Governor Eric R. Greitens
State of Missouri

Kathleen (Katie) Steele Danner, Division Director
DIVISION OF PROFESSIONAL REGISTRATION

Department of Insurance
Financial Institutions
and Professional Registration
Chlora Lindley-Myers, Director

MISSOURI REAL ESTATE APPRAISERS COMMISSION
3605 Missouri Boulevard
P.O. Box 1335
Jefferson City, MO 65102-1335
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Vanessa Beauchamp
Executive Director

Meeting Notice

Missouri Real Estate Appraisers Commission

Missouri Division of Professional Registration
3605 Missouri Blvd.
Jefferson City, MO 65109

March 13, 2018
8:30 a.m.

Notification of special needs as addressed by the Americans with Disabilities Act should be forwarded to the Missouri Real Estate Appraisers Commission, P.O. Box 1335, Jefferson City, Missouri 65102, or by calling (573) 751-0038 to ensure available accommodations. The text telephone for the hearing impaired is (800) 735-2966.

Except to the extent disclosure is otherwise required by law, the Missouri Real Estate Appraisers Commission is authorized to close meetings, records and votes to the extent they relate to the following: Section 610.021 subsections (1), (3), (5), (7), (13), (14) and Section 324.001.8 and 324.001.9 RSMo

The Commission may convene in closed session at any time during the meeting. If the meeting is closed, the appropriate section will be announced to the public, with the motion and vote recorded in open session minutes.

Posted 3/2/2018

Open Session

Tentative Agenda
Missouri Real Estate Appraisers Commission

Missouri Division of Professional Registration
3605 Missouri Blvd
Jefferson City, MO 65109

March 13, 2018– 8:30 a.m.

I. Call to Order

II. Roll Call

III. Approval of Open Session Agenda

IV. Approval of Open Session Minutes
- December 7, 2017 commission meeting
- January 10, 2018 conference call
- February 21, 2018 conference call

V. Executive Director Report
- Budget
- MAAC presentation discussion
- AARO Spring coference

VI. 2018 AQB Qualification changes

VII. Education Review
- Champions: 2018-2019 USPAP Update Equivalent
- McKissock: Live Webinar: Be Compliant and Competitive with Restricted….
- ASA: Uniform Appraisal Standards of Federal Land Acquisitions
- Hondros: 2018-2018 USPAP Update
- McKissock: The FHA Handbook 4000.1

VIII. Miscellaneous

IX. Closed Meeting - Closed Session 610.021 Subsection (1) for the purpose of discussion of confidential or privileged communication between this agency and its attorney; Section 610.021 Subsection (14) and 324.001.8 and 324.001.9 RSMo for the purpose of discussing investigative reports and/or complaints and/or audits and/or other information pertaining to the licensee or applicant section 610.021 subsection (1) RSMo for the purpose of discussing general legal action, causes of action or litigation and any confidential or privileged communication between this agency and its attorney, and for the purpose of reviewing and approving closed meeting minutes of one or more previous meetings under the subsection 610.021 RSMo which authorizes this agency to go into closed session during those meetings.

X. Adjournment

Open Minutes
Missouri Real Estate Appraisers Commission

Missouri Division of Professional Registration
3605 Missouri Blvd.
Jefferson City, Missouri 65109

December 7, 2017 - 8:30 a.m.

Members Present
Darryl (Skip) Knopf, Chairperson
Casey Cash Gill
Boyd Harris
Ann Nunn Jones
Julie Molendorp

Members Absent
Melba Curls

Staff Present
Vanessa Beauchamp, Executive Director
Patty Morrow, Processing Technician III

Guests Present
Emerson Sutton, Certified General Appraiser

The Missouri Real Estate Appraisers Commission was called to order by Skip Knopf, Chairperson at 8:33 a.m. on December 7, 2017.

Approval of Open Session Agenda
A motion was made by Ann Nunn Jones and seconded by Boyd Harris to approve the open session agenda as amended. Motion carried unanimously.

Approval of Open Session Minutes
A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the open session minutes from the September 19, 2017 commission meeting and October 18, 2017 conference call. Motion carried unanimously.

Executive Director Report

- *Budget*

The Commission reviewed the fund balance sheet which indicated the total amount of revenue collected, transfers made along with the ending fund balance. This was provided for informational purposes.

- AARO update

Ms. Molendorp and Ms. Beauchamp updated the Commission on their recent 2017 AARO Fall DC conference. This was provided for informational purposes.

Rule review per 536.175 RSMo (rules and regulations)
Every five years the Boards and Commissions are required to review the rules and regulations to determine if any clean up is needed. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to make no changes. Motion carried unanimously.

20 CSR 2245-5.020 Proposed Amendment
The Commission reviewed proposed amendment 20 CSR 2245-5.020. A motion was made by Boyd Harris and seconded by Cash Gill to approve the proposed changes. Motion carried unanimously.

AQB Fourth Exposure Draft
The Commission reviewed the Fourth Exposure Draft of Proposed Changes to the Real Property Appraiser Qualification Criteria. This was provided for informational purposes.

ASC Bulletin No 2017-01 and 2017-02

The Commission reviewed ASC Bulletin 2017-01on the National Registry of AMCs and 2017-02 on extension of the Implementation Period for AMC Programs. This was provided for informational purposes.

Instructor application

- *McKissock: Robert Frazier*

The Commission reviewed the instructor application submitted by McKissock, LP for Robert Frazier to be added to the previously approved courses, A Review of Disciplinary Cases; Adjustment Support for Residential Appraisers; Adjustments: Supported or Not Supported?; Analyze This! Applications of Appraisal Analysis; Appraisal Practices of Manufactured Housing; Expert Witness Testimony: To Do or Not to Do; Fannie Mae Appraisal Guidelines; Issues in Appraiser Liability; The FHA Handbook 4000.1; Recognizing Mortgage Fraud and It's Effects and Work File: Your Best Defense Against an Offense. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the instructor. Motion carried unanimously.

Education Review

- *Hondros: Defensible Appraising*

The Commission reviewed the course application submitted by Hondros College of Business for Defensible Appraising. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *Hondros: Challenging Assignments for Residential Appraisers*

The Commission reviewed the course application submitted by Hondros College of Business for Challenging Assignments for Residential Appraisers. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Hondros: Better to be Safe Than Sorry*

The Commission reviewed the course application submitted by Hondros College of Business for Better to be Safe Than Sorry. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Hondros: Appraisal Review of Residential Properties*

The Commission reviewed the course application submitted by Hondros College of Business for Appraisal Review of Residential Properties. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *Hondros: Green in Residences and Appraisals*

The Commission reviewed the course application submitted by Hondros College of Business for Green in Residences and Appraisals. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Hondros: Methodology and Application of Sales Comparison*

The Commission reviewed the course application submitted by Hondros College of Business for Methodology and Application of Sales Comparison. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *Hondros: Basic Construction Review*

The Commission reviewed the course application submitted by Hondros College of Business for Basic Construction Review. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Hondros: Property and Valuation Analysis for FHA*

The Commission reviewed the course application submitted by Hondros College of Business for Property and Valuation Analysis for FHA. A motion was made by Boyd Harris and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *Hondros: FHA and VA Today*

The Commission reviewed the course application submitted by Hondros College of Business for FHA and VA Today. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *McKissock: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by McKissock, LP for 2018-2019 USPAP Update. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Columbia: Methodology and Applications of Sales Comparison*

The Commission reviewed the course application submitted by CoreLogic Valuation Solutions, Inc. dba The Columbia Institute for Methodology and Applications of Sales Comparison. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *Columbia: Covering all the Bases in Residential Reporting*

The Commission reviewed the course application submitted by CoreLogic Valuation Solutions, Inc. dba The Columbia Institute for Covering all the Bases in Residential Reporting. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Columbia: Defensible Appraising*

The Commission reviewed the course application submitted by CoreLogic Valuation Solutions, Inc. dba The Columbia Institute for Defensible Appraising. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously

- *Columbia: Green in Residences and Appraisals*

The Commission reviewed the course application submitted by CoreLogic Valuation Solutions, Inc. dba The Columbia Institute for Green in Residences and Appraisals. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously

- *Columbia: Challenging Assignments for Residential Appraisers*

The Commission reviewed the course application submitted by CoreLogic Valuation Solutions, Inc. dba The Columbia Institute for Challenging Assignments for Residential Appraisers. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously

- *Columbia: Appraisal Review of Residential Properties*

The Commission reviewed the course application submitted by CoreLogic Valuation Solutions, Inc. dba The Columbia Institute for Appraisal Review of Residential Properties. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously

- *Lowman: 2018-2019 USPAP Update Course for Mass Appraisal*

The Commission reviewed the course application submitted by Lowman & Co. for 2018-2019 USPAP Update Course for Mass Appraisal. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Lowman: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by Lowman & Co. for 2018-2019 USPAP Update. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Lowman: 2018-2019 USPAP*

The Commission reviewed the course application submitted by Lowman & Co. for 2018-2019 USPAP. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *Lowman: 2018-2019 Residential Review and USPAP Compliance*

The Commission reviewed the course application submitted by Lowman & Co. for 2018-2019 USPAP Residential Review and USPAP Compliance. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course with correspondence that this course will not meet the USPAP update continuing education requirement. Motion carried unanimously.

- *ASFMRA: 88th Annual Convention Day 2*

The Commission reviewed the course application submitted by American Society of Farm Managers and Rural Appraisers for 88th Annual Convention Day 2. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course along with granting retroactive approval. Motion carried unanimously. Mr. Harris recused himself from this discussion and vote.

- *ASFMRA: 2018-2019 USPAP*

The Commission reviewed the course application submitted by American Society of Farm Managers and Rural Appraisers for 2018-2019 USPAP. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously. Mr. Harris recused himself from this discussion and vote.

- *McKissock: Limited Scope Appraisal and Appraisal Reports*

The Commission reviewed the course application submitted by McKissock, LP for Limited Scope Appraisal and Appraisal Reports. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *UMKC: 2018 Kansas City Real Estate Trends*

The Commission reviewed the course application submitted University of Missouri-Kansas City for 2018 Kansas City Real Estate Trends. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *ASFMRA: Basic Appraisal Procedures*

The Commission reviewed the course application submitted by American Society of Farm Managers and Rural Appraisers for Basic Appraisal Procedures. A motion was Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *McKissock: 2018-2019 USPAP Update for Non-Residential Property*

The Commission reviewed the course application submitted by McKissock, LP for 2018-2019 USPAP Update for Non-Residential Property. A motion was Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *McKissock: 2018-2019 USPAP*

The Commission reviewed the course application submitted by McKissock, LP for 2018-2019 USPAP. A motion was Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *GPAA: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by Great Plains Appraisal Academy for 2018-2019 USPAP. A motion was Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Lifetime: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by Lifetime Learning for 2018-2019 USPAP Update. A motion was made by Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *Lifetime: 2018-2019 USPAP*

The Commission reviewed the course application submitted by Lifetime Learning for 2018-2019 USPAP. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *McKissock: Appraising Small Apartment Properties*

The Commission reviewed the course application submitted by McKissock, LP for Appraising Small Apartment Properties. A motion was Ann Nunn Jones and seconded by Cash Gill to approve the course. Motion carried unanimously.

- *McKissock: Intermediate Income Approach Case Studies for Commercial Appraisers*

The Commission reviewed the course application submitted by McKissock, LP for Intermediate Income Approach Case Studies for Commercial Appraisers. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *NAIFA: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by NAIFA for 2018-2019 USPAP. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *AI: Online Residential and Commercial Valuation of Solar*

The Commission reviewed the course application submitted by Appraisal Institute for Online Residential and Commercial Valuation of Solar. A motion was made by Cash Gill and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

Miscellaneous

The Commission revisited the issue of providing USPAP books to all the licenses. A licensee had contacted the Appraisal Foundation directly regarding options the Commission may have in purchasing and distributing the publication to its licensees. The Commission discussed the options provided by the Appraisal Foundation and the costs associated, with the lowest option being $28,000.00. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to no longer supply the USPAP books to licensees as it would not be cost effective. In addition, this book can be obtained online and through the Appraisal Foundation. Motion carried unanimously.

Closed Meeting

A motion was made by Cash Gill and seconded by Julie Molendorp to move to closed session per motion to close pursuant to section 610.021 subsection (14) and 324.001.8 and 324.001.9 RSMo for the purpose of discussing investigative reports and/or complaints and/or audits and/or other information pertaining to the licensee or applicant section 610.021 subsection (1) RSMo for the purpose of discussing general legal action, causes of action or litigation and any confidential or privileged communication between this agency and its attorney, and for the purpose of reviewing and approving closed meeting minutes of one or more previous meetings under the subsection 610.021 RSMo which authorizes this agency to go into closed session during those meetings. Mr. Knopf, Mr. Gill, Mr. Harris, Ms. Molendorp and Ms. Nunn Jones voted in favor of the motion.

Adjournment

A motion was made by Cash Gill and seconded by Boyd Harris to adjourn. Motion carried unanimously. The meeting was adjourned approximately 11:50 pm on December 7, 2017.

_____
Executive Director

Approved by Missouri Real Estate Appraisers Commission on _____

Open Minutes
Missouri Real Estate Appraisers Commission

Missouri Division of Professional Registration
3605 Missouri Blvd
Jefferson City, Missouri 65109

January 10, 2018 - 8:30 a.m.

Members Present
Darryl (Skip) Knopf, Chairperson
Melba Curls
Casey Cash Gill (Mr. Gill joined the call approximately 8:40 am)
Boyd Harris (Boyd left the meeting approximately 9:10 am)
Ann Nunn Jones
Julie Molendorp

Staff Present
Vanessa Beauchamp, Executive Director
Patty Morrow, Processing Technician III
Sharon Euler, Division Legal Counsel

The Missouri Real Estate Appraisers Commission was called to order by Skip Knopf, Chairperson at 8:35 a.m. on January 10, 2018.

Approval of Open Session Agenda
A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the open session agenda. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

Instructor additions: ASFMRA

- *Jeffrey Berg; Thomas Dobbin; Chris Greenwalt; Mark Lewis; LeAnn Moss; Ann Roehm; Scott Seely and James Synatzske*

The Commission reviewed the instructor applications for Jeffrey Berg; Thomas Dobbin; Chris Greenwalt; Mark Lewis; LeAnn Moss; Ann Roehm; Scott Seely and James Synatzke to be added to the previously approved 2018-2019 USPAP update course. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the instructors. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

Education Review

- *StLC IAAO: Residential Quality, Condition and Effective Age*

The Commission reviewed the course application submitted by St. Louis Chapter of IAAO for Residential Quality, Condition and Effective Age. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

- *StLC IAAO: 2018 – 2019 USPAP Update*

The Commission reviewed the course application submitted by St. Louis Chapter of IAAO for 2018 – 2019 USPAP Update. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

- *AI: 2018 – 2019 USPAP Update*

The Commission reviewed the course application submitted by Appraisal Institute for 2018 – 2019 USPAP Update. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course along with granting retroactive approval. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

- *AI: 2018 – 2019 USPAP*

The Commission reviewed the course application submitted by Appraisal Institute for 2018 – 2019 USPAP. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course along with granting retroactive approval. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

- *Kunzler: 2018 – 2019 USPAP Update*

The Commission reviewed the course application submitted by Kunzler Valuation & Consulting, Inc. for 2018 – 2019 USPAP Update. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously. Mr. Gill was not present for this discussion and vote.

- *MSAA: Income & Expense, Lodging and Self – Storage*

The Commission reviewed the course application submitted by Missouri State Assessor Association for Income & Expense, Lodging and Self – Storage. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *NAIFA: Residential Report Writing Skills*

The Commission reviewed the course application submitted by NAIFA for Residential Report Writing Skills. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *SWIAAO: Assessment of Personal Property*

The Commission reviewed the course application submitted by Southwest Missouri Chapter of IAAO for Assessment of Personal Property. A motion was made by Cash Gill and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

Miscellaneous

Ms. Beauchamp advised the Commission that the conference date for the spring Missouri Appraisers Advisory Council (MAAC) has not yet been determined which led to discussing possible presentation topics.

Closed Meeting

A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to move to closed session per motion to close pursuant to section 610.021 subsection (14) and 324.001.8 and 324.001.9 RSMo for the purpose of discussing investigative reports and/or complaints and/or audits and/or other information pertaining to the licensee or applicant section 610.021 subsection (1) RSMo for the purpose of discussing general legal action, causes of action or litigation and any confidential or privileged communication between this agency and its attorney, and for the purpose of reviewing and approving closed meeting minutes of one or more previous meetings under the subsection 610.021 RSMo which authorizes this agency to go into closed session during those meetings. Mr. Knopf, Ms. Curls, Mr. Gill, Ms. Molendorp, Mr. Harris and Ms. Nunn Jones voted in favor of the motion.

Adjournment

A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to adjourn. Motion carried unanimously. The meeting was adjourned approximately 9:15 am on January 10 2018.

_____

Executive Director

Approved by Missouri Real Estate Appraisers Commission on _____

Open Minutes
Missouri Real Estate Appraisers Commission

Missouri Division of Professional Registration
3605 Missouri Blvd
Jefferson City, Missouri 65109

February 21, 2018 - 8:30 a.m.

Members Present
Darryl (Skip) Knopf, Chairperson
Melba Curls (Ms. Curls adjourned the call at 9:42 am)
Boyd Harris
Ann Nunn Jones
Julie Molendorp

Members Absent
Casey Cash Gill

Staff Present
Vanessa Beauchamp, Executive Director
Patty Morrow, Processing Technician III
Tom Townsend, Division Legal Counsel

The Missouri Real Estate Appraisers Commission was called to order by Skip Knopf, Chairperson at 8:32 a.m. on February 21, 2018.

Approval of Open Session Agenda
A motion was made by Ann Nunn Jones and seconded by Melba Curls to approve the open session agenda as amended. Motion carried unanimously.

2018 AQB Qualification changes/Randall Bryson correspondence
The Commission reviewed the Real Property Appraiser Qualification Criteria Summary of Changes effective May 1, 2018 along with an email from Randall Bryson. The Commission will table this to the March 13, 2013 Commission meeting to allow time for further discussion.

Instructor addition
- *Lifetime Learning: Andrea Storms – Basic Appraisal Principles; Basic Appraisal Procedures; Residential Market Analysis & Highest & Best Use; Residential Report Writing & Case Studies*

The Commission reviewed the instructor applications for Andrea Storms to be added to the previously approved courses. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the instructor. Motion carried unanimously.

Education Review
- *McKissock: The Appraisal of 2-4 Unit Properties (classroom)*

The Commission reviewed the course application submitted by McKissock, LP for The Appraisal of 2-4 Unit Properties (classroom). A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.
- *McKissock: The Appraisal of 2-4 Unit Properties (online)*

The Commission reviewed the course application submitted by McKissock, LP for The Appraisal of 2-4 Unit Properties (online). A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Allterra: 2018 Keynote Charleston*

The Commission reviewed the course application submitted by Allterra Group, LLC for 2018 Keynote Charleston. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *Allterra: 2018 Appraisal Policy and Procedures*

The Commission reviewed the course application submitted by Allterra Group, LLC for 2018 Appraisal Policy and Procedures. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *McKissock: Evaluating Today's Residential Appraisal*

The Commission reviewed the course application submitted by McKissock, LP for Evaluating Today's Residential Appraisal. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Calypso: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by American Continuing Education Institute dba Calypso Continuing Education for 2018-2019 USPAP Update. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *McKissock: Manufactured Home Appraisal*

The Commission reviewed the course application submitted by McKissock, LP for Manufactured Home Appraisal. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *AI: Online Appraising Automobile Dealerships*

The Commission reviewed the course application submitted by Appraisal Institute for Online Appraising Automobile Dealerships. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *MAAC: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by MAAC (Missouri Appraisers Advisory Council) for 2018-2019 USPAP Update. A motion was made by Ann Nunn Jones and seconded by Boyd Harris to approve the course. Motion carried unanimously.

- *AI: 2018-2019 USPAP*

The Commission reviewed the course application submitted by Appraisal Institute for 2018-2019 USPAP. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *AI: 2018-2019 USPAP Update*

The Commission reviewed the course application submitted by Appraisal Institute for 2018-2019 USPAP Update. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *City of St. Louis: Basic Appraisal Principles*

The Commission reviewed the course application submitted by City of St. Louis for Basic Appraisal Principles. A motion was made by Boyd Harris and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

- *Lowman: Methods and Techniques Used in the Cost, Sales Comparison & Income Approaches*

The Commission reviewed the course application submitted by Lowman & Co. for Methods and Techniques Used in the Cost, Sales Comparison & Income Approaches. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *Lowman: Let's Review The Methods and Techniques Used in the Cost, Sales Comparison & Income Approaches*

The Commission reviewed the course application submitted by Lowman & Co. for Let's Review the Methods and Techniques Used in the Cost, Sales Comparison & Income Approaches. A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to approve the course. Motion carried unanimously.

- *OREP Education Network: How to Raise Appraisal Quality and Minimize Risk*

The Commission reviewed the course application submitted by OREP Education Network for How to Raise Appraisal Quality and Minimize Risk. A motion was made by Ann Nunn Jones and seconded by Boyd Harris to approve the course. Motion carried unanimously.

- *ASFMRA: Basic Appraisal Principles*

The Commission reviewed the course application submitted by American Society of Farm Managers and Rural Appraisers for Basic Appraisal Principles. A motion was made by Julie Molendorp and seconded by Ann Nunn Jones to approve the course. Motion carried unanimously.

Miscellaneous

- Ms. Beauchamp informed the Commission that the AMC rule has been filed. The intent is to start collecting fees during the 2018 renewal period. This was provided for informational purposes.
- Ms. Beauchamp informed the Commission that Trent Watson has replaced Pat Strader as the MAAC Lobbyist. In addition, Joseph Rose is no longer the president of MAAC. This was provided for informational purposes.
- The Commission discussed the upcoming MAAC presentation along with possible ideas/topics for the Commissions portion of the conference. This will be discussed further at the March 13, 2018 Commission meeting.

Closed Meeting

A motion was made by Ann Nunn Jones and seconded by Julie Molendorp to move to closed session per motion to close pursuant to section 610.021 subsection (14) and 324.001.8 and 324.001.9 RSMo for the purpose of discussing investigative reports and/or complaints and/or audits and/or other information pertaining to the licensee or applicant section 610.021 subsection (1) RSMo for the purpose of discussing general legal action, causes of action or litigation and any confidential or privileged communication between this agency and its attorney, and for the purpose of reviewing and approving closed meeting minutes of one or more previous meetings under the subsection 610.021 RSMo which authorizes this agency to go into closed session during those meetings. Mr. Knopf, Ms. Curls, Ms. Molendorp, Mr. Harris and Ms. Nunn Jones voted in favor of the motion.

Adjournment

A motion was made by Julie Molendorp and seconded by Boyd Harris to adjourn. Motion carried unanimously. The meeting was adjourned approximately 10:20 am on February 21, 2018. Ms. Curls was not present for this vote.

_____
Executive Director

Approved by Missouri Real Estate Appraisers Commission on _____

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	**Real Estate Appraisers - 0561**	**FY 2018 Actual**														**FY 2018 Projections**	
2	**FY 2018 Monthly Fund Balance Sheet**	**July**	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**	**Lapsed July**	**YTD Total**	**Projected**	**Remaining (Projected - YTD Total)**
3	**Beginning Fund Balance**	964,774.93	951,854.78	944,670.96	936,729.99	924,110.56	914,776.79	902,770.60	895,077.48	895,077.48	895,077.48	895,077.48	895,077.48	895,077.48			
4	Revenue	4,400.00	8,370.00	4,640.00	4,770.00	6,450.00	7,460.00	6,250.00							42,340.00	679,550.00	637,210.00
5	Revenue Adjustment														0.00	0.00	0.00
6	**Total Revenue**	**4,400.00**	**8,370.00**	**4,640.00**	**4,770.00**	**6,450.00**	**7,460.00**	**6,250.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**42,340.00**	**679,550.00**	**637,210.00**
7																	
8	**Appropriation Costs:**																
9						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Expense and Equipment														0.00	0.00	0.00
11	Personal Service and Per Diem														0.00	0.00	0.00
12	**Total Appropriation Costs**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
13																	
14	**PR Transfers (HB 7.530):**																
15	Rent		131.07		403.27		131.07	140.99							806.40	1,617.66	811.26
16	DIFP Department Cost Allocation			219.85	193.09										412.94	1,021.79	608.85
17	Licensee Refunds					410.00									410.00	2,000.00	1,590.00
18	Start-up Loan - Borrower's Expense														0.00	0.00	0.00
19																	
20	Division PR Transfer:																
21	Division-Wide Costs		936.41	1,600.67	1,023.89	853.50	981.01	812.30							6,207.78	15,826.72	9,618.94
22	Purchasing Staff		26.25	28.04	27.53	27.96	24.99	27.80							162.57	305.85	143.28
24	Legal Team		66.49	72.40	69.70	88.42	90.29	142.03							529.33	3,304.74	2,775.41
25	CRR		131.58	133.73	115.55	133.05	150.15	114.86							778.92	1,994.25	1,215.33
26	Board Specific:																
27	Expense/Equipment		1,359.20	1,044.95	934.47	3,028.34	8,629.36	886.01							15,882.33	205,009.50	189,127.17
28	Personal Services		6,011.13	5,861.39	6,092.64	5,821.09	5,814.84	6,089.84							35,690.93	75,353.08	39,662.15
29	Fringe Benefits		3,121.91	3,111.02	3,130.29	3,113.12	3,115.43	3,134.62							18,726.39	36,840.12	18,113.73
30	Technical Support Staff		146.89	149.73	155.81	145.54	152.73	133.38							884.08	1,775.79	891.71
31	Central Mail Processing		152.53	159.11	158.45	162.47	157.75	184.72							975.03	1,785.09	810.06
32	CIU Investigations		105.16	357.37	198.97	284.42	218.57	122.16							1,286.65	2,482.38	1,195.73
33	**Total Division PR Transfer**	**0.00**	**12,057.55**	**12,518.41**	**11,907.30**	**13,657.91**	**19,335.12**	**11,647.72**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**81,124.01**	**344,677.52**	**263,553.51**
34	**Total PR Transfers**	**0.00**	**12,188.62**	**12,738.26**	**12,503.66**	**14,067.91**	**19,466.19**	**11,788.71**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**82,753.35**	**349,316.97**	**266,563.62**
35																	
36	**GR Transfer (HB 7.535):**																
37	Attorney General		2,346.17		3,536.77	1,715.86		805.41							8,404.21	135,000.00	126,595.79
38	Administrative Hearing Comm.														0.00	20,000.00	20,000.00
39	**Total GR Transfer**	**0.00**	**2,346.17**	**0.00**	**3,536.77**	**1,715.86**	**0.00**	**805.41**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**8,404.21**	**155,000.00**	**146,595.79**
40																	
41	**Other Transfers:**																
42	Workers Compensation														0.00	0.00	0.00
43	Unemployment														0.00	0.00	0.00
44	Board Staff Fringe Benefits														0.00	0.00	0.00
45	Biennium Sweep														0.00	0.00	0.00
46	OA Cost Allocation Transfer	1,349.00			1,349.00			1,349.00							4,047.00	5,397.00	1,350.00
47																	
48	**FY 2017 Transfers Carried Over:**																
49	FY 2017 May/June PR Transfer	15,971.15													15,971.15	0.00	(15,971.15)
50	FY 2017 July Lapse PR Transfer														0.00	0.00	0.00
51	FY 2017 PR Transfer Adjustment			(157.29)											(157.29)	0.00	157.29
52	FY 2017 Final Rent Transfer Adj		0.37												0.37	0.00	(0.37)
53	FY 2017 DIFP Transfer Adjustment														0.00	0.00	0.00
54	FY 2017 AG - June		1,018.66												1,018.66	0.00	(1,018.66)
55	FY 2017 AHC - June														0.00	0.00	0.00
56	**Total FY 2017 Transfers Carried Over**	**15,971.15**	**1,019.03**	**(157.29)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**16,832.89**	**0.00**	**(16,832.89)**
57	**Total Transfers**	**17,320.15**	**15,553.82**	**12,580.97**	**17,389.43**	**15,783.77**	**19,466.19**	**13,943.12**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**112,037.45**	**509,713.97**	**397,676.52**
58	**Total Appropriation Costs and Transfers**	**17,320.15**	**15,553.82**	**12,580.97**	**17,389.43**	**15,783.77**	**19,466.19**	**13,943.12**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**112,037.45**	**509,713.97**	**397,676.52**
59	**Ending Fund Balance**	**951,854.78**	**944,670.96**	**936,729.99**	**924,110.56**	**914,776.79**	**902,770.60**	**895,077.48**	**895,077.48**	**895,077.48**	**895,077.48**	**895,077.48**	**895,077.48**	**895,077.48**			

MAAC Ideas/comments submitted by Boyd

Sun 2/25/2018 5:19 PM

I was working on materials for another class I am supposed to help teach and he wanted me to focus on the report writing and compliance aspects of the process. As I worked on that, it occurred to me that that may be how to address the other matter that we were looking at with regard to VLF for farm appraisals, etc. They sort of all started coming together.

