Why the Proposed GSPT Recommendations are Damaging to Alaska

By Per E. Bjorn-Roli, MAI, Alaska Chapter President

The Governance Structure Project Team (GSPT) recommendations were released in July of 2017 and are likely the most extensive proposed changes to the Appraisal Institute (AI) since it was established when the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers unified in January 1991. While undoubtedly published with the best of intent, if adopted, the GSPT recommendations will be harmful to the AI. Briefly, here is why.

The first significant proposed GSPT recommendation is for a minimum chapter size of 300 members. On the surface, consolidating smaller chapters into larger ones may seem like a cost savings measure that increases organizational efficiency. That is, until you consider the continued need for access to local “in-classroom” education.

Because of Alaska’s geographic location, travel to the “Lower 48” for classes is simply not economic to our chapter membership and our chapter, like many others around the country, was founded to address these, among other concerns. Along with many other states, Alaska continues to require that one-half of continuing education be in-classroom hours. In addition, many of our members prefer in-classroom CE to online classes.

Unfortunately, under the GSPT recommendations, education development and delivery (AE, QE, USPAP, some CE) will be “centralized and coordinated at/through the National office” where local members will have the privilege to “provide local input and feedback on delivery locations”. To be clear, this would be a complete takeover of local education by Nationals without any obliga-
tions to continue providing local, in-classroom education.

In large urban markets, like Seattle, in-classroom education continues to be an attractive source of chapter revenue. It is likely that Nationals will continue to provide education at current levels. In smaller rural markets, however, in-classroom education is barely a break-even scenario. Does anyone really believe that Nationals will continue to provide smaller rural markets the same level of education support that the small rural chapters presently provide for themselves?

No, of course not. Acting in its own economic interests, Nationals will provide education where it is profitable (in large urban markets) and avoid it where it is unprofitable, or holds higher risks of loss (in small rural markets). Thus, without a guarantee from Nationals that they will continue to provide local education, the proposed governance changes will likely result in a significant reduction in the amount of education offered in the small rural markets.

Membership in these small rural markets will then be required to travel to obtain their mandated in-classroom continuing education hours at substantially higher out-of-pocket costs. The cost of accessing education clearly has a direct impact on membership levels. With education primarily offered in urban markets, it is implied that rural membership levels would decline. This places small markets throughout the country at a material competitive disadvantage. Further, it assures a continued decline in AI membership, which will result in declining market influence and higher annual dues for everyone.

No guarantee to continue providing education in smaller rural markets was part of the GSPT recommendations, because doing so would not be in Nationals interests. Since continued, local chapter initiated and managed education will continue to be a necessity in smaller rural markets, so is continued financial management, which in turn requires continued financial governance from Nationals. In other words, as long as small rural chapters are required to host their own education (which in the end will be the case), regardless of governance structure, there will not be any significant unburdening of financial governance and minimum chapter criterion obligations.

The “chapter within a chapter” concept, where a larger regional chapter is a “parent” to a smaller “junior” chapter, does not change the above reality – it simply means that the smaller chapter will be accountable to two parties (the parent chapter and Nationals),

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We Need Your Help! Hurricane Harvey reminds us that disaster can strike anytime and anywhere, and the AI Relief Foundation is seeking donations in order to be able to continue assisting our colleagues during times of emergency. The Appraisal Institute Relief Foundation (AIRF) is a not-for-profit organization that provides emergency financial assistance to those who have experienced a disaster or emergency that has left the recipient in a state of financial, physical or emotional distress. Please click here and help by donating today.
rather than to one (Nationals). Of course, the legal and financial relationships between Nationals, the parent chapter and junior chapter will require an entirely new set of regulations and oversight. However, none of them will change the fact that Nationals will continue to have the same legal and financial exposure for the actions of the local chapters that they do now.

The second significant, and perhaps more damaging, proposed change in governance structure is the call for removal of the Regional level as a middle step in electing national leadership. In the current governance structure, each chapter gets one representative vote at the regional level, which in turn determines the Board for the AI. In the new structure, representation would be by popular vote, greatly diluting the influence of smaller chapters.

The obvious result is a shift in power away from smaller chapters (and more rural areas) to larger chapters (and more urban areas). Presently, due to geographic and size advantages, urban markets already have disproportionate representation and power at the national AI level.

