

October 3, 2018

For publication/distribution to all AI California Chapters:

GOVERNOR BROWN SIGNS SB70 INTO LAW; EFFECTIVE JAN 1, 2019

On September 29, 2018, California Governor Jerry Brown signed SB 70: Real Estate: Uniform Standards of Professional Appraisal Practice, which was introduced by Senator Pat Bates (R-Laguna Niguel). This bill, upon enactment as of January 1, 2019, will provide relief for certain appraisal assignments allowing for California licensed appraisers to prepare a Restricted Appraisal Report for more than one intended client/user with specific limitations.

Background

Prior to the passage of SB70, State-certified California real estate appraisers were required to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) in all appraisal assignments. As such, restricted appraisal reports were limited to only one intended user. This precluded providing restricted appraisal reports in situations where there may be more than one user in addition to the Client, such as an attorney/advisor, accountant/auditor, taxing authority, etc.

The Appraisal Institute California Government Relations Committee (AICGRC) was in support of SB 70. The Committee consists of members from all five Appraisal Institute chapters in California including the Sacramento-Sierra, Northern California, Central California, Southern California and San Diego chapters. They solicited and provided feedback on the legislation submitted by Senator Bates from CA State-Certified appraisers as well as Appraisal Institute members.

Requirements as of January 1, 2019

Effective as of January 1, 2019, State-certified real estate appraisers in California will be able to produce a restricted appraisal report that identifies one or more intended users in addition to the client with very specific guidelines.

The appraiser must first obtain the client's consent prior to commencing the appraisal assignment.

Second, the intended use of the appraisal cannot be for:

1. a federally related real estate transaction (i.e. a mortgage lending transaction engaged by a federally regulated bank);
2. the purchase or refinance of a residential dwelling of one to four units; or
3. a transaction subject to Section 10232.5 which is a broker investment transaction, where users may not be well enough versed in the subject matter to properly understand information contained in a restricted appraisal report.

Additionally, appraisers producing a restricted appraisal report that names multiple intended users must clearly identify all users and state that the opinions and conclusions set forth in the report may not be properly understood without additional information in the appraiser's work file. It also must be stated that

there may be assumptions in the restricted appraisal report that the appraiser has not verified and that could impact the appraised value of the subject property.

Which Appraisers will this affect?

The change of the current reporting requirements as of January 1, 2019 will likely only impact a very small percentage of CA State-certified appraisers. Those that work on real estate valuation assignments pertaining to tax appeals, financial reporting, estate and tax planning, investment partnerships not associated with federally insured transactions and/or funds, etc. The clients/users of these type of assignments understand the restricted appraisal report format and do not typically require the reporting of all information and analyses that would be included in an appraisal report.

Sunset provision included

SB 70 will expire January 1, 2020, unless further extended by the California legislature. The Appraisal Standards Board (ASB) of The Appraisal Foundation (TAF) reviews and updates USPAP every two years. Currently, they are looking at removing the single client/intended user restriction on restricted appraisal reports. However, this would not occur until January 2020 at the earliest.

For more information on the verbiage of SB 70, please click [here](#).

Respectfully submitted,

Melissa J. Bach, MAI
AICGRC Chair 2018

Eric Schneider, MAI, SRA, AI-GRS
AICGRC Vice-Chair 2018