

1 **BOARD OF APPRAISAL**

2
3 In the Matter of:

4
5 Steven H. Slaton
6 Holder of License No. 21114
7 Certified Residential Appraiser

8 Respondent

No. 14F-3521-BOA
No. 14F-3536-BOA
No. 14F-3537-BOA
No. 14F-3546-BOA
No. 14F-3547-BOA

Findings of Facts, Conclusions of Law
and Order of Probation

9
10 On February 21, 2014, the Arizona Board of Appraisal ("Board") met to consider the
11 Administrative Law Judge Decision of Michael Douglas in the above-
12 captioned matter. Despite having been properly noticed, the Respondent, Steven H.
13 Slaton, did not appear. The State was represented by Jeanne M. Galvin, Assistant
14 Attorney General.

15 The Board, having reviewed the administrative record and the Administrative
16 Law Judge's Findings of Fact, Conclusions of Law and Recommended Order in this
17 matter, and having considered the written and/or oral arguments of the parties and fully
18 deliberating the same, takes the following actions on the recommended decision:

- 19 1. The Board hereby accepts the Findings of Fact of the Administrative Law
20 Judge with the following exceptions by the State:
- 21 a) Page 1, lines 31 through page 2, line 1, strike "Ms. Rudd stated that
22 the current edition of USPAP is the 2012/2013 edition." Replace with
23 "Ms. Rudd testified that the 2012/2013 edition of USPAP is the edition
24 applicable to the referenced appraisals."
 - 25 b) Page 6, line 21, strike "Value" and replace with "Sales Comparison".
- 26 2. The Board hereby accepts the Conclusions of the Administrative Law Judge
27 with the following exceptions by the State:
- 28 a) Page 7, line 23, strike "2-2(iii) and 2-2(viii)" and replace with "2-2(b)(iii)
29 and 2-2(b)(viii)."
 - 30 b) Page 8, line 17, strike "2-2(iii) and 2-2(viii)" and replace with "2-2(b)(iii)
and 2-2(b)(viii)."

- 1 3. The Board hereby accepts the Order of the Administrative Law Judge.
2 4. The Findings of Fact, Conclusions of Law and Order of probation shall read
3 as follows:

4 Evidence and testimony were presented and the following Findings of Fact,
5 Conclusions of Law and Recommended Order are made:

6 **FINDINGS OF FACT**

7 **Testimony of Debra Rudd**

- 8 1. Debra Rudd (hereinafter "Ms. Rudd") testified that she is the Executive Director
9 of the Board. Ms. Rudd stated that she is a certified general appraiser. Ms. Rudd
10 testified that she had been an appraiser since 1977.
11 2. Ms. Rudd testified that the Board is the state agency authorized pursuant to
12 A.R.S. § 32-3601 *et seq.* to regulate appraisers in the State of Arizona. Ms. Rudd
13 stated that Mr. Slaton is the holder of Certified Residential Appraiser License No. 21114
14 issued by the Board on March 22, 2004, pursuant to A.R.S. § 32-3612.
15 3. Ms. Rudd testified that the Board has adopted the Uniform Standards of
16 Professional Appraisal Practice (hereinafter "USPAP"). Ms. Rudd testified that the
17 2012/2013 edition of USPAP is the edition applicable to the referenced appraisals. Ms.
18 Rudd opined that Mr. Slaton had violated numerous provisions of USPAP.
19 4. Ms. Rudd's testimony is found to be credible.

20 **Testimony of Investigator Linda A. Beatty**

21 **Complaint No. 3521 (No. 14F-3521-BOA)**

- 22 5. Linda A. Beatty (hereinafter "Investigator Beatty") testified that she is a staff
23 investigator for the Board. Investigator Beatty stated that on or about March 29, 2013,
24 the Board received a Real Estate Appraiser Violation Complaint 3521 filed by Daniel
25 Hagen (hereinafter "Mr. Hagen").
26 6. Investigator Beatty testified that the Complaint involved Mr. Slaton's appraisal of
27 property located at 5564 Knollwood Drive, Happy Jack, Arizona. Investigator Beatty
28 stated that Mr. Hagen alleged that Mr. Slaton had committed "numerous errors" in the
29 appraisal report. Investigator Beatty testified that the Board notified Mr. Slaton of the
30 Complaint and that Mr. Slaton denied any wrongdoing.

