

In this issue:

- November Luncheon Information
- President's Message
- Ask the Attorney
- Upcoming Events
- Education News

NOVEMBER LUNCHEON

November 12, 2024

ABOUT THE PROGRAM:

Kathleen Santos, General Counsel (TALCB) and Deputy General Counsel (TREC), and Melissa Tran, Director of the TALCB, will present the status of TALCB and TREC issues, including recent and upcoming legislation, license and certification trends, education issues and the complaint process.

Dr. Sriram Villupuram, Associate Professor, Finance and Real Estate and Director of the Ryan-Reilly Center for Urban Land Utilization, College of Business, University of Texas at Arlington, will present the most current information about land valuation and machine learning.

Presentation 1:

Topics to include: TALCB/TREC Update and Upcoming Legislation

Speaker: Kathleen Santos, General Counsel (TALCB) and Deputy General Counsel (TREC)

Kathleen Santos is general counsel for the Texas Appraiser Licensing and Certification Board (TALCB) and deputy general counsel for the Texas Real Estate Commission (TREC). In this role, Kathleen is responsible for providing legal direction to staff and the policymakers who serve on the Board.

Prior to joining the agency in 2020, Kathleen worked in private practice for six years handling property tax litigation, representing clients from dozens of counties around Texas, and working frequently with appraisers licensed in Texas.

Kathleen started her legal career in state government, clerking at the State Office of Administrative Hearings, and the general counsels' offices at the Texas Commission on Environmental Quality and the Texas Governor's Office. In her role as assistant attorney general at the Texas Attorney General's Office, Kathleen was responsible for drafting opinion letters and making determinations about open records law.

Santos holds an undergraduate degree in history from University of Texas at Austin and law degree from Baylor University.

A native Texan from Houston, Kathleen is passionate about using her legal expertise to serve Texans.



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Joint Luncheon Speakers

Presentation 1 Cont'd:

Topics to include: TALCB/TREC Update and Upcoming Legislation Cont'd

Speaker: Melissa Tran, Director of the TALCB

Melissa Tran is Director of the Texas Appraiser Licensing and Certification Board (TALCB). In this role, Melissa oversees the TALCB Enforcement team, which investigates consumer complaints, and the TALCB Licensing team, which processes appraiser applications.



Melissa has been with TALCB since 2019. Prior to current role, Melissa served as managing attorney in the Enforcement Division.

Before joining TALCB, Melissa worked as a risk-management consultant and assisted lenders in operationalizing regulatory changes and identifying compliance risks.

Melissa holds an undergraduate degree from the University of Texas at Austin, and a Master of Business Administration degree and law degree from Texas Tech University.



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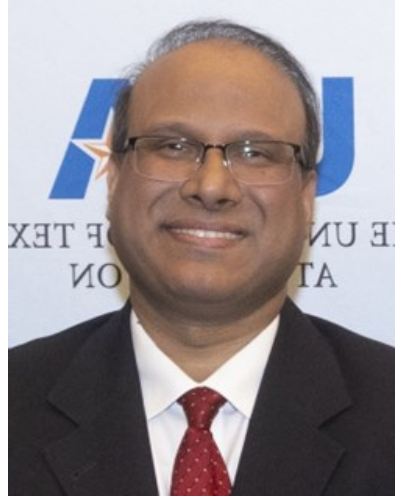
Joint Luncheon Speakers

Presentation 2:

Topics to include: Land Valuation & Machine Learning

Speaker: Dr. Sriram Villupuram

Dr. Sriram Villupuram is an associate professor in the department of Finance and Real Estate and the director of the Ryan-Reilly Center for Urban Land Utilization at the College of business at the University of Texas at Arlington. He earned his PhD in Finance and Real Estate and MSE in Industrial Engineering from Arizona State University and BE in Mechanical Engineering from University of Madras, India.



Dr. Villupuram’s research interests include valuation, urban economics, real estate price indices, REITs, mortgage loans, foreclosure laws and mutual funds. He was on the National Public Radio (NPR) to discuss issues related to home prices in Colorado. His research has been presented at the American Real Estate and Urban Economics Association, American Economic Association, Western Finance Association, Financial Management Association and the American Real Estate Society.