My question is; is there a complaint that we have that has a glaring example in a complaint that we could use; of course we would have to retype/redact/sterilize to make it useable. Or, at least use it among ourselves to reproduce a classroom example? I just thought a real life example to work with to make an example would be easier than trying to invent a train wreck.

Sun 2/25/2018 5:19 PM

My thoughts on this are on the order of addressing our Scope of Practice rule, Scope of Work. and the first page of Standard 2 in USPAP, on page 20. From there, it may just turn into a pared-down report writing seminar, beefed up with statutes, etc. to specifically address why what is being done is right or how it would have to be "supplemented" to make it compliant, if it could be done

Mon 2/26/2018 9:49 AM

Below is a rough outline that perhaps, if it makes sense to you, you could share with the others, have them provide thoughts, things they think should be worked in, and maybe we can build from there and each do a portion as they want.

Fundamentals, Forms and Flaws

A Review of Who Can Do What, How and How Not To

1. Start with Review of 339.501, with focus on 501.5 (1-5)
2. Review 20 CSR 2245-9 Section 3
    - Break this down to highlight Sections A and C
    - Detail breakdown of Section B, Res. Cert/terms/allowed properties with discussion of implied sizes, property types, income elements, HBU analysis, etc.

   (I have a more detailed breakdown outlined in my notes)
3. Review SR1 and SR2, particularly the opening lines of each section. Especially in Standard 2 where is talks about not specifying a form but that the format must be compliant. In particular the part about need to supplement a form to make it compliant
4. Perhaps take an example of a VLF used to do a farm property and then work through it as to where it is deficient and what would have to be done to make it compliant. Basically do this by walking through SR 1 and 2 to match up where a form might be sufficient and where it would be deficient.
5. Perhaps pull some slides/info from a Report Writing class and work them in.

AARO 2018 Spring Conference Draft Agenda- as of 2/14/18

Friday, May 4

12:00p – 4:00p Registration

1:00p – 3:00 p
Opening Remarks
Dee Sharp, AARO President Elect
& Ambassador to Seattle
Craig Steinley, AARO President
ASC & TAF Updates
ASC – Jim Park
TAF – Dave Bunton
AQB
ASB

3:00p – 3:15p – Break

3:15p – 4:30p
General Session – Appraisal Threshold Levels, Exemptions & Waivers
TBD – Fannie Mae
James Murrett, Appraisal Institute
Sharon Whitaker, American Bankers Association

6:00p – 8:00p **Welcome Reception**

Saturday, May 5

8:00a – 4:00p Registration

7:45a- 8:30a Continental Breakfast

8:30a- 12:00p- 2 Tracks Offered
1. **Investigator Training & Case Studies (Closed to Investigators only)**
2. **Regulator Training Course (Open to all registered attendees)**

Saturday, cont'd

10:15a – 10:30a – Break

12:00 – 1:30p Lunch – On your own

1:30p – 2:45p
Round Robin – 1st Cycle
2 Round Robin Topics will be repeated, presenters will move, attendees stay
Topic 1: ASC – Policy Statements and Best Practices
Topic 2: AQB – Implementation of the Fourth Exposure Draft

2:45p – 3:00p Break

3:00p – 4:15p
Round Robin – 2nd Cycle

5:00p- 9:00p **Optional off-site Activity – TBD**

Sunday, May 6

8:00a – 3:00p Registration

7:45a- 8:30a Continental Breakfast

8:30a – 9:25a **Committee Meetings**
Policy & Planning
Program
Budget & Finance
Communications
Nominating

9:35a– 10:30a **Advisory Council Meetings**
Appraiser Qualifications
USPAP
ASC
Professional Organizations
AMC Organizations
Past Presidents

DRAFT

AARO Spring 2018
Tentative Agenda- as of 2-14-18
Page 2

Sunday, cont'd

10:30a – 10:45a – Break

10:45a – 12:00p
General Session – Looking to the Future of Appraiser Experience – Is It Already Here?
Luke Tomaszewski, eValuation, Inc.
TBD, Appraisal Institute
Sherry Bren, South Dakota

12:00p – 1:15p Lunch – Provided

1:30p – 3:00p
General Session – Potential Best Practices for Regulators and AMCs Regarding Compliance with AMC Registry Fees
Douglas Oldmixon, Texas
TBD – Second Panelist
TBD – Third Panelist

3:15p – 4:30p
Board of Directors Meeting

DRAFT

Beauchamp, Vanessa

From: Magdalene Vasquez
Sent: Tuesday, February 27, 2018 11:38 AM
To: Magdalene Vasquez
Subject: AQB Adopts New Real Property Appraiser Qualification Criteria

Appraiser Qualifications Board Adopts

New *Real Property Appraiser Qualification Criteria*

At its public meeting on February 1, 2018, the Appraiser Qualifications Board (AQB) adopted new *Criteria* requirements. These *Criteria* go into effect May 1, 2018.

In the coming months, the AQB will issue additional guidance on the new requirements in the form of Q&As, a new Guide Note 10 (on in-lieu of college degree requirements), a presentation on May 5, 2018 at the Association of Appraiser Regulatory Officials Conference, and a short PowerPoint webinar summarizing the changes.

In the meantime, if you would like to review a summary of the changes, click here: https://appraisalfoundation.sharefile.com/d-s40e607fb0d64915a

To review the new *Criteria* language, click here: https://appraisalfoundation.sharefile.com/d-sd012395690d48e1b

An updated *Criteria* booklet will be available soon.

As a reminder, your state cannot implement these requirements any sooner than May 1, 2018.

If you have any questions or additional comments, please email **magdalene@appraisalfoundation.org**.

Morrow, Patty

From: Beauchamp, Vanessa
Sent: Monday, February 05, 2018 12:10 PM
To: Morrow, Patty
Subject: FW: AQB Qualification changes as of May 1, 2018.

For next meeting

From: Randall C Bryson SRA, AI-RRS [
Sent: Monday, February 05, 2018 12:13 PM
To: Ann Nunn; 'Boyd Harris'; Beauchamp, Vanessa
Subject: AQB Qualification changes as of May 1, 2018.

Members of the Missouri Real Estate Appraiser Commission,

The AQB & ASB has spent three years considering changes to Appraiser Qualifications Criteria. It seems public comment has been split on several items of consideration. While I submitted comment in support of the changes I do see both sides. I am concerned that some of the negative feedback might not be from the industry that is working in the field. As most of us know, the average age of an appraiser across the county is not getting any lower.

I have two staff appraisers in the upper 50s and I am 64 years of age. The industry will have to find other ways to survive if there are not enough qualified appraisers to provide services. I have been active in the field for 38 years now and still enjoy the business and process. I do see qualified people wanting to get into the appraisal business but the minimum requirements and the low income levels for a new trainee is preventing the industry from growing and potentially surviving.

The number of appraisal class room hours gives a trainee the tools and knowledge to get started. While experience I the best teacher anything over 12 months is not necessary. The industry in large part will not accept the trainee signing on the left side. The secondary market is clear that this is acceptable as long as the supervisor signs. The larger players in the market (AMCs) are setting a higher standard. This reduces an Owner's interest in taking on a trainee for two years before he or she can be out on their own when in most cases, they are well qualified at a year to be making inspections.

I encourage the Commission to adopt the changes the AQB has made which will be taking place May 1, 2018.

Sincerely,

Randall C Bryson SRA, AI-RRS

Associated Property Analysts, Inc
209 E Green Meadows Rd. Ste E
Columbia, MO 65203

APPRAISER QUALIFICATIONS BOARD
THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

REAL PROPERTY APPRAISER QUALIFICATION CRITERIA
Summary of Changes

Effective May 1, 2018

The Appraiser Qualifications Board of The Appraisal Foundation establishes the *minimum* qualifications for real property appraisers in the United States. These qualifications can be found in the *Real Property Appraiser Qualification Criteria*.

To become a real property appraiser, candidates must obtain qualifying education hours, and, as applicable, obtain college-level education and experience hours, and successfully pass the National Uniform Licensing and Certification Examination. The following is a summary of changes to the Criteria effective May 1, 2018. Because state appraiser regulatory agencies are only required to adopt *minimum* AQB *Criteria*, it is **crucial** that candidates contact their state to determine if the state intends to adopt any or all of these changes, and if so, when the changes may go into effect.

College-Level Education		
	PREVIOUS **January 1, 2015 – April 30, 2018**	**NEW** **May 1, 2018**
Licensed Residential	30 Semester Hours of College-Level Education	No College-Level Education Required
Certified Residential	Bachelor's Degree or Higher	(See Chart of Options on Next Page)

College Level Education for Certified Residential					
Option #1	**Option #2**	**Option #3**	**Option #4**	**Option #5**	**Option #6**
Bachelor's Degree in any field of study	Associates Degree in a field of study related to: • *Business Administration* • *Accounting* • *Finance* • *Economics*; or • *Real Estate*	Successful completion of 30 semester hours of college-level courses in **each** of the following specific topic areas: • *English Composition* (3 hours) • *Microeconomics* (3 hours) • *Macroeconomics* (3 hours) • *Finance* (3 hours) • *Algebra, Geometry,* or *Higher Math* (3 hours) • *Statistics* (3 hours) • *Computer Science* (3 hours) • *Business Law* or *Real Estate Law* (3 hours) • Two elective courses in any of the above topics, or in *Accounting*, *Geography*, *Agricultural Economics*, *Business Management*, or *Real Estate* (3 hours each)	Successful completion of at least 30 hours of College Level Examination Program® (CLEP®) examinations that cover each of the specific topic areas in Option #3 (see Equivalency Table on next page).	Any combination of Option #3 and Option #4 that includes all of the topics identified	No college-level education required. This option applies only to appraisers who **have held** a Licensed Residential credential for a minimum of five (5) years ***and*** have no record of any adverse, final, and non-appealable disciplinary action affecting the Licensed Residential appraiser's legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential credential.

Equivalency Table		
CLEP Exams	**CLEP Semester Hours Granted**	**Applicable College Courses**
College Algebra	3	*Algebra, Geometry, Statistics, or higher mathematics*
College Composition	6	*English Composition*
College Composition Modular	3	*English Composition*
College Mathematics	6	*Algebra, Geometry, Statistics, or higher mathematics*
Principles of Macroeconomics	3	*Macroeconomics **or** Finance*
Principles of Microeconomics	3	*Microeconomics **or** Finance*
Introductory Business Law	3	*Business Law or Real Estate Law*
Computer Science	3	*Information Systems*

Experience		
	Pre April 30, 2018	**Effective May 1, 2018**
Licensed Residential	2,000 hours in no fewer than twelve (12) months	1,000 hours in no fewer than six (6) months
Certified Residential	2,500 hours in no fewer than twenty-four (24) months	1,500 hours in no fewer than twelve (12) months
Certified General	3,000 hours in no fewer than thirty (30) months, of which one thousand five hundred (1,500) hours must be in non-residential appraisal work	3,000 hours in no fewer than eighteen (18) months, of which one thousand five hundred (1,500) hours must be in non-residential appraisal work

COURSE APPROVAL PROGRAM – MISSOURI REAL ESTATE APPRAISERS COMMISSION

APPLICATION FOR: n/a **INITIAL COURSE APPROVAL** X **RENEWAL**

There is a $25 fee per course for Continuing Education Course Approval. In addition, there is a $10 fee per course for Continuing Education Course Renewal.

INSTRUCTIONS: The course owner must use this application form when applying for course approval through the **State of Missouri**. *A SEPARATE APPLICATION FORM MUST BE FILED FOR EACH COURSE SUBMITTED FOR APPROVAL*. All items on the form must be completed (enter "N/A" for any item that is not applicable) and all required attachments must be submitted with the application.

1. Name of Applicant (School): Champions School of Real Estate, LTD.
2. Mailing Address: 5627 Cypress Creek Parkway, Houston, TX 77069
3. Contact Person: Rita D. Santamaria
4. Phone: 800-284-1525 Fax: 281-587-9602
5. Website: ChampionsSchool.com Email: Rita@ChampionsSchool.com
6. Course Title and Number: 2018-2019 7-Hour Equivalent USPAP Update Course
7. Number of Classroom Hours: 7 Number of Exam Hours: n/a
8. Course Category: n/a Qualifying Education X Continuing Education n/a Both
9. Indicate the level of the licensure/certification this course would meet:
   X All n/a State License n/a Certified Residential n/a Certified General
10. Indicate the pre license requirement for this course would meet:
    n/a Principles X USPAP n/a Income n/a Elective
11. Instructor(s): Will P. Harris & Jasmine Quinerly
12. Method of Presentation: n/a Traditional Classroom n/a Correspondence X Internet
    n/a Video Tape n/a Remote TV n/a Computer
13. Owner of Course Materials: Hondros Learning
14. Required Attachments:

For Qualifying Education Only: Please submit a copy of the contract between the course owner and course provider.

Fee: As Indicated Above

Course Materials:
- Course Description
- Detailed Course Outline
- Learning Objectives
- Final Exam and Answer Key (This is not required for the Continuing Education Application)

Policies Covering:
- Instructor Qualifications
- Attendance

Miscellaneous:
- Course Schedule
- Copy of Completion Certificate
- Instructor's Resume/Bio

The number one credential for quality instructional design and delivery of distance education courses offered for professional education.

Administrative Information

Course Title: 2018-2019 7-Hour Equivalent USPAP Course
Course Number: 7277
Certified: 01/22/2018
Expires: 12/31/2019
Status: Approved
Industry(ies): Appraisal

Provider: Champions School of Real Estate
Address: 5627 Cypress Creek Parkway
Houston, Texas 77069
Phone: 281-893-4484; **Fax:** 281-587-9602
Contact: Rita Santamaria <Rita@Championsschool.com>

Course Information

Provider Type: Secondary Provider
Delivery Method: Internet
Final Exam: Yes
Proctored Exam: No
***Clock Hours:** 7
†Clock Hour Enforcement Mechanism: No
Difficulty Rating:

Description: The core of this course focuses on the 2018-2019 Uniform Standards of Professional Appraisal Practice updates as set forth by the Appraisal Standards Board of The Appraisal Foundation. Also included are issues that appraisers face in their daily appraisal assignments, as well as common USPAP violations.

Course Notes:

Instructors: Jasmine C. Quinerly (CDEI)
Timothy L Detty (CDEI)
Will P Harris (CDEI)

**Course Approval Information

This course may not be approved in any jurisdiction or the provider has chosen not to include which jurisdictions the course is approved in.

Disclaimers

* Professional reviewers have determined that the amount of content to be presented in this course, as specified in the provider's timed outline, should take the stated time to complete. This certification does not suggest the course will take the hours listed if implemented into a distance education learning system that uses an inferior instructional design. In addition, IDECC does not guarantee or audit the performance of classroom instructors to ensure the appropriate clock hours of instruction are presented to students.

** Regarding course approval information, the course provider may list here the jurisdictions that have approved this course for professional credit. Information in regard to jurisdictional course approval is not maintained by IDECC but by course providers. If no jurisdictions appear in the course approval area, the provider may not yet be approved by a regulatory agency to offer the course. Please contact the provider if you have a question in regard to course approval information.

† A "Clock Hour Enforcement Mechanism" is course feature that mandates students spend X amount of time in the course. This mechanism is not required for certification but is required in certain jurisdictions. The absence of a clock hour enforcement mechanism does not compromise certification and the typical student taking the course can still be expected to take the appropriate amount of time to complete the course.

The number one credential for quality instructional design and delivery of distance education courses offered for professional education.

Administrative Information

Course Title: 2018-2019 7-Hour Equivalent USPAP Course
Course Number: 7232
Certified: 12/21/2017
Expires: 12/31/2019
Status: Approved
Industry(ies): Appraisal

Provider: Hondros Learning
Address: 4141 Executive Parkway
Westerville, Ohio 43081
Phone: 614-508-7212; **Fax:** 614-508-7280
Contact: Nancy Johnson <njohnson@hondros.com>

Course Information

Provider Type: Primary Provider
Delivery Method: Internet
Final Exam: Yes
Proctored Exam: No
***Clock Hours:** 7
†Clock Hour Enforcement Mechanism: No
Difficulty Rating:

Description: The core of this course focuses on the 2018-2019 Uniform Standards of Professional Appraisal Practice updates as set forth by the Appraisal Standards Board of The Appraisal Foundation. Also included are issues that appraisers face in their daily appraisal assignments, as well as common USPAP violations.

Course Notes:

Instructors: *Use Secondary Provider*

**Course Approval Information

This course may not be approved in any jurisdiction or the provider has chosen not to include which jurisdictions the course is approved in.

Disclaimers

* Professional reviewers have determined that the amount of content to be presented in this course, as specified in the provider's timed outline, should take the stated time to complete. This certification does not suggest the course will take the hours listed if implemented into a distance education learning system that uses an inferior instructional design. In addition, IDECC does not guarantee or audit the performance of classroom instructors to ensure the appropriate clock hours of instruction are presented to students.

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† A "Clock Hour Enforcement Mechanism" is course feature that mandates students spend X amount of time in the course. This mechanism is not required for certification but is required in certain jurisdictions. The absence of a clock hour enforcement mechanism does not compromise certification and the typical student taking the course can still be expected to take the appropriate amount of time to complete the course.

AQB Approved Course

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Sent Via Email to: jwilson@hondros.com

QE	CE/E	CE
		7

Wednesday, February 14, 2018

Mr. John Wilson
Hondros Learning
4140 Executive Parkway
Westerville, OH 43081

Dear Mr. Wilson:

We are pleased to inform you that your course has been approved under the Course Approval Program of the Appraiser Qualifications Board (AQB) of The Appraisal Foundation.

Course Provider:	Hondros Learning, LLC
Course Title:	2018-19 7-Hour Equivalent USPAP Update Course
Instructional Hours:	7.00
Exam Hours:	
Total Hours:	7.00
Delivery Method:	Asynchronous Internet (Distance)
Approval Start Date:	2/14/2018
Approval End Date:	12/31/2019

The overall content of this course has been determined to be in compliance with the education criteria established by the AQB. Approval does not mean that every statement or item within the course has been checked for accuracy. Opinions set forth in the course material or by instructors do not necessarily reflect the viewpoint of the AQB or The Appraisal Foundation. Neither the AQB nor The Appraisal Foundation is responsible for any errors, omissions, or misstatements in the course material or by instructors.

Prior to renewal of this course please review the AQB Course Approval Program Policies and Procedures Manual.

Please feel free to contact us if you have any questions or if we can be of further assistance.

Sincerely,

Appraiser Qualifications Board

Appraiser Qualifications Board

INSTRUCTOR APPLICATION

Instructor Approval Requested for: n/a Pre-License x Continuing Education
x Renewal n/a Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
(All applications must be accompanied by a full resume/bio)

2. Name of instructor: Will P. Harris

Mailing Address: 5627 Cypress Creek Parkway, Houston, TX 77069

Business Phone: 281-893-4484

Business Fax: 713-627-3436

3. Name and address of school/organization for whom you will instruct:
Champions School of Real Estate, LTD.
5627 Cypress Creek Parkway
Houston, TX 77069

School/Organization: Champions School of Real Estate, LTD.

4. Title of program/course or portion of program/course to be taught by the instructor:
Real Estate Appraisal / Pre-License / Continuing Education

5. Which portion(s) to be taught by the instructor?_____
All

Total Hours: Seven

Pre License Hours: n/a Continuing Education Hours: 7

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
Yes ◯ **No** ◉ (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Real Estate Appraisers Commission?
Yes ◯ **No** ◉ (If "Yes", attach explanation)

8. Education:

School	From Month	From Year	To Month	To Year	Degree Earned	Subject Matter
Southwest Texas State University (now TX State Uni.)	9	1970	12	1974	BBA Management	Management
The Appraisal Foundation	3	2012	current	current	AQB Certified USPAP Instructor	Appraisal
Texas Certified Real Estate Appraiser	2	1991	current	current	Texas Certified Real Estate Appraiser	Appraisal

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From Month	From Year	To Month	To Year	Subjects Taught
Champions School of Real Estate	1	2015	current	current	Appraisal
The Appraisal Foundation	3	2012	current	current	AQB Certified USPAP Instructor
TREC Appraisal & Real Estate Instructor	8	2006	current	current	Texas Real Estate Core/CE Instructor
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From Month	From Year	To Month	To Year
Champions School of Real Estate	Director, Champions Appraisal School	1	2015	current	current
Will Harris Appraisal, Review, Consulting	Owner	1	2005	12	2015
Washington Mutual Bank	Regional Mgr Appraisal Dept	5	1998	12	2004
Home Savings/Savings of America	Appraisal Reviewer	10	1993	4	1998
Bill Jackson & Associates	Real Estate Appraiser	3	1992	9	1993

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

Sylvia Brisk

(Signature of Appraiser Education Administrator)

2/15/18

(Date)

WILL HARRIS

Will@ChampionsSchool.com

OBJECTIVE

Organizational Management, Team Leadership, Adult Education

SUMMARY

Extensive experience in residential real estate appraisal, training and review. Demonstrated leadership, with 3,000+ vendors and staff, over Texas, Oklahoma, Arkansas, and Louisiana. Streamlined the communications and response methods with all business customers, to handle four different business channels under a single management team. Spearheaded training and implementation of state-of-the-industry business practices, including risk screening formats and work-flow methodologies. Increased productivity and decreased turnaround time while improving morale and saving jobs. Resulting targeted services reduced the cost to the company and the customer. Managed largest region in the nation, with one of the top five national banks. Department achieved annual billings of approx. $5,600,000. Career achievements are a mirror of personal characteristics: a willingness to step up and lead, a man of action, an independent thinker, who is loyal to the team, and enjoys helping others.

SKILLS

+ Texas State Certified Real Estate Appraiser.
+ Texas Approved Instructor for Real Estate Appraisal and Agent/Broker courses.
+ Prior "Instructor of the Year" for Champions School of Real Estate, a top real estate school in the United States.
+ BBA and graduate work in business organizational management.
+ Communication and negotiation skills to work with difficult people.
+ Limited Conversational Spanish.
+ Over ten years experience, including corporate multi-department management, review, risk assessment, and individual customer service.
+ Directed lease and sale of warehouse, small office building, investment land, and aircraft.

PROFESSIONAL EXPERIENCE

CHAMPIONS SCHOOL OF REAL ESTATE **AUGUST 2006 – PRESENT**

Director, Champions Appraisal School, January 2015 - Present

- Teach real estate appraisal and agent/broker courses for state licensure, and continuing education. Appraisal Courses include Market Analysis and Highest and Best Use, Sales Comparison and Income Approaches, Site Valuation and Cost Approach, Advanced Residential Applications and Case Studies, Appraisal Principles, Appraisal Procedures, and State Exam Preparation.
- Trained and mentored real estate appraisal trainees, and working appraisers. Teach state required practical experience, in daily operations and efficiencies.

WILL HARRIS REAL ESTATE APPRAISAL, REVIEW, RESEARCH, & TRAINING

Residential Appraiser, Owner / Operator: **AUGUST 2007 – PRESENT**

- Research commercial real estate markets and marketability. Gathering, summarizing and analyzing data, including demographics, local trends, traffic counts, traffic flow, competition, etc. Strictly confidential client relationships.
- Appraise all types of residential real estate including single family, condominiums, 2-4 unit investment properties, and manufactured homes. Counsel prospective clients and refer for appropriate services. Coordinate with lenders, individuals, title companies, brokers and attorneys. Prepare appraisal reports used for title policy claims, legal disputes, and pricing and sales negotiations. Confidential client relationships.
- Residential real estate appraisal review and risk assessment.
- Train and mentor real estate appraisal trainees and working appraisers. Teach state required practical experience in the daily operations and efficiencies of production appraisers.

FIDELITY INFORMATION SYSTEMS – HANSEN QUALITY DIVISION **SEPT 2006 – JULY 2007**
Collateral Risk Analyst:

- Analyze loan/appraisal risk for acquisition and securitization, from every state in the United States.
- Equity Valuation with Appraiser Assisted Automated Valuation Model (AAAVM).

WILL HARRIS REAL ESTATE APPRAISAL, REVIEW & RESEARCH **NOV 2004 – AUGUST 2006**
Owner / Operator:

- Research commercial real estate markets and marketability. Gathering, summarizing and analyzing data, including competition, local trends, demographics, traffic counts, traffic flow, etc. Strictly confidential client relationships.
- Perform appraisal risk reviews for acquisition and securitization, real estate owned (REO), and servicing of real estate mortgages; from almost every state in the United States.
- Review residential real estate appraisals and perform risk assessments.

WASHINGTON MUTUAL BANK & HOME SAVINGS OF AMERICA, TEXAS REGION **OCTOBER 1993 –NOV 2004**
Regional Appraisal Manager:

Led team of 18 responsible for the valuation of loan collateral, for retail bank loans, wholesale home loans, and specialty lending (sub-prime), for the Texas, Oklahoma, Louisiana, and Arkansas region.

- Cultivate frequent and close communication with in-house staff and outside vendors, on valuation standards and policies, and assisting in sales in a highly dynamic market.
- Responsible for all facets of the Collateral Valuation group.
- Educate and update 3,000+ staff and vendors on the company-specific needs and standards, and motivate compliance with production timing.

Senior Staff Appraisal Reviewer:

Assured investors, in company stock and mutual funds, that the collateral supported the investments.

- Completed risk assessments and full reviews on residential loan collateral.
- Dealt with appraisers to resolve issues with reporting, policy, law and liability.
- Initiated development and implementation of a resource specifying preferred external service providers; enabling company and customers to identify high quality and cost effective services.

- - PRIOR - -

COMMERCIAL BROKERS INC., CONROE, TX
Broker / Research & Sales / Corporate President
Strengthened corporate industry and community image. Worked closely with board of directors to redesign the corporate structure, and launched profit centers. Implemented the company's first asset marketing, and designed the first integrated marketing materials. Lead real estate investment research including investment land value and characteristics, property management, and development-construction planning.

COMMERCIAL REAL ESTATE LEASING, THE WOODLANDS, TX
Leasing agent for office, retail, warehouse, and service projects. Negotiated commercial leases and sales. Leased difficult/unique properties faster than typical, against larger and dominant corporate departments.

EDUCATION

B.B.A. and graduate work in business organizational management, Texas State University.
Texas Certified Real Estate Appraiser and former Commercial Broker.
USPAP Instructor, The Appraisal Foundation
Licensed Pilot, Commercial, Multi-Engine, Instrument, (non-current).
Former Senior Instructor Pilot (CFII&ME), Top Secret Security Clearance.

