BEFORE THE COMMISSION OF APPRAISERS OF REAL ESTATE STATE OF NEVADA

3	SHARATH CHANDRA, Administrator,) Case No. 2018-1366 & AP 19.008.S
4	REAL ESTATE DIVISION, DEPARTMENT OF BUSINESS AND)
5	INDUSTRY, STATE OF NEVADA,	
6) COMPLAINT AND NOTICE OF
	Petitioner,) <u>HEARING</u>
7)
8	vs.	
	MIGHAEL I DRIINGON	
9	MICHAEL L. BRUNSON) ADD 2.2 2024
10	(License No. A.0207222-CG),) APR 2 3 2021
11	Respondent.	HEVADA COMMISSION OF APPRAISERS

State of Nevada, Department of Business and Industry, Real Estate Division ("the Division"), by and through counsel, Attorney General AARON D. FORD and Deputy Attorney General PETER K. KEEGAN, hereby notifies MICHAEL L. BRUNSON ("Respondent") of an administrative hearing which is to be held pursuant to Chapter 233B and Chapter 645C of the Nevada Revised Statutes ("NRS") and Chapter 645C of the Nevada Administrative Code ("NAC"). The purpose of the hearing is to consider the allegations stated below and to determine if the Respondent should be subject to a disciplinary penalty as set forth in NRS 645C and or NAC 645C, if the stated allegations are proven at the hearing by the evidence presented.

JURISDICTION

The Respondent is a Certified General Appraiser licensed by the Division, and therefore, is subject to the Jurisdiction of the Division and the provisions of NRS and NAC Chapter 645C. By availing himself of the benefits and protections of the laws of the State of Nevada, the Respondent has submitted to the jurisdiction of the Division.

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- The Respondent is currently licensed by the Division as a Certified General Appraiser on October 14, 2015, License No. A.0207222-CG.
- 2. Prior to obtaining a Certified General Appraiser license, the Respondent was licensed by the Division as a Certified Residential Appraiser, License No. A.0002794-CR, from December 9, 1997 through December 31, 2015, and as an Appraiser Intern, License No. A.0002105-INTR, from October 10, 1995 through October 31, 1999.
- 3. On or about September 27, 2018, the Division received a complaint/statement of fact asserting that the Respondent had completed a retroactive appraisal in violation of several provisions of the Uniform Standards of Professional Appraisal Practice ("USPAP").
- 4. Respondent was engaged to conduct a retrospective appraisal for litigation purposes of the residential property located at 5344 Santa Fe Heights Street, North Las Vegas, NV 89801, APN 124-35-215-181 ("Property"), by analyzing the nature, quality, value, or use of the property, and offered an opinion as to the nature, quality, value or use of the property for or with the expectation of compensation.
- 5. The intended use of the Respondent's Retrospective Appraisal performed by the Respondent was Litigation in the matter of Cascade Research Partners LLC v. Lance Trammel, et al. (Case No. A-16-744101-C).
- 6. The Respondent's client is identified as Mr. Mike Beede Esq, the attorney for Cascade Research Partners, LLC.
- 7. The Respondent's Retrospective Appraisal Report ("Report") identified the property as a 3-bedroom, 2.5-bath 1,756 sq. ft. single family residence with a 2-car garage built in 2004.
- 8. The Respondent's Report identified that the Property was a distressed property since a least 3Q 2010 because it was facing foreclosure under NRS 116 and NRS 107.
 - 9. The effective date of the Report performed by the Respondent was identified

- 10. The signature date of the Report was identified as March 6, 2018.
- 11. After disqualifying generally accepted value definitions, the Respondent's Report selected the term impaired value as the measure of the value for the Property.
- 12. The Respondent borrowed this term from Randall Bell's book <u>Real Estate</u>

