

Maximizing the Value of an Appraisal Practice

Purpose of the Course

The seminar is designed to assist appraisers in the valuing of an appraisal practice. Systems as well as financial statement basics are discussed to provide a framework for differences in firms that can cause differences in values between appraisal practices. Alternatives are provided attendees to use in their practice. Information is provided to understand the stages of growth of an appraisal practice including start-up phase. The course is relevant to all appraisers who eventually would consider selling their practice or buying into a practice.

Relevance of the Course

The course was written over ten years ago with many principles based upon a survey of hundreds of appraisal practices. Many appraisers can be assisted by this seminar for the following reasons.

- Valuing a practice as an assignment
- Valuing a practice to buy in as a partner
- Valuing a practice to sell to a partner
- Valuing a practice to sell & retire from appraising
- Restructuring a practice to adhere to principles that would create value
- Understanding why management or ownership decisions affect the value of a practice
- Understanding alternatives in case of starting up a practice, including alternatives to growth and how value is affected

Content Summary

Description of

MAXIMIZING THE VALUE OF AN APPRAISAL PRACTICE

The seminar provides information and discussion on value considerations for an appraisal practice. Many participants have restructured their firms based upon information in the course to increase the worth of the firm. Others have used information to provide a basis for valuing an appraisal practice for various purposes. The course was first taught over ten years ago and is based upon a survey of over one hundred firms and feedback from many active in the appraisal industry. The following is an outline of some of the covered topics.

- I. *General Management Principles***
- II. *Time Management Systems***
- III. *General Income & Expense Analysis***
- IV. *Financial Statements***
- V. *Legal Considerations***
- VI. *Growth Considerations***
- VII. *Benefits & Compensation Issues***
- VIII. *Valuing the Appraisal Practice***

Learning Objectives

1. To understand valuation issues in valuing an appraisal practice
2. To understand alternative systems for time management, hiring, growth of the practice
3. To understand the affect of decisions on financial statements.
4. To understand liability issues including entity options.
5. To understand the components of valuing a firm including real, personal and intangible property.

Possible Instructional Strategies

1. Lecture
2. Problems & solutions
3. Question & answer
4. Group discussion

Instructor

Ted Whitmer, MAI
Qualifications are included

Bibliography of Subject Matter

1. *Maximizing the Value of an Appraisal Practice*, written by Ted Whitmer, MAI

This may be used for brochures:

About the Instructor

Ted Whitmer, MAI

Mr. Ted Whitmer is an appraiser, attorney, instructor, author, investor, asset manager, and consultant. Mr. Whitmer holds the MAI designation from the Appraisal Institute, is a member of the State Bar of Texas, is a Counselor of Real Estate, a broker and the author of *The Comprehensive Appraisal Workshop, Maximizing the Value of an Appraisal Practice* among others. Currently, Mr. Whitmer is serving on the Texas Appraiser & Licensing Board in Texas, appointed by Governor Rick Perry. He teaches many courses and seminars including a graduate level course in Real Estate Appraisal at Texas A&M University. Mr. Whitmer received his BA from Stephen F. Austin State University, a MBA from Texas A&M University and a JD from the University of Houston. He is married to Donna and has four children.

Timed Outline - 4 hours
MAXIMIZING THE VALUE OF AN APPRAISAL PRACTICE

The seminar provides information on valuing and operating an appraisal/consulting practice to maximize the value to the owner. The seminar focuses on growth considerations, time management, income and expense analysis, financial statements, and entity alternatives. The emphasis is on elements of a firm that would maximize value if sold and provide alternatives to owners to structure their firm to meet the owner's financial and value objectives.

Start Time: 8:00 AM or 1:00 PM

- I. General Management Considerations for Valuing the Firm
 - A. Basic premises 5 minutes
 - B. Job satisfaction & productivity 5 minutes
 - C. Considerations for starting a firm 10 minutes

- II. Time Management – When Valuing the Firm
 - A. Setting goals 5 minutes
 - B. Project management 5 minutes
 - C. Staff time management 5 minutes
 - D. Use of forms or software 5 minutes

- III. General Income & Expense Analysis
 - A. Income 10 minutes
 - B. Expense 10 minutes

- IV. Financial Statements
 - A. Balance sheet 5 minutes
 - B. Income statement 5 minutes
 - C. Cash flow statement 5 minutes
 - D. Statement ratios 5 minutes

- 15 Minute Break (9:20 – 9:35 or 2:20-2:35)**

- V. Malpractice & Other Liability
 - A. Insurance 5 minutes
 - B. Avoiding lawsuits 5 minutes
 - C. Defenses 5 minutes
 - D. Entity – Sole proprietorship, partnership, corporation 5 minutes

- VI. Financial Statements & the Impact of Growth
 - A. One-person firm 5 minutes
 - B. Small firm 2.5 minutes
 - C. Medium-size firm 2.5 minutes
 - D. Large firm 5 minutes
 - E. Pro-forma statements for 1 to 10 person firms 5 minutes

- VII. Marketing Methods
 - A. Solicitation 5 minutes
 - B. Advertising 5 minutes
 - C. Image & etiquette 5 minutes
 - D. Public relations 5 minutes
 - E.