Course Completion Certificate

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

2018-2019 USPAP
Instructor Recertification Course

Will Harris

Name

5627 Cypress Creek Parkway, Houston, TX 77069

Address

has successfully completed the

USPAP Instructor Recertification Course 2018-2019

on

11/19/2017

Completion Date

This course is mandated and sponsored by:
The Appraisal Foundation
1155 15th Street, NW
Suite 1111
Washington, DC 20005

Note: The Instructor Recertification Course (IRC) cannot be approved for state education credit.

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD

AQB Certified USPAP Instructor Certificate

Your AQB Certified USPAP Instructor Recertification has been successfully processed by The Appraisal Foundation. Please print this email and maintain this document as your official recertification notification. Document your Instructor ID number below. This receipt also includes your recertification effective and expiration dates as an AQB Certified USPAP Instructor.

Will Harris
24100 Glen Loch Dr. The Woodlands, TX 77380 UNITED STATES
Will@ChampionsSchool.com

Instructor ID #: 45005
Certification Effective Date[1]: 12/02/15
Expiration Date: 03/31/2018

[1] Represents the official date the AQB Certified USPAP Instructor is authorized to teach the 2016-2017 National USPAP Courses.

As a reminder, by completing the Instructor Recertification Course (IRC), the USPAP Instructor agrees to adhere to the terms and conditions contained within the Performance Agreement along with the Policies and Procedures.

Please visit www.appraisalfoundation.org and sign in to your Foundation Account to update your personal and professional information when necessary.

Wayne R. Miller, Chair
Appraiser Qualifications Board

Certified Distance Education Instructor

On behalf of the International Distance Education Certification Center, congratulations on becoming a Certified Distance Education Instructor™. We hope you enjoyed the courses and gained much from the experience.

Will Harris

5627 Cypress Creek Parkway
Houston, TX 77069
United States
Email: Will@championsschool.com

CDEI ID: 68281

Certification Earned: December 11, 2017

Expiration Date: December 11, 2020

You are now certified for the next three years and you may use the CDEI™ logo on your business cards, letterhead, website, or other promotional material. You will receive an official certificate with your verification ID in the mail within the next few weeks. The certificate will be mailed to the address above; if your address is not correct, please update it by logging into the CDEI Portal.

You or others may verify certification at www.idecc.org. You may also login to the CDEI Portal to update your contact information, access certificates, logos and badges and view future renewal information.

Toward the end of your certification period, we'll send you more information on renewing the certification.

Thank you again for participating and becoming a Certified Distance Education Instructor™. Please contact our staff if you have questions.

Sincerely,

IDECC CDEI™ Support Team

International Distance Education Certification Center (IDECC™)
150 North Wacker Drive, Suite 920
Chicago, Illinois 60606
Phone:+1 312-300-4800

IDECC and the IDECC and CDEI Logos are registered trademarks of the Association of Real Estate License Law Officials.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: n/a Pre-License x Continuing Education
x Renewal n/a Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Jasmine Coleman Quinerly

   Mailing Address: 5819 Arbor Street

   Business Phone: 713-851-2660

   Business Fax: 713-522-7862

3. Name and address of school/organization for whom you will instruct:
   Champions School of Real Estate, LTD.
   5627 Cypress Creek Parkway
   Houston, TX 77069

   School/Organization: Champions School of Real Estate, LTD.

4. Title of program/course or portion of program/course to be taught by the instructor:
   Real Estate Appraisal / Pre-License / Continuing Education

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: Seven

   Pre License Hours: n/a Continuing Education Hours: 7

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes ○ **No** ● (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Real Estate Appraisers Commission?
   Yes ○ **No** ● (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
Certified Distance Education Instructor	Jan	2012	current	current	CDEI	Online Courses
The Appraisal Foundation	Jan	1985	current	current	AQB Certified USPAP Instructor	Appraisal
Morgan State University	Feb	1973	June	1999	B.S.	Biological Research

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From Month	From Year	To Month	To Year	Subjects Taught
Champions School of Real Estate	Feb	2006	current	current	Approval for all Core and CE
National Society Real Estate Appraisers	April	1980	current	current	Approval for all Core and CE
Robinson School of RE	Jan	2000	Dec	2006	Approval for all Core and CE
Stewart RE School	March	1986	Dec	2000	Approval for all Core and CE
TX RE Commission	4	2005	current	current	Approval for all Core and CE

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From Month	From Year	To Month	To Year
Champions School of Real Estate	Instructor	Feb	2006	current	current
National Society Real Estate Appraisers	Instructor	April	1980	current	current
Robinson School of RE	Instructor	Jan	2000	Dec	2006
Stewart RE School	Instructor	March	1986	Dec	2000

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

Sylvia Brusle

(Signature of Appraiser Education Administrator)

2/15/18

(Date)

Jasmine Coleman Quinerly

3109 Arbor, Houston, TX 77004
M: 713 851-2660 O: 713 526-2253 E: Quinerly@sbcglobal.net

Summary

Since 1976, Jasmine C. Quinerly, CRA has been an independent Real Estate Broker and Appraiser. She has engaged exclusively in the appraisal review and appraisal of commercial, industrial, vacant land and residential property. She also has been involved in property management. Presently she is serving as fee appraiser for the City of Houston, Houston Metro, Federal Housing Administration, and Veterans Administration and numerous individual clienteles.

Experience

G.K. Coleman and Sons Real Estate and Appraisal Company 1976-present
Owner 3905 Dowling St. Houston, Tx 77004

Education

B. S. Degree Morgan State University, Baltimore, Maryland
Masters of Divinity, Houston Graduate School of Theology, Houston, Texas
State Certified General Real Estate Appraiser No: TX-1322840-G
HUD Chumbs NO. 6230
Uniform Standards of Professional Appraisers Instructor
Approved Texas Real Estate Commission Instructor
Certified International Distance Education Instructor
Real Estate Broker (1983-Present)
Property Manager (1976-Present)
Instructor National Society of Real Estate Appraisers (1995-Present)
Instructor Champions Real Estate School
Dale Carnegie Public Speaking, Houston, Texas

Professional Affiliation & Activities

Appraisal Foundation ASI National Examination Question Writer
Candidate Appraisal Institute of Real Estate Appraisers (1980-1994)
Candidate Independent Fee Appraisers (1981-1985)
Member National Society of Real Estate Appraiser, Houston Chapter National Society of Real Estate Appraisers (1983 -Present)
National Association of Real Estate Brokers, Houston Chapter
Texas Real Estate Teachers Association (1994- Present)
Houston Black Real Estate Association (1981-Present)
International Right of Way Association (2005-Present)
Senior Real Estate Specialist
Ordained Minister - United Church of Christ
Board of Directors - Back Bay Mission- Biloxi, Mississippi

Course Completion Certificate

Jasmine C Quinerly

Name

3819 Arbor Street, Houston, TX 77004

Address

has successfully completed the

USPAP Instructor Recertification Course 2018-2019

on

11/24/2017

Completion Date

This course is mandated and sponsored by:
The Appraisal Foundation
1155 15th Street, NW
Suite 1111
Washington, DC 20005

Note: The Instructor Recertification Course (IRC) cannot be approved for state education credit.

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD

AQB Certified USPAP Instructor Certificate

Your AQB Certified USPAP Instructor Recertification has been successfully processed by The Appraisal Foundation. Please print this email and maintain this document as your official recertification notification. Document your Instructor ID number below. This receipt also includes your recertification effective and expiration dates as an AQB Certified USPAP Instructor.

Jasmine Quinerly
3905 Dowling Street Houston, TX 77004 UNITED STATES
quinerly@sbcglobal.net
(713) 526-2253

Instructor ID #: 44913
Certification Effective Date[1]: 11/20/15
Expiration Date: 03/31/2018

[1] Represents the official date the AQB Certified USPAP Instructor is authorized to teach the 2016-2017 National USPAP Courses.

As a reminder, by completing the Instructor Recertification Course (IRC), the USPAP Instructor agrees to adhere to the terms and conditions contained within the Performance Agreement along with the Policies and Procedures.

Please visit www.appraisalfoundation.org and sign in to your Foundation Account to update your personal and professional information when necessary.

Wayne R. Miller

Wayne R. Miller, Chair
Appraiser Qualifications Board

cdei™
Certified Distance Education Instructor

On behalf of the International Distance Education Certification Center, congratulations on renewing your Certified Distance Education Instructor™ designation.

Jasmine Coleman Quinerly

3819Arbor St
Houston, TX 77004
United States
Phone: 713-526-2253
Phone2: 713-851-2660
Fax: 713-522-7862
Email: quinerly@sbcglobal.net

CDEI ID: 67739

Certification Earned: January 8, 2012

Old Expiration Date: January 8, 2018

New Expiration Date: January 8, 2021

You are now certified for an additional three years and you may use the CDEI™ logo on your business cards, letterhead, website, or other promotional material. You will receive an official certificate with your verification ID in the mail within the next few weeks. The certificate will be mailed to the address above; if your address is not correct, please update it by logging into the CDEI Portal. You or others may verify certification at www.idecc.org. You may also login to the CDEI Portal to update your contact information, access certificates, logos and badges and view future renewal information.

Toward the end of your certification period, we'll send you more information on renewing the certification.

Thank you again for participating and becoming a Certified Distance Education Instructor™. Please contact our staff if you have questions.

Sincerely,
IDECC CDEI™ Support Team

This is an automated message produced by idecc.org. Please DO NOT press "reply" in your email program to respond.

International Distance Education Certification Center (IDECC™)
150 North Wacker Drive, Suite 920
Chicago, Illinois 60606
Phone:+1 312-300-4800

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HONDROS LEARNING™

February 14th, 2018

To Whom It May Concern:

Hondros Learning gives permission to **Champions School of Real Estate** to offer the following AQB and IDECC approved **online** appraisal course:

2018-2019 7-Hour Equivalent USPAP Update Course

If you have any questions, please contact me at 614-508-7297 or email jthompson@hondros.com.

Thank you,

Jessica Thompson

Jessica Thompson
Hondros Learning

ENROLLMENT AGREEMENT

Name: <|fullname|>
Address: <|address|>
City/State/Zip: <|city-st-zip|>
Phones: Cell: <|cphone|>

Email: <|email|>
ALT: <|hphone|>

Student hereby agrees and understands that Student is responsible to pay for all courses, materials and/or other charges set forth herein. Student also agrees and understands that should any form of payment tendered by or on behalf of Student be denied, cancelled, disputed or otherwise not fully satisfy all charges for courses, materials and the like as detailed herein that Student will be responsible to pay any outstanding balance immediately upon notification by Champions School of Real Estate®.

Requirements for receiving course credit:

- ✓ Pay Tuition.
- ✓ Participate in class activities.
- ✓ Display Photo ID upon class entry.
- ✓ A student may not leave with course exams or scantrons.
- ✓ Conduct disruptive to the class will not be permitted.
- ✓ Champions has the right to expel anyone from class for disruptive behavior. No refund will be given.
- ✓ **Blended Classroom:** Students will not receive their certificate until they have passed their chapter quizzes and exam. Students may not have quizzes graded in advance, must be graded in class by the instructor. Students may not come in and out of the classroom. If a student misses between 1 to 5 hours of the class, they must make-up those hours before taking the exam. If they miss more than 5 hours of a course, they must retake the course. Classrooms are monitored electronically.
- ✓ Pass the final examination, which covers the applicable course. If the student should fail, the examination must be passed before credit may be given.

A student may not repeat the same QE or SAE course in a 2-year period. Champions is not liable for those students who duplicate previously taken QE, SAE or CE courses. It is also the student's responsibility to know how many hours they need.

School Policies and Fees:

Registering: You must register at least 1-full business day prior to any Champions class. There are not day-of-class registrations.

Tuition: Tuition for each course is pre-paid. A package must be paid in full at the time of registration to receive the package price. Any shipping cost are extra.

Textbook: **All textbooks are included in the class prices**. Additional textbooks can be purchased individually. There are not refunds on textbooks. Unauthorized reproduction of copyrighted material is a violation of copyright laws. Champions books are frequently updated, books older than 90 days will require a new book to be purchased.

Personal Items: Please turn off all cell phones before entering the classroom.
Please lock your car and put any valuable items in your trunk. Any theft is not the responsibility of Champions School of Real Estate®.

Attendance: All classes require full attendance to receive credit. NMLS, Appraisal, Designation, Real Estate and Inspector QE & CE students cannot miss any portion of a class. IF Designation class time is missed, student will be dropped and moved to the next class. IF a Qualifying class time is missed the student will be dropped and moved to the next course offering or can move to another delivery method course *(if available)*, the student must complete the entire course via elected method. Students in Inspector Labs an only miss up to 1 hour per 10-hour lab. (*Also see "Transfer Fee".)*

Make-Up Policy: When applicable, possible make-up attendance in the corresponding sessions in a subsequent offering of the same course, or transfer to a correspondence course (if available) may be considered. However, the student must understand if they fail the exam, they fail the class.

Make-Up Fee: A $10 per hour for time missed (1 hour – 5 hours).

Course Retake: Students misses more than 5 hours in a Real Estate QE or SAE class must repeat the entire course: $50 tuition fee. All classes must be completed within 90 days. (*If the textbook changes, student must purchase a new textbook.*)

Past 90 Days: Failure to complete the class with 90 days: the student must pay $50 to retake the entire qualifying course. (*If the textbook changes, student must purchase a new textbook.*)

Exam Proctoring: Proctored course exams are offered through ChampionsLive! with a 2-hour time limit. Should the student make to change the proctored exam appointment selected, the 1st appointment change is FREE. If the student makes a second appointment change, there is a $10 charge every time the student changes their appointment.

- Students who fail the course final exam 1 are required to retake the exam. The 2nd course exam is given at no charge. Students failing the 2nd course exam are required to retake the entire course.
- If the course exam is failed twice there is a $50 course retake fee.

Inspection Interactive Class: If the student fails the first and second test, there is no charge for testing. If the student fails the second exam, there is a $50 discounted tuition to retake the entire course.

Inspection Ride-Along: A student who gives notice of cancellation to the Ride-Along class 48 hours in advance, there is no charge. Notification 24-hours prior to the Ride-Along class, there is a $25 charge to change dates or cancel. Notification Day of class cancellation of the Ride-Along class, there is a $50 charge to change dates or cancel.

Champions Earbuds: Students may purchase Champions Earbuds for $3.00.

Failed State/National: Students who fail the State or National Exam 3 times, must retake a 30-hour Qualifying course for each exam failed. For a Champions' students the course retake fee is $25 for the entire course. Non-Champions student fee is $155.

Passing Score:

Real Estate & Inspection: A student must achieve a score of 70% or higher on the final to pass and receive credit for Real Estate and Inspector Qualifying Education (QE-SAE) & Continuing Education (CE) (as applicable).

- **Oklahoma RE CE** students must achieve a passing score of 80% or higher to obtain CE credit. Champions reports RE CE credit to OREC. Education must be completed during the current license.
- **Florida RE CE** students must achieve a passing score of 80% or higher for the 14-Hour CE course and 70% or higher for the 28-Hour Reactivation course. Champions reports RE CE credit to FREC.

RMLO: A student must achieve a score of 75% or higher on the final to pass and receive credit for the 20-Hour course. NLMS Students who do not pass **within a 48-hour** period will not receive credit towards the education requirements and may choose to re-enroll for the discounted rate of $110.

- Students who miss class time will be dropped from the SAFE course and will be charged $110 tuition to retake the RMLO course. If the student does not reschedule, there will be a $20 drop fee. This fee will be waived if rescheduled.
- All failed exams are subject to a $10 exam retake fee with a maximum of two retakes that must be done with 48-hours.
- A student taking an online SAFE course and would like to change to classroom will be charged a $25 per day auditing fee.

Appraisal (2018-2019 Years): A student must achieve a score of 70% or higher on the final to pass and receive credit for Appraisal AQE & ACE credit offered classroom or online delivery. A student must achieve a score of 74% or higher on the final to pass and receive **USPAP** credit.

- Students retaking a course due to not passing the final examination can do so at a 50% discount.
- Student who fails the 15-Hour USPAP exam in the classroom:
  - First Exam 1 and Second Exam 2 are free retakes.
  - Student fails third USPAP exam a $10 charge for proctoring Exam 3.
- If the USPAP exam is failed 3 times, there is a $100 course retake fee.

Certificates: Please keep all original certificates. There will be a $10 charge for each certificate duplicated. There is a $20 fee when seeking dual credit certificates for PMN Designations. Other course requirements may apply.

Transfer Fees: Students may switch to another delivery method for a $35 transfer fee: Blended to Online or ChampionsLive! or Online to Blended or ChampionsLive!. (*If the textbook changes, student must purchase a new textbook.*) **All courses are non-transferrable from one individual to another.**

Auditing Fee: A student may audit a course for $25 per day should you desire to sit through a course **without credit.**

Cancellation Fees: A $20 cancellation fee applies to each course (*Individual or multiple as part of packages*) if a student wishes to cancel their registration within a given time frame (*See "Refunds" for course time frame*). A $10 per hour charge applies for any classroom hours attended.

Refunds: Below is Champions School of Real Estate® policy regarding refunds for purchased courses and textbooks.

- ✓ All courses are refundable **WITHIN 5 DAYS** from date of purchase minus a $20 per course cancellation fee and cost of textbook. After the 5 days, courses are non-refundable. If a student starts any portion of the course or downloads any material for the course, the course in non-refundable.
- ✓ The Prep course in **Non-Refundable** once a student has picked up their textbook or attended any portion of the class.
- ✓ **I am waiving my rights to a PREP Refund by taking my materials today.** _____
- ✓ Students who have not taken their prep course or picked up the prep book will have 1-year from their first date to retake the prep.

Returned Checks: There will be a $35 charge on all returned checks. Champions will hold the student's certificate, not allowing the student to the credit from the course taken until payment is received.

Criminal History: Before you apply for a license in Texas, you can request that the Commission determine whether your moral character meets TREC's qualifications for honesty, trustworthiness, and integrity. If you have any criminal offenses, unpaid judgments, had discipline taken against a professional or occupational license, or have performed unlicensed activity you should consider requesting a Moral Character Determination Form (MCD-1). https://www.trec.texas.gov/sites/default/files/pdf-forms/MCD-1.pdf. Other State's may also require similar moral character determinations, verification with each State is recommended.

State Violations: A student should inform Champions School of Real Estate® if they are taking a course to fulfill a State's disciplinary violation, by not informing, Champions is not liable for a person who takes the wrong course.

Recording Devices: The use of any recording devices is prohibited by the authority of TREC & NMLS.

Copyright Rules: Any broadcasted material is intended for Champions training courses only. The unauthorized reproduction or distribution of this copyrighted work violates federal law and Champions reserves all right to seek monetary and injunctive relief.

Opt-In: By accepting this enrollment agreement, you are agreeing to receive marketing communications from Champions School of Real Estate®. Champions will never sell or otherwise disclose your personal information to any third part.

I have read and understand the student requirements and school policies:

<|counselor c|>

Career Counselor

<|initials c|>

<|date c|>

<|id-number|>

APPRAISAL STANDARDS BOARD
2017 SUMMARY OF ACTIONS RELATED TO USPAP CHANGES
February 23, 2017

On February 3, 2017, the Appraisal Standards Board (ASB) adopted modifications to the *Uniform Standards of Professional Appraisal Practice* (USPAP). This action began in earnest with the issuance of a Discussion Draft in January 2016, followed by three exposure drafts of proposed revisions to USPAP. Written comments were received in response to each document, and oral comments were provided at each of four public meetings. Each member of the ASB read and carefully considered every comment. The Board then developed a work plan to address the issues brought forward, and adopted revisions for the 2018-19 edition of USPAP.

The following changes were adopted by the Board in a public meeting on February 3, 2017, and will be incorporated in the 2018-19 edition of USPAP and associated guidance material with an effective date of January 1, 2018:

Revising the definition of Report and edits to the ETHICS RULE and RECORD KEEPING RULE

The Board adopted proposed revisions in the Third Exposure Draft to clarify the definition of Report, as well as edits to the ETHICS RULE and the RECORD KEEPING RULE applicable to the communication of assignment results. As put forth in the Third Exposure Draft, the Board did not adopt revisions related to communications of assignments results prior to the completion of the assignment other than the ethical and record keeping requirements that appear in that section. Although there was support for specifically addressing draft reports, the Board also learned that there were significant unintended consequences that might occur with the adoption of any such requirements.

Creating a definition of Assignment Conditions, revising the definitions of Assignment, Intended Use and Intended User, and related edits to the COMPETENCY RULE

The Board created a definition of Assignment Conditions, a term that had only been previously referenced in the SCOPE OF WORK RULE. The Board also adopted revisions intended to clarify the definitions of Assignment, Intended Use, and Intended User, as well as making related edits to the COMPETENCY RULE to clarify an appraiser's obligations prior to agreeing to perform an assignment. Although the Board did not revise the language "at the time of the assignment," the Board did receive comments expressing concern with its meaning. Therefore, in the near future the Board intends to issue guidance to assist in clarifying the intent of that terminology.

Removing the definition of Assumption and revising the definition of Extraordinary Assumption

The Board deleted the definition of Assumption, as its use is not intended to differ from the generally accepted meaning of the word. The Board also adopted a revised definition of Extraordinary Assumption, with administrative edits, in an effort to clarify that term and its applicability.

Revising the definition of Appraisal Review, and dividing STANDARD 3, *Appraisal Review*, into STANDARD 3, *Appraisal Review, Development* and STANDARD 4, *Appraisal Review, Reporting*

The Board adopted changes proposed in the Third Exposure Draft to edit the definition of Appraisal Review to include its use as an adjective. The Board also adopted the proposed revisions to divide STANDARD 3, *Appraisal Review*, into STANDARD 3, *Appraisal Review, Development* and STANDARD 4, *Appraisal Review, Reporting*. The edits are intended to improve consistency with the other development and reporting standards.

Dividing STANDARD 6, *Mass Appraisal*, into STANDARD 5, *Mass Appraisal, Development* and STANDARD 6, *Mass Appraisal, Reporting*

The Board adopted the changes proposed in the Third Exposure Draft to divide STANDARD 6, *Mass Appraisal*, into STANDARD 5, *Mass Appraisal, Development* and STANDARD 6, *Mass Appraisal, Reporting*. The edits are intended to create greater consistency among the other development and reporting standards. For example, the term "describe" used in the reporting requirement of a mass appraisal was changed to "summarize" to be more consistent with the requirements of an Appraisal Report.

Removing the term Market Value from STANDARDS 7 and 8

The Board adopted revisions to Standards Rules 7-2(c), 7-5, 8-2(a)(v), 8-2(a)(viii) and 8-2(b)(viii) as proposed in the Third Exposure Draft. The Board adopted removal of the term market value from the personal property development and reporting standards, in order to clarify that certain requirements are not limited to market value assignments but are required whenever necessary for credible assignment results.

Revision to the personal property certification requirements in Standards Rule 8-3

The Board adopted revisions to the personal property certification in Standards Rule 8-3 as proposed in the Third Exposure Draft, to allow personal property appraisers, in assignments involving different types of specialties, to sign the certification without making them accountable for the assignment results of items which they did not appraise.

Revision to illustration in Advisory Opinion 21, *USPAP Compliance*

The Board adopted the addition of a new graphic in Advisory Opinion 21, *USPAP Compliance,* as proposed in the Third Exposure Draft, and it will replace the chart *beneath* the longstanding "ovals." The new chart better illustrates the relationship between Valuation Services and Appraisal Practice.

Creation of Advisory Opinion 37, *Computer Assisted Valuation Tools*

The Board created Advisory Opinion 37, *Computer Assisted Valuation Tools*, as proposed in the Third Exposure Draft. The new Advisory Opinion addresses an appraiser's obligations when relying upon adjustments, trend analyses, or other information generated by software or various online services.

Revisions to Advisory Opinion 31, *Assignments Involving More than One Appraiser*

The Board adopted revisions to Advisory Opinion 31, *Assignments Involving More than One Appraiser*, as proposed in the Third Exposure Draft, to help clarify guidance related to significant appraisal assistance.

Revisions to Advisory Opinion 1, *Sales History*

The Board adopted revisions to Advisory Opinion 1, *Sales History*, as proposed in the Third Exposure Draft (with deletion of lines 1749-1752), to help clarify guidance related to an appraiser's proper analysis and reporting related to a subject property's prior and pending sales and current listings.

Revisions to Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*

The Board adopted revisions to Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, as proposed in the Third Exposure Draft, to reflect the adopted changes to STANDARDS 5 and 6.

Detailed Adopted Revisions

Please click here to see all of the above adopted changes in greater detail. You can also access the Discussion Draft, First Exposure Draft, Second Exposure Draft, and the Third Exposure Draft by clicking on them. If you are having issues accessing these documents, please contact Aida Dedajic, aida@appraisalfoundation.org. More information on the actions of the ASB can be found on The Appraisal Foundation's website www.appraisalfoundation.org.

2018-2019 7-Hour Equivalent USPAP Update Course
Course Details

Course Description

The core of this course focuses on the *2018-2019 Uniform Standards of Professional Appraisal Practice* updates as set forth by the Appraisal Standards Board of The Appraisal Foundation.

Also included are issues that appraisers face in their daily appraisal assignments, as well as common USPAP violations.

Learning Objectives

Module 1: Introduction and the USPAP Change Process

After completing this module of the course, you will be able to:

- Explain how USPAP benefits appraisers and users of appraisal services.
- Describe the process for updating USPAP.

Module 2: Changes to USPAP – Part 1

After completing this module of the course, you will be able to:

- Recall the changes to USPAP DEFINITIONS.
- Explain the purpose of changes to the ETHICS RULE and RECORD KEEPING RULE.
- Evaluate discussion examples and apply appropriate actions that are compliant with USPAP.

Module 3: Changes to USPAP – Part 2

After completing this module of the course, you will be able to:

- Recall the division of STANDARDS 3 and 6 along with the associated changes.
- Evaluate examples that relate to STANDARD 3 - 6.
- Recognize the revisions to STANDARDS 5, 6, 7, and 8.
- Evaluate examples related to STANDARDS 5 - 8.
- Describe the changes to Advisory Opinion 32.

Module 4: Changes to USPAP – Part 3

After completing this module of the course, you will be able to:

- Recall the changes to Advisory Opinions 1, 21, and 31.
- Evaluate examples that relate to the revisions to Advisory Opinions 1, 21, and 31
- Describe the purpose of new Advisory Opinion 37.
- Evaluate examples that relate to the revisions to Advisory Opinion 37.

Module 5: USPAP in Review – Part 1

After completing this module of the course, you will be able to:

- Recall USPAP requirements regarding valuation services and appraisal practice.
- Recall USPAP requirements regarding the scope of work decision in appraisal assignments.
- Recall the appropriate use of restricted appraisal reports.
- Identify development obligations of STANDARD 1.

Module 6: USPAP in Review – Part 2

After completing this module of the course, you will be able to:

- Apply USPAP guidance to scenarios concerning the scope of work in appraisal assignments.
- Discuss USPAP requirements regarding appraisal report content.
- Identify five common recurring USPAP violations.
- Recall USPAP requirements regarding the confidentiality of assignment results.

Module 7: Analyze and Summarize – What is Expected?

After completing this module of the course, you will be able to:

- Describe an appraiser's obligation to analyze and summarize data for credible assignment results.