 <u>Damages.</u>
- 13. The Respondent's Report defines Impaired Value as "[t]he indicated value of a property with a detrimental condition reached upon application of one or more of the approaches of value."
- 14. The term impaired value is part of a measurement process, which includes unimpaired value, as the effect of a detrimental condition.
- 15. The Respondent's Report identified that "[b]uyers of HOA foreclosures faced limitations on any or all of the rights including but not limited to restrictions on occupancy, possession, or use of the property."
- 16. The Respondent's Report identified lack of insurable clear title insurance following an HOA foreclosure sale as a risk to the right of transfer.
- 17. The Respondent's Report identified likely litigation by the banks arguing that their deeds of trust have not been extinguished by NRS 116 HOA foreclosures.
- 18. The Respondent's Report identified that the circumstances surrounding NRS 116 HOA foreclosures dimmish their value and are known as a Detrimental Condition.
- 19. The Respondent's Report identifies that the most likely purchaser was an investor.
- 20. The Respondent's Report fails to reconcile the applicability or suitability of the valuation approaches and why the income or cost approach were not used in arriving at a valuation conclusion.
 - 21. The HOA lien on the Property was \$8,700.00.
- 22. The Respondent's Report identified that "the subject traded at a public HOA foreclosure auction on the effective date. The highest bid was \$91,300.00."

- 23. The Respondent's Report used 36 comparable NRS 116 foreclosure sales as part of his comparable sales approach to develop a retrospective impaired value opinion.
- 24. The Respondent's Report fails to identify the large variations between the auction sale prices of the 36 comparable sales from their taxable value prior to the Nevada Supreme Court's decision in *SFR Investments Pool 1, LLC v. U.S. Bank, N.A.*, 130 Nev. 742, 334 P.3d 408 (2014), on September 18, 2014.
- 25. The Respondent's Report identified the impaired value of the Property at \$91,300.00.
- 26. The Respondent's Report does not include the unimpaired value of the property.
- 27. Randall Bell, the author of <u>Real Estate Damages</u> agreed that the market value unimpaired and market value impaired must be cited together when developing a market value opinion.
- 28. The scope of work for Respondent's Report was flawed because it used an incorrect value definition.
- 29. The scope of work for Respondent's Report was flawed because it imposed a limited market analysis based upon incorrect value definition.
- 30. The Respondent demonstrated a lack of competency with the retrospective analysis by not completing a full detrimental condition analysis by analyzing the unimpaired market value.
- 31. The Respondent's Report manipulated the data analyzed to arrive at a predetermined value range, which is demonstrated by the Respondent's final opinion of impaired value being equal to the HOA lien sales price.
- 32. The Respondent's Report failed to analyze the circumstances regarding the overage paid between the \$8,700.00 HOA debt and the \$91,300.00 sales price for the Property.
- 33. The Respondent's Report failed to include a discussion of the number of bidders at the auction for the Property or the comparable sales auctions.

- 34. The Respondent's Report failed to include an analysis of the overages paid by the buyers above the HOA debt.
- 35. The Respondent's limited market analysis failed to include the subsequent sales of 3801 Singing Lark Court or 3416 Casa Alto Avenue despite including at least two comparable sales within the Report's HOA foreclosure sales grid which occurred after the effective date of the report.
- 36. The Respondent's limited market analysis failed to analyze other relevant information such as the comparable sale's site area, views, design and appeal, quality, condition, functional utility, heating/cooling, garage storage capacity, or landscaping.
- 37. The Respondent's limited market analysis is based solely on the percentage of the comparable sale's taxable value relative to the HOA lien sale price.
- 38. Respondent's limited market analysis failed to explain why the income approach was not used when the Clark County Assessor's Office online database reflects that several of the comparable sales were rental/income properties prior to their respective lien sales.
- 39. Respondent's Report included a Craigslist advertisement for three properties which were previously purchased at HOA lien sales.
- 40. The Respondent's Report failed to identify in the Certification each of the individuals whose initials appeared on the work file spreadsheet as having confirmed/verified the HOA foreclosure comparable sales data.
- 41. The Respondent's Report notes that the confirmation of the comparable sales data was deemed to be significant real property appraisal assistance, but only Mr. William Slivinski was identified in the Certification.
- 42. The Respondent's Report does not adequately summarize the extent of the assistance provided by the individuals whose initials appear in his work file.
- 43. On or about October 5, 2018, the Division mailed to the Respondent an opening letter indicating a complaint had been filed against him and requesting copies of the Respondent's work file for the Property be submitted to the Division before October

19, 2018.

