

SUITE 240, 2101 4TH AVENUE
SEATTLE, WASHINGTON 98121
206-623-2935 (P) 206-623-2985 (F)
HTTP://WWW.GREENFIELDADVISORS.COM

SUITE 100, 1870 THE EXCHANGE
ATLANTA, GEORGIA 30339
770-951-7028 (P) 770-951-7030 (F)



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The Appraisal Foundation
Washington, DC

RE: Comments on the proposed Strategic Plan

To whom it may concern:

I am Dr. John A. Kilpatrick, Ph.D., MAI, FRICS. I have been a real estate appraiser, educator, broker, developer, and consultant for over thirty years. I am a nationally-certified USPAP instructor, the CEO of Greenfield Advisors, a Visiting Scholar in Real Estate Finance at Baruch College (City University of New York), on the Finance Advisory Board and the College of Business National Board of Advisors to Washington State University, and the author of over 100 articles, book chapters, monographs, and working papers. I am the author of four books on real estate. My Ph.D. is in Real Estate Finance, and I am a state certified (general) real estate appraiser in over a dozen states, and I and my firm have recently appraised or consulted on real estate issues on every continent except Antarctica.

I sincerely appreciate the opportunity to submit the following comments regarding the draft strategic plan. My comments will really address two issues WITHIN the proposed plan, plus two issues which were NOT in the plan.

1. TAF's relationship with academia – I'm a former full-time academic (I taught Real Estate and Corporate Finance at the University of South Carolina) and as noted above, I continue to maintain academic relationships. As such, I'm very active in the American Real Estate Society (ARES, of which I'm a *Fellow*) and somewhat less active in the American Real Estate and Urban Economics Association (AREUEA) and other academic groups. I frequently publish in the academic journals, serve on the editorial board of one (*Journal of Sustainable Real Estate*) and the review board of another (*Journal of Real Estate Research*). As such, I can tell you that ARES would be a highly appropriate venue for TAF, and stands ready to liaison with professional organizations and regulators. Indeed, the various professional organizations such as the Appraisal Institute, NAHB, CCIM, and NAR participate at a very high level in ARES, particularly at the annual meeting, and AI has a "cross-over" board member with ARES. The various Federal and quasi-federal agencies participate in ARES at the senior researcher level. Academia is, for example, the source-authority for mass appraisal, computer-assisted appraisals, and such, and many academics were instrumental in the establishment of TAF.

I'm outlining all of this because, quite frankly, I think TAF is behind the curve on academic outreach, and should more closely align its strategic plan with the more well-developed mechanisms which already exist in the academic organizations. The notion of "encouraging colleges and universities to teach valuation courses" is far behind the times, and indeed if you look at the work that has come out of the universities over the years, you will see that academia has long played a role in appraisal education, and continues to play a role. A significant number of texts on the subject of valuation come from cross-pollination between academia and practitioners.

As such, I encourage TAF to "RETURN" to its academic roots, but recognize that the conduits for TAF to become re-active are already there, waiting for TAF. I would also encourage TAF to recognize that academia, and the academic organizations, already has some very well developed processes.

2. TAF's role in developing coursework – As an appraisal educator, this issue troubles me greatly. As a USPAP instructor, I know that TAF has played a significant role in the very unique situation of providing uniformity to USPAP education at the behest of the various state regulators. However, that was a special situation, and no other course or set of courses in the appraisal field has the same ubiquitous impact as USPAP.

On the other hand, the various professional organizations, universities, and proprietary schools have a long-standing and well-developed history of developing and providing coursework, and indeed many if not most of these entities pre-date TAF. Of all of the various issues confronting the appraisal profession today, this is clearly the least criticized, and deserves the least attention from TAF. This is so far outside of TAF's core mission and core competency that it beggars the imagination to consider it.

TAF has two critically important missions – providing minimum standards for licensure, and maintaining USPAP. Anything outside of these two missions is an unnecessary distraction. I cannot imagine how getting into the education business contributes to these two missions, and I would strongly urge TAF to reconsider.

3. The Elephant in the Room: TAF's relationship with the Appraisal Institute – Roughly a quarter of the licensed or certified appraisers in America are members of the Appraisal Institute. AI has a well-developed relationship with academia, important relationship with various Federal regulators, a well-earned and well-deserved positive reputation with state regulators, and a near universal recognition in the State and Federal Courts. Of course, AI's legacy with the founding of TAF cannot be ignored. No one can dispute that AI is one of, if not the leading professional organization for real estate fee appraisers in the U.S., and a growing presence abroad.

With all that in mind, any TAF strategic plan moving forward should – and indeed must – deal with the schism between TAF and AI. The absence of such a “unification theme” within the strategic plan implies that TAF is willing to settle for the status quo moving forward. This, indeed, leaves the U.S. with two somewhat competing voices representing appraisers in regulatory and other matters.

4. What exactly IS TAF? – TAF is not a member organization, it eschews being a regulatory agency (although, in fact, it rather is), and yet its core missions (USPAP, AQB) in essence carry out a regulatory function. It sounds a bit like TAF wants to follow a model somewhat similar to the Financial Accounting Standards Board (FASB), but to do so, it needs the input and support of AI (it would be rather comical to imagine FASB “getting along” without the AICPA). Part of the problem is and always has been that TAF melds several sub-fields together, attempting to only “touch” those things which these fields have in common:

- a. Commercial fee appraisal
- b. Residential fee appraisal (with the new complexity of the AMCs)
- c. Property tax appraisal
- d. Personal property appraisal
- e. Business valuation

The implication of shifting from “appraisal” to “valuation” in the nomenclature suggests a shift toward business valuation and away from commercial fee appraisal as a thematic core, and indeed if one takes as a “given” the seemingly hardened schism between AI and TAF, this makes some sense. However, the apparent majority of licensed appraisers in America are in the residential fee business, and indeed since most of these folks are not members (or at least not active members) in one of the major

professional organizations, these folks are often left without representation (the emergence and, one might argue, dominance of the AMCs is clear evidence of that). These folks practice "appraisal", not "valuation", and thus such a nomenclature change would be problematic on its face.

Over the years, TAF has done its best work by sticking to the narrow areas in which these five sub-sets of the profession overlapped. The recent recession, and the aftershocks from that, coupled with the TAF/AI schism, have further narrowed the areas of TAFs core competency. This strategic plan seems to attempt to broaden the mission. I would suggest that TAF would do its best to do an EXCELLENT job on just a couple of things, rather than an AVERAGE or even MEDIOCRE job at a lot of things. Thus, this strategic plan could use a significant haircut before it moves forward.

Thank you again for the opportunity to submit these comments. I look forward to working with the Foundation as you move forward on these issues.

Respectfully submitted,



John A. Kilpatrick, Ph.D., MAI, FRICS