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Paul Reisch, ARA
Newsletter – Curtis Brooks
Andrea Fox – Publicity
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Education: Travis Shaykett

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Jim Dunlap, AFM-ARA

Kjerstad Member Scholarship:
Brian Gatzke, ARA

Liaison: Don Zacher

Membership: Kim Larson

Mentor: Allan Husby, ARA

NE-SD Summer Meeting:
Dave Koenigshof

Nominating: Paul Sickler, AFM

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- Ryan McKnight
Scholarship – Keith Newman
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-Rick Gullickson, AFM

Social: Jeff Barker, ARA

East River Breakfast:
Jordan Bauer

West River Breakfast:
Norm Edwards, ARA &
Justin Uhrig

Fishing / Hunting Social
Jeff Barker ARA

Auction Social
Terry Leibel
Jim Dunlap, AFM / ARA

Vocational Technical School
Relationship – Wade Buck
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American Society of Farm Managers & Rural Appraisers

THE MOST TRUSTED RURAL PROPERTY PROFESSIONALS

SOUTH DAKOTA CHAPTER www.asfmra-sd.com

3/2021

Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!

DATES TO REMEMBER

- April 8: West River Breakfast Meeting – Rapid City
- May 13: SD ASFMR Board Meeting - Aberdeen
- May 14: Board Breakfast Meeting With Members - Aberdeen
- May 21: East River Breakfast Meeting - Sioux Falls
- July 19-22: Education Week - Omaha, NE
- Sept 9: SDSU Real Estate Networking Event Evening Social-Sioux Falls
- September 10: SDSU Real Estate Networking Event all day- Sioux Falls
- September 15-16: SD ASFMR Board Meeting / Hunting & Fishing Social / Education Seminar: Chamberlain Area **TENTATIVE**
- October 28-November 6: ASFMR Annual Conference - Las Vegas, NV

MEMBER ANNIVERSARIES

<u>Member</u>	<u>Join Date</u>	<u>Years</u>
Shawn Weishaar, ARA	4-22-1994	27
Terry Leibel	4-12-2002	19
Larry Janssen	4-01-2009	12
Joshua Whetham	4-09-2014	7
Jordan Bauer	4-10-2015	6
Tamara Joerger	4-01-2017	4
Brady Swier	4-04-2018	2
Matthew Preszler	4-16-2020	1
Paige Stofferahn-Muck	4-16-2020	1

Thank you for your support

THANK YOU FROM RICK GULLICKSON

I wanted to take some time to say "Thank you" to the SD Chapter ASFMR for the condolences and flowers in the loss of my father. This means a lot. He will certainly be missed by his family.

Thank you,
Rick

PRESIDENT'S MESSAGE

By: Brian Gatzke, ARA

Greetings SD Chapter ASFMRA members.

What a year this is. The sudden departure of Ms. Sherry Bren, Executive Director of the SD Appraiser Certification Program is a surprise. We wish Ms. Bren success in retirement. Best wishes to Kim and Paul as the hiring and training process moves forward and to challenge the state to bring RURAL agriculture property into the training mix as it is only residential at this point. The great State of South Dakota is a rural state and agriculture is our # 1 economy. Training rural makes sense.

In the past 2 months I've had the opportunity of co-instructing the classes of appraisal principals, eminent domain, and highest and best use. The benefits of training are the questions asked which make us stronger. June 14-18 & 21-25, ASFMRA is offering on line A101 - Basic Appraisal Principals and A102 - Basic Appraisal Procedures. Excellent opportunity for new folks to start the appraisal education career. Did you know SD is one of a few states requiring the entry exam for registered appraiser who want to become an appraiser? If you want to instruct, attend Summer Education Instructor training.