- 15 Minute Break (10:35 – 10:50 or 3:35-3:50)**

- VIII. Hiring Considerations
 - A. Practical considerations 10 minutes
 - B. Non-compete clauses 5 minutes
 - C. File management considerations 5 minutes

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| XI. | Benefits & Compensation | |
| | A. General | 10 minutes |
| | B. Comparing employee with benefits to contractor | 10 minutes |
| X. | Valuing the Appraisal Practice | |
| | A. Partnership | 5 minutes |
| | B. Sale | 5 minutes |
| | C. Pricing for profitability | 5 minutes |
| | D. Real, personal & intangibles | 5 minutes |

Conclude 11:50 or 4:50

Qualifications of Ted Whitmer, MAI

Professional Affiliations

Member of the American Institute of Real Estate Appraisers (#7300)
Member of the State Bar of Texas (#21380020)
State Certified Appraiser - State of Texas (#TX-1321994-G)
Real Estate Broker - State of Texas (License #281161)
Appraiser Member of Texas Appraiser Licensing & Certification Board (appointed by Governor Rick Perry for two years beginning 6/02 & ending 6/04)

Educational Background

J.D. - University of Houston Law Center (1988)
M.B.A. (Finance Major) - Texas A&M University (1981)
B.A.- Stephen F. Austin State University (1977)

Instructor

Comprehensive Appraisal Workshop - I developed and wrote the only review for the MAI comprehensive examination in 1988. Since then I have presented the course to over 2,000 persons, most of whom are designated MAIs. The course covers virtually every area of real estate appraisal theory, including the three approaches to value, Standards and Ethics, valuation of partial interests, and other peripheral areas.

Attacking & Defending an Appraisal in Litigation - This seminar is a litigation seminar for attorneys, appraisers and users of appraisals in litigation.

Appraisal Institute - Principles, Valuation Procedures, Capitalization Theory A & B, Case Studies, Report Writing, Standards of Professional Practice, and various seminars.

University of Houston - Principles of Real Estate
Texas A&M University - Business Statistics (as a graduate assistant in 1981) & AG605

a graduate course in appraisal in Spring, 1998, 1999, & 2000.

San Jacinto Junior College - Real Estate Appraisal

American College of Real Estate - Appraisal, Principles, Math, Finance

Jones College of Real Estate - Appraisal

Author

The Comprehensive Appraisal Study Guide, this is now published by the Appraisal Institute as *The Appraisers Complete Review*.
The Encyclopedia of Investments, chapter on "Commercial & Industrial Real Estate"

The Appraisal of Real Estate, 10th edition, published by the Appraisal Institute. I contributed to the chapter on accrued depreciation.

Have written numerous seminars including:

Maximizing the Value of an Appraisal Practice

Current Issues & Misconceptions in Appraisal

Deriving Direct & Yield Capitalization Rates

Attacking & Defending an Appraisal in Litigation

Investor

Single family residences - Purchased, own & sold various single family houses.

Vacant land - Bought land on IH-45 in Houston in 1992 and sold the site to General Mills for an Olive Garden Restaurant.

Retail Center - Formed a partnership of 5 individuals and purchased a shopping center in College Station, Texas for \$1,150,000. Am the managing partner.

Retail Center - Formed a partnership of 3 individuals and purchased a shopping center in Kingwood, Texas for \$490,000. Sold less than 2 years later for \$720,000 & kept a cell tower paying \$11,750, net per year. (Now owned free & clear)

Sonic Ground Lease - Own 1/3 interest in Sonic ground lease on Main St. in Houston.

Real Estate Courses

Texas A&M University

Real Property Valuation
Mortgage Market Analysis
Analysis of Real Estate Decisions
Real Estate Law
Problems - Syndications

Appraisal Institute

Principles of Appraisal
Basic Valuation Procedures
Residential Valuation
Capitalization Theory & Techniques, Part 1
Capitalization Theory & Techniques, Part 2
Capitalization Theory & Techniques, Part 3
Valuation Analysis and Report Writing
Introduction to Investment Analysis
Standards of Professional Practice

South Texas College of Law

Property I

Property II

University of Houston Law Center

Real Estate Finance Law
Real Estate Development & Finance Law

Many other real estate related seminars

Current Employment

Ted Whitmer, Real Estate Consultant

Previous Employment

Texas Commerce Bancshares- Vice-President & Assistant Manager of the Appraisal Division

Dominy, Ford & McPherson- Associate Fee Appraiser

Texas A&M University - Lecturer in a graduate course on appraisal

Partial Litigation Experience

- Testified in the Fifth Circuit as an expert witness in a criminal fraud case.
- Took depositions as an attorney in property tax appeal cases. I worked on the side of the Ft. Bend County Appraisal District.
- Consulted on The Medical Towers case in Houston concerning the interpretation of an appraisal clause in a long-term ground lease.
- Consulted with St. Paul Insurance Company on a Kansas case involving Board of Director liability in a Savings in Loan. I reviewed over 30 appraisals for USPAP and regulatory compliance.
- Consulted on property tax case in Minnesota on a downtown office building.
- Work on J.C. Penney headquarters property tax appeal
- Worked with Dallas Co. Appraisal District on tax appeal case
- Worked on cases involving valuation clauses in leases
- Have worked in property tax, condemnation, regulatory takings, fraud, deceptive trade practices, and many other types of real estate related cases as a consultant
- Testified in property tax case for Travis County Appraisal District involving downtown office buildings
- Testified in Monroe, Louisiana on lease clause involving ethics of appraiser
- Consulted on case for Walmart on contract dispute
- Consulted on property tax case for AMOCO for refinery property tax appeal