Timed Course Outline

Module 1: Introduction and the USPAP Change Process

1.0.0 Course Introduction
- 1.0.1 Welcome
- 1.0.2 Course Description
- 1.0.3 Course Learning Objectives
- 1.0.4 Course Structure
- 1.0.5 Tips for Taking the Online Course
- 1.0.6 Course Examples
- 1.0.7 Course Overview (Video)
- 1.0.8 Reference Materials (1 of 2)
- 1.0.9 Reference Materials (2 of 2)
- 1.0.10 Overview of 2018-2019 Changes (1 of 2)
- 1.0.11 Overview of 2018-2019 Changes (2 of 2)
- 1.0.12 Student Complaint Process
- 1.0.13 AQB Survey Program

1.1.0 Lesson 1: USPAP Benefits and the USPAP Change Process
- 1.1.1 Learning Objectives
- 1.1.2 Promoting and Maintaining Public Trust
- 1.1.3 Public Acceptance of USPAP
- 1.1.4 Benefits of USPAP
- 1.1.5 Icebreaker (1 of 4)
- 1.1.6 Icebreaker (2 of 4)
- 1.1.7 Icebreaker (3 of 4)
- 1.1.8 Icebreaker (4 of 4)
- 1.1.9 Question #1
- 1.1.10 Question #2
- 1.1.11 Question #3
- 1.1.12 Question #4
- 1.1.13 The 2018-2019 USPAP Document (Video)
- 1.1.14 USPAP in Review Example #1 (1 of 3)
- 1.1.15 USPAP in Review Example #1 (2 of 3)
- 1.1.16 USPAP in Review Example #1 (3 of 3)
- 1.1.17 Why Does USPAP Change?
- 1.1.18 Suggestions for Changes to USPAP
- 1.1.19 How Does USPAP Change?
- 1.1.20 USPAP Exposure Drafts
- 1.1.21 Comment Period and Deadlines for Exposure Drafts
- 1.1.22 Process for Analyzing Comments Received by the ASB
- 1.1.23 Additional Exposure Drafts
- 1.1.24 Finalizing Changes to USPAP
- 1.1.25 Question #5
- 1.1.26 Question #6
- 1.1.27 Question #7

30 minutes

Module 2: Changes to USPAP – Part 1

2.1.0 Lesson 1: Changes to USPAP Definitions and Rules – Part I
- 2.1.1 Learning Objectives
- 2.1.2 Purpose of Changes to USPAP
- 2.1.3 Overview of Changes to USPAP (1 of 2)
- 2.1.4 Overview of Changes to USPAP (2 of 2)
- 2.1.5 USPAP in Review Example #2 (1 of 4)
- 2.1.6 USPAP in Review Example #2 (2 of 4)
- 2.1.7 USPAP in Review Example #2 (3 of 4)
- 2.1.8 USPAP in Review Example #2 (4 of 4)
- 2.1.9 Assignment Results (Video)
- 2.1.10 Question #1
- 2.1.11 Question #2
- 2.1.12 Question #3
- 2.1.13 Definition of Report
- 2.1.14 Rationale for Revising the Definition of Report
- 2.1.15 Revised Definition of Report
- 2.1.16 Revised Definition of Report – Impact on Practice
- 2.1.17 The ETHICS RULE (1 of 3)
- 2.1.18 The ETHICS RULE (2 of 3)
- 2.1.19 The ETHICS RULE (3 of 3)
- 2.1.20 Rationale for Revising the ETHICS RULE
- 2.1.21 Revisions to the ETHICS RULE (1 of 2)
- 2.1.22 Revisions to the ETHICS RULE (2 of 2)
- 2.1.23 Revisions to the ETHICS RULE – Impact on Practice
- 2.1.24 Question #4
- 2.1.25 Question #5
- 2.1.26 Question #6
- 2.1.27 The RECORD KEEPING RULE (1 of 2)
- 2.1.28 The RECORD KEEPING RULE (2 of 2)
- 2.1.29 Rationale for Revising the RECORD KEEPING RULE
- 2.1.30 Revisions to the RECORD KEEPING RULE (1 of 2)
- 2.1.31 Revisions to the RECORD KEEPING RULE (2 of 2)
- 2.1.32 Revisions to the RECORD KEEPING RULE – Impact on Practice
- 2.1.33 Relationship Among Changes to the Definition of Report, ETHICS RULE, and RECORD KEEPING RULE
- 2.1.34 Discussion Example 2.1 (1 of 2)
- 2.1.35 Discussion Example 2.1 (2 of 2)
- 2.1.36 Question #7
- 2.1.37 Question #8
- 2.1.38 Question #9
- 2.1.39 Definition of Assignment
- 2.1.40 Rationale for Revising the Definition of Assignment
- 2.1.41 Revised Definition of Assignment
- 2.1.42 Definition of Assignment Conditions
- 2.1.43 Rationale for New Definition of Assignment Conditions
- 2.1.44 Changes Related to Adding the Definition of Assignment Conditions
- 2.1.45 Definitions of Intended Use and Intended User
- 2.1.46 Rationale for Revising the Definitions of Intended Use and Intended User
- 2.1.47 Revised Definitions of Intended Use and Intended User
- 2.1.48 Changes Related to the Revised Definitions (1 of 3)
- 2.1.49 Changes Related to the Revised Definitions (2 of 3)
- 2.1.50 Changes Related to the Revised Definitions (3 of 3)
- 2.1.51 Revised Definitions and Edits to COMPETENCY RULE – Impact on Practice
- 2.1.52 Discussion Example 2.2 (1 of 2)

2.1.53 Discussion Example 2.2 (2 of 2)
2.1.54 Discussion Example 2.3 (1 of 3)
2.1.55 Discussion Example 2.3 (2 of 3)
2.1.56 Discussion Example 2.3 (3 of 3)
2.1.57 Question #10
2.1.58 Question #11
2.1.59 Question #12

2.2.0 Lesson 2: Changes to USPAP Definitions and Rules – Part II
2.2.1 Learning Objectives
2.2.2 Definitions of Assumption and Extraordinary Assumption
2.2.3 Rationale for Deleting the Definition of Assumption
2.2.4 Rationale for Revising Definition of Extraordinary Assumption
2.2.5 Revised Definition of Extraordinary Assumption
2.2.6 Definition of Extraordinary Assumption – Impact on Practice
2.2.7 USPAP in Review Example #3 (1 of 5)
2.2.8 USPAP in Review Example #3 (2 of 5)
2.2.9 USPAP in Review Example #3 (3 of 5)
2.2.10 USPAP in Review Example #3 (4 of 5)
2.2.11 USPAP in Review Example #3 (5 of 5)
2.2.12 Hypothetical Condition and Extraordinary Assumption (Video)
2.2.13 Question #1
2.2.14 Question #2
2.2.15 Question #3
2.2.16 Discussion Example 2.4 (1 of 3)
2.2.17 Discussion Example 2.4 (2 of 3)
2.2.18 Discussion Example 2.4 (3 of 3)
2.2.19 Discussion Example 2.5 (1 of 6)
2.2.20 Discussion Example 2.5 (2 of 6)
2.2.21 Discussion Example 2.5 (3 of 6)
2.2.22 Discussion Example 2.5 (4 of 6)
2.2.23 Discussion Example 2.5 (5 of 6)
2.2.24 Discussion Example 2.5 (6 of 6)
2.2.25 Discussion Example 2.6 (1 of 2)
2.2.26 Discussion Example 2.6 (2 of 2)
2.2.27 Question #4
2.2.28 Question #5
2.2.29 Question #6

60 minutes

Module 3: Changes to USPAP – Part 2

3.1.0 Lesson 1: Standards 3 and 4
3.1.1 Learning Objectives
3.1.2 Definition of Appraisal Review
3.1.3 Rationale for Revising the Definition of Appraisal Review
3.1.4 Revised Definition of Appraisal Review
3.1.5 Division of STANDARD 3
3.1.6 Rationale for Division of STANDARD 3
3.1.7 Revisions to STANDARD 3
3.1.8 STANDARD 4 (1 of 2)
3.1.9 STANDARD 4 (2 of 2)
3.1.10 Division of STANDARD 3 – Impact on Practice
3.1.11 Question #1
3.1.12 Question #2

3.1.13 Question #3
3.1.14 USPAP in Review Example #4 (1 of 5)
3.1.15 USPAP in Review Example #4 (2 of 5)
3.1.16 USPAP in Review Example #4 (3 of 5)
3.1.17 USPAP in Review Example #4 (4 of 5)
3.1.18 USPAP in Review Example #4 (5 of 5)
3.1.19 Question #4
3.1.20 Question #5
3.1.21 Question #6
3.1.22 Discussion Example 3.1 (1 of 3)
3.1.23 Discussion Example 3.1 (2 of 3)
3.1.24 Discussion Example 3.1 (3 of 3)
3.1.25 Question #7
3.1.26 Question #8
3.2.0 Lesson 2: Standards 5, 6, 7, and 8
3.2.1 Learning Objectives
3.2.2 Division of STANDARD 6
3.2.3 Rationale for Division of STANDARD 6
3.2.4 STANDARD 5
3.2.5 Revisions to STANDARD 6
3.2.6 Question #1
3.2.7 Question #2
3.2.8 Question #3
3.2.9 Advisory Opinion 32
3.2.10 Revised Advisory Opinion 32 (1 of 2)
3.2.11 Revised Advisory Opinion 32 (2 of 2)
3.2.12 Division of STANDARD 6 and Revised Advisory Opinion 32 – Impact on Practice
3.2.13 Discussion Example 3.2 (1 of 2)
3.2.14 Discussion Example 3.2 (2 of 2)
3.2.15 Question #4
3.2.16 Question #5
3.2.17 Question #6
3.2.18 STANDARDS 7 and 8
3.2.19 Rationale for Revisions to STANDARDS 7 and 8
3.2.20 Revisions to STANDARD 7
3.2.21 Revisions to STANDARD 8
3.2.22 Changes to STANDARDS 7 and 8 – Impact on Practice
3.2.23 Question #9
3.2.24 Question #10
3.2.25 Question #11

60 minutes

Module 4: Changes to USPAP – Part 3

4.1.0 Lesson 1: Advisory Opinions 1, 21, and 31
4.1.1 Learning Objectives
4.1.2 Updated Advisory Opinions
4.1.3 Advisory Opinion 1
4.1.4 Rationale for Revisions to Advisory Opinion 1
4.1.5 Revised Advisory Opinion 1
4.1.6 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (1 of 5)
4.1.7 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (2 of 5)
4.1.8 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (3 of 5)
4.1.9 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (4 of 5)

4.1.10 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (5 of 5)
4.1.11 Revised Advisory Opinion 1 – Illustration 1
4.1.12 Revised Advisory Opinion 1 – Illustration 2 (1 of 2)
4.1.13 Revised Advisory Opinion 1 – Illustration 2 (2 of 2)
4.1.14 Revised Advisory Opinion 1 – Illustration 3 (1 of 2)
4.1.15 Revised Advisory Opinion 1 – Illustration 3 (2 of 2)
4.1.16 Revised Advisory Opinion 1 – Illustration 4 (1 of 2)
4.1.17 Revised Advisory Opinion 1 – Illustration 4 (2 of 2)
4.1.18 Revised Advisory Opinion 1 – Special Circumstances
4.1.19 Revised Advisory Opinion 1 – Special Circumstances: Illustration 5
4.1.20 Revised Advisory Opinion 1 – Special Circumstances: Illustration 6
4.1.21 Revised AO-1 – Impact on Practice
4.1.22 Discussion Example 4.1 (1 of 2)
4.1.23 Discussion Example 4.1 (2 of 2)
4.1.24 Discussion Example 4.2 (1 of 3)
4.1.25 Discussion Example 4.2 (2 of 3)
4.1.26 Discussion Example 4.2 (3 of 3)
4.1.27 Discussion Example 4.3 (1 of 3)
4.1.28 Discussion Example 4.3 (2 of 3)
4.1.29 Discussion Example 4.3 (3 of 3)
4.1.30 Discussion Example 4.4 (1 of 3)
4.1.31 Discussion Example 4.4 (2 of 3)
4.1.32 Discussion Example 4.4 (3 of 3)
4.1.33 Question #1
4.1.34 Question #2
4.1.35 Question #3
4.1.36 Advisory Opinion 21
4.1.37 Rationale for the Change to Advisory Opinion 21
4.1.38 Revised AO-21 – Impact on Practice
4.1.39 Discussion Example 4.5 (1 of 2)
4.1.40 Discussion Example 4.5 (2 of 2)
4.1.41 Discussion Example 4.6 (1 of 2)
4.1.42 Discussion Example 4.6 (2 of 2)
4.1.43 Question #4
4.1.44 Question #5
4.1.45 Question #6
4.1.46 Advisory Opinion 31
4.1.47 Rationale for Revisions to Advisory Opinion 31
4.1.48 Revised Advisory Opinion 31
4.1.49 Revised Advisory Opinion 31 – Relevant References
4.1.50 Revised Advisory Opinion 31 – Record Keeping Requirements
4.1.51 Revised Advisory Opinion 31 – Certifications/Signatures
4.1.52 Revised Advisory Opinion 31 – Significant Professional Assistance (1 of 2)
4.1.53 Revised Advisory Opinion 31 – Significant Professional Assistance (2 of 2)
4.1.54 Revised Advisory Opinion 31 – Illustrations (1 of 2)
4.1.55 Revised Advisory Opinion 31 – Illustrations (2 of 2)
4.1.56 Revised AO-31 – Impact on Practice
4.1.57 Discussion Example 4.7 (1 of 2)
4.1.58 Discussion Example 4.7 (2 of 2)
4.1.59 Discussion Example 4.8 (1 of 2)
4.1.60 Discussion Example 4.8 (2 of 2)
4.1.61 Question #7
4.1.62 Question #8
4.1.63 Question #9
4.2.0 Lesson 2: Advisory Opinion 37
4.2.1 Learning Objectives

4.2.2 Advisory Opinion 37
4.2.3 Rationale for New Advisory Opinion 37 (1 of 2)
4.2.4 Rationale for New Advisory Opinion 37 (2 of 2)
4.2.5 New Advisory Opinion 37
4.2.6 Advisory Opinion 37 – The Issue
4.2.7 Advisory Opinion 37 – Background (1 of 2)
4.2.8 Advisory Opinion 37 – Background (2 of 2)
4.2.9 Advisory Opinion 37 – Relevant References (1 of 5)
4.2.10 Advisory Opinion 37 – Relevant References (2 of 5)
4.2.11 Advisory Opinion 37 – Relevant References (3 of 5)
4.2.12 Advisory Opinion 37 – Relevant References (4 of 5)
4.2.13 Advisory Opinion 37 – Relevant References (5 of 5)
4.2.14 Advisory Opinion 37 – Competency (1 of 2)
4.2.15 Advisory Opinion 37 – Competency (2 of 2)
4.2.16 Advisory Opinion 37 – Data
4.2.17 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (1 of 4)
4.2.18 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (2 of 4)
4.2.19 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (3 of 4)
4.2.20 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (4 of 4)
4.2.21 Advisory Opinion 37 – Additional Considerations
4.2.22 Advisory Opinion 37 – Reporting Requirements (1 of 2)
4.2.23 Advisory Opinion 37 – Reporting Requirements (2 of 2)
4.2.24 Advisory Opinion 37 – Illustration 1
4.2.25 Advisory Opinion 37 – Illustration 2
4.2.26 Advisory Opinion 37 – Summary (1 of 2)
4.2.27 Advisory Opinion 37 – Summary (2 of 2)
4.2.28 New AO-37 – Impact on Practice
4.2.29 Question #1
4.2.30 Question #2
4.2.31 Question #3
4.2.32 Discussion Example 4.9 (1 of 2)
4.2.33 Discussion Example 4.9 (2 of 2)
4.2.34 Discussion Example 4.10 (1 of 2)
4.2.35 Discussion Example 4.10 (2 of 2)
4.2.36 USPAP in Review Example #5 (1 of 3)
4.2.37 USPAP in Review Example #5 (2 of 3)
4.2.38 USPAP in Review Example #5 (3 of 3)
4.2.39 Question #4
4.2.40 Question #5
4.2.41 Question #6

60 minutes

Module 5: USPAP in Review – Part 1

5.1.0 Lesson 1: Valuation Services, Appraisal Practice, and Scope of Work
5.1.1 Learning Objectives
5.1.2 USPAP in Review Example #6 (1 of 10)
5.1.3 USPAP in Review Example #6 (2 of 10)
5.1.4 USPAP in Review Example #6 (3 of 10)
5.1.5 USPAP in Review Example #6 (4 of 10)
5.1.6 USPAP in Review Example #6 (5 of 10)
5.1.7 USPAP in Review Example #6 (6 of 10)
5.1.8 USPAP in Review Example #6 (7 of 10)
5.1.9 USPAP in Review Example #6 (8 of 10)

5.1.10 USPAP in Review Example #6 (9 of 10)
5.1.11 USPAP in Review Example #6 (10 of 10)
5.1.12 Question #1
5.1.13 Question #2
5.1.14 Question #3
5.1.15 Case Example: Valuation Services vs. Appraisal Practice (1 of 2)
5.1.16 Case Example: Valuation Services vs. Appraisal Practice (2 of 2)
5.1.17 Question #4
5.1.18 Question #5
5.1.19 Case Example: Providing a Valuation Service as an Appraiser (1 of 2)
5.1.20 Case Example: Providing a Valuation Service as an Appraiser (2 of 2)
5.1.21 Question #6
5.1.22 Question #7
5.1.23 Question #8
5.1.24 USPAP in Review Example #7 (1 of 8)
5.1.25 USPAP in Review Example #7 (2 of 8)
5.1.26 USPAP in Review Example #7 (3 of 8)
5.1.27 USPAP in Review Example #7 (4 of 8)
5.1.28 USPAP in Review Example #7 (5 of 8)
5.1.29 USPAP in Review Example #7 (6 of 8)
5.1.30 USPAP in Review Example #7 (7 of 8)
5.1.31 USPAP in Review Example #7 (8 of 8)
5.1.32 Question #9
5.1.33 Question #10
5.1.34 Question #11

5.2.0 Lesson 2: Restricted Appraisal Reports and STANDARD 1 Obligations
5.2.1 Learning Objectives
5.2.2 USPAP in Review Example #8 (1 of 6)
5.2.3 USPAP in Review Example #8 (2 of 6)
5.2.4 USPAP in Review Example #8 (3 of 6)
5.2.5 USPAP in Review Example #8 (4 of 6)
5.2.6 USPAP in Review Example #8 (5 of 6)
5.2.7 USPAP in Review Example #8 (6 of 6)
5.2.8 Restricted Appraisal Report Samples
5.2.9 Question #1
5.2.10 Question #2
5.2.11 Question #3
5.2.12 Question #4
5.2.13 USPAP in Review Example #9 (1 of 6)
5.2.14 USPAP in Review Example #9 (2 of 6)
5.2.15 USPAP in Review Example #9 (3 of 6)
5.2.16 USPAP in Review Example #9 (4 of 6)
5.2.17 USPAP in Review Example #9 (5 of 6)
5.2.18 USPAP in Review Example #9 (6 of 6)
5.2.19 Question #5
5.2.20 Question #6

70 minutes

Module 6: USPAP in Review – Part 2

6.1.0 Lesson 2: Scope of Work and Appraisal Report Content
- 6.1.1 Learning Objectives
- 6.1.2 Discussion Example 6.1 (1 of 2)
- 6.1.3 Discussion Example 6.1 (2 of 2)
- 6.1.4 Discussion Example 6.2 (1 of 2)
- 6.1.5 Discussion Example 6.2 (2 of 2)
- 6.1.6 Discussion Example 6.3 (1 of 3)
- 6.1.7 Discussion Example 6.3 (2 of 3)
- 6.1.8 Discussion Example 6.3 (3 of 3)
- 6.1.9 Discussion Example 6.4 (1 of 3)
- 6.1.10 Discussion Example 6.4 (2 of 3)
- 6.1.11 Discussion Example 6.4 (3 of 3)
- 6.1.12 Discussion Example 6.5 (1 of 2)
- 6.1.13 Discussion Example 6.5 (2 of 2)
- 6.1.14 Question #1
- 6.1.15 Question #2
- 6.1.16 Question #3
- 6.1.17 Question #4
- 6.1.18 Question #5
- 6.1.19 Discussion Example 6.6 (1 of 4)
- 6.1.20 Discussion Example 6.6 (2 of 4)
- 6.1.21 Discussion Example 6.6 (3 of 4)
- 6.1.22 Discussion Example 6.6 (4 of 4)
- 6.1.23 Discussion Example 6.7 (1 of 2)
- 6.1.24 Discussion Example 6.7 (2 of 2)
- 6.1.25 Discussion Example 6.8 (1 of 2)
- 6.1.26 Discussion Example 6.8 (1 of 2)
- 6.1.27 Question #6
- 6.1.28 Question #7
- 6.1.29 Question #8

6.2.0 Lesson 2: Common USPAP Violations and Confidentiality of Results
- 6.2.1 Learning Objectives
- 6.2.2 Five Common Recurring USPAP Violations (Video)
- 6.2.3 Violation #1 – Not Reporting or Detailing Prior Sales (Video)
- 6.2.4 Violation #2 – Not Keeping a Clear Workfile (Video)
- 6.2.5 Question #1
- 6.2.6 Question #2
- 6.2.7 Violation #3 – Not Having Good Defensible Appraisals (Video)
- 6.2.8 Violation #4 – Not Explaining Adjustments (Video)
- 6.2.9 Violation #5 – Not Inspecting Property (Video)
- 6.2.10 Discussion Example 6.9 (1 of 2)
- 6.2.11 Discussion Example 6.9 (2 of 2)
- 6.2.12 Discussion Example 6.10 (1 of 3)
- 6.2.13 Discussion Example 6.10 (2 of 3)
- 6.2.14 Discussion Example 6.10 (3 of 3)
- 6.2.15 Discussion Example 6.11 (1 of 2)
- 6.2.16 Discussion Example 6.11 (2 of 2)
- 6.2.17 Question #3
- 6.2.18 Question #4
- 6.2.19 Question #5
- 6.2.20 USPAP in Review Example #10 (1 of 5)
- 6.2.21 USPAP in Review Example #10 (2 of 5)
- 6.2.22 USPAP in Review Example #10 (3 of 5)
- 6.2.23 USPAP in Review Example #10 (4 of 5)

6.2.24 USPAP in Review Example #10 (5 of 5)
6.2.25 Case Example: Disclosure of Prior Service (1 of 2)
6.2.26 Case Example: Disclosure of Prior Service (2 of 2)
6.2.27 Confidential Information (Video)
6.2.28 Question #6
6.2.29 Question #7
6.2.30 Question #8

80 minutes

Module 7: Analyze and Summarize – What is Expected?

7.1.0 Lesson 1: Analyze and Summarize – Part I
- 7.1.1 Learning Objectives
- 7.1.2 Analyze and Summarize – What is Expected (1 of 2)
- 7.1.3 Analyze and Summarize – What is Expected (2 of 2)
- 7.1.4 Obligation to Analyze (1 of 3)
- 7.1.5 Obligation to Analyze (2 of 3)
- 7.1.6 Obligation to Analyze (3 of 3)
- 7.1.7 Obligation to Summarize (1 of 2)
- 7.1.8 Obligation to Summarize (2 of 2)
- 7.1.9 Discussion Example 7.1 (1 of 3)
- 7.1.10 Discussion Example 7.1 (2 of 3)
- 7.1.11 Discussion Example 7.1 (3 of 3)
- 7.1.12 Discussion Example 7.2 (1 of 3)
- 7.1.13 Discussion Example 7.2 (2 of 3)
- 7.1.14 Discussion Example 7.2 (3 of 3)
- 7.1.15 Discussion Example 7.3 (1 of 4)
- 7.1.16 Discussion Example 7.3 (2 of 4)
- 7.1.17 Discussion Example 7.3 (3 of 4)
- 7.1.18 Discussion Example 7.3 (4 of 4)
- 7.1.19 Question #1
- 7.1.20 Question #2
- 7.1.21 Question #3
- 7.1.22 Discussion Example 7.4 (1 of 3)
- 7.1.23 Discussion Example 7.4 (2 of 3)
- 7.1.24 Discussion Example 7.4 (3 of 3)
- 7.1.25 Discussion Example 7.5 (1 of 3)
- 7.1.26 Discussion Example 7.5 (2 of 3)
- 7.1.27 Discussion Example 7.5 (3 of 3)
- 7.1.28 Discussion Example 7.6 (1 of 3)
- 7.1.29 Discussion Example 7.6 (2 of 3)
- 7.1.30 Discussion Example 7.6 (3 of 3)
- 7.1.31 Question #4
- 7.1.32 Question #5
- 7.1.33 Question #6

7.2.0 Lesson 2: Analyze and Summarize – Part II
- 7.2.1 Learning Objectives
- 7.2.2 Discussion Example 7.7 (1 of 3)
- 7.2.3 Discussion Example 7.7 (2 of 3)
- 7.2.4 Discussion Example 7.7 (3 of 3)
- 7.2.5 Discussion Example 7.8 (1 of 3)
- 7.2.6 Discussion Example 7.8 (2 of 3)
- 7.2.7 Discussion Example 7.8 (3 of 3)
- 7.2.8 Discussion Example 7.9 (1 of 2)
- 7.2.9 Discussion Example 7.9 (2 of 2)

7.2.10 Discussion Example 7.10 (1 of 3)
7.2.11 Discussion Example 7.10 (2 of 3)
7.2.12 Discussion Example 7.10 (3 of 3)
7.2.13 Discussion Example 7.11 (1 of 2)
7.2.14 Discussion Example 7.11 (2 of 2)
7.2.15 Question #1
7.2.16 Question #2
7.2.17 Question #3

60 minutes

Total: 420 minutes

Recd $25 - 2-21-18

COURSE APPROVAL PROGRAM – MISSOURI REAL ESTATE APPRAISERS COMMISSION

APPLICATION FOR: ___x___ **INITIAL COURSE APPROVAL** _____ **RENEWAL**

There is a $25 fee per course for Continuing Education Course Approval. In addition, there is a $10 fee per course for Continuing Education Course Renewal.

INSTRUCTIONS: The course owner must use this application form when applying for course approval through the **State of Missouri**. *A SEPARATE APPLICATION FORM MUST BE FILED FOR EACH COURSE SUBMITTED FOR APPROVAL.* All items on the form must be completed (enter "N/A" for any item that is not applicable) and all required attachments must be submitted with the application.

000017 FEB 21 18

1. Name of Applicant (School): McKissock, LP
2. Mailing Address: 218 Liberty Street Warren, PA 16365
3. Contact Person: Jackie Vincent
4. Phone: 800-328-2008 Fax: 814-723-3016
5. Website: www.mckissock.com Email: jackie.vincent@mckissock.com
6. Course Title and Number: Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports
7. Number of Classroom Hours: 3 hours Number of Exam Hours: _____
8. Course Category: _____ Qualifying Education ___X___ Continuing Education _____ Both
9. Indicate the level of the licensure/certification this course would meet:

   ___X___ All _____ State License _____ Certified Residential _____ Certified General

10. Indicate the pre license requirement for this course would meet: N/A

    _____ Principles _____ USPAP _____ Income _____ Elective

11. Instructor(s): Dan Bradley, Robert McClelland, Josh Walitt, Steve Craddock, Steve Maher, Steve Fraizer
12. Method of Presentation: _____ Traditional Classroom _____ Correspondence ___X___ Internet

    _____ Video Tape _____ Remote TV _____ Computer

13. Owner of Course Materials: McKissock, LP
14. Required Attachments:

    For Qualifying Education Only: Please submit a copy of the contract between the course owner and course provider.

    Fee: As Indicated Above

    Course Materials:
    - Course Description
    - Detailed Course Outline
    - Learning Objectives
    - Final Exam and Answer Key (This is not required for the Continuing Education Application)

    Policies Covering:
    - Instructor Qualifications
    - Attendance

    Miscellaneous:
    - Course Schedule
    - Copy of Completion Certificate
    - Instructor's Resume/Bio

OFFICIAL CERTIFIED COURSE SUMMARY CERTIFICATE

The number one credential for quality instructional design and delivery of distance education courses offered for professional education.

