

## 2019 Calendar

### Georgia Instructor Training Workshops (GIT)

- March 19 & 20, 2019  
GAR Atlanta, GA
- October 16 & 17, 2019  
GAR Atlanta, GA

Other Class Schedules and Events TBA.

**Happy New  
Year from  
the Georgia  
Real Estate  
Commission**

[Link to the  
Georgia Real  
Estate License  
Laws, Rules,  
and Regulations](#)

[Link to GREC  
Disciplinary  
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## Rules to Follow

After practicing real estate brokerage for several years, or even as a newly licensed salesperson, it is beneficial to review the basics. Although the licensee's ultimate goal is to complete a transaction, it is important to consider the process and ensure that the rules are followed and understood and no bad habits develop that result in violations of the License Law, Rules, and Regulations.

As noted on the Disciplinary Stats chart shown below, the Georgia Real Estate Commission investigates all formal complaints many of which are not violations of the License Law, Rules, or Regulations. A significant number of complaints can be merely unsubstantiated rumblings of an unhappy customer or client or even a minor complaint from a competitor licensee. The GREC Annual Report explains, "Many complaints involve contract disputes and require legal assistance. In those instances, the staff recommends that the complaining party seek legal counsel or consider pursuing the matter in court for appropriate action." Any party can file a Formal Complaint through the form and process accessible from the GREC website.

Of the approximate 2,000 investigations opened and closed each year (both Real Estate and Appraisal Board cases) 57% of those investigations were issues related to applying for a real estate license, and 32% involve real estate brokerage issues. Based upon violations most commonly encountered by the Georgia Real Estate Commission, GREC implemented the 2015 requirement that continuing education must include 3 hours in very specific License Law topics in order to renew a license.

### Disciplinary Statistics

Commission Actions Taken	Month of 2018	
	January	Totals
<b>Cases Sent to the Attorney General for Review and Disposition by Consent</b>		
Order or by Hearing	0	11
Cease & Desist Orders Issued	0	33
<b>Citations Issued</b>	<b>7</b>	<b>123</b>
Letter of Findings Issued	0	5
Consent Orders Entered Into	0	8
Final Orders of Revocation of Licensure	0	10
Cases Closed for Insufficient Evidence or No Apparent Violation	0	265
Licensing Cases - Applicant has a Criminal Conviction - License Issued	4	126
Licensing Cases - Applicant has a Criminal Conviction - License Denied	1	5
<b>Total</b>	<b>12</b>	<b>586</b>

[Click here to review a legend of the disciplinary actions the Commission may impose.](#)

**SUBMIT**Comments  
&  
SuggestionsTo sign up to receive  
the GREC  
RENewsletter  
[Click Here](#)Online  
Courses  
from GREC\$10 each  
3 Hour CE  
Course  
Total of 9  
Hours CE  
Available(Also Approved  
as Instructor CE,  
not approved as  
License Law CE)*“Avoiding  
Trust  
Account  
Trouble”**“Practicing  
Real Estate &  
Staying Out  
of Trouble”**“Being a  
Broker and  
Staying Out  
of Trouble”***Georgia Real Estate  
Commission**Suite 1000  
International Tower  
229 Peachtree Street NE  
Atlanta, GA 30303-1605  
Phone 404-656-3916

## Simple Rules to Follow: Back to the Basics

In this and future issues of the GREC RENEWS, one GREC Rule will be discussed as a reminder of the minimum requirements to meet the regulatory requirements. The majority of violations center on lesser infractions of the License Law, Rules, and Regulations – Most are simple rules to follow. As shown in the highlighted areas of the Disciplinary Chart on the previous page, the majority of disciplinary actions are in the form of Citations. A Citation could be compared to a parking ticket, both of which can vary from minimal in fines to costly, and both can have a multiplier effect if they occur more than once.

