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August 18, 2017

Appraisal Institute Board of Directors

## **RE: Feedback for July 2017 Governance Restructure Project Team (GRPT) Recommendations**

The purpose of this letter is to provide feedback regarding the recommendations being made to the AI Board of Directors by the GRPT regarding governance restructure. Let me start by saying thank you to the members of the project team for what I assume are quite a few thankless hours of work on a topic I'm sure every member knew going in would be highly charged, no matter the outcome.

As a matter of perspective for those of you that do not know me, I have served on numerous National committees along with the National Board of Directors. I am a past Chair of Education for AI National and have been serving for a number of years as the Chicago Chapter Education Chair. I have been extensively involved in course/seminar development for AI and I teach a couple times a year for AI. The Chicago Chapter is one of the largest, if not the largest, provider of education for the organization. The number of offerings and offering participants dwarfs most other chapters. I mention that not to boast but to give context to my opinions and make you aware I understand the Chicago Chapter is in a unique position.

What remains clear to me over the years regarding my involvement with AI is that we can always do things better. We can be more efficient. Maintaining the status quo is generally not a good business model. In that regard, I believe some of the recommendations of the GRPT are good changes for the organization. But what is labeled as "Governance Restructure" is really "Organizational Restructure".

The focus of my comments is regarding Education Development and Delivery. ***It is my belief that if the recommendations are approved, AI should budget for a significant decline in education revenue due in large part to a decline in connection with members. The proposals will reduce the existing level of loyalty to AI programming and the level at which members seek out alternative education providers for their needs will continue to escalate.***

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The frustration I have at this point is lack of information. We are encouraged as members to provide feedback but the plan offers so few details it makes providing constructive feedback virtually impossible. I understand the desire by some to pass something in concept and “fill in the details” later. ***Given the scope of the proposed changes in Education Delivery, and lack of any detail on a new structure and implementation, the education portion of the recommendation simply cannot be passed by the Board.***

Reading into the July 2017 Power Point...

***Goal of consistent level of service across the network.*** We’ve been told this is the goal. But what is the base level of service a member should expect? Clearly, every member cannot expect the same level of service across the country let alone the globe. This is a numbers game. Large markets are different than small markets. What is expected – what is the goal – in each market segment? ***It is very difficult to see from the information provided how the new structure will increase the level of service to the general membership. If this cannot be demonstrated, it would appear none of these plans should be implemented.***

***There appears to be no concrete plan.*** When I have asked for details about how things will work going forward, the answers to date have been along the lines of “help us figure it out”. Frankly, for a change of this scale, that should already be “figured out” and presented to the membership. We’ve also been told this could be a three year transition period. What does that plan look like? How can we provide feedback, and as a chapter plan for the future, if we can’t see the plan? If it isn’t “figured out”, then you can’t pass this motion because there is no plan – at least no plan that has been communicated.

***AI National will take full control of local education delivery.*** All education development and delivery will be centralized and coordinated at/through the National Office. This will change a core characteristic of who we are as an organization. We have a two tiered system – those chapters with effective delivery systems and those without. Clearly some chapters with failed delivery systems would love for National to come in and assist. And National should. But what is proposed is a one size fits all solution to a problem that does not exist in many chapters – particularly those that provide a full complement of educational offerings. An opt-in approach should be considered.

***Chapter developed programming for the most part goes away.*** Based on the information released to date, chapter developed programs will be eliminated since, as the documents released have indicated, local content and programming will be limited to “ie. a chapter meeting with a guest speaker.” Chapter conference programming will be subject to review and “managed as part of the budget process” – whatever that means. (2<sup>nd</sup> bullet on PP slide 29). The point here is the chapters cede all control to National.

***Why is control important to the chapter?*** Appraisers are independent. Chapters are independent. It’s who we are. And unquestionably this independence can create significant friction with AI National. Chapter run education delivery provides opportunity for member involvement and development of future leaders. This can be particularly true in chapter developed programs where significant investment of time and energy is made by members who then go on to fill leadership roles in the chapter. We see this time and time again. In the recommendations, it is clear the control on programming and delivery rests with National, creating another layer and frankly, reducing the incentive for local involvement. Too much bureaucracy. It will be more difficult to get local involvement.

***Chapter driven activities create a sense of ownership in the organization.*** Survey results presented in the July 2017 material do not seem to support the significant reduction in the role Chapters will play going forward. Following are a few highlights from the survey:

*Other than education, chapters have a relationship with only about one-half of their respective memberships.*

*Overall, roughly one-quarter to one-third of the membership has a strong relationship with chapters.*

The survey data suggests roughly 25-50 percent of the members are connected (it's not clear in the survey what is meant by "relationship") to the chapter network system – *not including education relationships!* The interpretation of that number seems to suggest this is inadequate. Frankly, I thought those numbers were pretty high! Given the nature of the organization and the role it plays in the lives of our members, the fact that 25-50 percent feel connected is a good thing. While improvement can always be made, what is the benchmark for the interpretation? I would suggest there are few organizations that could claim this level of connection of members to local chapters.