Far from leveling the playing field, the GSPT recommendations further disenfranchise membership within the small rural markets. Yet, the GSPT recommendations themselves, which if implemented, would likely result in the elimination of local education, is a perfect example of why it is in the interests of smaller chapters to retain their current level of representation at the national AI level.

Implementation of the GSPT recommendations will have negative impacts at the national AI level as well. First, it will disenfranchise a large percentage of AI membership. Second, it will widen the already large existing gap of trust between Nationals and membership at the grass roots level. Third, it will have significant unintended consequences on education.

Presently, whether sponsored by the local chapter or Nationals, there is significant member loyalty to AI education.

Local chapters provide an effective built-in marketing and delivery system of the nationally-developed AI education platform. No other education provider has our brand loyalty, or delivery platform, and the local chapters provide the AI a huge competitive advantage in education.

Without the local chapter delivery model, the brand loyalty that the AI presently enjoys from its members will decline and other, less expensive, real estate education alternatives will thrive in the vacuum that is created.

The GSPT recommendations follow closely after a now defunct proposal to require local chapter finances to be held in trust by Nationals. In combination, the finance proposal and the GSPT proposal look like nothing short of a hostile takeover of smaller rural chapters. There appears to be a gen-
eral disrespect by Nationals for the role and importance of local chapters, and it appears that they view them as inconvenient competition, rather than as integral components to this organism we call the AI.

In reality, the health of the AI nationally, has always, is presently, and will continue to be determined by the strength and health of the local chapters. The existence of the local chapters means local control. Local control means that the AI is run by actual appraisers, not special interests that are disconnected from the needs and concerns of their membership.

In short, the current governance structure maximizes local control and involvement, and is an effective platform for developing national leadership.

Cost cutting and maximizing membership value are certainly worthy goals. As we face critical changes in our industry, the recently defunct finance and current GSPT recommendations appear to direct attention and reforms away from Nationals and towards the local chapters or regional structure. However, the obvious focus should be on cutting costs at the national level, where the clear majority of expense is incurred. After all, Nationals is an organization that has a massive budget, but has adopted policy that starves its local chapters of revenue sharing from online education. Now, they propose the essential elimination of the smaller chapters, without any commitment to provide the services for which they were created in the first place.

Recently, in an act demonstrating how disconnected and self-serving Nationals has become, they instructed their membership, consisting of an entire industry of professionals that are in essence fiduciaries to the largest financial system that has ever existed, that they were not capable of acting as fiduciaries in their local chapter financial management. Let’s not get distracted by these recent proposals. Undoubtedly, the AI desperately needs reform. But not at the regional or chapter level. It needs it in Chicago.

Please take a moment to let national know your thoughts on the proposed changes to AI governance, that would result in elimination of the Alaska Chapter, loss of representation at the National level and elimination of local education.

CLICK HERE
UPCOMING EVENTS

Chapter Lunch Meeting

Time:  
Board Meeting  11:00 am  
Lunch  12:00 pm

Date:  
October 17, 2017

Location:  
O’Malley’s On The Green  
3651 O’Malley Road  
Anchorage, AK 99507

Annual Christmas Party

Time:  
Board Meeting  4:00 pm  
Dinner  5:00 pm

Date:  
December 7, 2017

Location:  
O’Malley’s On The Green  
3651 O’Malley Road  
Anchorage, AK 99507

If you have suggestions for classes you would like to see in AK in the future, contact us at ai-alaska@qwestoffice.net

Have Something to Contribute?

Do you have an idea for an article you’d like to contribute to the next newsletter? A news item to cover, topic to suggest, pictures from a Montana event? Send them our way! E-mail content and ideas to the chapter office, mailto:ai-alaska@qwestoffice.net
Sep 07, 2017 08:00 AM
**Appraisal Institute Joins 35 Groups Seeking to Halt Appraisal Waivers**
The Appraisal Institute, the nation’s largest professional association of real estate appraisers, on Wednesday joined with nearly three dozen appraiser organizations in asking Congress to call on the Federal Housing Finance Agency to prevent Freddie Mac and Fannie Mae from issuing appraisal waivers.
[Read More]