1 7. Investigator Beatty testified that she had been a staff investigator for
2 approximately four days. Investigator Beatty stated that she had previously been a
3 contract investigator for the Board for several years. Investigator Beatty testified that
4 she is a certified general appraiser and that she has been performing appraisals since
5 1987.

6 8. Investigator Beatty testified that she performed the investigation for Complaint
7 3521. Investigator Beatty stated that Mr. Slaton's work file for the subject property
8 contained two copies of the appraisal report for the subject property. Investigator
9 Beatty testified that one appraisal report failed to identify the subject property as a two-
10 story home and failed to identify any appliances. Investigator Beatty stated that one
11 appraisal report identified the subject property as being a single-level residence with a
12 two-car garage when in fact the property was a two-story property with a three-car
13 garage. Investigator Beatty testified that the issues were corrected in the second report
14 but that both reports contained the same date.

15 9. Investigator Beatty testified that Mr. Slaton incorrectly estimated physical
16 depreciation for the property. Investigator Beatty stated that Mr. Slaton identified the
17 property as in average condition with an effective age of twenty-two years with a total
18 economic life of seventy years. Investigator Beatty testified that physical depreciation
19 based on this description should have been reported at approximately thirty-one
20 percent. Investigator Beatty stated that the physical depreciation applied by Mr. Slaton
21 was five percent.

22 10. Inspector Beatty testified that Mr. Slaton's quality adjustments were made in the
23 wrong direction. Investigator Beatty stated that Mr. Slaton's location adjustments were
24 insufficient and that Mr. Slaton improperly gave a valuation of the garage loft area that
25 was higher than the main residence livable area adjustments. Investigator Beatty
26 testified that Mr. Slaton provided incorrect zoning and flood maps for the subject
27 property.

28 **Complaint No. 3536 (14F-3536-BOA) and Complaint No. 3546 (14F-3546-BOA)**

29 11. Investigator Beatty testified that in February 2013, the Board received Complaint
30 No. 3536 from an anonymous Complainant against Mr. Slaton. Investigator Beatty
stated that the Board also received Complaint No. 3546 from Complainant Sherri Gray.

1 Investigator Beatty testified that both Complaints were filed against Mr. Slaton for an
2 appraisal that he performed for the property located at 2154 Saddle Blanket Road,
3 Happy Jack, Arizona, with an effective date of value of January 6, 2013. Investigator
4 Beatty testified that she performed the investigation for Complaint numbers 3536 and
5 3546.

6 12. Investigator Beatty testified that in the appraisal for the Saddle Blanket Property,
7 Mr. Slaton incorrectly identified the subject property as "SFR" rather than a specific
8 zoning code. Investigator Beatty stated that Mr. Slaton identified the subject property's
9 water source as being provided by the city when, in fact, the subject property's water
10 source was a private water company.

11 13. Investigator Beatty testified that Mr. Slaton incorrectly estimated physical
12 depreciation for the subject property and that he failed to address external
13 obsolescence. Investigator Beatty stated that Mr. Slaton identified the subject property
14 as being in good condition with an effective age of seventeen years with a total
15 economic life of sixty years. Investigator Beatty testified that physical depreciation
16 based upon Mr. Slaton's description should have been reported at approximately
17 twenty-eight percent. Investigator Beatty stated that depreciation in the appraisal report
18 for the subject property is applied at five percent.

19 14. Investigator Beatty testified that Mr. Slaton indentified that the adjustments for
20 condition of sale on comparable property number one in Mr. Slaton's appraisal report
21 for the subject property were not supported by the quoted MLS source. Investigator
22 Beatty stated that Mr. Slaton applied a date of sale adjustment to comparable number
23 three for its seven-month-old transaction date but failed to apply a date of sale
24 adjustment to comparable number seven that title to the property was transferred
25 seventeen months prior to the date of the appraisal for the subject property.

