



## President's Message

This is my final President's message. It's been a busy year for the chapter, and it was made possible by a great board that gave countless hours of their time volunteering for the benefit of all members of the chapter. I am glad to say that the incoming board is as enthusiastic about growing the chapter as this year's.

I want to give a special thank you to my Vice-Presidents who provided support for me this Winter while I dealt with a family issue. I could not have done it without them. Thank you Analee and Christine.

We have had a full year's issues of the newsletter thanks to the efforts of the board and our newsletter editor Bridgette Saylor.

The unsung hero of the chapter is our executive administrator DeborahAnn Marshall, the glue that holds our chapter together. Thank you for your years of service to our chapter.

Please join us for the Installation of the Elected Executive Board reception being held at the prestigious City Club at Bunker Hill, on June 11<sup>th</sup>. It is also Past President's night, and we welcome those who have served the chapter in the past.



Paul E. Drooks, ASA  
President

After the June 11<sup>th</sup> meeting, I will move on to my new role as Past President. Part of the job is to help build the board for future administrations. If you are interested in volunteering in any capacity, please give me a call or send an email [pedrooks@pacbell.net](mailto:pedrooks@pacbell.net)

Best, Paul

### 2012-2013 Term Programs

- June: Installation Dinner — Japanese American Museum
- July: Authentication and the Art Market — Pasadena Museum of History
- September: IRWA Joint Meeting & 15 Hour USPAP Course
- October: Tour of Votaw Precision Technologies
- November: General Meeting — Computer Security
- January: Museum Series — Museum of Latin American Art, General Meeting — Economic Forecast
- February: Museum Series — Weisman Collection, General Meeting — Real Estate Damages
- April: General Meeting — Development Plans for Union Station
- May: Appraisal Institute Joint Meeting — Case Study by Dennis Webb, ASA

## UPCOMING EVENTS

see website for details  
[www.appraisersla.com](http://www.appraisersla.com)

### UPCOMING PROGRAMS

*June 11, 2013*

*Past Presidents Night  
and Installation of the  
Elected Executive  
Board*

*City Club  
at Bunker Hill*

*5:30 pm to 8:30 pm*

*Hors d'oeuvres  
will be served*

*Registration:*

[www.appraisersla.com](http://www.appraisersla.com)

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## WELCOME NEW CANDIDATE(S)

"After membership approval, applicants have 10 months to Pass the ASA Ethics exam (open book exam taken on ASA's Web site), Pass the 15-hour National Uniform Standards of Professional Appraisal Practice USPAP) course and exam Real Property applicants may provide their current state license in lieu of the 15-hour USPAP requirement. Upon completion of these requirements, you will become a Candidate." \* The Los Angeles Chapter of ASA would like to welcome our new candidate (s):

**David Adam Warsavsky — Business Valuation**

White, Zuckerman, Warsavsky, Luna, & Hunt  
15490 Ventura Boulevard, Suite 300 | Sherman Oaks, CA 91403  
Phone: [818-981-4226](tel:818-981-4226) | Fax: [818-981-4278](tel:818-981-4278)  
Email: [dwarsavsky@wzwlh.com](mailto:dwarsavsky@wzwlh.com) | Website: [www.wzwlh.com](http://www.wzwlh.com)

**Ken Lahav — Business Valuation**

WTAS | 18841 Topham Street Unit 2 | Tarzana, CA 91335  
Phone: [818-585-2797](tel:818-585-2797) | Fax: None Listed | Email: [klahav@gmail.com](mailto:klahav@gmail.com)

**Caroline Young Youn — Machinery and Technical Specialties**

Deloitte | 350 South Grand Avenue, Suite 200 | Los Angeles, CA 90071  
Phone: [213-688-3220](tel:213-688-3220) | Fax: [855-324-5829](tel:855-324-5829)  
Email: [cyoun@deloitte.com](mailto:cyoun@deloitte.com) | Website: [www.deloitte.com](http://www.deloitte.com)

**Stephen Anthony Encinas — Machinery and Technical Specialties**

Deloitte | 350 South Grand Avenue, Suite 200 | Los Angeles, CA 90071  
Phone: [213-688-3342](tel:213-688-3342) | Fax: [213-673-6357](tel:213-673-6357)  
Email: [sencinas@deloitte.com](mailto:sencinas@deloitte.com) | Website: [www.deloitte.com](http://www.deloitte.com)

"If there is  
anything  
that a man  
can do well,  
I say let him  
do it. Give  
him a  
chance!"

