



Chicago Appraisal Times



Volume 4, Issue 3

Winter 2012

President's Letter

Dear Chapter Members,
Another year has flown by and FOOTBALL season is well under way! As an avid fan of both college and professional football, I love watching the unbelievable plays that create memorable moments. Of course, I have my favorite teams (GO GREEN!) but we Chicagoans love our Bears – albeit sometimes, it is a bitter sweet love.

In 1920, the Bears didn't start out as "the Bears"; that came later in 1922. George Halas originally coached the team as the Decatur Staleys, which became the Chicago Staleys, and finally the Chicago Bears. According to a 2011 Forbes magazine report, from 2006 to 2011, the Bears grew in value, at a year over year rate of 3.0% with the exception being 2009 to 2010. Over that time period, the average value of the franchise was approximately \$1.039 billion. Quite impressive considering the McCaskey family bought them in 1920 for \$100. In 2011, Forbes ranked them No. 9 at \$1.1 billion (the highest over a five-year look back), with revenues of approximately \$281,000,000 and an average ticket price of \$102. Only four other teams in 2011 in the NFL had an average ticket price higher than \$100: the Jets (\$121), the Patriots (\$118), the Giants (\$112), and the Cowboys (\$110). Not bad company for a team with only one Super Bowl win under their belt.

According to the 2012 Forbes report, the Cowboys are once again the most valuable team estimated at \$2.1 billion. Cowboys Stadium cost approximately \$1.15 billion to build, making it one of the most expensive sports venues ever built. Obviously, a fancy, new stadium

increases the value of a sports team. The Vikings and the 49ers are proof of that, with their worth moving up 22 and 19 percent, respectively, in 2012. The Bears re-opened Soldier Field II in 2003 at a cost of \$660 million. In addition to the bricks and mortar, cheerleaders add intangible value in a sport where branding is so important. When you think of pro football cheerleaders, you think of the Dallas Cowboy Cheerleaders. Sad fact, we Bears fans have no more Honey Bears to wave their pom poms at the crowd in the dead of winter. Of course the football players and number of wins all lend to value as well. You have to be able to bring the talent and wins to keep the seats filled and generate revenue.

But it also takes a history, a brand name and recognizable image. The orange and blue started back in 1920, making it one of the oldest professional teams in the NFL. It has avid followers all over the world, and football season in Chicago is serious business. I don't think there is any crazier, more passionate group of football fans other than the fanatics from Wisconsin who wear a delightful piece of foam cheese on their heads as a token of their devotion. Put all that together and, in 2012, Forbes ranked the Bears at No. 8 with a \$1.19 billion value.

Maybe this will be the Bears' year. I'm hoping so. But even if it isn't, you still gotta love Da' Bears! Here's to a great season.

All my best,

Erin Durand Hollis, ASA
President, Chicago Chapter

Two Classes In Downtown Chicago

7-Hour National USPAP PP Course and Advanced Personal Property Report Writing Class

7- Hour National USPAP Personal Property Course

Date: Monday, February 25, 2013

Time: 8:15 a.m. - 5:30 p.m.

Location: UBS Building 1 North Lower Wacker Drive, Chicago

Instructor: Sandra J. Tropper, ASA

CE Credit: 7 Hours

This 7-Hour USPAP update course is designed for designated appraisers who have completed the full 15-Hour USPAP course in the last five years. The objective of the course is to familiarize users of USPAP Standards 7 and 8 (G&J MTS and PP) with recent, significant revisions to USPAP. This 7-Hour USPAP update class covers revisions to USPAP that impact every practicing appraiser in the personal property arena. In addition, the course confronts some of the regularly misunderstood concepts in USPAP and reviews their application through the use of other communications published by The Appraisal Standards Board.

The 7-Hour USPAP Personal Property course will meet the current USPAP requirements established by The Appraisal Foundation for G&J, MTS and Personal Property appraisers who are designated ASA members. The 7-Hour course allows the personal property appraiser to fulfill their USPAP requirement for two years and 7 hours of continuing education (CE) credit.

Business Valuation members currently do not have a USPAP continuing education requirement; however effective April 1, 2014, all accredited Business Valuation appraisers must demonstrate that they have taken at least 7 hours of USPAP education over the previous five years. This course can be used to fill this requirement.

Important Note for Real Property Appraisers: This USPAP course for Personal Property does NOT meet the Appraisal Foundation's USPAP continuing

education requirements for Real Property appraisers. This course will NOT be accepted by state real property licensing boards and will not be accepted for CPE credit or for state licensing of real property appraisers.

ASA member price*: \$175 for early-bird registration (by February 4, 2013); late registration \$225.

Discounted price for members of other appraisal associations* (AAA, AMEA, BVA, ICAP, ISA, RICS): \$200 for early-bird registration (by February 4, 2013); late registration \$250.

Non-member price*: \$250 for registrations received by February 4, 2013. Late Registration: \$300.

*Includes student manual, but it is required that participants bring to class a copy of the current USPAP book. It will not be provided.

Advanced PP Report Writing Class

Date: Tuesday, February 26, 2013

Time: 8:15 a.m. to 5:30 p.m.

Location: UBS Building 1 North Lower Wacker Drive, Chicago

Instructor: Sandra J. Tropper, ASA

CE Credit: 9 Hours

This course was developed for personal property appraisers preparing appraisal reports for accreditation by ASA and for candidates bridging from other appraisal organizations. It is also for designated appraisers who have completed all POV courses, including 203 Report Writing. It will assist appraisers in preparing appraisal reports that are in compliance with current ASA Standards and the 2012-2013 version of USPAP.