Aug 25, 2017 03:24 PM
**Appraisal Institute’s CEO’s Resignation**
The Board of Directors of the nation’s largest professional association of real estate appraisers accepted the resignation of Chief Executive Officer Frederick H. Grubbe, MBA, CAE, on Thursday after more than 10 years of service.
[Read More]

Aug 25, 2017 08:00 AM
**Jeff Sherman Elected 2018 Appraisal Institute Vice President**
Jefferson L. Sherman, MAI, AI-GRS, of Highland Heights, Ohio, was elected 2018 vice president of the nation’s largest professional association of real estate appraisers Thursday by its Board of Directors in Chicago.
[Read More]

Aug 09, 2017 08:00 AM
**Appraisal Institute Book Helps Value ‘Green’ Commercial Real Estate**
Commercial real estate valuation professionals must master a new set of terminology and concepts to identify and understand “green” property characteristics and to recognize their effects on market demand and value, according to a new book published by the Appraisal Institute.
[Read More]

Jul 12, 2017 08:00 AM
**Valuation Professional Receives Unique Honor from Appraisal Institute**
The Appraisal Institute, the nation’s largest professional association of real estate appraisers, today announced it has – for the first time – bestowed its residential review designation to a previously non-Designated member.
[Read More]

Jun 29, 2017 08:00 AM
**Evolving Retail Landscape Challenges Appraisers: Valuation Magazine**
As retailers quickly evolve to stay competitive with ecommerce, appraisers should understand how these changes can affect the valuation of retail properties, according to an article published in Valuation magazine’s second quarter 2017 issue.
[Read More]
August 25, 2017

Dear Appraisal Institute Colleague:

The Appraisal Institute Board of Directors accepted the resignation of Chief Executive Officer Frederick H. Grubbe, MBA, CAE, on Thursday after more than 10 years of service.

The Board has appointed me as Acting CEO; I also will continue as your president. The Appraisal Institute will immediately begin a search for a new CEO.

In his resignation letter to the AI Board of Directors, Fred wrote: "I have enjoyed my tenure at the Appraisal Institute, and I am grateful to have had the opportunity to work with so many fine people over the years. I am proud of what we've accomplished, and I wish you nothing but the best in addressing the many issues you have before you."

The Appraisal Institute Executive Committee's letter to the AI Board of Directors said: "Fred's leadership has helped stabilize and improve the association's finances, bringing our national reserves to a current high. He has been instrumental in the establishment of a professional staff culture and has helped structure an efficient operation. Fred's vision helped shape many of the programs that are in place today, and his steady hand driving strategic initiatives has been valuable.

"Fred dedicated himself to the Appraisal Institute and its members and laid the groundwork for the association's future. We wish Fred well in his future endeavors."

I look forward to working with you as together we chart the future of our great organization.

Sincerely,

Jim Amorin, MAI, SRA, AI-GRS
President and Acting CEO
Be Sure Your Contact Information Is Up To Date
Please take a few moments to log into your Appraisal Institute account and check that all your contact information is up to date. The Montana Chapter pulls its email list directly from the national office’s database, so help us make sure that you’re not missing any news from the chapter.

Have a Question? Reach Out To Your Chapter Leaders

President (2016-17)
Per Bjorn-Roli, MAI
per@reliantadvisory.com

Director (2017-19)
Brandy Eber
brandy.eber@yahoo.com

Vice President (2016-17)
Greg Wing, MAI
greg@northpacificadvisors.com

Education Chair (2016-17)
Ted Jensen, MAI
ted@reliantadvisory.com

Secretary/Treasurer
Ted Jensen, MAI
ted@reliantadvisory.com

Nominating Committee Chair (2016-17)
Jolynne Howard, MAI
jhoward@alaska.net

Director (2015-17)
Bill Barnes, SRA
wab4551@yahoo.com

Candidate Guidance Chair (2017)
David Derry, MAI
david@derryalaska.com

Director (2016-18)
Barb Belluomini
lililincoln@gci.net

Government Relations Chair (2017)
Rob Tracy, SRA
psalm103@mtaonline.net

Contact Us
Alaska Chapter, Appraisal Institute
6351 Seaview Avenue NW – Seattle, WA 98107
(206) 622-8425 - ai-alaska@qwestoffice.net