Villupuram has created a residential real estate index for northern Colorado and has recently extended his analysis to all the counties of Colorado. During the summers 2009 and 2010, Dr. Villupuram received an honored invitation to be a visiting scholar at the Federal Bank of Chicago’s Banking Supervision and Regulation division, where he conducted research on mortgage loans from a regulation and policy perspective. He has been interviewed by DFW media outlets such as CBS 11 News and Fort Worth Star Telegram on various real estate issues. The Wall Street Journal has written an article about his research on Artificial Intelligence and valuation.



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International Right of Way Association, Dallas-Forth Worth

NOVEMBER 2024



Prestonwood Country Club **Member - \$30**
15909 Preston Road **Non-Member - \$35**
Dallas, Texas 75248 **First-Time Guest - Free!**
November 12th, 2024 **Register at**
11:30am-1:30pm **www.irwachapter36.org**

Walk-ins Welcome - \$35 (walk-in spaces are limited)

Registration will be cut off at noon Friday, November 8th, 2024

Please all AI Members register through your respective AI Chapter

President	Matt Lance, SR/WA, R/W-RAC, R/W-URAC
Vice-President	Leighton Gambill
Secretary	Juan Salazar, R/W-NAC, R/W-RAC
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PDC - 2 Year	Darlene Snow, SR/WA-TN
PDC - 3 Year	Lisa Featherstone, SR/WA, R/W-NAC
Director - 1 Year	Michael Hale, SR/WA, R/W-URAC, R/W-NAC, R/W-RAC
Director - 2 Year	Will Snider, MAI, SR/WA, R/W-AC

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President's Message

Hello Chapter Members,

I look forward to seeing you all at our November luncheon, which we will share with the Appraisal Institute Chapters of North Texas and Central Texas at The Clubs of Prestonwood in Dallas, Texas. **Please note that the agenda for the joint meeting will be slightly revised from our typical agenda to account for the extended registration time and the length of the program.**



Matt Lance

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Agenda

Registration - 11:00am

Program Begins/Announcements - 11:30am

Presentation with Q&A - 11:50am

Break - 12:30 - 12:40pm

(IRWA members may leave during the break, IRWA members who wish to attend both presentations may receive two (2) IRWA Continuing Education Credits.)

Meeting Ends - 1:30pm

Appraisers, please note that to receive AI and TALCB credits, you'll need to register through your respective AI Chapter:

Central Texas AI Chapter: [here](#)
North Texas AI Chapter: [here](#)

IRWA Members, please register through our Chapter website as usual

As we enter the fall and close in on Thanksgiving, I want to say a word of thanks to our Chapter Board and Committees, as well as our very loyal and dedicated membership and sponsors. Thank you for all that you do to allow Chapter 36 to be the best and largest Chapter of the IRWA!

I know that we are all tremendously busy with work, organizations, and extracurriculars, but I hope that we can all take time to pause and be thankful for the blessings in each of our lives. Please feel free to contact me if you have any questions or comments (matt.lance@hdrinc.com) and thank you all again very much.

Best Regards,

Matt Lance

Chapter News



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*PRESTONWOOD
PROPERTY
ANALYSIS*

REAL ESTATE APPRAISERS

Ask the Attorney

By: John P. Baker, Tony Attia, and Charles Wilson

Question: I saw your case law update in the last newsletter and was curious if you would breakdown the old City of Harlingen v. Estate of David J. Sharboneau case regarding the use of the subdivision development method to appraise property.

Answer: We have not done a case law update on the City of Harlingen v. Estate of David J. Sharboneau Case. In 2001, the Texas Supreme Court considered when expert testimony about the value of a raw, unimproved property using the subdivision development method is admissible.

Between 1972 and 1979, Lois Sharboneau, individually and as representative of her deceased husband's estate, purchased five adjoining parcels of land that formed a 9.85-acre tract in Harlingen, Texas. In 1996, the City of Harlingen condemned the entire tract to expand an adjacent city park. At the time of the condemnation, the Sharboneau property was zoned as open land. The parties' main dispute arose regarding the valuation method used to appraise the property.