Administrative Information

Course Title: Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

Course Number: 7214

Certified: 11/30/2017

Expires: 11/30/2020

Status: Approved

Industry(ies): Appraisal

Provider: McKissock, LLC

Address: P.O. Box 1673
Warren, Pennsylvania 16365

Phone: 800-328-2008

Contact: Jackie Vincent <regulatorycompliance@mckissock.com>

Course Information

Provider Type: Primary Provider

Delivery Method: Synchronous

***Clock Hours:** 3

Final Exam: No

†Clock Hour Enforcement Mechanism: Yes

Proctored Exam: No

Difficulty Rating: Intermediate

Description: This course is intended to assist appraisers in understanding the need for and requirements to develop a limited scope appraisal for use in certain types of residential lending and servicing. The discussion of the Limited Scope Appraisal involves the development of the appraisal in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). The course then provides information about the two options for written appraisal reports in USPAP. The course begins with a brief analysis of why a lender would request and use a limited scope appraisal report so that the appraiser may better understand the needs of the intended user and properly define the scope of work required to fulfill the intended use.

Course Notes:

Instructors: Daniel Bradley (CDEI)
Joshua H Walitt (CDEI)
Robert Frazier (CDEI)
Robert McClelland (CDEI)
Steven Maher (CDEI)
Steven W. Craddock CDA (CDEI)

**Course Approval Information

This course may not be approved in any jurisdiction or the provider has chosen not to include which jurisdictions the course is approved in.

Disclaimers

* Professional reviewers have determined that the amount of content to be presented in this course, as specified in the provider's timed outline, should take the stated time to complete. This certification does not suggest the course will take the hours listed if implemented into a distance education learning system that uses an inferior instructional design. In addition, IDECC does not guarantee or audit the performance of classroom instructors to ensure the appropriate clock hours of instruction are presented to students.

** Regarding course approval information, the course provider may list here the jurisdictions that have approved this course for professional credit. Information in regard to jurisdictional course approval is not maintained by IDECC but by course providers. If no jurisdictions appear in the course approval area, the provider may not

AQB Approved Course

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Sent Via Email to: jackie.vincent@mckissock.com

QE	CE/E	CE
		3

Wednesday, January 31, 2018

Ms. Jackie Vincent
McKissock, LLC
218 Liberty Street
Warren, PA 16365

Dear Ms. Vincent:

We are pleased to inform you that your course has been approved under the Course Approval Program of the Appraiser Qualifications Board (AQB) of The Appraisal Foundation.

Course Provider:	McKissock, LP
Course Title:	Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports
Instructional Hours:	3.00
Exam Hours:	0.00
Total Hours:	3.00
Delivery Method:	Distance - Synchronous Internet
Approval Start Date:	1/31/2018
Approval End Date:	11/30/2020

The overall content of this course has been determined to be in compliance with the education criteria established by the AQB. Approval does not mean that every statement or item within the course has been checked for accuracy. Opinions set forth in the course material or by instructors do not necessarily reflect the viewpoint of the AQB or The Appraisal Foundation. Neither the AQB nor The Appraisal Foundation is responsible for any errors, omissions, or misstatements in the course material or by instructors.

Prior to renewal of this course please review the AQB Course Approval Program Policies and Procedures Manual.

Please feel free to contact us if you have any questions or if we can be of further assistance.

Sincerely,

Appraiser Qualifications Board

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License _X_ Continuing Education

_____ Renewal _x_ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Dan Bradley

   Mailing Address: 218 Liberty Street Warren, PA 16365

   Business Phone: 800-328-2008

   Business Fax: N/A

3. Name and address of school/organization for whom you will instruct:

   McKissock, LP
   218 Liberty Street
   Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:

   Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

5. Which portion(s) to be taught by the instructor?

   All portions.

   Total Hours: 3 hours

   Pre License Hours: _____ Continuing Education Hours: 3 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
See attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
See attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
See attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-25-18

(Date)

DANIEL A. BRADLEY, SRA, GAA

2725 Freeport Road
P.O. Box 25
Natrona Heights, PA 15065
(724) 226-0960 ext. 215
dbradley@crehomes.com

MEMBERSHIPS AND CURRENT LICENSES

Certified Real Estate Appraiser
Pennsylvania State Certified General Appraiser
Certification #: GA000640L

Real Estate Associate Broker
Licensed Pennsylvania Real Estate Associate Broker
License #: AB051270L

Real Estate Instructor
Certified National USPAP Instructor – The Appraisal Foundation
Licensed Real Estate Instructor- Pennsylvania, Virginia, Indiana

Pennsylvania State Board of Certified Real Estate Appraisers
Professional Member
Appointed November 15, 2004 by Governor Edward G. Rendell
Installed December 9, 2004
Currently serving as Vice Chairman

Professional Designations
Appraisal Institute – SRA Designation
National Association of Realtors Appraisal Section – GAA Designation

Realtor Member
National Association of Realtors
Pennsylvania Association of Realtors
Greater Allegheny Kiski Area Board of Realtors

Memberships
Appraisal Institute, Designated Member
National Assocation of Realtors Appraisal Section
Council of Pennsylvania Real Estate Appraisers
FHA Appraiser Roster
VA Appraisal Panel

GENERAL EDUCATION

Clarion University of Pennsylvania September 1983 – May 1987
Received Bachelor of Science degree in Communications, with a concentration in Real Estate.
Graduated Cum Laude. Cumulative GPA: 3.445/4.0.

APPRAISAL EDUCATION

Appraisal Institute/Society of Real Estate Appraisers

SRA Course 101 – Introduction to Appraising Real Property	1/88
Standards of Professional Appraisal Practice	3/91
FHA and the Appraisal Process	7/99
Serving the Client: Use of Streamlined Appraisal Process	10/00
Scope of Work Decisions in Residential Appraising	3/03
Business Practices and Ethics	4/04
Introduction to FNMA Guidelines and Requirements	3/04
Convincing Residential Appraisals	2/05
FHA and the New Residential Appraisal Report Forms	2/06
Advanced Residential Applications & Case Studies Part 1	7/07
Advanced Residential Report Writing Part 2	7/07
Real Estate Finance, Statistics, and Valuation Modeling	11/07

McKissock, LP

Appraising High Value Residential Properties	3/05
Environmental Pollution: Mold and Air Quality	4/05

Appraisal Foundation

Instructor Orientation for National USPAP Course	5/99
USPAP Update for Instructors and Regulators	3/00
AQB Instructor Certification Course	6/02
AQB Instructor Recertification Course	1/05, 1/07

Pennsylvania Realtors Institute

The Essentials – What Every Appraiser Should Know	12/05
Attacking and Defending an Appraisal in Litigation	12/05
Environmental Due Diligence	12/05
Marketing and Valuation of Antique and Historic Homes	12/05

National Association of Independent Fee Appraisers

Real Estate Fraud and the Appraiser's Role	5/00

Pennsylvania Department of Transportation

Trial Tactics in Condemnation Cases	9/05

Polley Associates

Appraisal of Income Producing Property	12/91
Narrative Appraisal Report Writing	11/91
Real Estate Contemporary Finance	5/92
Residential Construction	6/92
Real Estate Investment	8/92

Nelson-Hummel Seminars

The New URAR and FIRREA	10/93
Evaluations and Other Limited Scope Assignments	5/94

Lincoln Graduate Center

Manufactured Housing Appraisal	3/95

APPRAISAL/REVIEW EXPERIENCE

Czekalski Real Estate, Inc. Natrona Heights, PA	February 1987 - Present
Position:	Certified General Appraiser
Pennsylvania Dep't of State Harrisburg, PA	July 2001 – October 2004
Position:	Contracted Appraisal Reviewer

INSTRUCTIONAL EXPERIENCE

Polley Associates Newtown Square, PA	November 1992 - November 1999
Position:	Instructor
McKissock Appraisal School Warren, PA	December 2001 - Present
Position:	Instructor

I have also instructed real estate and appraisal courses for Penn State University's DuBois and Fayette County branches, and Butler County Community College. I am currently certified by the Appraisal Qualifications Board as a USPAP instructor. I have also participated in authoring and updating curricula for several course providers, including Polley Associates, McKissock Appraisal School and Penn State University, for the following courses:

- Appraisal of Residential Property
- Appraisal of Income Property
- Appraisal Standards of Practice and Ethics
- Appraising for the Secondary Market
- Limited Appraisals and the Scope of Work Decision
- Pennsylvania Laws and Regulations
- Relocation Appraisal
- Mortgage Fraud: Protect Yourself
- Appraising Complex and Difficult Residential Properties

BIOGRAPHY

I am a graduate of Clarion University of Pennsylvania, with a Bachelor of Science degree in Communications, and currently hold both a Pennsylvania general appraiser certification and an associate broker license. I have over 20 years' experience appraising various types of real estate, including residential, commercial/industrial, and special-purpose properties. Between 2001 and 2004 I also served as a contracted appraisal reviewer for the Pennsylvania Department of State. I completed reviews on residential and commercial property appraisals that were utilized in disciplinary proceedings against appraisal licensees.

I have been instructing and developing curricula for real estate appraisal courses since 1992. Currently, I am an instructor for McKissock Appraisal School, one of the largest appraisal education providers in the country, and have taught courses in appraisal theory and standards to students throughout the United States, for both qualifying and continuing education. I hold an SRA designation from the Appraisal Institute, a GAA designation from the National Association of Realtors Appraisal Section, and am currently serving as Vice Chairman of the Pennsylvania State Board of Certified Real Estate Appraisers.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License _X_ Continuing Education

_____ Renewal _x_ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Robert McClelland

   Mailing Address: 2121 E 1st St Unit 110 Long Beach, CA 90803

   Business Phone: (562) 234-7126

   Business Fax: _____

3. Name and address of school/organization for whom you will instruct:

   McKissock, LP
   218 Liberty Street
   Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:

   Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 3 hours

   Pre License Hours: N/A Continuing Education Hours: 3 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
See attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
See attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
See attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2-13-18

(Date)

ROBERT MCCLELLAND

2121 E. 1ST ST. #110 • LONG BEACH, CA 90803
PHONE 562.234.7126 • FAX 310.388.5697
E-MAIL REALPROAPPRAISAL@AOL.COM

OBJECTIVE

A position as a real estate appraisal educator.

PROFESSIONAL EXPERIENCE

October 2005 to Present — Anthony Schools/Kaplan Professional

Part time live classroom instructor teaching:

- USPAP-AQB Certified USPAP Instructor providing qualifying and continuing education to appraisers and appraiser candidates.
- Appraisal Principles and Practice, Legal Aspects of Appraising, Math & Regulations, Fannie Mae Forms & Guidelines, Residential Income, Residential Sales Comparison and Residential Site Valuation & Cost Approach. (Qualifying Education to Appraiser and Broker Candidates; Continuing Education to Licensed and Certified Appraisers).
- Exam Prep-For both beginning and upgrading appraisers

August 1995 to Present — Real Pro Real Estate Appraisal Services.

Sole Proprietor/Independent Fee Appraiser

- California Certified Real Estate Appraiser performing appraisals, review and consulting to various clients for Lending, Legal and Tax purposes.

  Specializing in Desk and Field reviews of third party appraisals for Purchase, Refinance and Foreclosure.

February 1990 to August 1995 — Great Western Bank

Staff Appraiser II (Los Angeles, Orange County, Inland Empire)

- Started as Staff Appraiser I (Trainee). Promoted to Staff Appraiser II upon completion of training and receiving a Certified Residential License.
- Duties included high volume production of 1 to 4 Family Residential, P.U.D. and Condominium Units.
- Review of third party appraisals from wholesale lending division.
- REO appraisal reports of pre-foreclosure and bank owned inventory (both Exterior Only and Full Inspection reports were developed).

June 1988 to February 1990 — Jay Miranda Appraisals

Appraiser Trainee/Assistant — Santa Monica, Ca

- Assisted a senior appraiser in researching, inspecting and reporting estimated values of single family homes, planned unit developments, condominiums and 2-4 unit residential income properties. Provided customer service/support, client contact and appointment scheduling, clerical duties, filing and copying for file management and record-keeping on a day to day basis for a fee/contract appraisal shop.

EDUCATION

California Certified Residential Real Estate Appraiser License # AR014242

AQB Certified USPAP Instructor (License # 10986)

Skills: Type 45-50 WPM, Microsoft Windows XP and Vista, A la Mode/Aurora Appraisal Software, Winsketch and APEX drawing programs, Microsoft Office: Word, PowerPoint, Outlook, Excel

Education: Fullerton College: (210 Units of coursework)

Rancho Santiago College: Various real estate courses toward Appraiser licensing/certification.

Orange Coast College: Various photography courses.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License _X_ Continuing Education

_____ Renewal _x_ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Joshua Walitt

   Mailing Address: 3152 E Merganser Lane Grand Junction, CO 81504

   Business Phone: 970-523-5076

   Business Fax: _____

3. Name and address of school/organization for whom you will instruct:

   McKissock, LP
   218 Liberty Street
   Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:

   Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 3 hours

   Pre License Hours: N/A Continuing Education Hours: 3 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
See attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
See attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
See attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2-13-18

(Date)

JOSHUA H. WALITT, SRA, MNAA, CDEI

Consultant, Colorado Certified Residential Appraiser

(970) 778-2591 Grand Junction, CO

Qualifications

- *Teaches and consults for real estate, lender, appraisal, and regulatory groups, regarding valuation requirements, methods, software, and changes;*
- *Provides services to local and national clients, for Purchase, Refinance, Legal, Tax, Estate, Pre-Listing, REO, Relocation, Review, and Homeowner purposes.*

Work Experience

2014-Present **CONSULTANT** United States

- Provides consulting services related to amarket analysis, appraisal methodology, best practices, and compliance with federal, state, and industry rules and laws.
- Designed and supports the Market Machine, a statistical tool for market-trend analysis and adjustment support.
- Designs and presents CE classes, webinars, and presentations.

June 2006-Present **PROPERTY INTERLINK (FKA, BROWNLEE APPRAISAL SERVICES)** Grand Junction, CO

- Performs appraisal inspections, consulting work, investigative field work, sales and listing analysis, review services, market analysis, and testimony.
- Communicates and updates clients, and reports appraisals in summary and evaluation formats.
- Designed 'Market Stat' tool for market-trend analysis and support.

2013 **AMC RULE-MAKING TASK FORCE (COLORADO), MEMBER** Colorado

- Assist the Board of Real Estate Appraisers in identifying and drafting rules to regulate appraisal management companies.

July 2011, 2012 **HEARING OFFICER, MESA COUNTY BOARD OF EQUALIZATION** Grand Junction, CO

- Moderate assessed value disputes between property owners and Assessor representatives.
- Review parties' evidence and make value recommendations to the County Board of Equalization

1998-2006 **U.S. BANK** Grand Junction, CO

- 2004-2006, Branch Manager: Lending, sales goals, customer service and compliance with procedures and regulations; Resource for Western Colorado's new account opening, loss prevention, and training.
- 1998-2004, Sales & Service Manager, Teller: Sales, weekly sales meetings, loss prevention, general ledger accounts. Train staff to increase sales, limit losses and strengthen customer loyalty.

Speaking

Presents talks at national conferences for continuing education credit, attended by appraisers, regulators, lenders, management companies, and government representatives.

2015	Speaker Instructor, APPRAISAL SUMMIT AND EXPO	Las Vegas, NV
2014	Speaker Instructor, VALUATION EXPO	Las Vegas, NV
2006-present	Local and Regional talks to real estate groups, lenders, HOAs	Western Colorado

Authorship

- Published in inaugural AppraisalBuzz print magazine, Appraiser Focus, Working RE magazine, Daily Sentinel newspaper, Appraisal Today, AppraisalBuzz website, blogs.
- Titles and topics include "S.O.S. and Regression", "The Power of One", "Evaluations: Tapping 'New' Source of Income", "Following Instructions", "Big Client is Watching You", "Paired Sales Are a Joke (So Some Say)".

Membership and Designations

SRA Designation, Appraisal Institute.
MNAA, Member National Association of Appraisers.
CDEI Certified Distance Education Instructor, The International Distance Education Certification Center.
FHA and **VA** approved.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License _X_ Continuing Education

_____ Renewal _x_ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Steven Craddock

   Mailing Address: PO BOX 1185 Grandy, NC 27939

   Business Phone: 252-453-3200

   Business Fax: _____

3. Name and address of school/organization for whom you will instruct:

   McKissock, LP
   218 Liberty Street
   Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:

   Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 3 hours

   Pre License Hours: N/A Continuing Education Hours: 3 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
See attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
See attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
See attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2-13-18

(Date)

Steven W. Craddock, CDA, HMS, CDEI

AppraiseNC4U, Inc.
P.O. Box 1185
Grandy, NC 27939-1185
252-453-3200 (Voice) / 252-453-0300 (Fax)
appraisals@appraisenc4u.com

Work Experience – Appraisal Related

12/01/2007 to Current **AppraiseNC4U, Inc.** Grandy, NC 27939

Title: President/Chief Appraiser

- NC Certified Residential Real Estate Appraiser – #A6528
- VA Certified Residential Real Estate Appraiser – #4001015045

A NC/VA Real Estate appraisal firm specializing in Residential and Commercial Real Estate appraisals.

10/11/2007 to 11/30/2007 **Carolina Coastal Enterprises, Inc.** Grandy, NC 27939

Title: Staff Appraiser

- NC Certified Residential Real Estate Appraiser – #A6528

A NC Real Estate appraisal firm specializing in Commercial and Residential Real Estate appraisals.

02/28/2002 to 10/10/2007 **Carolina Coastal Enterprises, Inc.** Grandy, NC 27939

Title: Staff Appraiser Trainee

- NC Registered Real Estate Appraiser Trainee – #T2543

A NC Real Estate appraisal firm specializing in Commercial and Residential Real Estate appraisals.

Work Experience – Construction Related

05/05/1988 to Current **Craddock Electric** Grandy, NC 27939

Title: Owner/Master Electrician

- NC State-Licensed Electrical Contractor – #13837-L

A NC Electrical Contracting Company specializing in Residential & Commercial Wiring, Design and Repair.

Steven W. Craddock, CDA, HMS, CDEI

Higher Education – Formal College/University

06/2009 – 07/2012 – Elizabeth City State University (part of the University of North Carolina Constituent Universities), Elizabeth City, NC 27909.

- Major: Mathematics/Computer Science, with concentration in Statistics
- Minor: Spanish Language
- Ending GPA: 3.90

Professional Education – Appraisal, Pre-Licensing Courses

06/17/2007	Appraisal Schools, Inc.	R-4, National USPAP Course – 15-Hour course	15 Hours
08/08/2004	Lenoir Comm. College	G-1, Intro to Income Property Appraising	32 Hours
11/18/2001	College of the Albemarle	R-3, Applied Residential Property Valuation	32 Hours
09/30/2001	College of the Albemarle	R-2, Valuation Principles and Procedures	32 Hours
09/15/2001	College of the Albemarle	R-1, Introduction to Real Estate Appraisal	32 Hours

Professional Education – Appraisal, Cont. Ed. Courses

11/24/2015	7 Hours – National USPAP Update, 2016-2017
07/13/2015	7 Hours – The NEW FHA Handbook 4000.1
03/10/2015	7 Hours – Supervisory Appraiser/Trainee Course & Changes
10/27/2014	7 Hours – Limiting Liability; Appraisal Case Law Update
09/09/2014	7 Hours – Today's FHA and VA
05/29/2014	7 Hours – Green in Residences and Appraisals – Online
03/27/2014	7 Hours – National USPAP Update, 2014-2015
05/12/2013	7 Hours – ANSI, Home Measurement, & The Power of Price-Per-Square-Foot
04/09/2013	7 Hours – The Cost Approach – Online
05/30/2012	7 Hours – National USPAP Update, 2012-2013 – Online
08/20/2011	7 Hours – Uniform Appraisal Dataset Program
05/30/2011	7 Hours – Land & Site Evaluation – Online
02/09/2011	7 Hours – 2010 Rules and Regulations
12/16/2010	7 Hours – Ask Darrell Again
12/12/2010	7 Hours – National USPAP Update, 2010-2011

Steven W. Craddock, CDA, HMS, CDEI

05/26/2009 7 Hours – National USPAP Update Equivalent, 2008-2009 – Online

05/17/2009 7 Hours – Ask Darrell (New Laws and Rules)

09/03/2008 7 Hours – New FNMA, Federal and State Rules

08/15/2008 7 Hours – FHA and the Appraisal Process – Online

06/17/2007 15 Hours – National USPAP 15-Hour Course

05/30/2007 7 Hours – National USPAP Update, 2006-2007 – Online

05/23/2007 7 Hours – Relocation Appraisals are Different – Online

06/10/2006 7 Hours – Trainees and Supervisors

06/09/2006 7 Hours – Board Rules and Laws

06/14/2005 7 Hours – Construction Details and Trends – Online

06/14/2005 7 Hours – Factory-Built Housing – Online

05/02/2004 7 Hours – Working with Underwriters

05/01/2004 7 Hours – National USPAP Update, 2004-2005

Professional Education – Appraisal, Cont. Ed. Seminars/Webinars

02/24/2016 Q&A with the Appraisal Foundation – By: McKissock, LP – Webinar

08/05/2015 Disaster Assessment Training (NC-999.3a) – By: North Carolina Emergency Management (NCEM), a division of the North Carolina Department of Public Safety (NCDPS) – Seminar

02/02/2015 Data-driven Adjustments with Regression – By: Statwing – Webinar

01/15/2015 Fannie Mae's Collateral Underwriter: Does Your AMC Have You Covered? – By: Fannie Mae (FNMA) – Webinar

12/11/2014 Get Prepared For Collateral Underwriter – By: Bradford Technologies – Webinar

09/18/2014 FHA Appraisal Inspection Requirements – By: Federal Housing Administration (FHA) – Webinar

05/01/2014 Electronic Appraisal Delivery Today – By: Veros Real Estate Solutions – Webinar

02/13/2014 What You Need to Know About Appraisals in 2014 – By: Coester Valuation Management Services – Webinar

03/20/2013 Appraisal Frequently Asked Questions – By: Federal Housing Administration (FHA) – Webinar

02/17/2013 Forensic Field Review – By: CoreLogic Collateral Solutions – Webinar

01/15/2013 The U.S. Housing Market: Where Has it Been and Where is it Going? – By: Employee Relocation Council (ERC) – Webinar

Steven W. Craddock, CDA, HMS, CDEI

10/30/2003 Flood Insurance for REALTORS® – Federal Emergency Management Agency – Seminar

Professional Education – Designation Cont. Ed. Courses

03/08/2016 8 Hours – CDEI Certification Course – International Distance Education Certification Center (IDECC) – CDEI Course, Part II – Principles of Good Practice – Online

03/07/2016 8 Hours – CDEI Certification Course – International Distance Education Certification Center (IDECC) – CDEI Course, Part I – How and Why Adults Learn – Online

09/18/2015 7 Hours – CDA Designation Update Course – North Carolina Professional Appraisers Coalition (NCPAC) – Wilmington, NC – Inspection of Historical & Maritime Properties Tour Course

10/16/2014 7 Hours – CDA Designation Update Course – North Carolina Professional Appraisers Coalition (NCPAC) – Raleigh, NC – NCAB and NC Legislative Buildings Tour Course

05/18/2013 7 Hours – HMS® International Designation Course – Institute of Housing Technologies (IHT) – The Home Valuation Crisis – Public Records and Square Footage Course – Online

05/17/2013 7 Hours – HMS® International Designation Course – Institute of Housing Technologies (IHT) – ANSI, Home Measurement, & The Power of Price-Per-Square-Foot Course – Online

10/11/2012 7 Hours – CDA Designation Update Course – North Carolina Professional Appraisers Coalition (NCPAC) – Asheville, NC – Biltmore Estate Tour Course

Professional Education – R.E. Agent and Broker Pre-Licensing Courses

04/16/2003 64 Hours – Advanced Real Estate – Real Estate Broker Course

12/16/2002 84 Hours – Fundamentals of Real Estate – Real Estate Salesperson Course

Professional Education – REALTOR® Continuing Education Courses

10/09/2012 2.5 Hours – National Association of REALTORS® Quadrennial Code of Ethics – Online

02/05/2008 2.5 Hours – National Association of REALTORS® Quadrennial Code of Ethics

Professional Designations/Associations/Affiliations/Awards

03/08/2016 Awarded the CDEI (Certified Distance Education Instructor) Certification, #68086, International Distance Education Certification Center (IDECC)

12/07/2015 Appointed to the Currituck County Land Use Plan Steering Committee by the Currituck County Board of Commissioners; Nominated by the Currituck County Planning Department. This is a 3-year project with no term limit. The Committee contains 13 members.

09/19/2015 Awarded "The Andy Ledford Award" for my contribution to and support of the North Carolina Professional Appraisers Coalition (NCPAC); Awarded by Christie L. Standish, CDA, Immediate Past President of NCPAC.

2015 - Current MLS Committee Member, Albemarle Area Association of REALTORS®; This is a 2-year term with no term limit. The Committee contains a minimum of 7 members.

Steven W. Craddock, CDA, HMS, CDEI

2015 - Current Re-Appointed to the Currituck County Planning Board by the Currituck County Board of Commissioners; Re-Nominated by David L. Griggs, Currituck County Commissioner. This is a 2-year term with a 2-term limit (consecutive) where I began my first of two possible consecutive terms. The Board contains 9 members.

2014 - Current Elected to the Board of Directors of the North Carolina Professional Appraisers Coalition (NCPAC); Nominated by Charles "Don" Clark, Committee of 100 Member. Sworn in by Steven L. Mayer, the then NCPAC President. This is a 2-year term with a 2-term limit (consecutive). The Board contains 15 members.

2013 - Current Candidate, ISA® Personal Property Designation, International Society of Appraisers

2013 - Current Awarded the HMS® (Home Measurement Specialist) International Designation, by the Institute of Housing Technologies (IHT)

2013 – 2014 Appointed to the Currituck County Planning Board by the Currituck County Board of Commissioners; Nominated by David L. Griggs, Currituck County Commissioner. This is a 3-year term with a 2-term limit (consecutive) where I filled the unexpired term of Suzanne Everhart, a Board Member who resigned. This term was to fill their remaining period of 23 months. Filling an unexpired term does not count towards the 2-term limit. The Board contains 9 members.

2012 - Current Appraiser Member, Worldwide Employee Relocation Council (ERC)

2011 - Current Awarded the CDA (Coalition Designated Appraiser) Designation, #D-030, by the North Carolina Professional Appraisers Coalition (NCPAC)

2008 - Current HUD/FHA/USDA Certified Residential Real Estate Appraiser – #NCA6528

2008 - Current HUD/FHA/USDA Certified Residential Real Estate Appraiser – #VA4001015045

2008 - Current Committee of 100 Member for Currituck County, North Carolina Professional Appraisers Coalition (NCPAC)

2008 - Current Member, National Association of REALTORS®

2008 - Current Member, North Carolina Association of REALTORS®

2008 - Current Member, Albemarle Area Association of REALTORS®

2007 - Current Member, North Carolina Professional Appraisers Coalition (NCPAC)

2005 - Current Designated as an Expert Witness by the Honorable Judge C. Christopher Bean (now retired)

2002 – 2007 Associate Member, National Association of REALTORS®

2002 – 2007 Associate Member, North Carolina Association of REALTORS®

2002 – 2007 Associate Member, Albemarle Area Association of REALTORS®

2002 - Current Appointed to the Office of Notary Public, North Carolina Department of the Secretary of State; Nominated by Sheila Romm, Currituck County Clerk of Court. This is a 5-year recurring term.