- 44. On or about October 25, 2018, after receiving an extension, the Respondent submitted his response to the complaint and a copy of his work file for the Property, which was bates stamped BRUNSON0001-BRUNSON001108.
- 45. On or about August 8, 2018, the Division mailed to the Respondent an NRS Chapter 233B Letter, as required by NRS 233B.237(3), indicating that the Division's investigation had collected sufficient evidence to commence the filing of a formal disciplinary complaint with the Nevada Commission of Appraisers of Real Estate.

VIOLATIONS OF LAW

The Respondent failed to prepare the appraisal report for the Property in Compliance with the Standards of the Appraisal Foundation. These Standards are published in the Uniform Standards of Professional Appraisal Practice ("USPAP") adopted by the Appraisal Standards Board of the Appraisal Foundation, as authorized by Congress, and adopted in Nevada by NAC 645C.400.1

First Violation

By failing to (1) identify the problem to be solved; (2) determine and perform the scope of work necessary to develop credible assignment results; and (3) fully disclose the scope of work in the report, the Respondent violated the USPAP Scope of Work Rule as codified in NAC 645C.400(1)&(2). The scope of work is acceptable when it meets or exceeds what an appraiser's peers' actions would be in performing the same or similar assignment.

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). The Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Second Violation

¹ The 2014-2015 edition of USPAP, effective January 1, 2014 through December 31, 2015, is applicable to and utilized for this Complaint.

By using the impaired value measurement instead of an acceptable value definition and imposing a limited market analysis based upon the incorrect value definition, the Respondent violated the USPAP Competency Rule as codified in NAC 645C.400(1) & (2). The Respondent failed to follow the complete detrimental condition analytical method.

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Third Violation

By engaging in the retrospective appraisal of the Property and failing to perform the assignment with impartiality, objectivity, independence, and without accommodation of personal interests, Respondent demonstrated bias and appeared to advocate for the interest of his clients. Furthermore, Respondent failed to promote and protect the public trust inherent in appraisal practice. Respondent thereby violated the USPAP Ethics Rule as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Fourth Violation

By failing to utilize a recognized value definition with a descriptive definition criteria, the Respondent failed to employ recognized methods and techniques that are necessary to produce a credible retrospective appraisal and therefore the Respondent violated USPAP Rule 1-1(a) as codified in NAC 645C.400(1)&(2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Fifth Violation

By utilizing an invalid value definition and inferring the subject maintained a restricted level of property rights, the Respondent limited his market analysis to properties sold at HOA lien sales. Neither the Respondent's Report nor his work file included a comparative analysis of unimpaired properties, to establish the unimpaired value associated with Respondent's determinantal condition analysis, as specified in Randall Bell's Real Estate Damages. The Respondent violated USPAP Standards Rule 1-1(b) as codified in NAC 645C.400(1)&(2), by failing to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Sixth Violation

By utilizing the impaired value measurement, Respondent failed to identify if the seller was under compulsion to sell and failed to identify the motivation of the buyer as an investor. The Respondent's use of the impaired value measurement did not address if the buyer and seller were acting prudently or if both parties were acting in their best interest. The Respondent's use of the impaired value term does not dictate if the price represents normal consideration for the property sold or sales concessions granted by anyone associated with the sale. The Respondent's use of the impaired value measurement fails to dictate if the auction price presents normal consideration for the property. Respondent acted in a careless or negligent manner, causing the Report to contain a series of errors that affected the credibility of the appraisal, and therefore Respondent violated USPAP Standards Rule 1-1(c) as codified in NAC 645.400(1)&(2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3).

Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Seventh Violation

Respondent failed to establish that the work done to complete the retrospective appraisal produced a credible result. The Respondent's scope of work does in meet the standards of (1) the expectations of parties who are regularly intended users for similar assignments, or (2) what Respondent's peers, who have expertise in HOA NRS Chapter 116 foreclosures, would have done in performing the same or a similar assignment. As a result, the Respondent violated USPAP Standards Rule 1-2(h) and the USPAP Ethics Rule of Conduct as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Eighth Violation

Respondent's Report failed to accurately analyze and report the relevant legal and economic factors to the extent necessary to support the highest and best use conclusion when it stated the highest and best use was as a single-family residence, but then contradicted itself by stating that the HOA foreclosure would limit the subject's bundle of rights, including restrictions on occupancy, possession, use of the property, and alienability due to lack of title insurance. As a result, the Respondent violated USPAP Standards Rule 1-3(b) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Ninth Violation

By limiting the sales comparison data to only HOA lien sales, the Respondent

failed to analyze all information necessary for credible results. Respondent's failure to account for both the unimpaired and impaired value did not comport with an accurate analysis of the detrimental condition because the Respondent failed to properly select and apply measurement tools and instead selected unproven methodologies and limited relevant market data. As a result, the Respondent violated USPAP Standards Rule 1-4(a) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Tenth Violation

By failing to include an income approach or explain why the income approach was not completed, the credibility of Respondent's Report was diminished. Respondent's limited comparable sales analysis failed to explain why the income approach was not used despite several of the comparable sales used by Respondent being rental/income properties prior to their respective lien sales. As a result, the Respondent violated USPAP Standards Rule 1-4(c) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Eleventh Violation

By failing to explain or justify the selection of the sales comparison approach and disregard of the income and cost approach, the Respondent failed to reconcile the suitability of the approaches used to arrive at the value conclusion. As a result, the Respondent violated USPAP Standards Rule 1-6(b) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3).

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Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Twelfth Violation

By utilizing an incorrect value measurement without an acceptable definition or criteria, and subsequently imposing a limited market analysis based upon the incorrect value measurement, the Respondent's Report is misleading. As a result, the Respondent violated USPAP Standards Rule 2-1(a) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Thirteenth Violation

By failing to identify and disclose the identity and contributions of the individuals who provided assistance verifying the comparable sales data in Respondent's work file, Respondent failed to summarize the extent of significant real property appraisal assistance received. As a result, the Respondent violated USPAP Standards Rule 2-2(a)(vii) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Fourteenth Violation

By failing to explain in the Report why the cost approach and income approach were excluded, the Respondent's Report failed to provide sufficient information to enable the client and intended users to understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches. As a result, the Respondent violated USPAP Standards Rule 2-2(a)(viii) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

Fifteenth Violation

The Respondent's Report contradicts the designated highest and best use as a single-family residence when it states the HOA foreclosure would limit the subject Property's bundle of rights. The Respondent failed to summarize and support the rationale for the highest and best use opinion. As a result, the Respondent violated USPAP Standards Rule 2-2(a)(x) as codified in NAC 645C.400(1) & (2).

The Respondent's actions constitute unprofessional conduct and/or professional incompetence, pursuant to NRS 645C.470(2) and NAC 645C.405(1), (2), and/or (3). Respondent's actions are grounds for disciplinary action pursuant to NRS 645C.460(1)(a) and/or (b).

DISCIPLINE AUTHORIZED

- 1. Pursuant to NRS 645C.460(2), if grounds for disciplinary action against an appraiser are found to exist for unprofessional conduct or professional incompetence, the Commission may revoke or suspend the certificate, place conditions upon the certificate, deny the renewal of his or her certificate, and/or impose a fine up to \$10,000.00 per violation.
- 2. Additionally, under NRS Chapter 622.400, the Commission is authorized to impose the costs of the proceeding upon the Respondent, including investigative costs and attorney's fees, if the Commission otherwise imposes discipline on the Respondent.
- 3. Therefore, the Division requests the Commission to impose such discipline as it determines is appropriate under the circumstances and to award the Division its costs and attorney's fees for this proceeding.