The special commissioners awarded Sharboneau \$98,500 for the taking. Sharboneau then filed exceptions to the award, placing the case in the jurisdiction of the Trial Court. Both parties stipulated that the highest and best use of the property was as a residential subdivision. The case proceeded to trial, where the Trial Court awarded \$232,000 in damages for the condemnation to Sharboneau, due to Sharboneau's appraiser, Joseph Patterson, use of the subdivision development appraisal method. The State appealed the judgment to the Court of Appeals, however, the Court of Appeals affirmed the Trial Court. The State then appealed to the Supreme Court of Texas.

The Supreme Court of Texas first detailed the three classic appraisal methods: the comparable sales approach, the cost approach, and the income approach. Courts have favored the comparable sales approach, which compares other voluntary sales which took place near in time and location and involves similar land to the subject property. If the comparable sales figures are inadequate to measure fair market value, courts may use the cost approach. The cost approach looks to the cost of replacing the condemned property and is best used for unique properties that are not frequently exchanged in the marketplace. The income approach is appropriate when the property is, in the open market, priced according to the income that it generates.

However, the Court recognized a distinct fourth approach, the subdivision development method. This method values an undeveloped tract by calculating what a developer could expect to realize from sales of individual lots, taking into account the costs of development and discounting future revenues to present value. This approach has been treated differently across lower courts in Texas; some courts outright reject it, some freely admit the evidence, and some admit it on a case-by-case basis. Here, the Court agrees with the case-by-case approach.



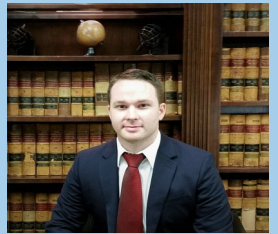
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The Court analyzed Patterson’s appraisal of the property to determine if it was reliable expert testimony. Patterson appraised the land by first dividing the property into forty-four (44) lots of 7,700 square feet each, based on lot sizes in surrounding neighborhoods. He then comparable sales of lots in a nearby unimproved subdivision to arrive at a value of \$2.17 per square foot, or \$16,709 per lot. The next step was to estimate that it would take three years to sell all the lots, for a total value of \$772,727. Patterson then adjusted the calculations for sale and development expenses, property tax, entrepreneurial expense, costs to make the property suitable for new home construction and applied a discount rate to the annual net proceeds to reflect the interest rates to attract capital. After more than twelve analytical steps, Patterson appraised the tract at \$29,00 an acre.

The Court held that Patterson’s appraisal method involved too many analytical steps, “mostly involving assumptions and estimates, any one of which could seriously affect the appraisal’s accuracy.” Furthermore, Patterson did not account for marketplace realities, instead his analysis took place in a world where a developer only pays what it “should” for the right to subdivide and improve the land, rather than what the market requires a developer to pay based on the supply and demand of such land. It also did not give consideration to the buyer’s risk that the subdivision might fail due to competition, political opposition, or other risks. Instead, Patterson assumed all the lots would sell in three years. Crucially, Patterson assumed buyers would pay the highest price which would still allow the buyer to make a reasonable return on investment. In the marketplace, a buyer will search for the most return on investment if that option is available to it.

Due to the myriads of assumptions, analytical steps, and ideal market conditions that Patterson relied on, the Court held that his testimony as to the value of the land as a subdivision was not reliable. Patterson’s use of sales data from ready to build lots in successfully completed subdivisions bypassed the problems that could occur to Sharboneau’s property before it completed the subdivision development. “Unless an appraisal gives a value based on the land’s condition at the time of condemnation—taking into account all relevant factors that affect its valuation, including the market for its possible future use—it is not relevant to the issue of market value.”

In conclusion, an appraisal expert can only use the subdivision development method to appraise the value of a property raw, unimproved land, if the expert has properly considered the market conditions and risk factors that a developer would encounter in trying to subdivide the property.

