

18. Housing Discrimination: Disparate Impact & Damages

Disparate impact according to Wikipedia: “In United States anti-discrimination law, the theory of disparate impact holds that practices in employment, housing, or other areas may be considered discriminatory and illegal if they have a disproportionate ‘adverse impact’ on persons in a protected class.” [link: https://en.wikipedia.org/wiki/Disparate_impact]

Background

A CPA prepared a damages report for the landlords of rental properties. The report was simplistic and failed to identify the important relationship of property improvements to financial outcomes. The CPA failed to describe the unique circumstances and history of the properties, including extensive maintenance, improvements, and property management; capital improvement demands created by tenants and the properties’ age; and the properties’ location, which was related to multiple challenging tenant problems impacting cash flow, property management practices, and investment value. The report identified two sources of value in rental real estate: cash flow resulting from rental and increased equity.

Issues

The report was simplistic in nature, failing to account for the interplay between property improvements and financial outcomes. Similar to business investments, real estate investment often entails an inverse relationship between cash flow and equity growth. The CPA’s analysis omitted this fundamental relationship.

Outcome

Dr. Musil’s review of the report identified multiple deficiencies in assumptions, analysis, and conclusions, including the CPA’s failure to address the relevant issues in real estate property management and investment analysis. Dr. Musil also reviewed and analyzed 100+ investment properties.

This complex case has not yet been decided.

Note: Dr. Musil holds the professional designation of Certified Valuation Analyst (CVA) [link to CVA description below] from the National Association of Certified Valuators and Analysts [link to NACVA home: <http://www.nacva.com>].



According to NACVA, Certified Valuation Analyst (CVA)—The National Association of Certified Valuators and Analysts™ (NACVA®) trains and certifies CVAs to perform business valuations as a service to both the consulting community and the users of their services. Through training and rigorous testing, CVAs demonstrate they are qualified to provide capable and professionally executed valuation services. NACVA recommends specific training as a prerequisite to certification to assure that practitioners have the knowledge and understanding

necessary to perform competent services, and to assure a level of consistency and continuity in their work product. Users of valuation services benefit by having greater confidence that the service they receive is professional in quality, adheres to industry standards of practice, and meets a level of expertise the Association deems credible and worthy of one of its certified members.