Summer Education events by ASFMRA for Summer Education Week in July, are gearing up for a few days of learning and fun in Omaha (next to Cabela's in LaVista). We encourage education professionals & members to enjoy the classes, network, and the fun. Chapter member, John Widdoss is instructing and leading discussion on trophy rural property, Andy Gudajtes is instructing the ER ratio, then other offerings include A304 integrated approaches, Ag Land Mngt 1 & 2, A302 Sales Comparison Approach, Alternative Investments, and farm tours. <https://www.asfmra.org/conferences/edu-week>

September is a full month of membership activity. Our Chapter Education & Social Chairs and committees are lining up a great fall CE seminar, hunting, and fishing event in the Chamberlain area. Be sure to stay tuned to future news announcements and save the date of September 15-16, 2021. Ryan McKnight of SDSU has organized a great event from our former Real Estate Networking event September 9 and 10. We look forward to a summary from Ryan in a future newsletter.

Great news, South Dakota is ahead of the nation with COVID shots. However, with that in mind, I decided to move the spring board meeting from April to May. This gives all members the opportunity to obtain the COVID shot and be safe, enjoy an evening network social and a Friday morning tour.

I am interested in finding ways to make our web site first more user friendly and more dynamic for our members, clients, customers, and trainees. Those of you who are younger, this is your opportunity to step up and help the chapter with new technology ideas. Should our chapter host member job postings online? This would include internship opportunities and research. If you believe our chapter should post job openings and such, please drop me a line.

Appraiser Job openings I am aware of coming up is the USDA-FSA Chief for Federal and State SD Appraiser positions, be sure to register at <https://www.usajobs.gov/> and track the jobs.

Department of Interior Office of Valuation Services has openings for appraisers across the county. How many of us are over 50 and what have you done to help train a new professional? We know what it takes to learn the art of the appraisal process as it is not just a 3-year procedure, but a lifetime of learning. I challenge all of us, over 50 to train and bring to the profession with good business practice. Build someone you can be proud of. Otherwise, in 10 years from now the profession will be a lost art.

ASFMRA has the Rural Valuation Topic (RVT) segment hidden deep on the Website of ASFMRA. Those of you who have been to the website understand. I have a short link for you: <https://www.asfmra.org/resources/rural-valuation-topics>. Each month we will insert in the newsletter an RVT. This month is Market Value and next month will be “wait and see.”

Also included in this newsletter is the SD County Equalization Real Property Classification Codes. How many of you know all the codes and how they all fit together?

2020 was the year of COVID yet it seems to linger into 2021 as both COVID and politics continue. We end the 1st quarter 2021 and welcome the 2nd quarter of 2021 with shock and awe politics and catch you at one of the chapter or national events. Keep an eye on changes to federal estate laws. These could increase appraiser’s workload multiple times.

Thank you.
Brian Gatzke

EAST RIVER BREAKFAST

Seven of us met at the All Day Café in Sioux Falls. This was the first East River Breakfast in over a year due to the pandemic. Most of the time was spent catching up with each other on a personal level.

Most people mentioned having a heavy workload and looking forward to another busy year.

Those in attendance include: Brian Gatzke, Troy Swee, Jeff Jarratt, Don Threadgold, Gerald Warmann, Jim Dunlap, and Jeff Barker



FEBRUARY APPRAISER ADVISORY COUNCIL MEETING HIGHLIGHTS

By Paul Reisch, ARA

SD ASFMRA members Paul Reisch, ARA and Kim Larson participated in their first Appraisal Certification Program Advisory Council meeting via Zoom on February 25, 2021.

Sherry Bren reported concern has been expressed concerning financing available for manufactured housing. Financing on manufactured housing is not available under the same terms and conditions as stick built homes. This is because of quality of construction and lower economic life for manufactured housing. This is the case to some degree even in cases with remodeling upgrades and stick built additions. Council members conveyed that appraisers and assessors are bound to report the facts.

Jeff Mitchell with Aberdeen HAPI (Homes Are Possible, Inc)) visited with the Council. He shared his concern with the rising building costs and the impact of this for affordable, work force housing. He is concerned that new contract homes being built may have problems appraising for the higher cost. Council members recognized this is an issue on new home construction when costs are rising rapidly. They recommended some resources to Mr. Mitchell that might be helpful but identified no resolution to the issue.