Steven W. Craddock, CDA, HMS, CDEI

Teaching – Professional Cont. Ed. Courses/Seminars/Webinars

12/09/2015 – McKissock Education – Entitled "The Hot Seat" – I authored and presented this 1-hour Pro-Series webinar for McKissock Education, a national Continuing Education provider for real estate appraisers and other professionals. – Webinar

- Topic: Expert Witness Testimony preparation – A detailed synopsis of the Expert Witness niche of appraising from: advertising Expert services, the inspection process, preparing your workfile, writing and submitting your report, and guidance on how to testify on the witness stand under direct and cross examinations.

Personal and Business References are Available upon Request

This document was last updated on 03/08/2016.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License _X_ Continuing Education

_____ Renewal _x_ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Steve Maher

   Mailing Address: 10612 Parlor Road Charlotte, NC 28277

   Business Phone: 704-542-3012

   Business Fax: _____

3. Name and address of school/organization for whom you will instruct:

   McKissock, LP
   218 Liberty Street
   Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:

   Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 3 hours

   Pre License Hours: N/A Continuing Education Hours: 3 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
See attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
See attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
See attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2-13-18

(Date)

STEVEN L. MAHER,
BIC, GRI, ABR, CRREA, NC Appraiser Instructor
Appraiser Qualification Board USPAP Instructor

10612 PARLOR ROAD CHARLOTTE, NORTH CAROLINA 28277-1900
OFFICE : 704-542-3012 FAX: 704-541-5051 CELL: 704-607-1859 EMAIL: *Steve@SLMappraisals.com*
Web Page: www.SLMappraisals.com

North Carolina: Certified Residential Appraiser #A3525
North Carolina: Real Estate Broker #112694
South Carolina Certified Residential Appraiser #CR2814
Commonwealth of Virginia Certified Residential Appraiser #006561
Certified Distance Education Instructor #67522
North Carolina Real Estate Commission Instructor #1487
Appraisal Foundation USPAP Certified Instructor (Ethic Instructor) #10658

"Over 20 years in the Real Estate business with a primary emphasis on the appraisal of residential properties."

REAL ESTATE APPRAISAL / BROKER EDUCATION COURSES:

2011	Relocation Appraising: New ERC Summary Appraisal Report
2009 ~2013	CDEI ~ Certified Distance Education Instructor (Online Ed. Instructor)
2007 ~ Cur.	North Carolina Real Estate Certified Instructor ~ Pre-license & Post License
2007	Graduate of NOVA a 44 hours of Realtor Renewal Course
2005	Homeowners' Association Agency Liabilities ~ Mingle RE
2005	Professional Guide to URAR Report 2005 Forms ~ AI
2005	US Dept. of Housing & Urban Development Fraud ~ HUD
2004	FHA appraiser/Underwriter Training
2004 ~ Cur.	AQB Certified USPAP Instructor ~ #10658 ~ The Appraisal Foundation
1998 ~ Pres.	North Carolina Appraisal Instructor-Instructor for R1, R2, & R3 Appraisal Courses at Mingle Institute (Board of Realtors) Charlotte, NC
2003 -	William H. Sharp & Assoc. ~ Home Inspection Techniques
2001- 2002	Real Estate Fraud & The Appraiser's Role
2001 – 2002	Appraising the Oddball: Non-conforming & Difficult Properties
2000 – 2001	Uniform Standards of Professional Appraisal Practice~14hrs
1999 -	Completion of ABR & ABRM Courses Accredited Buyer Representative & Manager. Member of REBAC Real Estate Buyer's Agent Council, Inc.
1999 -	U.S. Department of Housing and Urban Development admitted to Roster and Completed Test. HUD/FHA Roster
1999 -	New FHA Requirements, Fannie Mae and VA for 1999 -14Hrs Erick Little, FHA Official Instructor, Statesville, NC
1998 -	Principles of Business Appraisals -Lincoln Graduate Center, Indianapolis, IN
1998 -	*Graduate Real Estate Institute - 300 series*: Pricing Residential Properties; Residential Real Estate As An Investment; Property Management; Marketing and Business Planning. Designation GRI awarded.
1998 -	*Mingle School of Real Estate:* Income Valuation Fundamentals
1997 -	*Graduate Real Estate Institute - 200 series*: Residential Construction; Tax Planning for Real Estate; Legal issues in Real Estate.
1997 -	*Mingle School of Real Estate:* Analyzing/Marketing Investments Property

1997 - *Graduate Real Estate Institute - 100 series*: Residential Financing; Creative Listing Strategies; Contract to Closing: Real Estate Selling Skills
1996 - *Appraisal Institute:* Uniform Standards of Professional Appraisal Practice.
1995 - *Mingle School of Real Estate:* Analyzing & Marketing Investment Properties.
1993 - *William H. Sharp & Associates:* House Inspection Techniques.
1993 - *NC Department of Transportation:* Principles of Highway and Right of Way Acquisitions.
1992 - *Appraisal Institute:* Standards of Professional Practice & Procedures
1990 - *Mingle Institute:* R1 Introduction to Real Estate Appraisal
R2 Valuation Principles & Procedures
R3 Applied Residential Property Valuation
G1 Introduction to Income Property Appraisal

STEVEN L. MAHER, CREA *(cont.)*

1988 - *Century 21 Regional Office:*
Real Estate Law; Real Estate Brokerage Operations; Real Estate Finance

1987 - *Century 21 Regional Office:*
Fundamentals of Real Estate

Formal Education:

1973 - Ball State University Muncie, Indiana
Bachelor of Science, Marketing & Advertising

Professional Affiliations:

1988-Present National Association of Realtors

1988-Present Charlotte Regional Realtor Association

1994-Present National Federal Registry of Appraisers

Association Memberships:

2009-2012 NCPAC~ North Carolina Professional State Board Director
2009-2010 Charter President, NCPAC Metrolina Chapter, Charlotte
2008-Cur North Carolina Real Estate Educators Association ~ NCREEA
1997-1998 President, Kiwanis Cub of South Mecklenburg Club
1990-2000 Charter Member of Kiwanis Club of South Mecklenburg County.
1992 Kiwanian of the Year Award.
1993-94 Vice President of Parent-Teacher Organization :
South Charlotte Middle School.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License _X_ Continuing Education

_____ Renewal _x_ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Robert Frazier

   Mailing Address: 15 LURE TRAIL, FAIRFIELD, PA 17320

   Business Phone: 240-432-6910

   Business Fax: _____

3. Name and address of school/organization for whom you will instruct:

   McKissock, LP
   218 Liberty Street
   Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:

   Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 3 hours

   Pre License Hours: N/A Continuing Education Hours: 3 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
See attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
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10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
See attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2-13-18

(Date)

CURRICULUM VITAE
ROBERT L. FRAZIER, SRA, FRICS
CERTIFIED GENERAL APPRAISER, MD, VA, DC
REAL ESTATE BROKER, MD
15 LURE TRAIL, FAIRFIELD, PA 17320
TELEPHONE 240-432-6910
RLFAPPR@COMCAST.NET

Present
Real Estate and Valuation Consultant and Instructor
Providing consultation services in electronic data for property and mortgage transactions, Instructor for continuing education and specialty skills for real estate agents and appraisers.

Previous Positions
October 2012 to June 2017 (Retirement)
Valuation Policy Division of the Office of Single Family Program Development, Office of Single Family Housing, Department of Housing and Urban Development (FHA Single Family Mortgage Insurance Program)

- Policy Advisor
- Deputy Director
- Director, Acting
- Deputy Director, Acting
- Housing Program Policy Specialist

Achievements include:

- Co-author of the valuation sections of FHA Handbook 4000.1 and the FHA Single Family Appraisal Report and Data Delivery Guide; standards and guidance to replace FHA Handbook 4150.2 and numerous Mortgagee Letters,
- Led the effort to develop and deploy the FHA Electronic Appraisal Delivery (EAD) System
- Supervising a staff of analysts and specialists, leading the effort to:
  - develop guidance, procedures and policies to support Single Family Housing programs,
  - interpret legislation and implement regulations and guidance governing program areas as related to real property valuation, 203b, 203k and HECM programs, including FHA appraisal policy and the FHA Appraiser Roster,
  - provide technical assistance and guidance on valuation issues pertaining to single family dwellings (one to four units) and appraisals for single family dwellings; and,
  - maintain the FHA Appraiser Roster to ensure that:
    - appraisers who have had their credentials revoked by one of the states are immediately removed from the Roster; and,
    - appraisers who wish to apply for listing or updating of their credentials are promptly processed.
- Representing the Agency in public speaking events at public forums.
- Exchanging information with top management officials, representatives from local and national housing organizations and/or state and local governments and the public.
- Working with management and staff members of the Home Mortgage Insurance Division to ensure that the underwriting needs of the programs are matched by the appraisal and property requirements.
- Developed guidance for appraisers to align with new changes in the 203 (k) rehabilitation loan programs.
- Provided investigative and litigation support
- Served as the Alternate Representative to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.
- Creating and delivering training to staff members

- Writing articles for publication, providing subject matter expertise for valuation issues, and providing analysis and business expertise in software development projects.

Management Analyst, Loan Guaranty Division, Veterans Benefits Administration, Department of Veterans Affairs, October 2011 – October 2012
Duties included:

- Managing projects to modernize and streamline mortgage processing.
- Lead project manager for the fully automated appraisal processing system including procurement and integration of a vendor provided system into VA's web based internal systems.
- Lead project manager for procurement and integration of a vendor to process to manage portfolio loans and disposition of REO properties, and to develop tools and management for the oversight function.
- Developing enhancements in planning and documentation of IT projects to better conform to industry and agency standards.

Appraiser, Valuation Policy Division, Single Family Housing, FHA, Department of Housing and Urban Development. February 2011 – October 2011, GS-1101-13
Duties included:

- Writing and revising policy manuals, preparing correspondence to members of Congress and the public.
- Creating and delivering training to staff members
- Writing articles for publication, providing subject matter expertise for valuation issues, and providing analysis and business expertise in software development projects.
- Representing policy division in ongoing project to automate and improve processing of HECM (FHA insured reverse mortgages).
- Wrote the draft of the revised 4150.3 Manual which contains the policy and requirements for single-family appraisals supporting FHA insured loans, incorporating all prior policies and Mortgagee Letters.
- Created and delivered the training program for staff members of the Housing Opportunity Centers (HOCs) to prepare them for review of appraisals provided in the Uniform Appraisal Dataset (UAD) format.

Managing Director, the Center for Real Estate Studies and Valuation Services LLC (CRESVS) September 2008-February 2011
CRESVS provided consultation and analytics, real estate appraisal, and litigation support for clients related to the mortgage industry and legal profession.
Accomplishments include:

- Providing real estate analytical services and studies, litigation support, design and implementation support for quality control products and workflow, implementation support for the MISMO valuation data and management.
- Providing design and audit workflow, policies, and procedures for HVCC and regulatory compliance.
- Providing valuation services for commercial, industrial, land and complex residential properties.
- Assisted in litigation and valuation support for the environmental damage lawsuit that resulted in one of the largest awards in Maryland history.

CURRICULUM VITAE

ROBERT L. FRAZIER, SRA, FRICS

CERTIFIED GENERAL APPRAISER, MD, VA, DC
REAL ESTATE BROKER, MD
15 LURE TRAIL, FAIRFIELD, PA 17320
TELEPHONE 240-432-6910
RLFAPPR@COMCAST.NET

Chief Appraiser, Director-Special Projects First American CoreLogic 2006-2008
CoreLogic was an integrated solutions provider encompassing technology tools, training, and services that preserve the integrity of individual loans and mortgage pools.
Provided oversight, experience and expertise for:

- Creation, analysis and calibration of valuation models and analysis tools for real property and mortgage lending risk, including development of new models and products for both general and specific client needs.
- Process and project management for custom cascade AVM solutions.
- Testing AVM and other Valuation Products for bias and statistical accuracy.
- Testing valuation methods against each other for comparison of accuracy statistics
- Development of workflow solutions for individual clients to monitor and manage fraud and default risks, as well as analyze risks and provide valuation assistance for compliance to US and International Accounting Standards (including Basel II).

Chief Appraiser, Asst. Director. Chesapeake Appraisal and Settlement Services Inc. (a division of Citigroup) 1999-2006
Chesapeake was a vendor management company, which processed over 14,700 appraisals per month at the height of its production.
Accomplishments included:

- Developed quality control and review standards for appraisal products bringing Chesapeake into compliance with Federal and State Regulations and USPAP.
- Built the first operational paperless workflow: from receipt of report, through quality review, to transmittal to clients with review report, without compromising original work product.
- Created innovative valuation product (Flagship® Tri-AVM) for CitiFinancial.
- Set and enforced policies and procedures to improve appraisal quality
- Designed internal quality control standards for client lenders to comply with federal and state regulations.
- Built workflow and electronic methods to enhance production.
- Established and managed a complaint review and claims process
- Software Development Group leader directly involved in writing the business requirements, workflow and specifications of new processing software.
- Recruited and managed the appraisal QC Department (17 staff members at peak).
- Developed a quality review team in India, including the course of instruction and on-site training to outsource appraisal review to our offshore partner.

Regional Chief Appraiser, Long Island Savings Bank/Astoria Federal Savings Bank 1995-1999
Accomplishment included:

- Creating a regional appraisal department to serve the mid-Atlantic Region
- Supervising over 6000 appraisals and inspections per year from staff and fee panel.
- Managing project approval by FNMA, VA, FHA, and private investors for PUDs and Condominium Projects. Granted authority to designate condominium and PUD projects as "acceptable" to FNMA.
- Conducting seminars for Loan Originators, Processors, and Underwriters
- Writing Appraisal Policy, Procedures, and Guidelines to company with OTS, developed internal forms for review, tracking and audit compliance.

CURRICULUM VITAE
ROBERT L. FRAZIER, SRA, FRICS
CERTIFIED GENERAL APPRAISER, MD, VA, DC
REAL ESTATE BROKER, MD
15 LURE TRAIL, FAIRFIELD, PA 17320
TELEPHONE 240-432-6910
RLFAPPR@COMCAST.NET

- Approved as a LAPP Reviewer by the Veteran's Administration, Baltimore Regional Office

Appraiser, Broker and Manager 1984-1995

- Robert L. Frazier & Associates, Maryland, DC, Virginia.
- Ahmanson Mortgage Company(Home Savings of America), Chief Appraiser -Maryland, DC and Virginia
- Town and Country Properties Inc. Office Manager/Director of Education, Maryland and Washington DC
- S.R. Frazier Agency, Associate Broker, Insurance Agent and Broker, Appraiser, Sharon, PA

Appraiser/Appraiser Manager

- Appraised or supervised staff in the appraisal of all types of real estate, including residential, multi-family and apartments, commercial, agricultural, industrial, office, institutional, land being developed for subdivision, land for single uses, and non-developable land.

Broker/Manager

- Managed real estate agents in a large residential real estate office.
- Trained agents in basic as well as complex techniques for brokerage, leasing and financing.
- Broker of Record, Town & Country Properties Referral Services

Education:

- Pennsylvania State University, A.S. Degree in Business Administration 1983
- Certificate of Completion, Real Estate Educational Program
- Real Estate and Appraisal Education
    - Total Classroom hours of specialized real estate and appraisal training exceeds 1400 hours in addition to the hundreds of hours as an instructor.

Certifications and Credentials:

- Certified General Appraiser, Maryland #04-1166
- Certified General Appraiser, District of Columbia #10013
- Certified General Appraiser, Virginia #1424
- Real Estate Broker, Maryland #4650, (Previous: Washington, D.C. and Pennsylvania)
- Testified as Expert Witness: Mercer County, Pennsylvania, District Court of Maryland, as well as numerous depositions.

Current designations:

- SRA – Awarded by the Appraisal Institute, Chicago, IL, 1995
- FRICS - Fellow of the (RICS) Royal Institution of Chartered Surveyors. London, UK, 2008

Past Designations and Achievements:

- Past President, Greater Mercer County Board of Realtors
- GRI Graduate Realtors Institute (Pa. Assn. of Realtors) 1975
- CRS Certified Residential Specialist (National Association of Realtors) 1978
- CRP Certified Relocation Professional (Employee Relocation Council) 1990
- FF Faculty Fellow, Mortgage Bankers Association (MBA 1994)

CURRICULUM VITAE
ROBERT L. FRAZIER, SRA, FRICS
CERTIFIED GENERAL APPRAISER, MD, VA, DC
REAL ESTATE BROKER, MD
15 LURE TRAIL, FAIRFIELD, PA 17320
TELEPHONE 240-432-6910
RLFAPPR@COMCAST.NET

- MRICS Member of the Royal Institution of Chartered Surveyors (RICS) 2006
- Member of the Industry Advisory Council (IAC) for the Appraisal Foundation for CoreLogic and Citigroup.
- IAC Liaison to The Appraisal Foundation Advisory Council (TAFAC)
- Provided input and advice to the Appraisal Standards Board and Appraisal Qualifications Board
- Serving as Subject Matter Expert for the national appraisal examinations for the Appraisal Foundation 2007- Present
- Mortgage Industry Standards Maintenance Organization (MISMO) Valuation and Property Services Workgroup (Chair 2008, 2009). Represented appraisal industry in establishing and implementing open and universal file structures and data formats.
- Coauthored paper regarding appraisal risks with the Information Security Work Group, authored papers regarding advantages of MISMO implementation for valuation services.
- National Speaker and Member of Panels for the Mortgage Bankers Association and others
- Leader of presentation at the MBA Technical conference for both 2007 and 2008 to present the advantages of deploying the MISMO XML standards in valuation services workflow. Wrote accompanying Whitepapers and PowerPoint presentations on workflow and security
- Testified before the Commonwealth of Virginia Real Estate Appraisal Board regarding universal appraisal report formats and electronic signatures
- Authored the revision of underwriting course for the Mortgage Bankers Association
- Presented seminar on appraisal fraud for the George Real Estate Fraud Projection and Awareness Coalition, (GREFPAC),as well as for Altera,and the Georgia MBA
- Workflow article published in MBA magazine April 2007. Other articles and whitepapers published in various media

Be Compliant and Competitive with Restricted Appraisal Reports
3-hour Webinar

Course Description:

This course is intended to assist appraisers in understanding the need for and requirements to develop a limited scope appraisal for use in certain types of residential lending and servicing. The discussion of the Limited Scope Appraisal involves the development of the appraisal in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).
The course then provides information about the two options for written appraisal reports in USPAP. The course begins with a brief analysis of why a lender would request and use a limited scope appraisal report so that the appraiser may better understand the needs of the intended user and properly define the scope of work required to fulfill the intended use.

What Students Will Learn:

Upon completion of this course, participants will be able to:

- Identify assignment criteria.
- Estimate what is required prior to accepting the assignment.
- Distinguish what is required to produce credible results.
- Employ the Valuation Process
- Define the basics: market analysis and analysis of the subject prior to considering the opinion of value
- Analyze three approaches
- Recognize when they are not possible or needed to produce credible results
- Prepare the workfile and the report
- Explain the Two Methods for Written Appraisal Reports
- Summarize the extra steps and requirements for writing a Restricted Appraisal Report

Course Schedule:

Introduction and objectives	(10 minutes)
Defining and Accepting the Assignment	(10 minutes)
Should I accept this Assignment?	(10 minutes)
Avoiding Unnecessary Risk to Appraiser	(10 minutes)
Limited Scope Appraisals	(10 minutes)
Break	*(10 minutes)*
Moving Forward with the Process	(10 minutes)
Market Area Analysis	(10 minutes)
Observing and Analyzing the Subject	(10 minutes)
Applying Valuation Techniques	(10 minutes)
Approaches to Value	(10 minutes)
Break	*(10 minutes)*
The Three Approaches	(10 minutes)
Reconciliation	(10 minutes)
What is Required and Which is Appropriate?	(10 minutes)
Reporting the Scope of Work	(10 minutes)
Sample Forms	(10 minutes)
Break	*(10 minutes)*
	Total: 180 Minutes

McKISSOCK
P.O. BOX 1673, WARREN, PA 16365

General Information

Continuing Education Approval

McKissock has been approved to teach appraisal continuing education in all 50 states, as well as the US Virgin Islands. Additionally, McKissock has been approved to teach real estate continuing education and Pre-Licensing/Upgrading education courses in many of those states. A detailed list of which courses are approved in which states is available upon request.

Seminar Facilities

McKissock does not have a central location for instruction, but instead teaches throughout the country in various hotel facilities and convention centers. The location of the main office in which all records are kept (for at least 5 years) is in Warren, PA. The sites chosen for instruction are selected on the basis of their accessibility and convenience, and the overall quality of the facility.

Equipment Used

The instructors use LCD projectors and laptops, as well as a PowerPoint slide presentation designed specifically for each course, to facilitate teaching. Or, overhead projectors may be used with a slide presentation (instead of LCD projection units). Certain courses may also use computer equipment or other audio/visual equipment.

Entry Criteria/Prerequisites, Examinations (Continuing Education)

There are no restrictions as to who may attend any course given by McKissock. There are no prerequisites to any courses. The student must have an appraisal certification (or real estate certification, if applicable) if he or she wishes to receive continuing education credits. For all of McKissock's appraisal continuing education courses, there will be no formal graded exam at the conclusion of the course unless mandated by the particular requirements of a given state.

Entry Criteria/Prerequisites, Examinations (Pre-Licensing/Basic Education)

There are no restrictions as to who may attend any course given by McKissock. For all of McKissock's pre-licensing and upgrade education courses, there will be a closed book final exam at the conclusion of the course. The exam must be passed by a minimum of 70%, unless state law requires a higher passing score (75% for Nevada Real Estate, 85% in Maine, 90% in Iowa). If a person fails to pass the final exam, they may opt to retake an alternate exam. Upon the second failed attempt, they may opt to take the entire course again, at no additional charge.

Certificates of Completion

For On-Line Classes: Upon receiving the completed survey, a course completion certificate will be issued to the student indicating that the student has successfully completed the distance-learning course. Certificates of completion will be posted directly to the "My McKissock" account after the student has submitted the Course Evaluation form. As a back up to ensure the student receives the certificate, our database will recognize if a student has printed their certificate from the on-line account. If that has not happened, a certificate will be sent via email within 2-5 days. However, if the state the customer has requested credit in requires an original signature then the certificate will be mailed to them within 2-5 business days.

For Classroom Classes: All certificates will be sent via Email within 5-7 business days EXCEPT for the following states which require an original signature: New York (Appraisal & Real Estate), North Carolina (Appraisal & Real Estate), and West Virginia (Real Estate Only). If the customer is requesting credit for one of these states then their certificate will be sent via standard mail delivery within 5-7 business days.

Textbooks/Handouts

The textbooks used for each course have been designed specifically for these courses. Course handouts include various materials that might interest the student (each handout is related to the course topic) or information, which the student will need in order to implement course instruction. Course textbooks and handouts are included in the registration fee for all appraisal and real estate continuing education classes. All students must possess a current copy of the Official USPAP Book for the National USPAP Update course, the National USPAP Update Equivalent course, or the National USPAP course.

Attendance Policy

McKissock adheres to the Appraiser Qualifications Board's policy, which is attendance of each full classroom hour. A classroom hour is defined by the Appraiser Qualifications Board as 50 minutes out of every 60 minute hour. The states of AZ, CT, KS, MS, DC, VT, TN, ME, SC, MN, MI, IA, OR, KS, NY, MA, NH, GA & TX require 100% attendance in order for the student to receive continuing and pre-licensing education credits. Attendance is monitored throughout the day with attendance sheets passed out after every break. Students will not receive certificates of completion for the course if the attendance requirements are not met to McKissock's satisfaction.

Refund Policy

Students may receive a full refund from McKissock if not completely satisfied. Students must request refund within 24 hours of attending the course. If a student cancels at least one day before the course, he or she may receive a full refund, or may choose to make up the course in another location or on another date at no charge. If a student does not show up for a course, he or she may make up the course in another location or on another date at no charge.

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Distance Education Course Policies and Procedures

Registration:

A student may register for a free user account on our Virtual Classroom system to preview any of our online courses. At this time, they are required to create a username and password for the system, which will be used for all future online course transactions.

They may sample a predetermined number of chapters in each course prior to subscribing to the course, and the system is designed to keep track of their progress. To enroll in a course, the student may choose to pay by credit card; or they may opt to enroll by phone during normal business hours.

Examinations:

Continuing Education Courses:

Each course is divided into Chapters. Within each Chapter there are mini-quizzes which require a passing score to proceed through the Chapter. Additionally, there are end of Chapter quizzes which require a passing score. The combination of the mini-quizzes and end of Chapter quizzes ensures the student's comprehension of the material. The quiz questions (in all cases) are randomly chosen from a database for that section of the course, so if a user does not pass the quiz, the program lets them go back to review the section and then generates another random sample of questions with the same completion requirement. This process helps to ensure that the student understands all of the concepts covered in each section before continuing on to new material. At the end of the course, the student will be required to pass a cumulative final examination. They may review the course again and make a second attempt, but they will not get credit for the course until they successfully pass the exam. The same question bank methodology applies to the final examination.

Qualifying (Pre-License) Education Courses:

Each qualifying (pre-license) education course is set up exactly the same as a standard continuing education course. However, if required by state (or federal) regulation, a live, proctored final examination may also be required for successful course completion. The proctored final examination must be passed with minimum score of 70% in most states (72% for the National USPAP Course in all states). Since this is a proctored examination, the passing score will be determined by each individual state regulatory agency's requirements, but will never be less than 70%.

Support:

Questions regarding course content or technical issues may be submitted via email to McKissock or the course instructor using the conveniently located link on the left-hand Help Tab of each course or via the "Contact Us" tab at the top of each page of our website. Students may also call our 800-number during our regular business hours, as follows, to speak with a customer service representative.

Weekdays: 7:00am - 12:00pm (Eastern Time)
Weekends: 12:00 noon - 3:30pm (Eastern Time)

Interactivity:

Discussion boards, active links, interactive quizzes, exercises, case studies, and emails are established for each individual Virtual Classroom course. Students may use these resources for help or additional information. Additional Courses Resources are also established for our online courses and can be found on the individual state webpage on www.mckissock.com.

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Completion:
Once the course has been completed, a survey page will be displayed. The final survey page must be completed and submitted to us to indicate that the student has finished the course successfully. (We may also login and view the status of all quizzes and final exams completed through our administration panel.)

This survey helps us to monitor the quality of our course and allows us to make any changes we feel are necessary to ensure that we are offering education that is consistent with the on-site classroom courses we present. Completion results are kept both in an online database and in our office at 218 Liberty Street, Warren, PA 16365 for a minimum of five (5) years. Our database records are logged to show all relevant information for each student and are backed up nightly, weekly, and monthly to ensure that we never lose information regarding students' certificates, etc.

Upon receiving the completed survey and proctored exam results (if required), a course completion certificate will be issued to the student indicating that the student has successfully completed the distance-learning course. Certificates of completion will be posted directly to the "My McKissock" account after the student has submitted the Course Evaluation form. However, if the state the student has requested credit in requires an original signature then the certificate will be mailed to them within 2-5 business days.

Electronic rosters may also be submitted to the individual state regulatory boards as mandated.

Attendance Policy:
Attendance is measured by successful completion of the online course. In order to successfully complete the course, an individual must progress through the material and acquire a passing score on all assessments.

Course Review:
All courses will be reviewed on an annual basis. Information will be compiled from student evaluation forms and changes will be made accordingly. All students are requested to give their feedback on the overall quality of our educational offering, addressing among other issues, the knowledge and abilities of the instructor. A course-instructor evaluation is distributed to all students via the course completion form. All responses are collected via web database and email and consolidated for the permanent file for that course. Prior to filing the responses away, they are reviewed and signed off by the product team to identify and address any issues that require additional attention.