26 15. Investigator Beatty testified that Mr. Slaton's appraisal report for the subject
27 property indicated that the Market Approach was the best indicator of value and that the
28 Cost Approach did not support the current market value for the subject property.
29 Investigator Beatty stated there is no discussion or analysis in the appraisal report for
30 the subject property to explain why there is a fifty percent difference between the
valuations under the Market Approach and the Cost Approach for the subject property.

Complaint No. 3537 (14F-3537-BOA) and Complaint No. 3547 (14F-3547-BOA)

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2 16. Investigator Beatty testified that in February 2013, the Board received Complaint
3 No. 3537 from an anonymous Complainant against Mr. Slaton. Investigator Beatty
4 stated that the Board received Complaint No. 3547 from Complainant Sherri Gray.
5 Investigator Beatty testified that both Complaints were filed against Mr. Slaton for an
6 appraisal that he performed for the property located at 1831 Green Ridge Drive, Happy
7 Jack, Arizona, with an effective date of value of November 26, 2012. Investigator Beatty
8 stated that she performed the investigation for Complaint numbers 3537 and 3547.

9 17. Investigator Beatty testified that Mr. Slaton incorrectly identified the subject
10 property's zoning as being "SFR" rather than a specific zoning code. Investigator
11 Beatty stated that Mr. Slaton incorrectly estimated physical depreciation for the subject
12 property.

13 18. Investigator Beatty testified that Mr. Slaton identified the subject property as
14 being in average condition with an effective age of 23 years and having a total
15 economic life of seventy years. Investigator Beatty stated that physical depreciation
16 based upon Mr. Slaton's description of the subject property should have been reported
17 at approximately thirty-three percent. Investigator Beatty testified that, in fact, Mr.
18 Slaton incorrectly applied a physical depreciation rate of ten percent for the subject
19 property.

20 19. Investigator Beatty testified that Mr. Slaton incorrectly estimated the subject
21 property's physical depreciation and that he failed to address external obsolescence.
22 Investigator Beatty stated that Mr. Slaton's estimate of value indicated by the Cost
23 Approach was over forty percent higher than the estimated value indicated by the Sales
24 Approach. Investigator Beatty testified that Mr. Slaton failed to address the difference
25 or the presence of external obsolescence due to market conditions. Investigator Beatty
26 testified that Mr. Slaton's appraisal report for the subject property failed to reflect the
27 subject property's two-car carport and garage bathroom.

28 20. Investigator Beatty testified that Mr. Slaton inaccurately identified the subject
29 property's contract as non-arms length. Investigator Beatty stated that Mr. Slaton's
30 appraisal report indicated that the Market Approach was the best indicator of value for

1 the subject property but failed to provide discussion or analysis justifying the forty
2 percent difference in the value conclusions.

3 21. Investigator Beatty's testimony is found to be credible.

4 **Testimony of Steven H. Slaton**

5 22. Mr. Slaton testified that he is a Certified Residential Appraiser in the State of
6 Arizona. Mr. Slaton stated that he had extensive experience as a residential appraiser
7 in the State of Arizona. Mr. Slaton acknowledged that he was aware of the Complaints
8 that had been filed against him.

9 23. Mr. Slaton testified that he believed that the complaints against him were
10 motivated by his refusal to go along with realtors in the Happy Jack area. Mr. Slaton
11 stated that the realtors wanted real estate appraisals that reflected the price that the
12 realtors were selling real estate for and that when they received an appraisal that was
13 different than the price they were asking, the realtors became unhappy with him and
14 filed groundless complaints against him with the Board.

15 24. Mr. Slaton testified that Ms. Beatty did not have any experience in the Happy
16 Jack area of the State. Mr. Slaton stated that Ms. Beatty was not familiar with local
17 appraisal practices in the Happy Jack area. Mr. Slaton testified that he and the other
18 three licensed real estate appraisers in the Happy Jack area had agreed to certain
19 deviations from USPAP. Mr. Slaton stated that such local modifications were approved
20 by USPAP.

21 25. Mr. Slaton reviewed each of the complaints that had been filed against him. Mr.
22 Slaton denied any wrongdoing regarding the appraisals that he conducted for the three
23 properties that the five complaints are based upon. Mr. Slaton testified that his
24 appraisals for the three properties were all "summary" appraisals.