Sherry Bren and Joe Ibach, ETP SME Team Member, provided an update on the Experience Training Program. Legislation providing the Department of Labor and Regulation rule-making authority for establishing an appraiser experience training program has passed and the bill has been signed by the governor.

The SME team is working on writing a job description for the Lead Trainer. The Team is also working in the following areas:

- Designing the launch of a residential program =, then adding the commercial / agricultural element at a later date.
- Drafting a candidate survey to gain information to assist in development of the program.
- Planning a ranking method to score ETP candidates for eligibility.

Council members shared ideas to assist with development of the program,

Sherry reported on the results of Advisory Council member feedback regarding possible changes to Administrative Rules on experience review requirements. Council members recommended no change to the Certified General review requirements. Advisory Council members offered a range of ideas to possible modification of Certified Residential experience review requirements.

In some markets, 2-4 residential housing does not exist. This makes it difficult for appraisers in these markets to gain experience in appraising this type of property. Discussion identified the difficulty of completing the 2-4 unit 1025 appraisal form. Advisory Council members had split opinions between requiring the 2-4 unit appraisal vs. single family with all three approaches to value.

In March, Sherry Bren reported that the Department Secretary has decided that the Appraiser Certification Program will retain the experience requirement currently in place. However, she directed the ACP to monitor the activity of the ASC/AQB regarding analysis of work product and any changes at the federal level, and monitor the actions of our neighboring states for any changes that are made at that level. Based on the future findings, this topic may be reopened.

MEMBER PROFILE

Jeral Gross

Describe your experience and education related to the property professional field (appraisal, farm management, consulting, academic relation).

I grew up on a family farm near Bridgewater, SD, where we raised corn, soybeans, and wheat. We also maintained a cow/calf operation. Through this experience, I knew I wanted to do something in agriculture. After graduating from Augustana College with a BA degree in Business Administration, I worked for two lending institutions: Community First (now Bank of the West) in Platte, SD, and First National Bank South Dakota (now FNBO) in both Mitchell and Yankton, SD, as a VP – Ag/Commercial Lending. This gave me the opportunity to stay involved in production agriculture including real estate markets and transactions.



Describe what has led you to becoming a chapter member of the South Dakota ASFMRA and why you remain a member, if a member for a number of years.

My final decision to join was when Paul Reisch personally invited me to join the chapter and attend one of the East River Breakfast Meetings. The members present were very welcoming. The event hosted was a good mixture of farm managers and appraisers whom I grew to know better. I also took ASFMRA classes for my certification process where I found fellow classmates as well as the instructors to be welcoming and knowledgeable about agriculture in matters important to rural America.

I have made several contacts through the organization that have proven to be excellent relationships as I continue to develop as an appraiser and grow my appraisal practice, Appraisal Associates, Inc.

Describe personal background items that would be of interest to fellow chapter members (e.g. family, heritage, communities lived, other jobs / careers, main hobbies or interests).

My wife Andrea and I live in Mitchell, SD, and we have two daughters, Brielle (6) and Brooklyn (4). Prior to becoming a Certified General Appraiser, I managed The Title Company in Mitchell. Through this relationship, I had the opportunity to become one of the principal owners of Lake County Abstract in Madison, SD.

When I am not working or spending time with my family, I enjoy helping out whenever possible on the family farm, volunteering at our church, as well as finding time to golf in the summer and attend a few basketball games in the winter.

Describe a few memorable or unique experiences in your life.

In 2010 I graduated from the Graduate School of Banking in Boulder, Colorado.

In 1994 I was one of four National Star Farmer Finalists with the National FFA and received my American FFA Degree. This honor provided me the opportunity to travel and explore agriculture in Europe while making life-long friends. I also had the privilege to judge the National Star Farmer Finalist for the next several years.