In conclusion, there are situations where the business income generated on the property can be used to prove the market value of the property using the income valuation method. However, if the income producing portion of the property is only on the remainder, then there must be some interference with access that results from the condemnation or some decrease to the market value of the remainder before the business income can be used to establish the market value of the whole property.



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The views, thoughts, and opinions expressed in this article belong solely to the authors –John P. Baker, Tony Attia, and Charles M. Wilson- and not necessarily to the author’s law firm or its clients, or any organization, committee, or other group of which the author is a member. Transmission of the information contained in this article is not intended to create, and receipt does not constitute, an attorney-client relationship between you and Baker | Moran. This article contains information on legal issues and is not a substitute for legal advice from a qualified attorney licensed in the appropriate jurisdiction.

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Chapter 36 Advertisers



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Upcoming Event



Save the Date

Chapter 36 End of Year Event

DECEMBER
FRIDAY 13 TIME TBD

Now accepting Silent Auction Items.

Please contact Ana Salazar at Asalazar@Pinnaclegroup.biz to arrange delivery.

For luncheon questions please contact Lisa Alexander or Gina Phalen at programschair@irwachapter36.org



NORTH TEXAS NEWS

Upcoming Event



Save the Date

Retro Right of Way

Steve Baggett Memorial Golf Tournament & IRWA Ch. 36 Spring Seminar

March 27 & 28



**William·B·Maples¶
&·Associates·LLC¶
Appraisal·Review¶
432-559-8374¶**

**JEFF TILLMAN, MAI, AI-GRS
Appraisal & Appraisal Review
tillmanj@flash.net
817-926-9835**

Education Committee News

Hello Chapter 36 Members!

November is an official autumn farewell, as the golden season ends, and winter vibes start to trickle in. The last month of fall is typically one of the most prosperous periods of the year, as our valuable members have shown by packing our classes full!

Below is the list of the Courses planned for the rest of the year. It is our goal to continue expanding this list as the year progresses. Please reach out to us if you have any courses that you need so we can check what is available and see if the course you need is one that we will offer soon.

Also, remember that the full list of courses being offered is available on the link below. [IRWA Virtual Classes Calendar](#).

Below is the schedule of classes for the upcoming year.

Chapter 36 2024-2025 Education Calendar

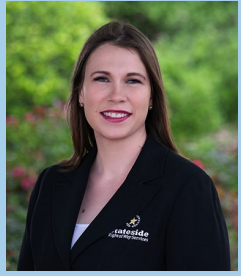
	Course	Location	Date
403*	Easement Valuation	CBRE, Ft. Worth	Nov. 6, 2024
SR/WA	SR/WA Study Session	Virtual	Nov. 20-23, 2024

*Class has reached capacity.

If your company is interested in hosting a Closed Class for your employees, please reach out to us and we can assist in helping schedule and coordinate the class. Send the Education Committee an email at education@irwachapter36.org.

Which Courses Do I Need?

Only the PDC can tell you which class you need to complete the education requirements for designation and certification. If you are planning to get your RWA, RWP or SR/WA the list of courses you need to complete your credentialing are located at www.irwaonline.org. Just visit the "Credentialing" tab.



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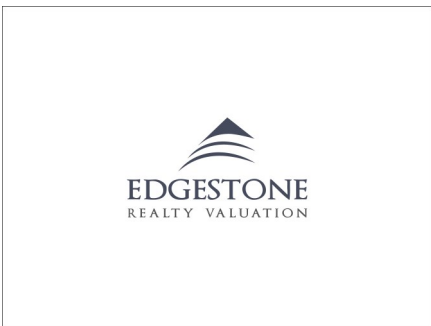
Marketing News



Greetings, fellow IRWA Chapter 36 members! My sincerest thanks to everyone who has already renewed for 2025. I appreciate each one of you!

To all of our current and past sponsors, we are grateful for your support. We couldn't do what we do without YOU!

If we are not currently displaying your logo on our website and in our newsletter, I would love to help you change that. We'll put your logo in both places for just \$300 a year, and advertising in the newsletter only is just \$100 per year. To get started, renew your current logo, or if you have any questions, please email Mary Watson at prmarketing@irwachapter36.org.



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