25 26. Mr. Slaton asserted that the Board was prejudiced against summary appraisals.
26 Mr. Slaton testified that his appraisals fully complied with USPAP. Mr. Slaton stated
27 that during the course of his appraisals, he became "thoroughly familiar" with the
28 subject properties and their locations. Mr. Slaton testified that he documented market
29 data from the applicable market segment for the subject properties and properly
30 estimated the market value of the subject properties in his summary appraisals.

1 27. Mr. Slaton testified that he did not give "much credence" to the Cost Approach
2 for the subject properties because the Cost Approach always exceeded the value
3 achieved with the Sales Comparison Approach because of the economic turn-down.
4 Mr. Slaton stated that it was common practice in the Happy Jack area to discount or to
5 not use the Cost Approach for appraisals in the Happy Jack area.

6 28. Mr. Slaton testified that he is no longer living in the Happy Jack area. Mr. Slaton
7 stated that the three other real estate appraisers that were living in the Happy Jack area
8 had either moved out of the area or had retired.

9 CONCLUSIONS OF LAW

- 10 1. This matter is within the Board's jurisdiction under A.R.S. § 32-3661 *et seq.*
- 11 2. The Board bears the burden of proof and must establish cause to penalize Mr.
12 Slaton's Certified Residential Appraiser License No. 21114. The standard of proof
13 on all issues in these matters is by a preponderance of the evidence. See A.A.C.
14 R2-19-119.
- 15 3. A preponderance of the evidence is "such proof as convinces the trier of fact that
16 the contention is more probably true than not." MORRIS K. UDALL, ARIZONA LAW OF
17 EVIDENCE § 5 (1960).
- 18 4. A.R.S. § 32-3631 authorizes the Board to discipline the certificate of an appraiser
19 that has committed any act in violation of the Board's statutes or rules.
- 20 5. Pursuant to A.R.S. § 32-3635, "[a] state licensed or state certified appraiser shall
21 comply with the standards of professional appraisal practice adopted by the board."
22 The Board has adopted the 2012-2013 USPAP as the standards for professional
23 appraisal practice.

24 **Complaint No. 3521 (No. 14F-3521-BOA)**

- 25 6. The Board established that Mr. Slaton repeatedly made adjustments in the wrong
26 direction. Mr. Slaton's zoning classification was inaccurate. Mr. Slaton's calculations
27 for physical depreciation were inaccurate. Mr. Slaton's indication of values for the Cost
28 Approach and the Sales Approach varied by up to fifty percent without a reconciliation
29 or explanation in his final opinion of value. Mr. Slaton felt free to deviate from general
30 USPAP standards as a matter of local appraisal practices for the Happy Jack area. Mr.
Slaton was lackadaisical in checking appropriate boxes for the appraisal report. This

1 Tribunal concludes that Mr. Slaton violated the charged provisions of USPAP, 2012-
2 2013 edition Standards Rule 1-1(a), (b), and (c), Standards Rule 1-4(a) and (b)(iii),
3 Standards Rule 2-1(a), and Standards Rule 2-2(b)(iii) and 2-2(b)(viii).

4 **Complaint No. 3536 (14F-3536-BOA) and Complaint No. 3546 (14F-3546-BOA)**

5 7. The Board established that Mr. Slaton repeatedly made adjustments in the wrong
6 direction. Mr. Slaton's zoning classification was inaccurate. Mr. Slaton's calculations
7 for physical depreciation were inaccurate. Mr. Slaton's indication of values for the Cost
8 Approach and the Sales Approach varied by up to fifty percent without a reconciliation
9 or explanation on his final opinion of value. Mr. Slaton felt free to deviate from general
10 USPAP standards as a matter of local appraisal practices for the Happy Jack area. Mr.
11 Slaton was lackadaisical in checking appropriate boxes for the appraisal report. This
12 Tribunal concludes that Mr. Slaton violated the charged provisions of USPAP, 2012-
13 2013 edition Standards Rule 1-1(a), (b), and (c), Standards Rule 1-4(a) and (b)(iii),
14 Standards Rule 2-1(a), and Standards Rule 2-2(iii) and (viii).