SD REAL PROPERTY CLASSIFICATION CODES

The following is a summary for SD Real Property Classification Codes utilized by all Equalization Departments in South Dakota. This is a summary of the explanations which came from one of the Directors of Equalization to assist with analysis of the market. This is based upon Land Use, and like all land use categories, this is subject to interpretation and standardization. Keep in mind, these do not reflect zoning codes or other restrictions, these are interpretation of land use by the local county office.

Letters AG or NA.....ag or non-ag.

Letters A,C,CC,DC:

- *A= un-platted outside of municipal limits*
- *C= platted outside of municipal limits,*
- *CC D=within municipal(city)limits*

M= titles manufactured home (these are separated because they are taken out of any of calculations regarding state aid to education).

Numbers 1,2 1 = residential or agricultural structural, 2= commercial structure.

Examples:

NACC2= Non-ag commercial structure on commercial land outside of city limits.

NADC2 =Non ag commercial structure on commercial land within city limits

NAC1 = Non ag residential structure on non ag land outside of city limits.....if it is followed by an "S" it would indicate owner-occupied.

REAL PROPERTY CLASSIFICATION

(Administrative Rule Number 64:04:01:13)

AG-A	Land classified as agricultural without corporate limits
AG-SL	Land classified as agricultural without corporate limits being leased from the Commissioner of School and Public Lands
AG-A1	Improvements and structures on land classified as agricultural without corporate limits, less dwellings and automobile garages
NA-A1	Dwellings and automobile garages on land classified as agricultural without corporate limits
NA-AM1	Manufactured home classified as real estate after June 30, 1999, on land classified as agricultural without corporate limits
AG-AC	Land classified as agricultural without corporate limits, under commercial use
NA-AC2	Improvements and structures on land classified as agricultural without corporate limits, under commercial use
-AG-C	Platted lots and acreages without corporate limits classified as agricultural
AG-C1	Improvements and structures on platted lots and acreages classified as agricultural without corporate limits, less dwellings and automobile garages
NA-C1	Dwellings and automobile garages on platted lots and acreages classified as agricultural without corporate limits
AG-CC	Platted lots and acreages classified as agricultural without corporate limits improved or unimproved, under commercial use
AG-CC2	Improvements and structures on platted lots and acreages classified as agricultural without corporate limits, under commercial use
NA-C	Platted lots and acreages without corporate limits
NA-C1	Improvements and structures on platted lots and acreages without corporate limits
NA-CM1	Manufactured home classified as real estate after June 30, 1999, on platted lots and acreages without corporate limits
NA-CC	Platted lots and acreages without corporate limits improved or unimproved, under commercial use
NA-CC2	Improvements and structures on platted lots and acreages without corporate limits, under commercial use
AG-D	City or town lots and acreages classified as agricultural
AG-D1	Agricultural improvements and structures less dwellings and automobile garages on city or town lots and acreages classified as agricultural
NA-D1	Dwellings and automobile garages on city or town lots and acreages classified as agricultural
AG-DC	City and town lots and acreages improved or unimproved classified as agricultural for commercial use
AG-DC2	Improvements and structures classified as agricultural on city or town lots and acreages, under commercial use
NA-D	Lots and acreages in city or town
NA-D1	Improvements and structures on city or town lots and acreages
NA-DM1	Manufactured home classified as real estate after June 30, 1999, on city or town lots and acreages
NA-DC	City or town lots and acreages improved or unimproved, under commercial use
NA-DC2	Improvements and structures on city or town lots and acreages, under commercial use.