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INSTRUCTOR QUALIFICATION PROCEDURES

10/4/06 REVISION

PURPOSE

The purpose of this document is to outline all formal and informal minimum and desirable professional standards for instructors of appraisal, real estate and other topics, and to summarize the procedures used by McKissock to verify these qualifications for prospective instructors. It is hoped that these written procedures will assist interested state professional regulatory bodies in their efforts to review and approve McKissock applications, while at the same time offering a basic overview of the process for the benefit of prospective instructors.

This document is intended to reflect only the minimum procedures and standards used by McKissock in all situations, when there is otherwise no conflict with the rules and regulations of regulatory agencies with whose approval and under whose jurisdiction a given McKissock function is held. Integral to these procedures is an explicit acknowledgement that when these general procedures either conflict with or fall short of the rules and regulations of a relevant governing regulatory agency under whose jurisdiction a function is held, the rules and regulations of that agency shall supercede this document on all items that are otherwise inconsistent or lacking in this document.

MINIMUM INSTRUCTOR QUALIFICATIONS

As a bare formal minimum, all McKissock instructors must meet the following three requirements:

1. Either a minimum of five years of full-time professional experience directly related to the topic being taught, <u>or</u> a four-year college degree.
2. Professional proficiency with the topics(s) being taught, demonstrated to the satisfaction of McKissock
3. Professional public speaking and teaching ability, demonstrated to the satisfaction of McKissock.

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DESIRABLE INSTRUCTOR QUALIFICATIONS

The following qualifications, though not mandatory in all cases, reflect the philosophy used, above and beyond our formal minimum qualifications to select exceptional individuals in the field to act as instructors. Though these guidelines are informal, they summarize the qualities that are most heavily weighted in our potential instructor interview and selection process:

1. Nationally acknowledged relevant professional designations.
2. Academic contributions to the field, above and beyond direct professional experience; for example, published articles, authored text books, course design.
3. Extensive past history of teaching experience in the industry
4. Expert-level mastery of at least one topic to be taught. In other words, though all McKissock instructors teach several different course topics at a level of full professional proficiency, the selection process strongly favors potential instructors who also demonstrate total expertise in one core subject on which they can speak with authority.
5. Current state professional license or certification in the field being taught.
6. Exceptional professional communication skills and public speaking ability.

It is important to emphasize that though these six qualifications are the most heavily weighted issues in the instructor approval process, this list is simply an attempt to objectively describe a fundamentally subjective process. This having been said, and acknowledging that some of these items are somewhat subjective, the vast majority of McKissock instructors have in fact demonstrated all six of these qualifications. Ultimately however, within the restrictions of the "Minimum Instructor Qualifications" summarized on page 1, it is the subjective judgment of McKissock that determines whether a given instructor candidate is qualified.

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INSTRUCTOR QUALIFICATION PROCEDURES

QUALIFICATION PROCESS

As a highly visible national-level education provider, McKissock is contacted by over 100 interested potential instructors annually. This section outlines the steps typically taken to identify favorable candidates and verify their qualifications and abilities prior to the offering of a teaching position.

1. All candidates are requested to submit a current resume, along with a letter of intent to apply for a teaching position.
2. An informal telephone screening interview is conducted between the candidate and at least one of the owners of McKissock to determine if the candidate's stated qualifications and circumstances warrant additional consideration.
3. Favorable candidates are invited to a face-to-face interview with at least one of the owners of McKissock.
4. All reasonable efforts are made by McKissock to directly observe the candidate in a live teaching setting, prior to the offering of a teaching position. In the event that this is simply not feasible, this phase may be handled after the offering of a temporary position, as described in item 6, below.
5. Once all of the above steps have been taken, and McKissock is satisfied with the professional qualifications and abilities of the instructor, a teaching position offer may be made.
6. If the candidate has otherwise demonstrated his or her qualifications to the satisfaction of McKissock but has not yet demonstrated teaching abilities in a live setting, directly observed by McKissock, a temporary teaching position offer may be made to give the candidate the opportunity to demonstrate teaching ability in a controlled setting.

Comments on a temporary offer: A temporary offer means that the instructor candidate has not yet demonstrated his or her teaching abilities in a live setting to the satisfaction of McKissock, but has otherwise demonstrated the necessary qualifications. For a temporary offer, arrangements are made for the new instructor to attend and instruct classes in conjunction with another experienced McKissock instructor. At the judgment of both instructors in attendance, the new temporary instructor will play the most aggressive role that both instructors are comfortable with, in teaching the class and administrating the overall seminar. Once the temporary instructor has used this intermediate opportunity to demonstrate teaching abilities to the satisfaction of McKissock, the temporary offer may be upgraded to a final offer, and the new instructor may then act autonomously in the on-site teaching of classes and logistical execution of other seminar details

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FEEDBACK PROCESS

All students are requested to give their feedback on the overall quality of our educational offering, addressing among other issues, the knowledge and abilities of the instructor. A one-page course-instructor evaluation is distributed to all students. Students may respond anonymously. All responses are collected via email and consolidated for the permanent file for that course. Prior to filing the responses away, they are reviewed and signed off by the following individuals to identify and address any issues that require additional attention:

- The instructor of the course in question
- All shareholders of McKissock.
- McKissock's Education Manager

It is important to note that certain state regulatory agencies have a prescribed form and procedure for this feedback process. When the educational function falls under the jurisdiction of such an agency, McKissock may opt to follow the procedures of that agency rather than the standard procedure described above.

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LOG-IN INSTRUCTIONS FOR ON-LINE COURSE

1. Go to http://admin.mckissock.com

2. Log In using the following User Name and Password:

Username: Appraisal
Password: Reviewers

3. Click on the course name under the course search tab to begin the review process.

For ease of use for the reviewer, we have disabled the passing score for the quizzes.

If you have any questions, please contact us at 1-800-328-2008 or via email at regulatorycompliance@mckissock.com.

Thank you!

Certificate of Completion

This is to certify that

Charlie Brown – Sample License #

has successfully completed the course:

Sample Course

for sample (7) hours of appraisal continuing education credit
for the State of Sample.

Given via distance education at: https://www.mckissock.com

Date: July 9, 2009

Richard D. McKissock

Richard D. McKissock
Education Director, McKissock

McKISSOCK, LP.

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February 13, 2018

Missouri Real Estate Appraisers Commission
3605 Missouri Blvd.
Jefferson City, MO 65102
Attn: Patty Morrow

000016 FEB 21 18

Subject: Online Education Course Application

Dear Ms. Morrow:

Please find enclosed the applications for our online education courses listed below. With the application is a detailed course description and IDECC/AQB approval letters.

- *Live Webinar: Be Compliant and Competitive with Restricted Appraisal Reports – 3 hours*

The following materials are included for your review:

- Sample Advertising Flier
- Distance Education Course Policies and Procedures
- General Information Sheet
- Instructor Qualification Procedures
- Instructor Resume
- Log-In Instructions for the Online Course
- Sample Course Completion Certificate

A check in the amount of $25 is included to cover the cost of the application fees.

If you have any questions or require additional information please do not hesitate to contact me at jackie.vincent @mckissock.com or 1-800-328-2008.

Sincerely,

Jackie Vincent
Senior Regulatory Compliance Specialist
McKissock, LP

COURSE APPROVAL PROGRAM – MISSOURI REAL ESTATE APPRAISERS COMMISSION

APPLICATION FOR: X **INITIAL COURSE APPROVAL** _____ **RENEWAL**

There is a $25 fee per course for Continuing Education Course Approval. In addition, there is a $10 fee per course for Continuing Education Course Renewal.

000004 FEB 22 2

INSTRUCTIONS: The course owner must use this application form when applying for course approval through the **State of Missouri**. *A SEPARATE APPLICATION FORM MUST BE FILED FOR EACH COURSE SUBMITTED FOR APPROVAL.* All items on the form must be completed (enter "N/A" for any item that is not applicable) and all required attachments must be submitted with the application.

1. Name of Applicant (School): American Society of Appraisers
2. Mailing Address: 11107 Sunset Hills Rd, Suite 310, Reston, VA 20190
3. Contact Person: Meredith McCann
4. Phone: 703-733-2127 Fax: 703-742-8471
5. Website: www.appraisers.org Email: mmccann@appraisers.org
6. Course Title and Number: Uniform Appraisal Standards for Federal Land Acquisitions
7. Number of Classroom Hours: 21 Number of Exam Hours: 2
8. Course Category: _____ Qualifying Education X Continuing Education _____ Both
9. Indicate the level of the licensure/certification this course would meet:

   X All _____ State License _____ Certified Residential _____ Certified General

10. Indicate the pre license requirement for this course would meet:

    _____ Principles _____ USPAP _____ Income _____ Elective

11. Instructor(s): Mike Evans, Mike Orman, and Bill Wilson
12. Method of Presentation: X Traditional Classroom _____ Correspondence _____ Internet

    _____ Video Tape _____ Remote TV _____ Computer

13. Owner of Course Materials: The Appraisal Foundation
14. Required Attachments:

    For Qualifying Education Only: Please submit a copy of the contract between the course owner and course provider.

    Fee: As Indicated Above

    Course Materials:
    - Course Description
    - Detailed Course Outline
    - Learning Objectives
    - Final Exam and Answer Key (This is not required for the Continuing Education Application)

    Policies Covering:
    - Instructor Qualifications
    - Attendance

    Miscellaneous:
    - Course Schedule
    - Copy of Completion Certificate
    - Instructor's Resume/Bio

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License X Continuing Education
_____ Renewal X Initial Submission

2008 FEB 22 PM

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
(All applications must be accompanied by a full resume/bio)

2. Name of instructor: Mike Evans

Mailing Address: 479 East Ave, Chico, CA 95926

Business Phone: 530-895-1212

Business Fax: 530-342-4453

3. Name and address of school/organization for whom you will instruct:
American Society of Appraisers
11107 Sunset Hills Rd #310
Reston, VA 20190

School/Organization: American Society of Appraisers

4. Title of program/course or portion of program/course to be taught by the instructor:
Uniform Appraisal Standards for Federal Land Acquisitions

5. Which portion(s) to be taught by the instructor?
All

Total Hours: 23

Pre License Hours: _____ Continuing Education Hours: 23

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
Yes ☐ **No** ● (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Real Estate Appraisers Commission?
Yes ☐ **No** ● (If "Yes", attach explanation)

8. Education: Please see enclosed

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience: Please see enclosed

School	From		To		Subjects Taught
	Month	Year	Month	Year	

10. Real Estate Appraisal Experience: Please see enclosed

Employing Company	Job Description	From		To	
		Month	Year	Month	Year

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2/19/18

(Date)

479 East Avenue
P.O. Box 863
Chico, CA 95926

Michael H. Evans, FRICS, FASA-Real & Rural Property
of

(530) 895-1212 Phone
(530) 342-4453 Facsimile
mike@evansappraisal.com

EVANS APPRAISAL SERVICE, INC.

Appraisals ✧ Consulting

QUALIFICATIONS OF MICHAEL H. EVANS, FASA, FRICS

Mr. Evans has been actively engaged in the real estate appraisal field since 1983, Currently President of Evans Appraisal Service, Inc., a real estate appraisal company specializing in agricultural, commercial, industrial, special purpose (including going concern properties) and residential properties. Mr. Evans is one of two people to currently hold designations in both Real Property/Urban and Rural for the American Society of Appraisers, and a California State Certified General licensee. On August 8, 2005, Mr. Evans was awarded a Fellow Membership designation by the American Society of Appraisers in full recognition of his outstanding services in the Society and his contribution to the Appraisal Profession at large. Recently (2012) Mr. Evans was awarded a Fellow designation by the Royal Institute of Chartered Surveys. Mr. Evans is re-certified by the State of California until October 28, 2018.

The Appraisal Foundation – ***Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications***

-Member of the Board of Trustees 2011-18
-Member of the Admissions Committee 2013-17
-Member of Boards Nominating Committee 2013-2017
-Past Member of the Executive Committee 2013-2014
-Past Chairman of the Trustee Nominating Committee 2014
-Past Member of the Boards Nominating Committee 2013
-Liaison between the Board of Trustees and the Sponsoring Organizations-2011-2012

American Society of Appraisers

- Past International President 2010-2011
- International President 2009-2010
- International Senior Vice President 2008-2009
- International Secretary Treasurer 2007-2008
- Two Term Region Governor 1996 – 2000 for Northern California and Nevada
- 1st Real Property Discipline Governor 2002-2007
- Past Chairman of the Real Property Committee
- Past Editor of the Real Property Journal
- Member of the Constitution and Bylaws Committee
- Past member of the Nominating and Awards Committee
- Past State Director of Northern California & Nevada
- Past Chapter President of Sacramento Chapter (two terms)
- Past Vice Chair Board of Examiners *Professional Education Equivalency Certification; Program commonly known as PEECP*
- Past member of the Budget and Finance Committee

Additional Appraisal Bodies

- Past Chairman of the California Appraiser Coalition
- Past President of the California Appraisers Council

Education

Graduated from California State University, Chico in 1981 with a B.S. Degree in Business Administration.

California State Certified General Real Estate Appraiser
Member of the College of Fellows / American Society of Appraisers
Fellow of The Royal Institution of Chartered Surveyors

Continuing Education
American Appraisal Institute:

- Real Estate Appraisal Principals
- Basic Valuation Procedures
- Case Studies in Real Estate Valuation
- Standards of Professional Practice
- Capitalization Theory & Techniques, Parts A and B
- Valuation Analysis & Report Writing
- Understanding Limited Appraisals and Appraisal Reporting Options
- Valuation of Conservation Easements (Course Instructor)

American Society of Appraisers:

- RP401 - Allocating Components in Going Concerns Appraisals
- BV201: Introduction to Business Valuation
- Fractional Undivided Interest in Real Estate
- Financial Statement Analysis for Appraisers
- Uniform Standards of Professional Appraisal Practice (past course instructor)
- Real Property Prep Course
- California State Laws and Regulations (also course instructor)
- Valuation of Conservation Easements (also course instructor)
- Uniform Appraisal Standards for Federal Land Acquisitions (also course instructor)

American Society of Farm Managers and Rural Appraisers:

- Principles of Rural Appraising
- Permanent Plantings & Leases
- Valuation of Conservation Easements
- Uniform Appraisal Standards for Federal Land Acquisitions

Mr. Evans has also participated in numerous seminars and conferences in addition to those listed above.

Additional Qualifications:
He has been a guest lecturer and have taught agriculture appraisal at California State University, Chico. He has also qualified as an Expert Witness in Superior Court in condemnation cases, as well as an Expert Witness in Butte, Colusa, Fresno, Glenn, Lassen, Los Angles, Tehama, Sacramento, Shasta, Siskiyou, Sutter, Yolo, and Yuba County Superior Courts and in Federal Court, Sacramento, CA.

Qualified for and completed appraisal assignments for the following:

Federal	Federal Deposit Insurance Corporation (FDIC) Federal Housing Authority (FHA) Veterans Administration (VA) U.S. Department of Agriculture Rural Development U.S. Department of Agriculture - Farm Services (FSA) U.S. Army Corps of Engineers Small Business Administration (SBA) U.S. Department of Fish and Wildlife Services
State	California Department of Transportation USDA Soil and Conservancy Service California Department of Fish and Wildlife California Department of Parks and Recreation
Counties	Butte, Glenn, Tehama, Colusa, Plumas, Humboldt, Siskiyou, Sutter, Yuba

Cities	Cities of Chico, Oroville, Willows, Colusa, Los Molinos, Red Bluff Sacramento Regional Transit District
School Districts	Willows Unified School District Los Molinos Unified School District Thermalito Unified School District Chico Unified School District Hamilton City Unified School District

A small example of the client list on file is as follows:

Banks	Bank of America, Feather River State Bank, Chico, Yuba City, CA Golden Valley Bank, Chico, CA River Valley Community Bank Wells Fargo Bank and their Trust Department, CA Umpqua Bank, Chico, CA Sonoma National Bank, Sacramento, CA Bank of the West, CA Union Bank, Sacramento
Attorneys	John Schwarz, Christiansen & Schwarz, Chico, CA Ray Sandelman, Attorney at Law, Chico, CA Carl B. Leverenz, Attorney at Law, Chico, CA B.J.Susich, Boutin JONES Inc. Sacramento, CA Erin Guy Castillo, Parish & Small Inc, Stockton, CA John W. Schooling, Attorney at Law, Chico, CA Jeffrey Meith, Meith, Minasian and Sprunance, Oroville, CA Robert Spano, Moss and Enochian, Redding, CA Ed Hendren, Attorney at Law, Oroville, CA Robert Harp, Marshall, Apger, Meiske and Harp, Chico, CA Philip B. Price, Price & Brown, Chico, CA Michael Moran, Attorney at Law, Chico, CA

Title/Insurance Companies and Land Trusts

Mid Valley Title Company, Chico, CA
Safeco Insurance Company, Burlingame, CA
Bank of America, Chico, CA
General Motors Corporation, Detroit, MI
Western Savings and Loan, Phoenix, AZ
Fidelity National Title, San Jose, CA
Travelers Insurance Company
ITT Hartford Insurance Group
Republic Insurance Company
State Farm Insurance Companies
Continental Insurance Company
Stewart Title Company
The Nature Conservancy

Appraisals have also been performed for various individual landowners throughout Butte, Glenn, Colusa, Humboldt, Del Norte, Trinity, Mendocino, Lake, Solano, Sonoma, Napa, Plumas, Placer, Yolo, Yuba, Sierra, Sutter, Tehama, Shasta, Siskiyou, San Diego, Sacramento, El Dorado, Modoc, and Lassen Counties Los Angles, Kern, Fresno, etc.

Additional Qualifications

Mike H. Evans has been featured in ASA Professional magazine numerous times and most recently:
Summer 2006 (Conference coverage)
Winter 2006 (Paths to appraisal practice)
Winter 2005 (Expert witness)

He has been one of the designated spokesperson for the Real Property Committee. He has been called upon for media queries, and the stories he has been quoted in have been picked up well. Records show a count of over 60 newspapers and magazines that have quoted him since April 2006.
Here are just few Magazines and Topics he has either written or spoken about in the past few years:

Magazine Title	Topic
ASA Real Property Journal Issue 5 Authored	*What is the Appraisal Practices Board of the Appraisal Foundation and why would I want to become a SME (Subject Matter Expert) for it?*
ASA Real Property Journal Issue 4 Authored	*The Next Step in the Development of Appraisal Education and Cooperative Effort Within the Appraisal Profession*
Realty Times, 08/01/2013	*Want Top Dollar from Your Home Sale?*
Money Magazine, NY 09/01/2006	*Price this House*
Journal of Accountancy, NJ 09/01/2006	*Tips for starting a BV Practice*
The Oakland Press, MI 08/20/2006	*Appraisers can help you determine if your stuff is trash or treasure*
Washington Post, DC 07/29/2006	*Getting it to move*
Newsday, NY 07/28/2006	*To Do (ASA lecture)*
Chicago Tribune, IL 07/23/2006	*Selling in a Slow Market*
The Jacksonville, FL 07/07/2006	*People in Business*
The Daily Reporter, OH 07/05/2006	*News Digest*

National Registry Appraiser Report

First Name :	Michael
Middle Initial :	H
Last Name :	Evans
Name Suffix (Jr, Sr, etc.):	
Company Name :	Evans Appraisal Service, Inc.
Street Address :	3201 Esplanade, Suite 1100
City :	Chico
State :	CA
Zip Code :	95973
Telephone Number :	530-895-1212
Status:	Active
Credential State:	**CA**
State Credential Number:	AG002019
Credential Certificate Type:	Certified General
Effective Date of Credential :	10/29/2012
Expiration Date of Credential :	10/28/2018
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License X Continuing Education
_____ Renewal X Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Mike Orman

   Mailing Address: 2989 Elmore Park Rd, Bartlett, TN 38134

   Business Phone: 901-382-2700

   Business Fax: 901-373-6879

3. Name and address of school/organization for whom you will instruct:
   American Society of Appraisers
   11107 Sunset Hills Rd #310
   Reston, VA 20190

   School/Organization: American Society of Appraisers

4. Title of program/course or portion of program/course to be taught by the instructor:
   Uniform Appraisal Standards for Federal Land Acquisitions

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 23

   Pre License Hours: _____ Continuing Education Hours: 23

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes ☐ **No** ● (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Real Estate Appraisers Commission?
   Yes ☐ **No** ● (If "Yes", attach explanation)

8. Education: Please see enclosed

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience: Please see enclosed

School	From		To		Subjects Taught
	Month	Year	Month	Year	

10. Real Estate Appraisal Experience: Please see enclosed

Employing Company	Job Description	From		To	
		Month	Year	Month	Year

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2/19/18

(Date)

STATEWIDE
Appraisal Service, Inc.

Michael T. Orman-NAIFA Taught Courses

Uniform Standards of Professional Appraisal Practice – USPAP 15hr/7hr update
AQB Approved Instructor

1.5C Residential Analysis for Small Income Property Appraisals (8 Hours)

11.8a Calculating Gross Living Area Using ANSI Standards

19.1 An Appraiser's Guide to Environmental Issues (7 hours)

19.2 Appraising Environmentally Impacted Properties (7 hours)

2.0 Financial Analysis of Income Properties (15 hours)

2.1 Introduction to Income Properties (30 hours)

4.6 B Advance Reviewing Techniques (7 hours)

4.6 Reviewing Residential Appraisals (7 hours)

5.0f Ethics (2 Hours)

6.7 The Cost Approach to Residential Properties (7 hours)

Appraising 2-4 Family & Multi-Family Properties (7 Hours)

Appraising Complex Commercial Properties

Appraising in the Foreclosure Market (7 hours)

Concepts, Terminology, & Techniques (15 hours)

Easements, Profits, and Licenses in Land (8 hours)

Fair Lending (4 hours)

FHA Current Appraisal Requirements (7 hours)

Foreclosures & Short Sales: Dilemmas and Solutions (7 hours)

Continued…

Michael T. Orman-NAIFA Taught Courses

HP 12C Calculator and 6 Functions of One Dollar (7 hours)

Institutional Fraud (4 Hours and 8 Hours)

Lending Guidelines for Manufactured Housing (4 hours)

Manufactured Home Guide (8 hours)

Manufactured Home Guide History & Construction (4 hours)

Market Data Analysis (30 hours)

Principles of Residential Real Estate Appraising (30 hours)

REO Fannie Mae Appraisals (4 hours)

Residential Report Writing Skills (7 hours)

Scope of Work (8 hours)

Stop the Madness (4 hours)

The Appraisal of Foreclosure Properties (4hours)

Understanding Appraising Subdivisions (4 hours)

Understanding Highest and Best Use (7 hours)

Understanding Leases (4 hours)

Understanding the Message (4 hours)

Valuing Real Estate in a Changing Market (7 hours)

STATEWIDE
Appraisal Service, Inc.

QUALIFICATIONS OF MICHAEL T. ORMAN, IFAS, CRP, GAA, RAA, ASA

1. **Holds Tennessee Certified General appraisers licensed for State of Tennessee, License # CG - 192.**
2. **Holds Mississippi Certified General Real Estate Appraiser License # GA-273.**
3. **Holds Arkansas Certified General Real Estate Appraiser License for the State of Arkansas, License # CG-1151N.**
4. **Holds Oklahoma Certified General Real Estate Appraiser for the state of Oklahoma, License # 12865CGA**
5. **Licensed Tennessee & Mississippi real estate broker.**
6. **Appraisal Qualification Board Certified Uniform Standards of Professional Appraisal Practice Instructor – Certification received 2002. Recertified 12/09.**
7. **Experience in real estate appraisal since 1982.**
8. **Experience in real estate research 1977.**
9. **Member of Appraisal Selection Roster - Housing and Urban Development (FHA).**
10. **Veteran Administration (VA) approved appraiser.**
11. **Member of National Association of Independent Fee Appraisers, 1988, awarded IFA designation, 1993; present designation - Independent Fee Appraiser Senior (IFAS) - awarded 1998.**
12. **Member of American Society of Appraisers, awarded ASA designation 2008.**
13. **2008 National President of the National Association of Independent Fee Appraisers. (NAIFA)**
14. **2007 National Vice President of the National Association of Independent Fee Appraisers. (NAIFA)**
15. **2006 National Secretary of the National Association of Independent Fee Appraisers. (NAIFA)**
16. **2005 National Treasurer of the National Association of Independent Fee Appraisers. (NAIFA)**

17. Appraiser Member of Employee Relocation Council, designation held - Certified Relocation Professional (CRP), 1990.
18. Member of National Association of Realtors, designation held, General Accredited Appraiser and Residential Accredited Appraiser. (GAA/RAA)
19. Member of Tennessee Association of Realtors.
20. Appraisal Committee Member of Tennessee Association of Realtors- 1994 – 1999, Chairman 2000, 2003.
21. Member of Memphis Area Association of Realtors.
22. Instructor for Southwest Tennessee Community College.
23. Instructor for University of Memphis Continuing Education.
24. Senior Instructor for the National Association of Independent Fee Appraisers (NAIFA) since 1997.
25. Member of Tennessee Banker's Association.
26. Member of Bartlett Chamber of Commerce.
27. 1996 Graduate of Leadership Bartlett.
28. Member of Rotary International, through Bartlett/Cordova, TN, Rotary club.
29. Attended many courses, seminars and lectures pertaining to real property, studies in accounting, economics, management, business, real estate appraisal, and other real estate courses.
30. Appraisals completed for State Tax purposes, Probate and Circuit Courts, and condemnation.
31. Appraisal experience over large area in West and Middle Tennessee and North Mississippi and Eastern Arkansas.
32. Appraisals have been completed for Regulatory Agencies such as Federal Deposit Insurance Corporation (FDIC), Resolution Trust Corporation (RTC) and for a variety of lending institutions, investors, attorneys, real estate concerns and individuals for financing and credit, for insurance and other purposes.

revised 9/11

STATEWIDE
Appraisal Service, Inc.