15 **Complaint No. 3537 (14F-3537-BOA) and Complaint No. 3547 (14F-3547-BOA)**

16 8. The Board established that Mr. Slaton repeatedly made adjustments in the wrong
17 direction. Mr. Slaton's zoning classification was inaccurate. Mr. Slaton's calculations
18 for physical depreciation were inaccurate. Mr. Slaton's indication of values for the Cost
19 Approach and the Sales Approach varied by up to fifty percent without a reconciliation
20 or explanation in his final opinion of value. Mr. Slaton felt free to deviate from general
21 USPAP standards as a matter of local appraisal practices for the Happy Jack area. Mr.
22 Slaton was lackadaisical in checking appropriate boxes for the appraisal report. This
23 Tribunal concludes that Mr. Slaton violated the charged provisions of USPAP, 2012-
24 2013 edition Standards Rule 1-1(a), (b), and (c), Standards Rule 1-4(b)(i), (ii), and (iii),
25 Standards Rule 1-6(a), Standards Rule 2-1(a), and Standards Rule 2-2(b)(iii) and 2-2(b)
26 (viii).

27 9. The Board established that it has cause to discipline Certified Residential
28 Appraiser License No 21114 issued to Mr. Slaton.

29 **ORDER**

1 In view of the foregoing, the Board issues the following Order against Mr. Slaton,
2 Certified Residential Appraiser License No 21114 issued to Mr. Slaton be placed on
3 disciplinary probation for a period of six months.

4 It is further ordered that during the six-month probation:

5 1. Mr. Slaton shall be required to provide the Board with written proof that he
6 has completed a fifteen-hour course in USPAP, with an exam.

7 2. Mr. Slaton shall be required to provide the Board with written proof that he
8 has completed a fifteen-hour course in basic appraisal practice, with an exam.

9 3. Mr. Slaton shall be required to provide the Board with written proof that he
10 has completed a seven-hour course in the proper use of the cost approach for
11 appraisal.

12 4. Mr. Slaton shall be required to provide the Board with at least twelve appraisal
13 reports that he has performed during the period of probation. Sample reports may be
14 utilized to satisfy this requirement.

15 It is further ordered that Mr. Slaton not be allowed to use the above course work
16 to apply to any educational requirements that may be required to renew Certified
17 Residential Appraiser License No 21114.

18 It is further ordered that if Mr. Slaton fails to comply with the above terms of
19 license probation, Certified Residential Appraiser License No 21114 issued to Mr.
20 Slaton shall be revoked.

21 **Right to Petition For Rehearing or Review**

22 Respondent is hereby notified that he has the right to petition for a rehearing or
23 review. Pursuant to A.R.S.41-1092.09, as amended, the petition for hearing or review
24 must be filed with the Board's Executive Director within 30 days after service of this
25 Order and pursuant to A.A.C. R4-46-303; it must set forth legally sufficient reasons for
26 granting a rehearing or review. Service of this order is effective 5 days after mailing. If
27 a motion for rehearing or review is not filed, the Board's order becomes effective 35
28 days after it is mailed to Respondent.
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1 Respondent is further notified that the filing of a motion for rehearing or review is
2 required to preserve any rights of appeal to the Superior Court.

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4 Dated this 24th day of February, 2014.

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8 Arizona State Board of Appraisal
9 By: Debra J. Rudd
10 Debra J. Rudd, Executive Director

11 Copy of the foregoing transmitted electronically on this
12 24th day of February, 2014 to:

13 Office of Administrative Hearings
14 1400 West Washington St., Suite 101
15 Phoenix, AZ 85007

16 Copy of the foregoing mailed via regular mail and U.S.
17 Certified Mail 7010 2780 0003 5016 8404
18 this 24th day of February, 2014 to:

19 Steven H. Slaton
20 7974 El Rancho Trail
21 Snowflake, AZ 85937

22 Copies of the foregoing sent by interagency mail
23 this 24th day of February, 2014 to:

24 Jeanne M. Galvin
25 Assistant Attorney General
26 1275 W. Washington St.
27 Phoenix, AZ 85007

28 Christopher Munns
29 Assistant Attorney General
30 Solicitor General's Office
1275 W. Washington St.
Phoenix, AZ 85007

By: [Signature]
Kelly Luteijn