~Abraham Lincoln

## ADVANCEMENTS

"Your advancement to Accredited Member (AM) or Accredited Senior Appraiser (ASA) is complete once: The International Board of Examiners approves your full-time appraisal experience, educational background (i.e., college degree) and appraisal report(s), determines that you completed and passed the education requirements of your discipline and determines that you passed the comprehensive examination for your discipline (if applicable). When all the requirements have been approved, you will be awarded your designation and provided with your AM or ASA certificate (*this will be mailed to your chapter President within four to six weeks after your designation is awarded*). \*\* The Los Angeles Chapter of ASA would like to congratulate the following Members in their advancement (s).

**NONE FOR THIS MONTH**

## RECAP — Going Concern Valuation

May 14 — Case Study Presentation by Dennis A. Webb ASA, MAI, FRICS

Appraisal of Metal Recycling Facility

By: Steven Davis ASA

On Tuesday, May 14<sup>th</sup> 2013 at the Annual Joint ASA/AI dinner meeting, Dennis Webb presented a case study on a business valuation appraisal commissioned as the result of an IRS income tax audit. Mr. Webb has accredited senior designations for Real Property and Business Valuation. The presentation reflected expertise in both disciplines and provided a strong argument for all disciplines to work together in complex assignments.

The Subject of the Case Study was a metal recycling facility that had been in business at its present location for more than thirty years. Over that time it expanded enormously, purchasing adjacent lots, adding railroad siding capacity, and purchasing the latest machinery for recycled metal separation and processing. Its shredder, the key to the entire operation, operated under a grandfathered Conditional Use Permit that requires continuous operation. The permit is irreplaceable in this jurisdiction.



Education Chair, Doug Nason, ASA and Todd Hollingshead, ASA

The issue that caused the IRS to challenge the owner's tax filing was their belief that the real estate wasn't remotely worth the \$1,900,000 in rent that the business owners effectively paid to themselves (the real estate was separately owned). The real estate appraiser brought in Mr. Webb, and the combined appraisal of the subject property as a residual of the going concern established the stated rent as being at least the amount being paid. While there could otherwise be some question as to the subject property's highest and best use from a real property appraisal standpoint, the combination of the rail car siding, electric capacity, road access, site acreage and finally the grandfathered Conditional Use Permit for the shredding operation that was the heart of the business at that specific location, excluding all other highest and best use possibilities.



Steven Davis, ASA, Kim Kearney and David Eichner, ASA at the May General Meeting with the Appraisal Institute.

Thus the heart of the business was personal property in the form of the conditional use permit, and the machinery involved in the business operation. The value from the business accrued to the real property of the business' location rendering the real estate possibly twice as valuable as a site for a going concern than it would have been had it been vacant and ready for development. The lesson for everyone in attendance was that even though appraisal is

comprised of multiple disciplines, those disciplines must work together to produce the credible valuations of property the marketplace requires and relies upon competent appraisers to provide.

## Our ongoing concern: Who is qualified and Why

by Dennis A. Webb, ASA, MAI, FRICS

*The practice area generally referred to as “going concern” valuation is inherently multidisciplinary, and would seem like an area where the two disciplines overlap. But that only works on a good day – there is usually a huge chasm.*

The real estate appraisal and business valuation disciplines are at loggerheads over a seminar on valuing real property as part of going concern that the Appraisal Institute has been offering. The seminar aims to qualify real estate appraisers to value real estate as part of a going concern in order to qualify them for assignments from the SBA. The ASA and RICS freaked out, and publicly cited some flaws. However, so far, none of the associations have presented a comprehensive solution. I see this as a serious issue for our collective public service mission, and one that needs to be addressed post haste. Fortunately, we do not have to create a huge education project and re-qualify enormous numbers of appraisers. In my view, we simply need to redefine the problem, so we can understand how to tell who is qualified: When a business appraiser can segment the real estate from the other assets of an operating business (being ever-mindful of licensing issues), when a real estate appraiser can do the same, and *when they must work together*.

I believe our professions can solve many problems if we can figure out how to collaborate, and there is no better example than valuing unique real estate as a part of an ongoing business operation. I presented a case study of just such a situation, which was presented at the May 14 joint dinner meeting of the Southern California Chapter of the Appraisal Institute and the Los Angeles Chapter of the ASA. The article by Steve Davis in this issue describes the case study, and the presentation can also be downloaded from the SCCAI website. I would be happy to e-mail the slides.

There are many *similarities* across all appraisal disciplines, but the first step to unraveling the going concern problem is understanding our *differences*. The chief difference between Business Valuation and Real Estate Appraisal is that we have very different toolkits. Learning to competently use each other's tools requires being designated – the principal activity of our professional associations. We will never qualify enough appraisers in both disciplines to avoid the inevitable conclusion that there are situations where we must work together.

