

1 2917

2 On or about October 23, 2010, the Board's investigation revealed the following:

3 1. This matter deals with an appraisal conducted and report written by
4 Respondent of a single family residence located at 11034 N. Miler Rd, Scottsdale, AZ
5 with an effective date of value of July 9, 2009.

6 2. In the Subject section of the report, the legal description is incomplete as
7 the lot number is not provided. In the same section, the Respondent checked the "Yes"
8 box indicating that the subject was offered for sale within the twelve months prior to the
9 effective date of the report but in fact, the subject had not been listed for sale during the
10 previous twelve months.

11 3. Respondent does not state the neighborhood boundaries in the
12 Neighborhood section. Also in the Neighborhood Section, the Market Conditions were
13 not accurately reported. While Respondent makes some generic Market Conditions
14 comments in the Addendum, there is no supporting data for Declining Property Values or
15 Over Supply of inventory for the neighborhood.

16 4. In the Sales Comparison Analysis of the report, Respondent states that
17 comparables #5 and #6 have no swimming pools but the MLS listing for both of these
18 comparables indicate a private pool.

19 5. The subject was built in 1975 and is therefore, 34 actual years but
20 Respondent stated that the home has an effective age of 17 years or one-half of the actual
21 age. According to Respondent, the improvements are in "Average" condition; he notes
22 under Additional Features "New carpet, New vinyl floors in baths, New paint, etc."
23 However, Respondent does not mention any major updating, remodeling, modernization
24 or renovations of the improvements. In an older home to replace carpeting and vinyl
25 flooring would not significantly reduce the effective age of the improvements. Reducing
26

1 the effective age of an older home would usually mean updating or renovations of
2 kitchens, bathrooms, electrical, plumbing etc. or major components of the improvements.

3 6. Comparables #1, #3, #4, and #5 are not truly comparable to the subject
4 property with respect to site size. There was no Scope of Work or assignment conditions
5 regarding comparable sales within 90 days of the effective date of the report contrary to
6 the assertion Respondent made in his written response to the Board. While these
7 comparables are similar with respect to physical characteristics, age and features, they are
8 built on significantly smaller sites, are much smaller in livable area and they do not have
9 horse privileges like the subject.

10 7. The Respondent does not make time of sale adjustments to the sold
11 comparables even though he indicates “declining” values in the Neighborhood section.

12 8. Additionally, in the Sales Comparison Analysis, Respondent incorrectly
13 notes that comparable #3 is a closed sale; public records indicate that it was listed for sale
14 on the effective date of the appraisal. Furthermore, there are additional inconsistencies
15 between the MLS record for this sale and Respondent’s appraisal report, including but
16 not limited to the following discrepancies: site size, actual age, condition of
17 improvements, gross living area and number of bedrooms. The photo used by Respondent
18 in the report is not a photo of this comparable.

19 9. Also in the Sales Comparison Analysis, Respondent makes site size
20 adjustments to comparables #1, #3, #4 and #5, with no explanation of how the
21 adjustments were derived and with no support or justification.

22 10. With respect to comparables #2 and #4, Respondent notes the condition of
23 the improvements to be “Up-date Average” which appears inconsistent with the MLS that
24 notes “Fix-up Needs Repairs” and “This house needs some work....” There is no
25 commentary in the reconciliation section of the Sales Comparison Analysis for any of
26 the comparables in this report.

1 17. According to Respondent, the client requested an income and expense
2 report but yet Respondent did not complete an Income Approach to Value in the first
3 report.

4 The following Findings of Fact are applicable to both reports.

5 18. With respect to Sale No. 1 on E. Eugie Terrace, this was a sale from North
6 40 LLC (Dr. Gray) to Mr. Alton Henry (original buyer of the subject) for \$750,000 with
7 no down payment. Respondent failed to analyze the prior sale of \$500,000. There was no
8 statement in the MLS that the home had been remodeled and nothing in the report or the
9 workfile indicated the home had been remodeled. Given the terms and condition of this
10 sale, the results are not credible.

11 19. Comparable Sale No. 2 is located on East Sweetwater Ave and it sold on
12 5/5/06 for \$935,000; it was sold by North 40, LLC (Dr. Gray) to Kenneth Hinrichs (the
13 buyer of the subject) with no down payment. This sale's terms and conditions were not
14 analyzed by Respondent and no adjustments were made. Further, Respondent did not
15 analyze the prior sale in 9/05 for \$572,000. The home was built by a superior quality
16 builder and was on a larger lot. The \$1 per square foot for lot size was not supported and
17 is not credible. Similarly, the gross living area adjustment at \$30 per square foot was not
18 supported and is not credible. The indicated value results for this sale at \$915,660 are not
19 credible.