ASA Member Cost: \$200 for early-bird registration (by February 4, 2013); late registration \$250.

AAA and ISA Member Cost: \$225 for early-bird registration (by February 4, 2013); late registration \$275.

Registration: Please register for both or either classes online at www.asachicagochapter.org

Questions? Email lelahersh@comcast.net

Indexing and Value

By Jeffrey Kirk, ASA
Real Property Chair
Chicago Chapter, ASA

While reviewing work that comes across my desk, time adjustments frequently come into question. The best way to measure changes over time is to compare two sales of the same property, which occurred at two different times. With enough sales of dissimilar properties, it is possible to plot a trend line showing measurable increase or decrease over time, also a useable alternative for a time adjustment.

Paraphrasing from the *Illinois Appraiser* August 2012 newsletter, unfortunately, appraisers may choose to instead quote media personalities for their time adjustments, which results in widely varied and unreliable time adjustments. Equally unreliable are the Board of Realtor reports of sales activity, which may only represent the average price of home sales at a given time, not a change in the market values.

In short, real property appraisers will never be able to open a financial newspaper or website to find indications of the value of farmland, houses, or commercial property. There is no substitute for *on-the-ground* research. Indices are *tools* in valuation. Substituting an index for actual research can result in a misleading report.

Mary O'Connor, ASA at Fraud Prevention Seminar held in Rockford, Illinois October 4, 2012.



Researching the Black Market

By Patricia H. Atwood, ASA (September 2012)

When it comes to research, appraisers are known for ingenuity. Finding comparable data to support an argument to value has not always been a simple process. However, a currently pending estate tax case takes these challenges to an entirely new level.

Widely reported over the summer, the tax quarrel between the IRS and heirs of an art dealer over the valuation of a painting by Robert Rauschenberg turns upon the hypothetical existence of a "Chinese billionaire." The painting features the preserved remains of a bald eagle and is, therefore, not saleable according to U.S. law. Three appraisers have concluded that the fair market value is zero. On the question of how much estate tax is due, the IRS has posited the existence of a hypothetical foreign buyer willing to purchase the work on the black market and has issued a formal notice valuing the painting at \$65 million.

We are following this case with great interest and wondering about the implications. To what extent are appraisers responsible for knowing the black market value of illegal items? How will we undertake this research? Will next year's appraiser "must have" be a trench coat and pair of dark sunglasses?

ADVANCEMENTS

Ms. Rasa Virsilate	BV	ASA
Mr. Pierre Corval	BV	ASA
Mr. Kris Lowes	BV	AM
Ms. Gloria Lim Gulayan	BV	AM
Ms. Lela Hersh	PP/FA	ASA

SAVE THE DATES!

ASA Conference and Advanced BV Conference
San Antonio, Texas
October 13 - 16, 2013

Delaware Courts Continue to Move away from Historical ERP

By Brian McCabe, ASA

There are four general approaches for estimating the equity risk premium (“ERP”): the survey approach, the implied approach, the historical approach and the supply-side approach. The historical approach compares historical equity total returns to treasury bonds over a specified time period. The supply-side approach is similar to the historical approach except that it subtracts the portion of total return that is not supplied by companies.

The premise of the supply-side ERP is that investors cannot expect a long-term return that is different than the return that is supplied by companies. Therefore, the supply-side ERP removes the portion of total return that is not supplied by companies. Historical equity total returns consist of: (1) inflation, (2) income return, (3) growth in real earnings per share and (4) growth in P/E ratio. The portions of equity total returns supplied by companies are inflation, income return and growth in real earnings per share.

The Delaware Court of Chancery has shown a preference for the supply-side model over the historical model. In *Global GT LP v Golden Telecom, Inc.*, the Court moved away from the historical ERP and selected an ERP similar to the supply-side estimate (although it did not specifically select the supply-side model). The Court supported the use of the supply-side ERP in *Gearreald v. Just Care Inc.* and again in *In re Orchard Enterprises, Inc.*, C.A. No. 5713-CS (Del. Ch. July 18, 2012). While the Delaware Courts have opted for the supply-side model over the historical model, they appear to be open to considering the other approaches to estimating the ERP.

Link to Orchard

<http://www.delawarelitigation.com/files/2012/07/ORCHARD-Ch-Ct-Op-U00496042.pdf>

“Unraveling the Supply-Side Equity Risk Premium”

<http://corporate.morningstar.com/ib/documents/PublicResearch/UnravelingSupplySideERP.pdf>

Congratulations To Chicago Chapter!

The 2011-2012 winner of the President's Award for Outstanding Chapter of the Year, the Best Chapter Public Relations Program, Best Newsletter and Best Chapter Website for a Chapter with over 100 Members.



Erin D. Hollis, ASA accepting award at ASA Conference at the Arizona Biltmore in Phoenix, Arizona.

ASA Chicago Chapter Board

President	Erin Durand Hollis, ASA
Vice President	Kevin Michael Zanni, ASA
Vice President (2)	Lela Hersh, ASA
Secretary	Jordan Donsky, ASA
Treasurer	David Koller, ASA
Discipline Chairs	
Business Valuation	Brian McCabe, ASA
Gems & Jewelry	Michael Holtzman
MTS	Michael Ackerman, ASA
Personal Property	Patricia H. Atwood, ASA
Real Property	Jeffrey T. Kirk, ASA
ICAP Representatives:	Lee Lansford, ASA
	P. Barton DeLacy, ASA
Newsletter Editor	Cathy L. Young, ASA
Public Relations Chair	Erin Durand Hollis, ASA
Website	John Friedman