- -S indicates owner-occupied single family dwelling status

SD CHAPTER - KJERSTAD MEMBER SCHOLARSHIP

The scholarship focus:

- A lasting memorial of Jerry's contribution to our chapter.
- A means to generate funds that can allow expansion of chapter support for members in accord with the chapter mission of *Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!*

Objectives:

1. Encourage potential members to join our chapter and help them with initial ASFMRA education.
2. Encourage members to attend and learn the benefits of the networking and education that take place at national events.
3. Broaden the experience of chapter members, which will in turn, strengthen our chapter member networking opportunities and develop future leadership for the chapter.
4. Encourage members to pursue accreditation and support them in this endeavor.
5. Recognize the member's achievement in gaining his accreditation.
6. Build member loyalty to the chapter.

Funding for this program is handled outside of the normal chapter operating / budgeting process. A separate money market account is dedicated for this program and the scholarships are paid from this account. Chapter fundraising projects and interest accrual on the account pay for the scholarships.

The Kjerstad Member Scholarship Committee will administer the scholarship. Committee members are President, Past President, President-Elect, Secretary, and Treasurer.

Scholarship opportunities for accredited, associate, and academic members when their employer does not pay the cost include:

- **Pay basic member registration fee and transportation up to \$500 for Leadership Institute attendance** -- Priority for the scholarship - Chapter President, board member, member who has never attended, member who has attended. Interest to be communicated to Chapter President by March 15th.
- **Pay member registration fee for first time national meeting attendance** - The member planning to attend their first national meeting would inform President and Treasurer.
- **Pay up to two member registration fees to attend National Meeting for members who have attended the National meeting in the past.** Scholarships are intended for members that are not reimbursed their costs by their employer. Priority for the two scholarships will go first to younger members that have already used the first time attendance scholarship; then to other members that have gone to national meeting multiple times.

Those intending to attend a National Meeting would state their intent to do so and be considered for the scholarship to the President and the Treasurer. In the event more than two members apply, there will be a drawing for the scholarships – first among those in the younger member priority, then to other members who have gone to national meeting multiple times. The scholarship is limited to the same winners once every three years if several members apply and are entered into the drawing.

Scholarships related to accreditation address only 1 accreditation per member. I.E. – Would not cover ARA, AFM, RPRA and / or AAC all for one member over time.

Farm Manager

- **Pay member registration fee first ASFMRA education course that is a part of obtaining AFM accreditation after becoming a member.** - Member would inform President and Treasurer of intent to attend. Scholarship paid to member upon confirmation of course enrollment and adequate funds. If inadequate funding, will be reimbursed in future when adequate funding secured.
- **Pay member registration fee for accreditation education class for those committed to achieving accreditation.** Any member can provide written intent for the upcoming calendar year by December 1st to Chapter President. The written intent will convey the member's status regarding educational requirements and his / her personal timeline to achieve completion of educational requirements, demo report, and sitting for the exam. Scholarship approval will be communicated to a member by March 31 of the calendar fiscal year. The member can be paid member registration fee toward the cost of a class still needed within 3 years of scholarship approval.
- **Pay for cost of ALM 4 Review for Exam, application fee, and accrediting exam** - Payable upon application and approval to sit for exam as communicated by member to President and Treasurer. The cost of application fee and exam would be paid on a one time only basis.
- **Pay member registration fee when receiving accreditation at national meeting.** The member planning to attend would inform President and Treasurer.

Appraiser

- **Pay member registration fee for two ASFMRA education course(s) that is a part of obtaining trainee license after becoming a member or all three if taken as Trainee Bundle at Education Week.** - Member would inform President and Treasurer of intent to attend. Scholarship paid to member upon confirmation of course enrollment and adequate funds. If inadequate funding, will be reimbursed in future when adequate funding secured.
- **Pay member registration fee for two ASFMRA education course(s) that is a part of obtaining certified general appraiser license after becoming a member.** - Member would inform President and Treasurer of intent to attend. Scholarship paid to member upon confirmation of course enrollment and adequate funds. If inadequate funding, will be reimbursed in future when adequate funding secured.
- **Pay member registration fee for accreditation education class for those committed to achieving accreditation.** Any member can provide written intent for the upcoming calendar year by December 1st to Chapter President. The written intent will convey the member's status regarding educational requirements and his / her personal timeline to achieve completion of educational requirements, demo report, and sitting for the exam. Scholarship approval will be communicated to a member by March 31 of the calendar fiscal year. The member can be paid member registration fee toward the cost of a class still needed within 3 years of scholarship approval.
- **Pay for cost of A500 Appraisal Exam Prep, application fee, and accrediting exam** - Payable upon application and approval to sit for exam as communicated by member to President and Treasurer. The cost of application fee and exam would be paid on a one time only basis.
- **Pay member registration fee when receiving accreditation at national meeting.** The member planning to attend would inform President and Treasurer.