PLEASE TAKE NOTICE that a disciplinary hearing has been set to consider this Administrative Complaint against the above-named Respondent in accordance with

Chapter 233B and Chapter 645C of the Nevada Revised Statutes and Chapter 645C of the Nevada Administrative Code.

THE HEARING WILL TAKE PLACE at the Commission meeting scheduled for May 25 - 27, 2021 beginning at approximately 9:00 a.m. each day, or until such time as the Commission concludes its business.

The Commission meeting will be held virtually using Webex. To join the hearing go to the website Webex.com and enter the Meeting ID and Password for the corresponding meeting date set forth below:

- Tuesday, May 25, 2021 Meeting Number (Access Code): 146 479 0425
 Meeting Password: 64enXPYGiY6 (64369794496 from phones and video systems)
- Wednesday, May 26, 2021 Meeting Number (Access Code): 146 125 0427
 Meeting Password: qPc6q2yrA87 (77267297287 from phones and video systems)
- Thursday, May 27, 2021 Meeting Number (Access Code): 146 846 5582 Meeting Password: D22ShB3kN67 (32274235627 from phones and video systems)

If you do not have internet access, you may attend by phone at (844) 621-3956. Some mobile devices may ask attendees to enter a numeric meeting password provided above.

If you would like an email containing this information, please contact Kelly Valadez, Commission Coordinator, at (702) 486-4606 or kwaladez@red.nv.gov prior to the meeting.

STACKED CALENDAR: Your hearing is one of several hearings that may be scheduled at the same time as part of a regular meeting of the Commission that is expected to take place on May 25 - 27, 2021. Thus, your hearing may be

continued until later in the day or from day to day. It is your responsibility to be present when your case is called. If you are not present when your case is called, a default may be entered against you, and the Commission may decide the case as if all allegations in the complaint were true. If you need to negotiate a more specific time for your hearing in advance, because of coordination with out of state witnesses or the like, please call Kelly Valadez, Commission Coordinator, at (702) 486-4606.

YOUR RIGHTS AT THE HEARING: Except as mentioned below, the hearing is an open meeting under Nevada's open meeting law and may be attended by the public. After the evidence and arguments, the Commission may conduct a closed meeting to discuss your alleged misconduct or professional competence. An audit recording of the entire hearing will be made by the Division. You are entitled to a copy of the recording of the open and closed portions of the meeting, although you must pay for the transcription. You also have the right to pay for a court reporter to be present at the hearing.

As the Respondent, you are specifically informed that you have the right to appear and be heard in your defense, either personally or through your counsel of choice. At the hearing, the Division has the burden of proving the allegations in the complaint and will call witnesses and present evidence against you. You have the right to respond and to present relevant evidence and argument on all issues involved. You have the right to call and examine witnesses, introduce exhibits, and cross-examine opposing witnesses on any matter relevant to the issues involved.

You have the right to request that the Commission issue subpoenas to compel witnesses to testify and/or evidence to be offered on your behalf. In making this request, you may be required to demonstrate the relevance of the witnesses' testimony and/or evidence. Other important rights you have are listed in NRS Chapter 645C, NRS Chapter 233B, and NAC Chapter 645C.

DATED the 23 day of April 2021. DA

DATED the 21st day of April 2021.

NEVADA REAL ESTATE DIVISION AARON D. FORD Attorney General By: By: SHARATH CHANDRA, Administrator PETER K. KEEGAN, ESQ. 3300 W. Sahara Avenue, Suite 350 Deputy Attorney General Las Vegas, Nevada 89102 Nevada Bar No. 12237 100 North Carson Street Carson City, Nevada 89701-4717 Telephone: (775) 684-1153
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