Although the Georgia Real Estate Commission has several tools to enable them to regulate the practice of real estate brokerage, these articles will focus on the less egregious violations that often result in a Citation being issued. As each simple rule is described, the potential fee or penalty will also be described in the **AMK** - **A**bsolutely **M**ust **K**now Section each month.

### Absolutely Must Know Section

**AMK**

Before an individual licensee, can conduct any personal real estate activities in the individual's name or the name of entity that the licensee is an officer or member, he/she must notify his/her broker in writing.

[Ref. 520-1-.11 Licensees Acting as Principals \(1\) Written Notification to Broker.](#) No licensee shall be permitted to list, sell, buy, exchange, rent, lease, or option or offer to list, sell, buy, exchange, rent, lease, or option real estate, either in individual or multiple parcels, in the licensee's own name or in the name of any other firm or entity in which the licensee is an officer, employee, beneficiary, or member of such firm or other entity acting as principal without first advising, in writing, the broker for whom the real estate licensee is acting.

**Citation:** If a licensee is found in violation of failing to provide the broker advance notice in writing of engaging in personal real estate activities, a Citation imposed would be a minimum of \$600 per violation, for a maximum of \$5,000 for multiple violations. A citation issued by the Commission could also include an order to complete a course of study in real estate brokerage or instruction.

**This is a simple rule to follow and easily avoid a violation.**



#### Focus on Terminology: “Rules, Rules, Rules”

The term **rule** can be used as a verb or a noun. For example, a King may rule, but the commoners must follow the rules. Related to real estate, the term rule is used as a noun. As defined by Merriam [Webster's Dictionary](#) the noun **rule** is defined as:

*“a prescribed guide for conduct or action: an accepted procedure, custom, or habit: a usually written order or direction made by a court regulating court practice or the action of parties: a legal precept or doctrine: a regulation or bylaw governing procedure or controlling conduct: a regulating principle.”*

Laws are passed by the Georgia legislature and rules are a clarification of a law. The Georgia Real Estate Commission is responsible for enforcing the License Law and its Rules and Regulations. As noted in the Disciplinary Statistics, the Georgia Real Estate Commission has various tools to enforce the Rules and Regulation of the Commission. There is a schedule of fees for violations listed in the License Law, Rules and Regulations [Rule 520--.14.Citations.](#)

Rules of a general nature, such as those imposed by facilities like swimming pools, places of learning, and other institutional facilities are not enforceable to the same degree as legislated rules.



# The Appraisers Page

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[Appraisal Act](#)

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[GREAB Disciplinary Sanctions](#)

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## Basements

By: D. Scott Murphy, SRA



VS.



Basements come in a variety of shapes and sizes. From completely submerged to full walkout, daylight basements. As with all other factors in a real estate appraisal, there is no one formula or adjustment capable of quantifying their value. The contributory value of a basement, finished or unfinished, is not assigned by an appraiser but determined by a buyer.

Let's start by defining a basement. A basement or cellar is one or more floors of a building that are either completely or partially below the ground floor (Wikipedia). The term cellar is typically used for an area completely below grade with no daylight and low ceilings. It can be accessed by interior or exterior stairs. The term basement typically refers to space partially or completely below grade with adequate ceiling height and partial or full windows providing daylight to a portion of the area. Basements typically have interior stair access and many times have walkout access. A "walkout or daylight basement" is almost always built into a hill with access and daylight on at least one wall.

In classification of space a basement is typically defined as follows. If you put your foot on any given level and any portion of the level is below grade – that space is categorized as basement space and should be valued separate for above grade space. The key here is consistency. When making adjustments to your comparables it is important to look closely at those sales and separate out this same type of space. It is important to be consistent with the room count as well. Appraisers separate out above grade space and below grade space and assign room count accordingly. It would be incorrect and inconsistent to count the bedroom and bathroom in the basement when expressing above grade living area. We adjust above grade space against above grade space and then below grade space (including bedrooms and bathrooms on the basement level) against below grade space. This typically conflicts with practices of real estate agents who may list a home counting all bedrooms and bathrooms. This practice is not incorrect but is different from the way it is expressed in a real



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estate appraisal. Two homes which each have four bedrooms and four bathrooms may be significantly different in value is one have one bedroom and bathroom above grade and the rest below grade and the other have all bedrooms and bathrooms above grade.