20 20. With respect to Comparable Sale No. 3 located on East Aster Drive, this
21 home is also on a larger lot and is a custom home. Respondent adjusted this sale \$1 per
22 square foot for the larger site size without explanation or support. The \$30 per square foot
23 for gross living area also was made without explanation or support. The terms and
24 conditions of the sale was zero down payment; the indicated results of this sale are not
25 credible.

26

1 24. Moreover, there was no site valuation data in the workfile or the report but
2 yet all three sales were adjusted \$1 per square foot difference in site size. This is not
3 explained or supported and is not credible.

4 25. Respondent's field drawing is missing dimensions and the Apex calculation
5 has an apparent error, therefore the results are not credible.

6 26. Under the Improvement section, Respondent fails to note the deferred
7 maintenance that is evident in the picture of the rear yard. In addition, there was no
8 discussion of the quality and quantity of the garages conversion or remodeling or
9 replacements. This becomes significant in contrast and comparison to the sales cited in
10 the report.

11 27. With respect to Sale No. 1 located on North 46th Avenue, this is tri-level
12 home with a great deal of remodeling but there was no adjustment for quality, quantity or
13 condition. The adjustment for site size at \$1 per square foot is not supported nor is it
14 credible. Similarly, the adjustment for the 2-car garage at -\$3,000 is not explained or
15 supported and is not credible. The adjustment for the pool is not explain or supported and
16 the final indicated result for this sale was not credible.

17 28. Comparable Sale No. 2 on West Sheldon Lane is located on a cul-de-sac
18 lot. This home has a number of new features and improvements but Respondent failed to
19 address or adjust for the quality, quantity and condition of the improvements. The cul-de-
20 sac site size difference was adjusted at \$1 per square foot without explanation or support
21 and is not credible. The gross living area adjustment at \$20 per square foot is not credible
22 and the garage adjustment for the 3-car garage at -\$4,000 is not credible; nor is the -
23 \$10,000 adjustment for the pool and enclosed gazebo with heated spa credible.

24 29. With respect to Comparable Sale No. 3 on West Lane Avenue, it also is on
25 a cul-de-sac lot and was the lowest priced of the sales cited at \$325,000 and after
26 adjustments resulted in the lowest indication of value for the subject at \$302,946. There

1 was no evidence that this sale's features which appeared on the MLS were inquired about
2 for the verification or analysis process. The cul-de-sac site size difference was adjusted at
3 \$1 per square foot without explanation or support and is not credible. The gross living
4 area adjustment at \$20 per square foot is not credible and the garage adjustment for the 3-
5 car garage at -\$4,000 is not credible. There was inconsistent adjustment for the half-bath
6 with Sale No. 2 adjusted at +\$3,000 but this sale had no adjustment.

7 30. The summary of the Sales Comparison Approach states "There are a
8 number of sales which are directly competitive to the subject property. The sales cited in
9 this report are the result of a thorough data search, both within and beyond the subject
10 subdivision." These statements are factually incorrect as there are other sales in the
11 subject's subdivision that would indicate a different value of opinion.

12 3052

13 On or about February 18, 2011, the Board's investigation revealed the following:

14 31. This matter deals with an appraisal conducted and report written by
15 Respondent of a single family residence located at 9750 Natchez Trail, Flagstaff, AZ
16 86004-3308 with an effective date of value of April 23, 2009.

17 32. The subject is located in Flagstaff, AZ but in the URAR Respondent cited
18 research from ARMLS, which is a Maricopa County source and tax records from
19 Maricopa County and not Coconino County where the subject is located. .

20 33. There were approximately 36 other sales that could have been considered
21 by Respondent as comparable sales.

22 34. Respondent stated that he was under the "extraordinary assumption" that
23 the addition was completed with the City of Flagstaff building permits but yet, on page 2
24 of 6 he stated that the appraisal is made "as is" when he should have confirmed the
25 permits were obtained.
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CONCLUSIONS OF LAW

Pursuant to A.R.S. § 32-3635, a certified or licensed appraiser in the State of Arizona must comply with the standards of practice adopted by the Board. The Standards of Practice adopted by the Board are codified in the USPAP edition applicable at the time of the appraisal.

2917

The conduct described above constitutes violations of the following provisions of the USPAP, 2008-2009 edition:

Standards Rule 1-1(a); Standards Rule 1-4; Standards Rule 1-5(b); Standards Rule 1-6(a) and (b); Standards Rule 2-1(a) and (b); Standards Rule 2-2(b)(viii) and Standard Ethics Rule---Recordkeeping.

