

WISCONSIN DEPARTMENT OF REGULATION & LICENSING



Wisconsin Department of Regulation & Licensing Access to the Public Records of the Reports of Decisions

This Reports of Decisions document was retrieved from the Wisconsin Department of Regulation & Licensing website. These records are open to public view under Wisconsin's Open Records law, sections 19.31-19.39 Wisconsin Statutes.

Please read this agreement prior to viewing the Decision:

- The Reports of Decisions is designed to contain copies of all orders issued by credentialing authorities within the Department of Regulation and Licensing from November, 1998 to the present. In addition, many but not all orders for the time period between 1977 and November, 1998 are posted. Not all orders issued by a credentialing authority constitute a formal disciplinary action.
- Reports of Decisions contains information as it exists at a specific point in time in the Department of Regulation and Licensing data base. Because this data base changes constantly, the Department is not responsible for subsequent entries that update, correct or delete data. The Department is not responsible for notifying prior requesters of updates, modifications, corrections or deletions. All users have the responsibility to determine whether information obtained from this site is still accurate, current and complete.
- There may be discrepancies between the online copies and the original document. Original documents should be consulted as the definitive representation of the order's content. Copies of original orders may be obtained by mailing requests to the Department of Regulation and Licensing, PO Box 8935, Madison, WI 53708-8935. The Department charges copying fees. *All requests must cite the case number, the date of the order, and respondent's name as it appears on the order.*
- Reported decisions may have an appeal pending, and discipline may be stayed during the appeal. Information about the current status of a credential issued by the Department of Regulation and Licensing is shown on the Department's Web Site under "License Lookup." The status of an appeal may be found on court access websites at: <http://ccap.courts.state.wi.us/InternetCourtAccess> and <http://www.courts.state.wi.us/wscca>.
- Records not open to public inspection by statute are not contained on this website.

By viewing this document, you have read the above and agree to the use of the Reports of Decisions subject to the above terms, and that you understand the limitations of this on-line database.

Correcting information on the DRL website: An individual who believes that information on the website is inaccurate may contact the webmaster at web@drl.state.wi.gov

STATE OF WISCONSIN
BEFORE THE REAL ESTATE APPRAISERS BOARD

IN THE MATTER OF :
DISCIPLINARY PROCEEDINGS :
AGAINST : **FINAL DECISION AND ORDER**
ROSS A. LARSSON, :
RESPONDENT : LS0911164APP

Division of Enforcement Case File 08 APP 052

The parties to this action for the purpose of Wis. Stats. sec. 227.53 are:

Ross A. Larsson
228 N. Garfield Ave.
Port Washington, WI 53074

Wisconsin Real Estate Appraisers Board
P.O. Box 8935
Madison, WI 53708-8935

Department of Regulation and Licensing
Division of Enforcement
P.O. Box 8935
Madison, WI 53708-8935

PROCEDURAL HISTORY

The parties in this matter agree to the terms and conditions of the attached Stipulation as the final disposition of this matter, subject to the approval of the Wisconsin Real Estate Appraisers Board ("Board"). The Board has reviewed this Stipulation and considers it acceptable. Accordingly, the Board adopts the attached Stipulation in this matter and makes the following Findings of Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

1. Ross A. Larsson is licensed in the State of Wisconsin as a Real Estate Appraiser, and he is certified as a Certified Residential Appraiser, with license number 9-1633, granted on December 13, 2007.
2. Mr. Larsson's most recent address on file with the Department of Regulation and Licensing ("Department") is 228 N. Garfield Ave., Port Washington, WI 53074.
3. Mr. Larsson performed an appraisal and prepared an appraisal report for an 8-unit apartment building at 846 Wheelock Avenue in Hartford, Wisconsin on November 16, 2006.
4. In his appraisal and his report, Mr. Larsson failed to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) Standards Rules (S.R.) in the following ways:
 - a) Appropriate Form and Report Format Option - The appraiser failed to identify the report format as required by S.R. 2-2. The report under review appears to be a restricted report as defined by S.R. 2-2 (c) which requires that "the appraiser state a prominent use restriction that limits use of the report to the client and warns that the appraiser's opinions & conclusions set forth in the report may not be understood properly without additional information in the appraisers workfile."

