAAO materials. Considerable resources would have to be directed to revamping the current IAAO education curriculum in order to conform to the AQB requirements. The cost would be more than monetary if the changes were to jeopardize IAAO's relationship with many state agencies that currently certify assessors or otherwise use IAAO education products.

The question of whether to structure the IAAO education program to meet the needs of the Ad Valorem Tax community or to restructure the education program around the AQB requirements seems to have already been answered. At its August 2005 meeting, the IAAO Executive Board voted to update and improve its current course curriculum. At the same meeting, given the uncertainty of IAAO customer interest in AQB courses, the Executive Board approved a plan to pursue a licensing agreement with the Appraisal Institute to assure that AQB approved courses would be available for IAAO use.

Instructors

Certification of Instructors by TAF is required to teach the USPAP National Course and 7-hour update for appraisers seeking a credential or recertification by state licensing boards. Some state licensing agencies require instructors to hold a state (AQB) certification before credit for any qualifying or continuing education program will be granted. Therefore, TAF already has authority over many instructors. IAAO might lose its approval authority of instructors entirely to TAF.

Membership

The total effect on IAAO membership is difficult to quantify, however by its association, IAAO and its members are subject to USPAP standards. Professional designees are the only members held to the education, experience, and examination requirements. Prospective and continuing membership might be affected indirectly. If a member or prospective member intends to attain a professional designation, future AQB requirements could impact the decision to continue that pursuit.

If IAAO abdicates its authority, to establish requirements for professional designation, to TAF or AQB, then it will no longer be in control of its own program.

Budget/Finance

In 2006, IAAO paid \$3,000 as a base sponsoring membership fee plus \$2,613 as an assessment for its designated members. In addition, various support costs are incurred for participation on the:

- Board of Trustees
- Appraisal Standards Board
- Appraiser Qualifications Board
- The Appraisal Foundation Advisory Council
- Education Council for Appraisal Foundation Sponsors
- Industry Advisory Council
- International Advisory Council
- State Regulator Advisory Group

The total costs of all activities were not attainable at the time of

this report. The revenue effects are unknown but could be negative if membership and candidate fees are impacted. Furthermore, if AQB-approved courses are required for designations, they could be attained from sources other than IAAO.

Affected Areas—External

Alberta Assessors Association

IAAO currently has an agreement with the Alberta Assessors Association that provides reciprocity for certain segments of the designation program. These include education and experience segments. The agreement may have to be discontinued since AQB-approved courses would be required as well as AQB-approved examinations. The work experience requirement of the AAA may not meet the AQB program. Since IAAO has no control over the AAA program, it could no longer offer reciprocity or education equivalency.

University of British Columbia

IAAO has an agreement with the University of British Columbia that provides for certain education equivalencies in pursuit of two IAAO designations. Since all courses must be approved by the AQB and its new criteria must be met before a designation can be awarded, IAAO would no longer be able to honor this agreement.

International Relations

IAAO would no longer be free to enter into the types of agreements it has become accustomed to with countries outside of the United States regarding awarding professional designations. The membership within TAF might relinquish much of this authority to engage in course and other approvals to AQB.

Analysis

The education program outlined by the AQB is geared toward individuals that receive little true supervision and therefore require additional education hours to compensate for training that would otherwise be provided within the workplace. The working agreement of a private sector

appraiser is much different than that of a government employee found in the typical assessor's office. Commonly, the employment arrangement within the private sector "fee" appraisal office is as an "independent contractor." To maintain the federal income tax status of this arrangement the employer can tell the independent contractor/appraiser what to do, but not how to do it. Furthermore, the contractor cannot have job-related expenses provided by the employer. If these terms are violated the employer could incur significant tax liability and the independent contractor status might cease. As a result supervision is more in the form of oversight than teaching.

On the other hand, the typical employment relationship within an assessment office is employee/employer thus permitting more direct supervision. The employer can tell the employee what to do and how to do it. Training and equipment can be, and often are, provided at the expense of the employer. In fact, since most assessment office personnel are told how to perform job duties, they receive on-the-job training. As a result, when they pursue classroom education they possess sufficient knowledge to permit participation in accelerated training programs.

College level education requirements are also included within the new criteria. Although this is part of the AQB requirements, it is only part of a bigger picture. A college level education can be advantageous provided the training is in an area relevant to the vocation. Requiring a college education for the sake of a college education is not meaningful. Requiring a college level education for all future designees could discourage pursuit of the designation for many candidates and potential candidates. Furthermore, it could discourage employers from supporting the designation program. It could have a negative impact on IAAO membership generally, especially for those planning to attain a designation.

The pursuit to become a professional in the field of ad valorem tax requires not only basic appraisal education but training in the areas of assessment administration, tax policy, and various specialties including GIS, mapping, personal prop-

erty, legal issues, and computer applications. Should IAAO designations require the hours of education specified by AQB as well as the additional hours required for assessors, the classroom education requirements will significantly increase. If employers view the added education as unnecessary, they may become reluctant to fund those additional hours and choose alternate sources for assessor certification. If a compromise is made and IAAO sacrifices the current training requirements in areas germane to assessment personnel then state legislatures may determine that the standards are inadequate for the needs of their state and they may turn away from IAAO to satisfy these requirements.

Conclusion

The Savings and Loan Crisis of the 1980s caused the creation of TAF and as a result its activities have been primarily focused in the mortgage lending area. The new appraiser qualifications adopted by AQB lean in the direction of those appraisers employed for Federally Related Transactions consistent with the mortgage lending industry. However, these newly created qualifications are not consistent with those required of an appraiser in the ad valorem tax field.

The criteria for qualifying appraisers established by the AQB are categorized under three segments: education, experience and examination.