- Business appraisers can competently allocate value to real estate when it is relatively straightforward, and is a small portion of the business' value.
- Real estate appraisers can value properties when they are part of a business if transactional data for similar properties is available, or
- If transactional data for transfers of business and real estate together is available, and they become a specialist in that industry. (This applies for hotels, nursing homes, gas stations and many similar property types/industries.)
- When there is no transactional data, and when the real estate is uniquely embedded in the business, both disciplines must contribute to the solution.

The case study I presented is an example of this last situation, and shows a very successful collaboration. The dinner meeting presentation outlines the entire process for determining qualification, and allocating roles during the assignment.

The different disciplines, and associations, each have part of the solution. If we can get in the habit of working together, we can overcome the many misunderstandings that have real consequences...and get on with our mission of serving the public's need for valuations. I would be grateful for your thoughts and feedback [dwebb@primusval.com](mailto:dwebb@primusval.com).

**ASA -LOS ANGELES**

**CHAPTER CONTACT**

DeborahAnn Marshall  
ASA-LA  
PO Box 1877  
Canyon Country, CA 91386  
Toll free number  
877-998-8258  
[www.appraisersla.com](http://www.appraisersla.com)  
[dmarshall@appraisersla.com](mailto:dmarshall@appraisersla.com)

**USEFUL LINKS -**

**APPRAISAL  
FOUNDATION**

[www.appraisalfoundation.org](http://www.appraisalfoundation.org)

**ASA NATIONAL**

[www.appraisers.org](http://www.appraisers.org)

**IRS**

[www.irs.gov](http://www.irs.gov)

**UPDATE YOUR WEBPAGE!**

Please make sure you have a user ID and password....If you need assistance call

**DeborahAnn Marshall** 877-998-8258

**ASA –LA**

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[pedrooms@pacbell.net](mailto:pedrooms@pacbell.net)

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[akcmb@aol.com](mailto:akcmb@aol.com)

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[cthompson@ktsvaluation.com](mailto:cthompson@ktsvaluation.com)

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[Hjelmstrom@aol.com](mailto:Hjelmstrom@aol.com)

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[cwiles310@sbcglobal.net](mailto:cwiles310@sbcglobal.net)

**ASA-CA Chapter Liaison**

Randall Blaisi, ASA  
[rblaesi@sbcglobal.net](mailto:rblaesi@sbcglobal.net)

**DISCIPLINE CHAIRS**

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Chair—Stevan Grubic, ASA [sgrubic1@aol.com](mailto:sgrubic1@aol.com)

Vice Chair—Todd Hollingshead, ASA

[tfhollings@msn.com](mailto:tfhollings@msn.com)

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[cicarmona@aol.com](mailto:cicarmona@aol.com)

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[Mueller-krieks@cox.net](mailto:Mueller-krieks@cox.net)

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[dan@wheelermachinery.com](mailto:dan@wheelermachinery.com)

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[nicolelynvoorhees@gmail.com](mailto:nicolelynvoorhees@gmail.com)

**REAL PROPERTY (RP)**

Steven Decker, ASA [sjdassoc@sbcglobal.net](mailto:sjdassoc@sbcglobal.net)

**APPRAISAL REVIEW & MANAGEMENT (ARM)**

Barry J. Alperin, ASA [Barry-alperin@msn.com](mailto:Barry-alperin@msn.com)

As a member, you can contribute to the chapter by providing relevant content for our newsletter.

SUBMIT NEWSLETTER ARTICLES TO

[info@appraisersla.com](mailto:info@appraisersla.com)

**CANDIDATES AND NEW MEMBERS**

Do you have questions about

- certification
- exam proctoring
- advancement

Call our Membership Chair

Noël R. Burndahl

(626)301-9277

"Summer is a promissory note signed in June, its long days spent and gone before you know it, and due to be repaid next January.

~Hal Borland



SAVE  
THE  
DATE

06.11.13

5:30 pm to 8:30 pm

Cost: \$35.00 \*

\* Early registration until 06.04.13

### City Club at Bunker Hill

333 S. Grand Ave, 54th Floor, Los Angeles 90071

Parking: \$8 Valet parking after 4pm

Join the Los Angeles Chapter of ASA in acknowledging our *Past Chapter Presidents* and in the installation of the newly elected *Executive Board*. Enjoy the view, network with old friends and meet new members. A complimentary cocktail and hors d'oeuvres will be served.

This event is a great way to meet the individuals who have served the chapter and appraisal profession in the Los Angeles area and those who are currently working on behalf of chapter members. This is a terrific networking opportunity for all chapter members, candidates and affiliates.

Keep on the look out for additional information or make your reservation now by going to [www.appraisersla.com](http://www.appraisersla.com).

Questions: DeborahAnn Marshall, 818-333-6179, [dmarshall@appraisersla.com](mailto:dmarshall@appraisersla.com).

ASA-LA PO Box 1877, Canyon Country, CA 91386 | 877-998-8258