2970

The conduct described above constitutes violations of the following provisions of the USPAP, 2005 and 2006 editions:

Standards Rule 1-1(a) and (b); Standards Rule 1-2(h); Standards Rule 1-5(b); Standards Rule 2-1(a); Standards Rule 2-2(b)(ix) (2005); Standards Rule 2-2(b)(viii) (2006); Scope of Work Rule (2006); the Departure Rule (2005); and Standard Ethics Rule---Recordkeeping.

2971

The conduct described above constitutes violations of the following provisions of the USPAP, 2006 edition:

Standards Rule 1-1(a), (b) and (c); Standards Rule 1-4(a), (b)(i) and (c); Standards Rule 2-1(a); Standards Rule 2-2(b)(viii); and Standard Ethics Rule---Recordkeeping and the Scope of Work Rule.

3052

1 The conduct described above constitutes violations of the following provisions of
2 the USPAP, 2008-2009 edition:

3 Standards Rule 1-1(a) and (c); Standards Rule 1-4(b); and Standards Rule 2-1(a).

4 **ORDER**

5 Based upon the foregoing Findings of Fact and Conclusions of Law, the parties
6 agree to the following:

7 1. **Upon the effective date of this Consent Agreement, Respondent's**
8 **Certificate as a Certified Residential Appraiser shall be placed on probation for a**
9 **minimum period of six (6) months.** During probation, Respondent shall (a)
10 demonstrate resolution of the problems that resulted in this disciplinary action; (b)
11 comply with the terms of this Consent Agreement and Order and (c) comply with
12 USPAP, Arizona Revised Statutes and Appraisal Board rules. The effective date of this
13 Consent Agreement is the date that it is signed by the Board's Executive Director on
14 behalf of the Board.

15 2. Respondent shall successfully complete the following education within six
16 **(6) months** of the effective date of this Consent Agreement: **Fifteen (15) hours of Basic**
17 **Appraisal (with an exam). The Board recognizes Respondent's recent completion of**
18 **the fourteen (14) hour Report Writing class.** The education under this paragraph may
19 not be counted toward the continuing education requirements for the renewal of
20 Respondent's license except for the Report Writing class may be counted for renewal
21 purposes. The same class may not be repeated to fulfill the education requirements of
22 this Consent Agreement. The education required pursuant to paragraph 2 may be
23 completed through distance learning.

24 3. Proof of completion of the required education must be submitted to the
25 Board within 3 weeks of completion of the required courses. Respondent shall bear all
26 costs and expenses associated with completing the education required in paragraph 2.

1 4. During the period of probation, Respondent shall complete a minimum of
2 **twelve (12) appraisal reports.** The Board reserves the right to audit any of
3 Respondent's reports and conduct peer review, as deemed necessary, during the
4 probationary period. The Board may, in its discretion, seek separate disciplinary action
5 against the Respondent for any violation of the applicable statutes and rules discovered in
6 an audit of the Respondent's appraisal reports provided to the Board under the terms of
7 this Consent Agreement.

8 5. The Respondent shall file an appraisal log with the Board on a monthly
9 basis listing every Arizona appraisal that he has completed within the prior calendar
10 month by property address, appraisal type, valuation date, the date the appraisal was
11 issued, and the number of hours worked on each assignment. The report log shall be filed
12 monthly beginning the 15th day of the first month following the start of Respondent's
13 probationary period and continuing each month thereafter until the Board terminates the
14 probation. If the log reporting date falls on a Saturday, Sunday, or holiday, the report log
15 is due on the next business day. **Even if Respondent performs no appraisals within a**
16 **given month, he must still file an appraisal log with the Board showing that no**
17 **appraisals were performed.** The monthly log report may be filed by mail or facsimile.

18 6. Respondent's probation shall continue until: (a) Respondent petitions the
19 Board for termination as provided in paragraph 7, and (b) the Board terminates the
20 probation. Upon petition by the Respondent for termination of the probation, the Board
21 will select and audit 3 of Respondent's appraisal reports.

22 7. At the end of **six (6) months** from the effective date of this Consent
23 Agreement, the Respondent may petition the Board for termination of his probation. If
24 the Board determines that Respondent has not complied with **all** the requirements of this
25 Consent Agreement, the Board, at its sole discretion, may either: (a) continue the
26

1 probation or (b) institute proceedings for noncompliance with this Consent Agreement,
2 which may result in suspension, revocation, or other disciplinary and/or remedial action.

3 8. Respondent shall not act as a supervising appraiser for other appraisers or
4 trainees, nor shall he act as a mentor, during the term of the probation. Respondent shall
5 also not teach any course related to real estate appraisals during the term of the probation.