Words are important. The first bullet in the list above could be reworded as follows:

*Even without considering education, fully half of membership has a relationship with their respective chapters.*

Spin matters. If the first statement is true, it would seem the restatement is also true. And it also begs the question of where are these members? Are the disconnected members in small markets? If so, that data would suggest the one size fits all solution is inappropriate.

***Chapters make all the profit in education at the expense of National.*** The misconception is that National makes a significant investment in education development and chapters reap all the rewards. This is a flawed argument – at least on the chapter side. Frankly, it used to be true, at least in part. That was over a decade ago when everyone wanted to be an appraiser and we had 100 students sitting in a Principles class working toward licensing. Those days are gone. I've seen the numbers. If you hear otherwise, those pushing that message are simply misinformed. Do many chapters have significant reserve funds? Certainly. But I suspect if you look at the level of those reserves over the past 10 years, they have not increased. In fact, if the Chicago Chapter is any indicator, they have been on the decline. If National were going to take over education delivery to reap the "profit" reward, it should have been done in the early 2000s. Be careful of what you wish for here – I suspect what will happen if this plan is approved is that many smaller market chapters will see LESS programming in their markets because National will not be willing to take a loss on offerings.

Our philosophy at the Chicago Chapter has been to offer a complete line up of offerings in order that students can move through the certification process and ultimately to designation. Some classes have 30-40 students and we "make money". Some have six students and we "lose money". We avoid as best we can the narrow mindset of only offering winners and avoiding any potential losers. It doesn't serve the member.

***I would venture to say the widespread number of offerings around the country will decline if under the sole control of the National office, reducing the availability of education to the average member.***

***What is the financial impact?*** When I served on the National board, motions could not be passed without an assessment of financial impact. I would assume a financial impact study was done for these recommendations. If it has not been presented and vetted, I don't believe you can pass the motion, even in concept, because the concept may be flawed once the numbers are run. It cannot be assumed this plan will be revenue neutral or positive. If implemented, staff will need to increase notably and there will be significant expenditures for venues. What is the projected increase in the number of FTE's at the National office to pull off this proposal? What happens to net income for education on the National budget – has a draft been presented? The board must have access to this information to determine viability – without this information being vetted, it would be irresponsible to approve this direction as it poses significant risk to the organization. Board members are responsible for managing organizational risk.

***What about chapter leases?*** The Chicago Chapter has made considerable investment in education delivery and has a long term lease agreement for classroom spaces. While I am no longer serving as an officer of the chapter or as a board member, and do not speak for the chapter, it would seem National will need to step into the shoes of the chapter and take over this lease if this proposal moves forward. There are no other options.

***What about chapter staffing?*** If National takes over delivery, staffing will be cut at chapters. Period. How will this work for the Chicago Chapter? When I've asked, I've not been given an answer other than along the lines of "we can figure it out". Once again, it's hard to provide constructive feedback on a plan that offers up few details. Reduced chapter staffing, which will certainly occur, will sever a tie many have to the chapter and impact loyalty to the organization. And it will significantly impact the ability of chapters to provide networking and other events since high dependency on volunteers to oversee events is typically not a good plan. Volunteers help – but they typically don't have time to oversee the entire project implementation. This is true at the National level as well as at the chapter level.

***Significant risk.*** A significant risk posed by the realignment of chapter responsibilities is a significant decrease in connectedness with the organization. Lower the connection and increase the rate at which members choose alternative venues for continuing education, decrease the rate at which our members press for their employees to seek designations, and decrease the level of overall participation. The new model appears to rely on volunteer help at the Chapter level – those volunteers may become few and far between making it very difficult for National to meet member needs in each market.

***OK, now what?*** The bulk of this feedback has been critical. You may be asking, OK, if not this direction, then what, Ron? The short answer is, I don't know. It would seem to me the GRPT recommendations are a first phase that needs to be further vetted by the group. One person can't sort this out and come up with solutions that work for most of the organization. While I really don't have the time to invest in coming up with a plan, I would be willing to offer assistance if asked, given the significance of these sweeping changes. ***I'm not opposed to change in Education Delivery. I'm opposed to a vague framework to change the organization offering no structural details.***

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Once again, thanks to the team for putting the recommendations together. It appears however, as they relate to Education Delivery, the recommendations aren't ready for prime time. They appear to be a starting point to flesh out a structure that has not yet been developed. This is coming across as "National is going to take over education delivery – what do you think?"

Thanks for taking the time to read my comments.

A handwritten signature in black ink that reads "Ron DeVries". The signature is written in a cursive, slightly slanted style.

Ron DeVries, MAI, SRA