The **education** segment includes two areas; 1) college level training and 2) qualifying appraisal education found under a required core curriculum with guidance listed as specific subtopics. The college level education requirements can be accomplished by obtaining a bachelor's degree of any type for the General Certification or an Associate's degree of any type for the Residential Certification. In lieu of a degree, specific topics and credit hours are stated. The qualifying education topics found under the required core curriculum include nothing specific to ad valorem tax or mass appraisal.

The requirements for satisfying the **experience** segment are vague. Various 2,500 to 3,000 hours are required depending upon the credential sought. The verification for experience credit

shall be on forms prescribed by the state certification/licensing agency which should include the type of property, date of report, address of appraised property, description of work performed and number of hours worked. Clearly this logging of appraisal experience is not consistent with the type of activity found in mass appraisal or ad valorem tax roll development.

The **examination** segment calls for successful completion of an AQB-approved exam. The exams will be developed by AQB with questions based on the topics found under the qualifying education segment.

In summary, a person can obtain an AQB credential without acquiring training, experience, or examination in areas of ad valorem tax or mass appraisal. An AQB-level certification is often all that is needed to perform appraisal services for mortgage loan purposes. However attaining an AQB-level certification does not, in itself, prepare a person for a career in ad valorem tax or mass appraisal; much less certify them as experts in the property tax valuation field.

In order for IAAO to maintain its affiliation, TAF is mandating certain authority over IAAO. Before IAAO relinquishes its authority, it must ask itself what there is to gain and what there is to lose.

The arguments presented as to what IAAO has to gain by its affiliation with TAF fall into two broad categories. One is the credibility perceived by our association with and membership in TAF. The second is having a seat at the table to influence appraisal standards and appraisal qualifications. TAF has indicated a desire to be independent of appraisal associations and see its governance become more diverse. Therefore, there is no assurance that IAAO will have a seat at the table regardless of its affiliation.

IAAO seems to have the following options:

- Discontinue IAAO membership in TAF
- Change its form of membership to one that frees the IAAO designation program from AQB control

(continued on page 23)

(continued from page 22)

- Ask the AQB to approve specialized education including a unique core curriculum for assessors (not a lesser criteria, but different than fee/mortgage loan appraisers). This could include subtopic equivalencies and credit for acquired knowledge. Furthermore, the experience segment must relate to day-to-day assessor activities. Finally, the examination must reflect these specialized education and experience areas.
- Challenge TAF's authority to mandate the changes.
- Conform to the AQB requirements.

IAAO must measure its potential gains and losses before a competent decision can be made. This can be accomplished by asking those that IAAO serves. That list is vast and includes both members and nonmembers.

Recommendation

This is not a single point issue. It affects IAAO enormously in a variety of ways. It is too important to attempt to solve by way of a few select committees or the Executive Board alone. The opinions of others must be sought. It should be noted that current designees would be grandfathered and thus soliciting their opinions might not indicate the views of potential designees.

For the purpose of seeing what impact this decision might have, surveys should be conducted from the following list of those that use, or might use, IAAO services:

- General membership
- Professional designation candidates
- Professional designees
- Instructors
- Course coordinators
- Students: current, past, and potential
- State policy makers

The recipients must be provided with a complete picture of this decision including how it will affect them. Costs and expectations should be clearly quantified. Since the perspective of each of the above stakeholders will likely vary, separately worded surveys are needed.

For example: The Membership Committee could survey current and potential members (if they have a means of identifying potential members) by describing the costs and requirements of TAF affiliation. The survey could then ask if they have an interest in continuing the affiliation subject to the AQB mandates. Furthermore, they could survey state policy makers to confirm what impact, if any, continued affiliation with TAF would have and if they are willing to pay additional costs that might result. In addition, state policy makers should consider what effect these changes will have on government employees. If properly worded, these questions will help gauge the perceived value of TAF affiliation for members and anyone who pays for IAAO services.

It is too important to attempt to solve by way of a few select committees or the Executive Board alone. The opinions of others must be sought.

The Professional Designation Subcommittee could survey designation candidates to see if they are willing and able to meet the new criteria. Or, will they drop their pursuit of a designation if IAAO adopts these new requirements. The current designees could be asked what value enhancement is achieved by compelling future designees to meet the new AQB requirements. Responses to this survey will provide insight into whether the designation program will experience growth or decline in the future.

The Instructor Relations Subcommittee could survey the current list of instructors to see if any of them hold a "teaching license" and, if so, in what states. They could also be asked if they hold a current state certification and, if so, what type of credential. This might

tell us how many current instructors will be able to teach courses under the new criteria. The course coordinators could be surveyed and asked how important TAF affiliation and AQB approved qualifying education are in their program offerings. They could also be asked about their willingness to pay more for AQB approved courses versus the current offerings.

The Education Subcommittee could survey recent students and those expecting to attend future offerings to see if they plan to pursue an IAAO designation and, if so, what impact adopting the new standards would have on their plans. They could also ask if IAAO should discontinue its current education curriculum and adopt the AQB Core Curriculum.

The surveys must be vigilantly developed to be made meaningful. Care must be taken to assure that a reasonable and representative sample population responds. The wording must be carefully crafted to convey a clear meaning to ensure reliable results. Upon receiving these data IAAO should be in a position to conduct a knowledgeable debate and make an informed decision.

As a final comment, regardless of the decision IAAO makes, it should adopt an aggressive plan to promote its services including, professional designations, education, technical standards, and consulting to ad valorem-tax-state decision makers. Government bodies should be encouraged to use IAAO services and rely upon IAAO as an expert resource and the leading source for guidance in ad valorem tax matters. ■

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