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President's message: Vermont chapter updates

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Here in Vermont all the snow has melted and we have put the wraps on a near record ski season, 4.5 million downhill skier days, the third highest total in state history. These visits create an estimated \$577 million in gross retail receipts, or \$128/skier day, which likely feels a little low to anyone who traveled up with a family of four during February vacation. With near-record years back to back in 2013 and 2014 there are expectations that several resorts will now fund long-planned improvements and amenity upgrades using a combination of mortgage and EB-5 financing proven to be successful in Vermont.

The Immigrant Investor Program, or "EB-5," was established by the U.S. congress in 1990 as a way to add additional liquidity to the real estate market by offering a green card to foreign investors who pledge a minimum of \$500,000 in equity financing to projects directly responsible for the creation of at least 10 jobs. In 1992 the program was expanded by allowing foreign investors to pool funds in EB-5 Regional Centers who could make investments in more than one project and pool the calculated direct and indirect job creation figures. This program has been used extensively in Vermont, through the Vermont EB-5 Regional Center, and requires a savvy appraiser to consider its effect on the cost of capital, equity capitalization rates and "market" financing for new construction related to capacity expansion and job growth.

There is evidence of developers stockpiling raw land and functionally obsolete properties around the state's primary ski resorts in expectation of a coming demand for new residential and commercial inventory. Supply and demand metrics in these areas are at their lowest level in eight years. With near-record skier visits in back to back years, an announcement from one of the resorts that they will begin construction of a new base lodge, lift or amenity could be the single catalyst needed to spur private developers into capitalizing their planned projects located just off the mountain.

The Vermont chapter of the Appraisal Institute will present "Green Residential Case Studies" on August 18 and "Green Commercial Case Studies" on October 23-24 in Burlington, VT. These courses with exam are one of three required to be included in the Appraisal Institutes Valuation of Sustainable Buildings Professional Development Program (PDP) registry. This registry, open to any appraiser who meets the requirements of the PDP regardless of Appraisal Institute affiliation or membership, is a list offered to clients who have specific need of an appraiser well-versed in these technologies and developing a supported opinion of their contributory market value. These courses are rare; at the moment the "commercial" course in October is the only chance for an appraiser to take this course in 2014. Registration is through the Appraisal Institute's website and due to the generosity of our title sponsor, Efficiency Vermont, is being offered at a discount of \$50 from the common and typical price. These courses will sell out and I encourage you to reserve a seat as soon as possible.

The competency of appraisers to value buildings with these technologies is an active question in

Vermont and the Vermont chapter has worked for years with the Vermont Green Home Alliance to address this issue. Recently, I was contacted by Efficiency Vermont to review several appraisals for near zero net energy modular homes financed through local lenders under a manufactured home replacement program sponsored by the state. Their issue with the appraisals was not that the sustainable features carried no contributory value, it's that these features were not considered or even mentioned in any of the reports. This is disturbing as a \$0 adjustment requires at least the same, and probably more, support than any positive or negative adjustment. In addition, the inclusion of solar panels, high-efficiency boilers and energy reclamation systems in the construction specifications should have generated at least an intellectual curiosity from the appraiser and a description in the building improvements section. While I declined the review assignment under the Competency Rule, a national expert in the valuation of sustainable buildings has taken the assignment and I would expect the review to highlight issues with the competency of the appraiser at the time of engagement that were not disclosed to the client. The solution the Vermont chapter is pursuing along with the Green Home Alliance is to educate lenders on the need to establish the competency of the appraiser to address the specific valuation problem they need addressed. Sean Sargeant, MAI, SRA is the president of Vermont chapter of the Appraisal Institute, Rutland, VT.

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