b) Identification of Interest Appraised, S.R. 1-4 (d) and 2-2 (b) (v) - The realty interest appraised was incorrectly identified as “fee simple” in the transmittal letter which accompanied the appraisal report. The property is indicated as currently 100% rented. Therefore, the correct interest appraised should be “leased fee” not “fee simple”.

c) Intended User & Intended Use - Although the client is identified, the appraiser did not identify the “intended user(s)” as required by the Scope of Work Rule, S.R. 1-2(a) and S.R. (2-2 (b) (i).

d) Scope of Work, S.R. 1-5 and S.R. 2-2 (b) (viii) - The appraiser’s scope of work description is vague and more applicable to a residential property than an income property. The MLS data may not be adequate to properly identify comparable sales for a commercial property. Clients and peers expect the appraiser to verify and support his income capitalization rate using market and investor data, but the appraiser did not complete or report the normal research & analyses. No source of information is provided for rental comparables. It is unclear how the appraiser verified the income & expenses used to develop the net operating income in the income approach

e) Subject - Sales & Listing History - No analysis was found of the prior sales or listing history. If the subject has not transferred within 3 years, a statement to that effect should be included in the report.

f) Neighborhood Overview - The appraiser uses boilerplate comments in the transmittal letter stating that he performed “a locational analysis of the neighborhood and city, and an economic analysis of the market for properties such as the subject.” The results of this analysis are NOT included in the appraisal report. This creates a misleading report, which is a violation of the Ethics Rule and S.R. 2-1(a).

g) Trends of Property Values, Supply/Demand & Marketing Time - The appraiser uses boilerplate comments in the transmittal letter stating that he performed “a locational analysis of the neighborhood and city, and an economic analysis of the market for properties such as the subject.” The results of this analysis are NOT included in the appraisal report. This creates a misleading report, which is a violation of the Ethics Rule and S.R. 2-1(a).

h) Meaningful Highest & Best Use Analysis - No highest & best use analysis was completed as required by S.R. 1-3(b) and S.R. 2-2 (b) (ix).

i) Verification of Comparable Sales Data, S.R. 1-4 (a) and S.R. 2-2 (b) (viii) - The appraiser did not indicate the source of the comparable sale data. It appears that the appraiser used the income & expense data found in the MLS listing without any adjustment or verification from another source. Sales #1 & #2 appear to be identical properties next to each other, but no information for #1 is included in the MLS listing, and the properties were sold by two different brokers within 1 month of each other, indicating different owners, yet the income & expense data for comparable sale #1 is the same as sale #2, without explanation. Lack of verification of this data reduces the credibility of the value conclusion.

j) Sales Comparison Approach Conclusion, S.R. 1-4 (a) and S.R. 2-2 (b) (viii) - Although the appraiser calculates ratios demonstrated by the comparable sales data, no reconciliation of the sales comparison approach is provided. Sales data indicates a value range of \$544,000 to \$628,992, but the appraiser does not provide reasoning or reconciliation for his value conclusion of \$575,000

k) Selection & Analysis of Rent Comps, S.R. 1-4 (c) and S.R. 2-2 (b) (viii) - The comparable rents selected by the appraiser do not support the market rents used to develop the income approach. Subject’s estimated market rents are \$595 to \$625 per unit; the range of comparable rents is \$475 to \$565. One comparable rent of \$625 is not similar.

l) Development of Net Operating Income, , S.R. 1-4 (c) and S.R. 2-2 (b) (viii) - The comparable rents selected by the appraiser do not support the market rents used to develop the income approach. Subject’s estimated market rents are \$595 to \$625 per unit; the range of comparable rents is \$475 to \$565. One comparable rent of \$625 is not similar.

m) Income Approach Conclusion, , S.R. 1-4 (c) and S.R. 2-2 (b) (viii) - Estimated market rents used to calculate gross income are not supported by the rental comparables. Income & expense data (from MLS) was used to develop a capitalization rate without verification or cross-checking. The value conclusion by the income approach is not credible.

n) Reconciliation - Statements made in the final reconciliation indicate that the appraiser does not understand the intent of S.R. 1-6 and S.R. 2-2 (b) (viii). “A final value opinion of \$565,000 is well supported by **most** of the valuation methods used.” The appraiser did not include analysis or rationale that would lead the intended user to agree with his opinions and conclusions. [emphasis added]

o) Estimate of Reasonable Exposure Time, S.R. 1-2 (c) and S.R. 2-2 (b) (viii) - A reasonable exposure time linked to the value opinion was not developed or reported.