6 9. Respondent shall comply with the Uniform Standards of Professional
7 Appraisal Practice in performing all appraisals and all Board statutes and rules.

8 10. If, between the effective date of this Consent Agreement and the
9 termination of Respondent's probation by the Board, Respondent fails to renew his
10 license while under this Consent Agreement and subsequently applies for a license or
11 certificate, the remaining terms of this Consent Agreement, including probation and
12 mentorship, shall be imposed if the application for license or certificate is granted.

13 11. Respondent has read and understands this Consent Agreement as set forth
14 herein, and has had the opportunity to discuss this Consent Agreement with an attorney
15 or has waived the opportunity to discuss this Consent Agreement with an attorney.
16 Respondent voluntarily enters into this Consent Agreement for the purpose of avoiding
17 the expense and uncertainty of an administrative hearing.

18 12. Respondent understands that he has a right to a public administrative
19 hearing concerning each and every allegation set forth in the above-captioned matter, at
20 which administrative hearing he could present evidence and cross-examine witnesses. By
21 entering into this Consent Agreement, Respondent freely and voluntarily relinquishes all
22 rights to such an administrative hearing, as well as all rights of rehearing, review,
23 reconsideration, appeal, judicial review or any other administrative and/or judicial action,
24 concerning the matters set forth herein. Respondent affirmatively agrees that this Consent
25 Agreement shall be irrevocable.

26

1 13. Respondent understands that this Consent Agreement, or any part thereof,
2 may be considered in any future disciplinary action against him.

3 14. The parties agree that this Consent Agreement constitutes final resolution
4 of this disciplinary matter.

5 15. Time is of the essence with regard to this agreement.

6 16. If Respondent fails to comply with the terms of this Consent Agreement,
7 the Board shall properly institute proceedings for noncompliance with this Consent
8 Agreement, which may result in suspension, revocation, or other disciplinary and/or
9 remedial actions. Respondent agrees that any violation of this Consent Agreement is a
10 violation of A.R.S. § 32-3631(A)(8), which is willfully disregarding or violating any of
11 the provisions of the Board's statutes or the rules of the Board for the administration and
12 enforcement of its statutes.

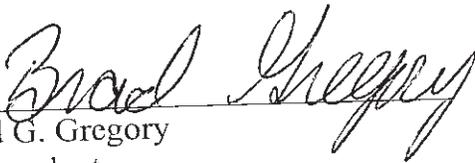
13 17. Respondent understands that this Consent Agreement does not constitute a
14 dismissal or resolution of other matters currently pending before the Board, if any, and
15 does not constitute any waiver, express or implied, of the Board's statutory authority or
16 jurisdiction regard any other pending or future investigation, action or proceeding.
17 Respondent also understands that acceptance of this Consent Agreement does not
18 preclude any other agency, subdivision or officer of this state from instituting other civil
19 or criminal proceedings with respect to the conduct that is the subject of this Consent
20 Agreement.

21 18. Respondent understands that the foregoing Consent Agreement shall not
22 become effective unless and until adopted by the Board of Appraisal and executed on
23 behalf of the Board. Any modification to this original document is ineffective and void
24 unless mutually approved by the parties in writing.

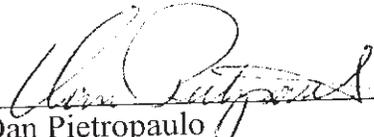
25 19. Respondent understands that this Consent Agreement is a public record that
26 may be publicly disseminated as a formal action of the Board.

1 **Violation.**

2 **DATED** this 25 day of March, 2011.

3
4 

5 Brad G. Gregory
6 Respondent


7
8 Dan Pietropaulo
9 Executive Director
10 Arizona Board of Appraisal

11 **ORIGINAL** of the foregoing filed
12 this 25 day of March, 2011 with:

13 Arizona Board of Appraisal
14 1400 West Washington Street, Suite 360
15 Phoenix, Arizona 85007

16 **COPY** of the foregoing mailed regular
17 and certified mail 7009 1680 0000 7387 7124
18 this 25 day of March, 2011 to:

19 Mr. Brad G. Gregory
20 3941 E. Chandler Blvd.
21 Ste. 106-222
22 Phoenix, AZ 85048

23 **COPY** of the foregoing sent or delivered
24 this 25 day of March, 2011 to:

25 Jeanne M. Galvin
26 Assistant Attorney General
Arizona Attorney General's Office
1275 West Washington, CIV/LES
Phoenix, Arizona 85007

27
28 By: 
29 1676436
30 Rebecca M. Loar