VALUATION TOPICS

We have an abundance of rural valuation information at our fingertips through the ASFMRA. Brian Gatzke would like to include relevant materials in our newsletter from time to time. Below is his first entry.



Rural Valuation Topic #RVT 1: Market Value --- Again?

ASFMRA's "Valuing Rural America" published June 2019 contains or expands on definitions with rural application. Foundational definitions are relied upon in the valuation industry; however, translation is required in some rural situations.

Market Value is the foundation of the U.S. financial system and is a key element in the eminent domain rights reserved by the state and federal governments. Other "values" exist in the marketplace, but they are distinctly different.

Market Value (USPAP) is defined as, "a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the term identified by the appraiser as applicable in an appraisal" (Appraisal Foundation: Uniform Standards of Professional Appraisal Practice [USPAP], Washington DC., 2020-21 version, p. 5).

The assignment jurisdiction or ruleset may specify a specific Market Value definition or may default to the FIRREA definition if the valuation is for lending purposes. If the report may be used in litigation, research the jurisdiction in which the property is located and state laws, or call for a legal opinion.

Market Value is "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the pass of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated
- Both parties are well informed or well advised, and acting in which they consider their own best interests;
- A reasonable time is allowed for exposure in the open market
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted to anyone associated with the sale".¹

The common thread within the concept of Market Value is the *notion* of "market in exchange" between willing buyers and sellers in "arms-length" transactions. This concept reflects the

¹American Society of Farm Managers and Rural Appraisers: *Valuing Rural America*, 2019 Edition, (Denver: ASFMRA, p. 47).

ability of one property to compete with other similar properties. The Market Value of a specific "property" is best described as the "remainder rights" or the rights "subject to" the encumbrances that would be enumerated on Schedule B of a title policy. Portions of the "remainder rights" may detract, enhance, or be neutral to the price or value of the whole. The valuation question is "what is this mixed set of remainder rights worth in the competitive market?"

There may be other Market Value definitions required by your client and defined in the Scope of Work (SOW) such as those required by:

- UASFLA, the Uniform Appraisal Standards for Federal Land Acquisition (i.e., "fair market value")
- IRS definition, the Internal Revenue Service, Department of Treasury
- State jurisdictions (each state has its own legal definition).

Other types of value exist but they are markedly DIFFERENT than the notion defined specifically within Market Value. Generally, these other definitions reflect Value-in-Use, or USE VALUES of some type such as:

- Taxable Value (basis for calculating real estate taxes by the taxing authority)
- Agricultural Value (based on agricultural production only)
- Public Interest Value (use value to a society or community for preservation, parks, or common areas and/or enjoyment)

Real estate can also be a component within the total assets of a business and identified as:

- Fair Value (typically used in accounting [asset price or liability transfer])
- Investment Value
- Business Value
- Going Concern Value
- Book Value
- Fair Cash Value
- Government Business Enterprise (GBE) Value
- Insurable Value
- Salvage Value
- Special Value (usually to a specific person or entity, i.e., similar to Investment Value)

In some markets, the geographic area may have to be increased to demonstrate sufficient sales to define a market or marketability. This can be attributed to lower productivity acre-for-acre (ranches), smaller or unrelated populations in surrounding areas, or markedly different physical and economic characteristics.