p) Any Value Approaches Excluded, S.R. 1-4 (b) and S.R. 2-2 (b) (viii) - The appraiser does not appear to understand the correct application of the cost approach. Although he does indicate that it was not performed because of the age of the improvements, he also states that “the small size of the city and lack of new construction apartment buildings is also a factor that is considered in not developing the cost approach.” This would not affect the decision to apply the cost approach

q) Overall Support & Reasoning for Key Assumptions - Multiple USPAP violations and omissions affect the overall support and reasoning of the appraiser’s opinions and conclusions.

r) Certification Section Requirements - The appraiser did not include the signed certification as required by S.R. 1-3 and S.R. 2-3.

s) Report Written to not be Misleading, S.R. 1-1 and S.R. 2-1 - Multiple USPAP violations and omissions may create a misleading report.

t) Sufficient Data & Analysis, S.R. 2-2 (b) (viii) - The report contains multiple USPAP violations and omissions of data.

CONCLUSIONS OF LAW

1. The Wisconsin Real Estate Appraisers Board has jurisdiction to act in this matter pursuant to section 458.26 (3) of the Wisconsin Statutes and is authorized to enter into the attached Stipulation pursuant to sec. 227.44(5), Wis. Stats.

2. By failing to comply with USPAP in the appraisal and the appraisal report for property at 846 Wheelock Avenue in Hartford, Wisconsin, Respondent Ross A. Larsson violated sections RL 86.01 (1) and (2) of the Wisconsin Administrative Code, and is subject to discipline under section 458.26 (3), Wis. Stats.

ORDER

NOW, THEREFORE, IT IS ORDERED that the attached Stipulation is hereby accepted.

IT IS FURTHER ORDERED that within one year of the date of this Order, the respondent, Ross A. Larsson, must successfully complete the following real estate appraisal education.

- a course in USPAP of at least 15 hours, and
- Capitalization Theory and Techniques Using the ROADMAP System, and one of the following:
 - Income Property Valuation,
 - Real Property Valuation Methodology: Income Producing Property, or
 - Apartment Appraisal Concepts & Applications.

Classes may be taken from the Appraisal Institute or they may be equivalent courses taken from any educational institution approved by the Department of Regulation and Licensing and approved in advance through the Department Monitor (below). Mr. Larsson shall submit proof of successful completion in the form of verification from the institution providing the education to the following address:

Department Monitor
Department of Regulation and Licensing,
PO Box 8935, Madison, WI 53708-8935.
Fax (608) 266-2264

Tel. (608) 267-3817

None of the education completed pursuant to this order may be used to satisfy any continuing education requirements that are or may be instituted by the Board or the Department of Regulation and Licensing. In the event Mr. Larsson fails to successfully complete the educational requirements in the manner set forth, or to obtain an extension of time for good cause, his Real Estate Appraisers license shall be suspended without further hearing and without further Order of the Board, and said suspension shall continue until further Order of the Board or until he provides to the Department proof of completion of all said educational requirements.

IT IS FURTHER ORDERED that the Real Estate Appraisers license issued to Ross A. Larsson is hereby LIMITED in that Mr. Larsson shall perform no appraisals of commercial property to be delivered to clients, i.e. he may perform appraisals of commercial property only for educational or demonstration purposes. Mr. Larsson may petition the Board for removal or limitation of this limitation no less than two years following the date of this order. With his petition, Mr. Larsson shall supply a roster of appraisals prepared after completion of the education ordered above, from which the Board will select one or more appraisals for review for compliance with USPAP.

IT IS FURTHER ORDERED that Mr. Larsson pay the Department's costs of this matter in the amount of **\$575** within 60 days of the date of this Order. Payment shall be made by certified check or money order, payable to the Wisconsin Department of Regulation and Licensing and sent to the Department Monitor. In the event Mr. Larsson fails to pay the costs within the time and in the manner as set forth above, his Real Estate Appraisers license shall be suspended without further notice, without further hearing, and without further Order of the Board, and said suspension shall continue until the full amount of said costs have been paid to the Department of Regulation and Licensing.

IT IS FURTHER ORDERED that file 08 APP 052 be closed.

Dated this 16th day of November, 2009.

WISCONSIN REAL ESTATE APPRAISERS BOARD

By: Marla Britton, Board Chair, or another member of the Board