Basements or cellars have existed for centuries. Historically they were for storage of food or wine where the temperature could be more consistently regulated. The term “cellar temperature” is still used today to reflect the correct temperature for storing wine. As other methods of refrigeration immersed, cellar became less important. In some parts of the country where tornados are common, cellars were also used for storm protection, hence the term “storm cellar”. At the same time, newer methods of heating including boiler systems and forced air systems created a need for unconditioned space. Basements began to be used more for a mechanical space. Placement of heating, cooling, water heating, electrical systems as well as ready access to plumbing made basements popular.

Property owners in inner cities and areas of dense population began finishing any unused space including basements and attics. These more affordable spaces became popular for those looking for a room or a small unit in an area they may not otherwise

have been able to afford. With advances in excavation and the use of large earth moving equipment in residential construction, builders began to offer basements which covered the entire footprint of the home. The additional space now could serve as additional living space at a fraction of the cost of above grade living space. A portion of the basement was still used for utilities but the rest could now be recreational space or more bedrooms and bathrooms.

Fast forward to the homes of today, basements host every imaginable amenity from full sized theaters and elaborate wine cellars to indoor basketball court and indoor pools. There are little if any limitations to ceiling height, size, quality or even specific lot criteria. Typically, in most parts of Georgia, basement lots are those which are sloping. This allows for the easy creation of the daylight basement; daylight on one side and grade (dirt) on the other. There does not appear to be a limit on how steep the lot can be. In extreme situations where the lot appears to be a drop-off, multiple basement levels can be built. It is not uncommon to see “sub-basements” in a home with a very steep lot. Remember, the definition of a basement is the level or levels which are partially or completely below grade. Therefore, any number of levels below grade would be considered basement. Due to the popularity of basements, developers have even manufactured basement lots. Take a perfectly level piece of land, subdivide it into lots and then dig out the backyard area and mount it to the street. The result is what appears to be elevated streets but in fact are now basement lots. The homes are built up to the mounted area and once complete one would never have known it originally was a level piece of land. The huge premium paid by buyers for basement homes more than compensates for the additional earth moving expense.



# The Appraisers Page

Georgia Real Estate Appraisers Board

January 2019

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## Basements

**By: D. Scott Murphy, SRA**

From a valuation or appraisal standpoint, it is important to maintain a consistent frame of reference. Contributory value for a basement is given by a buyer based on the subject's basement size, quality and amenities. It is referenced by other comparables in the subject area. Appraisers are therefore able to identify significant value for finished basement areas. There are no standard adjustments or relationships between above grade space and below grade space. In researching for this article, I noticed on one site on the internet that the writer stated "in an appraisal, the value of the basement is 50% that of the above grade space". This is not true. The value of a finished basement can range up to as much or even more than the value of above grade space. It is extremely rare to see a value in excess of the value above grade but it is possible. There are so many factors that impact the amount a buyer will pay for finished basement space. The amount of daylight and the overall quality have the biggest impact.

In determining and assigning value to basements, appraisers break it into two pieces. First there is a value attributed to the basement as if it were unfinished. This also helps us properly value basements which have unfinished portions. Then an amount must be extracted from market data for the finished portion. It is helpful to isolate certain amenities such as wine cellars, home theaters and bars and value those separately, therefore leaving the base finished area. Appraisers carefully study interior photos and should be contacting listing agents for additional information on upgrades.

In general, when valuing a home with a finished basement, it is best not to use comparables without a basement. Many times, a buyer of a home with a finished basement would not consider a home on a slab and vice versa. Adjustments are based on incremental contributory value and are not designed to properly value property with comparables which are so dissimilar. When done properly the separation of above grade space from below grade space offers the most accurate opinion of value.