Michael T. Orman, IFAS, ASA, CRP, GAA, RAA
Continuing Education Courses

Tennessee Real Estate Exam Prep	3/18/1982	Shelby State	30*
Real Estate Appraisal (I)	Apr-84	MSU	30*
Real Estate Principles	7/28/1984	AIREA	30*
Real Estate Valuation	10/27/1984	AIREA	30*
Standards of Professional Practice	10/31/1984	AIREA	15*
Residential Design and Construction	Apr-85	MSU	30
Income Property	Jun-85	AACA	15
Real Estate Brokerage Management	Apr-86	MSU	30*
Real Estate Appraisal (II)	Oct-87	MSU	30*
Real Estate Contracts	Nov-87	MSU	30*
Current Financing and Economic Trends	Apr-88	MBR	2
Market Analysis	Aug-88	AIREA	8
Real Estate Educators	Sep-88	TREE	8
FNMA Appraising	Oct-88	FNMA	4
Advance Residential Appraising	Sep-89	AACA	8
Small Residential Income Property Appraisal	Sep-89	AACA	8
Real Estate Finance	Oct-89	MSU	30*
Professional Practice and the Society of Real Estate Appraisers	10/28/1989	SREA	7
Uniform Comm/Ind Appraisal	12/1/1989	SREA	7
Professional Standards of Practice	Feb-90	NAIFA	15*
Appraisal Seminar	May-90	ERC	3
1004 Form and Secondary Market Guideline	May-90	AACA	7
Taste of the Test (Review)	May-90	AACA	7
State Appraiser Certification	Oct-90	SREA	14
Fair Housing	1990	MAAR	3*
Appraisal Seminar	May-91	ERC	5*
Environmental Liabilities	Jun-91	MAAR	4*
Appraisal Compliance	Aug-91	TBA	15
Income Property Appraisals	Aug-91	NAIFA	30*
1 BA Cap Theory and Tech, Part A	Mar-92	AI	36*
Appraiser Seminar	May-92	ERC	5
Principles & Techniques for Review Appraisal & Mortgage Underwriters	May-92	NARA/MU	21

Michael T. Orman's Continuing Education Courses

Real Estate Fraud and Deception	Jun-92	MAAR	3
Residential Demonstration Appraisal Report Writing Seminar	Mar-93	AI	14
Marketing Principles of VAMA, Fair Housing Checklist, Equal Prof. Service Model	Apr-93	TAC	3
Standards of Professional Practice – Part A	Apr-93	AI	15*
Standards of Professional Practice – Part A	Apr-94	AI	15*
Standards of Professional Practice – Part B	May-94	AI	15*
Relocation Appraisal Seminar	May-94	AI	10*
2.0 Financial Analysis of Income Properties	Feb-95	NAIFA	15*
2.1 Introduction to Income Properties	Feb-95	NAIFA	30*
2.2 Income Techniques Advanced	Mar-95	NAIFA	30*
1995 National Relocation Appraisal Forum	May-95	ERC	7
1.4 Report Writing of Residential Real Estate Appraising	May-95	NAIFA	30*
2.3 Condemnation Appraising	Mar-95	NAIFA	15*
2.3A Litigation Valuation: The Appraiser's Role as an Expert Witness	Apr-95	NAIFA	15*
2.0 Financial Analysis of Income Properties	Feb-95	NAIFA	15*
2.2 Techniques of Income Property Appraising	Mar-95	NAIFA	30*
5.0 Professional Standards of Practice	Mar-95	NAIFA	15*
2.1 Introduction to Income Property Appraising	Mar-95	NAIFA	30*
How to Better Inspect A Home	Nov-95	TAPS	8
Principles & Practices of Environmental Risk Screening (101)	Nov-95	NAREA	16*
Environmental Screen Report Writing (102)	Nov-95	NAREA	8
1.2 Market Data Analysis	Aug-96	NAIFA	30*
Principles of Environmental Risk Auditing (301,302,&303)	Aug-96	NAERA	40*
1.1 Principles of Residential Real Estate Appraising	Mar-97	NAIFA	30*
5.0 Professional Standards of Practice USPAP	Apr-97	NAIFA	15*
Alternative Appraisal Reports	Jun-97	NAIFA	7
3.1 Farm, Ranch, and Rural Appraising	Jun-98	NAIFA	30*
4.4 Relocation Report Writing	Jun-98	NAIFA	15
9.0A Concepts Terminology & Techniques	Feb-99	NAIFA	15*
5.0 Uniform Standards of Professional Appraisal Practice	Mar-99	NAIFA	15*
4.7 HUD Basic HUD Guidelines	Jul-99	NAIFA	7*
5.0A Uniform Standards of Professional Appraisal Practice	Jan-00	NAIFA	8
11.8 ANSI Standards of Gross Living Area	Jun-00	NAIFA	8

Michael T. Orman's Continuing Education Courses

4.0 Marshall & Swift Valuation Guides	Jun-00	NAIFA	16*
4.6 Reviewing Residential Appraisals	Jul-00	NAIFA	4
15.7 Valuing Undivided Fractional Interest	Oct-00	NAIFA	8
15.2 Road Map 2000 (Income Property Valuation)	Oct-00	NAIFA	4
15.0 Intro to Automated Valuation Models	Oct-00	NAIFA	4
99.7 Blueprint Reading	Oct-00	NAIFA	4
5.0A Standard Review	1-Feb	NAIFA	8
1.6 Testing Highest and Best Use	1-Feb	NAIFA	8
6.0B Historic Appraising Seminar	1-Oct	NAIFA	4
16.2A REO/Fannie Mae Appraisals	1-Oct	NAIFA	4
16.0A Understanding Legal Descriptions	2-Feb	NAIFA	4
15.1A Environmental Concerns	2-Feb	NAIFA	4
1.3B Mobile/Manufactured Home Review	2-Feb	NAIFA	4
1.3D Home Inspections: Common Defects In Homes	2-Feb	NAIFA	4
7.5 Appraising Stigmatized Properties	2-Oct	NAIFA	4
5.0 A Standards Review	3-Jan	NAIFA	7
5.0 Uniform Standard of Professional Appraisal Practice	3-Feb	NAIFA	15*
99.9 Lead-Based Paint & Mold: HUD Update	3-Sep	NAIFA	4
16.2C The Appraisal of Foreclosure Properties	3-Sep	NAIFA	4
9.7 FNMA Mac Updated Property & Appraisal Guidelines	3-Dec	NAIFA	8
1.3B Manufactured Home Guide Updated	3-Dec	NAIFA	8
5.3 Scope of Work	4-Feb	NAIFA	8
6.1A Liability Risk Management/Expert Witness Testimony	4-Feb	NAIFA	4
5.2 Fair Lending Seminar	4-Feb	NAIFA	4
5.0F Ethics	4-May	NAIFA	2
863 Appraising HUD REO Properties	4-Nov	JVI	7
AQB USPAP Instructor Re-Certification Course	5-Jan	Appraisal Foundation	7
16.2 Appraising Foreclosure Property	5-Feb	NAIFA	7
9.8 Fannie Mae Forms	5-Jul	NAIFA	8
2006 Appraisal Compliance	6-Mar	TN Bankers	7
15.4A 1031 Like Kind Exchange	6-Mar	NAIFA	4
9.1a Roadmap to Income Valuation	6-Mar	NAIFA	4
Easements, Profits, License and Land	6-Oct	NAIFA	8
5.0A 2006 National USPAP Update	7-Feb	NAIFA	7
AQB USPAP Instructor Re-Certification Course	7-Mar	Appraisal Foundation	7
Institutional Fraud	7-Oct	NAIFA	4

Michael T. Orman's Continuing Education Courses

Rural and Residential Easements, Takings, Damages and Cost to Cure Part I	8-Jun	IRWA	4
Rural and Residential Easements, Takings, Damages and Cost to Cure Part II	8-Jun	IRWA	4
Conservation Easement and new IRS Ruler	8-Jun	IRWA	4
4.6A Reviewing Residential Appraisals	8-Sep	NAIFA	7
Appraising FHA Insured Loans	8-Sep	AR Bankers Assoc.	7
4.6B Advance Reviewing Techniques	9-Aug	NAIFA	7
FHA Current Appraised Requirements	9-Aug	NAIFA	7
2010 USPAP Instructor Recertification Course	9-Nov	Appraisal Foundation	7
Requirements of UASFLA-The "Yellow Book"	10-Apr	American Society of Farm Managers and Rural Appraisers	22
19.1 An Appraiser's Guide to Environmental Issues	10-Oct	NAIFA	7
Recognition, Dangers & Liabilities of Meth Labs	11-May	TN Appraiser Coalition	4
Forensic Review – Hands on Tips	11-Jul	Central Oklahoma Chapter - NAIFA	4
Uniform Appraisal Dataset	11-Jul	Central Oklahoma Chapter - NAIFA	4
2011 State Investigator Training	11-Sep	The Appraisal Foundation	17.5

* Denotes Tested Class **Total Hours:** 1399.5

rev 9/2011

National Registry Appraiser Report

First Name :	MICHAEL
Middle Initial :	T
Last Name :	ORMAN
Name Suffix (Jr, Sr, etc.):	
Company Name :	
Street Address :	2989 ELMORE PARK
City :	BARTLETT
State :	TN
Zip Code :	38134
Telephone Number :	901-382-2700
Status:	Active
Credential State:	**MS**
State Credential Number:	GA-273
Credential Certificate Type:	Certified General
Effective Date of Credential :	09/22/1992
Expiration Date of Credential :	09/30/2018
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

First Name :	Michael
Middle Initial :	T
Last Name :	Orman
Name Suffix (Jr, Sr, etc.):	
Company Name :	
Street Address :	2989 Elmore Park
City :	Bartlett
State :	TN
Zip Code :	38134
Telephone Number :	901-382-2700

Status:	Active
Credential State:	**AR**
State Credential Number:	CG1151
Credential Certificate Type:	Certified General
Effective Date of Credential :	08/05/2017
Expiration Date of Credential :	08/04/2018
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

First Name :	MICHAEL
Middle Initial :	T
Last Name :	ORMAN
Name Suffix (Jr, Sr, etc.):	
Company Name :	
Street Address :	2989 ELMORE PARK
City :	BARTLETT
State :	TN
Zip Code :	38134
Telephone Number :	
Status:	Active
Credential State:	**TN**
State Credential Number:	192
Credential Certificate Type:	Certified General
Effective Date of Credential :	10/31/1991
Expiration Date of Credential :	10/31/2019
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

First Name :	Michael
Middle Initial :	T
Last Name :	Orman
Name Suffix (Jr, Sr, etc.):	
Company Name :	
Street Address :	2989 Elmore Park
City :	Bartlett
State :	TN
Zip Code :	38134
Telephone Number :	901-373-6878
Status:	Active
Credential State:	**OK**
State Credential Number:	12865CGA
Credential Certificate Type:	Certified General
Effective Date of Credential :	08/10/2009
Expiration Date of Credential :	08/31/2018
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

First Name :	MICHAEL
Middle Initial :	TOLLIE
Last Name :	ORMAN
Name Suffix (Jr, Sr, etc.):	
Company Name :	
Street Address :	STATEWIDE APPRAISAL SERVICE 2989 ELMORE
City :	BARTLETT
State :	TN
Zip Code :	38134
Telephone Number :	901-377-3616
Status:	InActive
Credential State:	**GA**

State Credential Number:	CG2218
Credential Certificate Type:	Certified General
Effective Date of Credential :	12/31/1991
Expiration Date of Credential :	08/31/1994
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License X Continuing Education
_____ Renewal X Initial Submission

000085 FEB 22 19

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Bill Wilson

   Mailing Address: 501 Brooktree Rd, Knoxville, TN 37919

   Business Phone: 865-692-8855

   Business Fax: n/a

3. Name and address of school/organization for whom you will instruct:
   American Society of Appraisers
   11107 Sunset Hills Rd #310
   Reston, VA 20190

   School/Organization: American Society of Appraisers

4. Title of program/course or portion of program/course to be taught by the instructor:
   Uniform Appraisal Standards for Federal Land Acquisitions

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 23

   Pre License Hours: _____ Continuing Education Hours: 23

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes ☐ **No** ● (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Real Estate Appraisers Commission?
   Yes ☐ **No** ● (If "Yes", attach explanation)

8. Education: Please see enclosed

School	From Month	From Year	To Month	To Year	Degree Earned	Subject Matter

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience: Please see enclosed

School	From		To		Subjects Taught
	Month	Year	Month	Year	

10. Real Estate Appraisal Experience: Please see enclosed

Employing Company	Job Description	From		To	
		Month	Year	Month	Year

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

2/19/18

(Date)

William P Wilson Company
501 Brooktree Road
Knoxville, TN
865 692 8855

Qualifications of

WILLIAM P. WILSON III

EDUCATION

East Tennessee State University, Johnson City, 1968 B.S.
Degree: Business Management
Minor: Merchandising and Marketing

University of Tennessee, 1970
Graduate courses in Real Estate, Appraisals, Urban Planning and Development

Institute of Financial Education, 1972-1981, have taken numerous courses and taught several in financial and related areas; received Certificate of Achievement and completed course material for Degree of Distinction

PROFESSIONAL DESIGNATIONS

FASA, Accredited Senior Appraiser-Real Property, American Society of Appraisers with specialization in Residential and Commercial Real Estate

State Certified General Real Estate Appraiser License Number CG-002

CRP, Certified Relocation Professional, from Employee Relocation Council

QUALIFICATIONS

Approved FHA (Federal Housing Administration) fee appraiser
Qualified appraiser for following secondary mortgage markets: Federal Home Loan Mortgage Corporation – FHLMC; Federal National Mortgage Corporation – FNMA; Tennessee Housing Development Agency - THDA
Approved by numerous PMI (Private Mortgage Insurance) companies: i.e. MGIC, United, IMI, PMI, and RMIC

Affiliated Member Employee Relocation Council

Qualified as expert witness for U.S. Bankruptcy Court and various Chancery and Circuit courts.

Review appraiser, both residential and commercial, for Federal Savings & Loan Insurance Corporation

Licensed Real Estate Affiliate Broker, State of Tennessee; Graduate Course I, Realtors Institute

AQB Certified USPAP Instructor by the Appraiser Qualification Board (AQB) of The Appraisal Foundation

WILLIAM P. WILSON III, FASA, CRP

REAL ESTATE EXPERIENCE

Have been actively involved in the real estate industry in appraisals, financing, developing, and liquidation of properties continuously since 1970.

From 1970-1980: Employed in the savings & loan industry with various duties from real estate appraiser, loan underwriter, to secondary market sales. Executive Vice President and managing officer of a 100 million dollar, in assets, savings and loan association.

From 1980-Present: William P. Wilson Company; Independent fee appraisal company serving clients in the single family, multi family, land, and commercial areas. Have appraised many different types of commercial properties; from warehouses, industrial properties, office buildings, retail properties, medical buildings, cemeteries, golf courses, self storage properties, and various single and multiple use properties.
Have been active in real estate development, developing subdivisions, planned unit developments, and motels.

From 1983-1986: Employed as consultant, review appraiser, and conservator by Federal Home Loan Bank, Federal Savings & Loan Insurance Corporation and Drake Real Estate Corporation as Receiver for FSLIC. Involved in the liquidation of foreclosed and troubled properties from Tennessee to Fla.

1990: Appointed to the State of Tennessee's Real Estate Appraiser Commission. Elected Chairman of the commission in October 1991. This commission is to promulgate the rules and enforce the provisions of the State Licensing and Certified Real Estate Appraisers Law

1991: Licensed as a State Certified General Real Estate Appraiser by the Tennessee Real Estate Appraiser Commission. License number CG-002.

1993: Reappointed to the State of Tennessee's Real Estate Appraiser Commission, for a second three year term.

1994: Elected to the Real Property committee of the American Society of Appraisers (ASA)

2001: Elected treasurer of the Real Property committee of ASA

2003: Elected Chairman of the Real Property committee of ASA

2003: Certified as an AQB Certified USPAP Instructor by the Appraiser Qualification Board (AQB) of The Appraisal Foundation. Recertified as AQB Certified USPAP Instructor thru March 31, 2017.

2007: Elected Real Property Discipline governor to the ASA Board of Governors

2009-2011 Elected President of the Tennessee Appraisers Coalition, a state wide appraiser coalition

2011: Elected treasurer of the Real Property committee of ASA

2012: Elected to the College of Fellows of the American Society of Appraisers

2013: Elected Vice Chairman of the Real Property committee of ASA

2014: Chairman ASA elections committee

2015: Elected Chairman of the Real Property committee of ASA

2015: Elected to the Board of Directors of the Tennessee Appraisers Coalition

National Registry Appraiser Report

First Name :	WILLIAM
Middle Initial :	P
Last Name :	WILSON
Name Suffix (Jr, Sr, etc.):	III
Company Name :	WILLIAM WILSON CO.
Street Address :	501 BROOKTREE ROAD
City :	KNOXVILLE
State :	TN
Zip Code :	37919
Telephone Number :	865-692-8855
Status:	Active
Credential State:	**TN**
State Credential Number:	2
Credential Certificate Type:	Certified General
Effective Date of Credential :	10/31/1991
Expiration Date of Credential :	10/31/2019
Conforms to AQB Criteria :	Yes

Disciplinary/Other Actions

Current Disciplinary Actions Limiting Ability to Appraise :	None

Detailed Course Schedule

PART 1: Morning Day One	
0. Introductory Material	
Welcome, Introductions, Housekeeping, Schedule, Course Preview, Acknowledgements	15 Minutes
1. Appraisal Development	
Appraisal Development (Begin)	50 Minutes
Break	10 Minutes
Appraisal Development (Continue)	50 Minutes
Break	10 Minutes
Appraisal Development (Continue)	50 Minutes
Break	10 Minutes
Appraisal Development (Conclude)	30 Minutes
Lunch	60 Minutes
PART 2: Afternoon Day One	
2. Appraisal Reporting (Begin)	
Appraisal Reporting (Begin)	50 Minutes
Break	10 Minutes
Appraisal Reporting (Continue)	50 Minutes
Break	10 Minutes
Appraisal Reporting (Continue)	50 Minutes
Break	10 Minutes
Appraisal Reporting (Conclude)	30 Minutes
PART 3: Morning Day Two	
4. Legal Foundations for Appraisal Standards*	
Legal Foundations (Begin)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	30 Minutes
Lunch	60 Minutes
***Misnumbering is intentional**	

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PART 4: Afternoon Day Two	
4. Legal Foundations for Appraisal Standards	
Legal Foundations (Begin)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	30 Minutes
PART 5: Morning Day Three	
4. Legal Foundations for Appraisal Standards	
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Conclude)	50 Minutes
Break	10 Minutes
3. Appraisal Review	
Appraisal Review (Begin)	50 Minutes
Break	10 Minutes
Appraisal Review (Continue)	30 Minutes
Lunch	60 Minutes
PART 6: Afternoon Day Three	
3. Appraisal Review	
Appraisal Review (Continue)	50 Minutes
Break	10 Minutes
Appraisal Review (Conclude)	50 Minutes
Break	10 Minutes
5. Conclusion	
Conclusion (Begin)	50 Minutes
Break	10 Minutes
Conclusion (Conclude)	30 Minutes
6. Exam (Optional)	120 Minutes

THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) Course

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THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

General Information

Welcome
Introductions
Housekeeping
Schedule
Course Preview
Acknowledgements

General Information - Introductions

- Who we are
- What we do
- Where we do it
- How long we've been doing it

Brief, VERY Brief

VERY, VERY Brief

General Information - Housekeeping

- Building logistics (e.g., restrooms, exits, temperature)
- The Yes's:
  - Courteousness and consideration
  - Participation
- The No's:
  - Recording
  - Smoking
  - Cell phones
- Attendance and timeliness
- Evaluations and certificates
- Exam (education provider decision)

General Information - Schedule

- 21 Hours + 2 Hour Exam = 23 Hours Total
- Day One
  - Morning: Section 1: Appraisal Development
  - Afternoon: Section 2: Appraisal Reporting
- Day Two
  - All Day: Section 4: Legal Foundations for Appraisal Standards
- Day Three
  - Morning: Section 4: Legal Foundations for Appraisal Standards and Section 3: Appraisal Review
  - Afternoon: Section 3: Appraisal Review, Conclusion, and Exam

General Information – Course Preview

- Provide guidance in the valuation of real property in federal land acquisitions
- Incorporate current appraisal methodology and theory, new case law, and appropriate consistency with professional appraisal standards
- Accomplished through lecture, discussion, problems, case studies, and reference to the *Uniform Appraisal Standards for Federal Land Acquisitions* (Yellow Book) and, when appropriate, the *Uniform Relocation and Real Property Acquisition Policies Act of 1970* (Uniform Act) and the 2016-2017 *Uniform Standards of Professional Appraisal Practice* (USPAP)

Course Objectives

When done, you will …

- Understand the development process for valuation assignments for federal land acquisitions
- Demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions
- Evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions
- Connect the legal foundation/rationale/guidance that governs recurring valuation problems and specialized appraisal issues unique to federal land acquisitions

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General Information - Acknowledgements

The Appraisal Foundation gratefully acknowledges the important contribution of the American Society of Farm Managers and Rural Appraisers (ASFMRA) and the American Society of Appraisers (ASA) in the development of this course

8

General Information - Acknowledgements

The Appraisal Foundation would like to thank the development team:

Justin Bierschwale, MAI, ARA

Arthur E. Clapp, ARA

David Layne, ASA, SR/WA

Otto Spence, MAI, SR/WA, CCIM

Magdalene Vasquez

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Structure of Yellow Book

0. Introductory Material
1. Appraisal Development
2. Appraisal Reporting
3. Appraisal Review
4. Legal Foundations for Appraisal Standards

Appendix

Student Manual Page 15

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0.1 Introductory Material

- Promote fairness, uniformity, and efficiency
- Develop a market value opinion as a basis for just compensation
- Set forth principles, legal requirements, practical applications
- Modification of these Standards may be necessary to meeting differing needs of various government agencies

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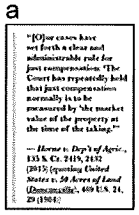
0.2 Introductory Material

- Payment of just compensation is a substantive right
- Grounded in the US Constitution
- Determined under federal common law (i.e., case law)
- Measured by market value, that is credible, reliable, accurate



"[O]ur cases have set forth a clear and administrable rule for just compensation. 'The Court has repeatedly held that just compensation normally is to be measured by 'the market value of the property at the time of the taking.'"

— *Horne v. Dep't of Agric.*, 135 S. Ct. 2419, 2432 (2015) (quoting *United States v. 50 Acres of Land* (*Democratic*), 469 U.S. 24, 29 (1984)).

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0.4 Introductory Material

- Reflects development in appraisal methodology and theory, case law, federal requirements
- Follows the appraisal process
- Explains legal foundations
- Provides practical examples

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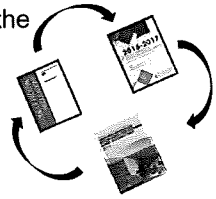
0.4 Introductory Material

- Broadly consistent with **USPAP**, which are the congressionally authorized minimum standards, and the **Uniform Act** regulations



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0.5 Introductory Material

- Impartially protect the public's interest
- Ensure fair and equitable treatment of those whose property is needed for public purposes
- General policy: the United States bases its property acquisitions on market value appraisals, the standard adopted by the courts as the practical, objective measure of just compensation

Student Manual Pages 16-17

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1. Appraisal Development

When done, you will …

- Understand the development process for valuation assignments for federal land acquisitions

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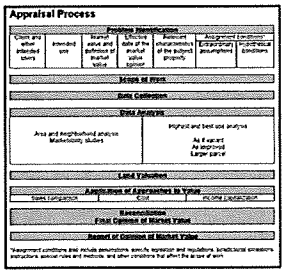
1.1 Appraisal Development

- Reflects the application of the appraisal process to valuation assignments for federal land acquisitions
- **Goal:** Well-supported, credible, reliable, accurate market value opinions that can be used for just compensation purposes



Student Manual Pages 18-19

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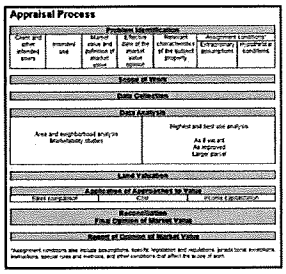
1.1 Appraisal Development

- Appraisal process provides a logical framework for problem identification and its proper solution



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1.1 Appraisal Development

- In addition to the appraisal process, contains appraisal development requirements specific to certain federal acquisition types
  - Partial acquisitions
  - Leasehold acquisitions
  - Temporary acquisitions
  - Natural resources acquisitions
  - Inverse takings
  - Federal land exchanges
- Provides guidance for use of reports by other experts and the appraiser's litigation responsibilities

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1.1 Appraisal Development

- Generally consistent with USPAP STANDARD 1
- Provides more in-depth discussion to address the heightened requirements for market value appraisals that can be used for just compensation purposes

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions

Ensures identification and understanding of assignment elements when developing an appraisal for federal property acquisitions

- Appraiser and client address the
  - Assignments elements
  - Assignment conditions
- Assists appraiser and agency to determine scope of work*

* For clarification, please refer to The Appraisal Foundation, 2016-2017 *Uniform Standards of Professional Appraisal Practice* (USPAP) 17-18. See SCOPE OF WORK RULE and Standards Rule 1-2.

1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions

Client: Federal agency requesting the appraisal
Intended users: In addition to the client agency, often include:
- **Other federal, state, or local agencies**
- **Federal court**
- **Landowner**
- **Landowner's counsel**

Assist client agency in determining market value to be paid as just compensation
===
Assist government's trial counsel and court in determining market value for the purpose of just compensation

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1.2 Appraisal Development

Note: ". . . [i]n those instances when proposed acquisitions are complex, high value, sensitive, or controversial or when the matter must be referred to the Department of Justice for litigation, the full scope of work described in these standards must be applied. In other assignments, it is appropriate to modify the scope of work when the acquisition is noncomplex and/or to ensure the cost of the appraisal is consistent with the requirements of the client agency. Under no circumstances may the scope of work result in an appraisal that does not meet the minimum requirement under the Uniform Act."

"The sixth edition's structure reflects the evolution of USPAP as the congressionally authorized minimum standards for the appraisal profession."

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Discussion #1

The Yellow Book standards require appraisers to provide an opinion of market value.

The US Constitution requires that private property not "be taken for public use, without just compensation."

As an appraiser
- *What do the two terms mean to you?*
- *How do you reconcile them?*
- *Do you even think about them?*

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

Market value (as defined in these Standards) is not linked to a specific opinion of exposure time
(Jurisdictional exception)

Marketing time estimates are not appropriate and must not be included

fair 'balance between the public's need and the claimant's loss.'[203] Thus, while the "Court has never attempted to prescribe a rigid rule for determining what is 'just compensation' under all circumstances and in all cases[,] market value has normally been accepted as a just standard."[204] These Standards follow the practical, objective, clear, and administrable rule of market value as the measure of just compensation, established by the Supreme Court nearly 140 years ago.[205]

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Effective Date of the Market Value Opinion
  - Direct acquisitions (e.g., voluntary purchases): typically the date of final inspection
  - Quick takes: date the United States files a declaration of taking (DT) and deposits estimated compensation in court **or** the date the government enters into possession, whichever is earlier

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Straight condemnations: (in which no declaration of taking is filed) may be one of two dates, the date of final inspection or the trial date (which is a new appraisal assignment)
- Inverse taking: typically established by the court (client legal instruction, when necessary)

Student Manual Page 23 27

1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Subject Property/Larger Parcel
  - Physical
  - Legal
  - Economic
  - Property interest to be appraised
  - Legal description

Characteristics

Student Manual Page 23 28

1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Property inspections
  - Must inspect subject property*
  - Should inspect comparables**
- Contacting landowners
  - Expected to meet with owner or representative***

* In acquisitions of large or inaccessible properties where a physical on-the-ground inspection may not be possible, the client may modify the scope of work to allow for aerial inspection.
** Physical inspection of all properties used as sales or rental comparables is required for any appraisal being prepared for the US DOJ for litigation purposes.
*** Under the Uniform Act, the owner or representative must be given an opportunity to accompany the appraiser during the inspection.

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Instructions
- Hypothetical conditions
- Extraordinary assumptions
- Jurisdictional exceptions
- Special rules and methods

Student Manual Pages 24-25 30

1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions

Instructions: from client/counsel. Examples: clarification of legal description and/or property rights to be acquired
Hypothetical conditions*: appraiser must consult with the client/counsel before using a hypothetical condition. If used, written instructions must be provided
Extraordinary assumptions*: improper for the appraiser to classify conclusions reached and analysis as assumptions. Written instructions may be necessary

* When appraising for federal condemnation, written legal instructions are/should be received prior to using either a H.C. and/or an E.A.

Student Manual Pages 24-25

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1.2 Appraisal Development

Hypothetical condition may be used in an assignment only if:
- Use is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions

Examples	
Urban	Rural
Proposed	Well Off-Site
As of the current date of value, property consists of vacant lot, but have house plans and client needs an As if complete value opinion. You know the house doesn't exist.	As of the date of value, you know the well is located off the subject and that there is no agreement for its use, but for reasons of analysis you use the hypothetical condition that there is a well-use agreement. (Whether you know it is true)

Student Manual Pages 24-25

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1.2 Appraisal Development

Extraordinary assumption may be used in an assignment only if:
- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions

Examples	
Urban	Rural
Date of value at some point in the future; then you assume it will be built according to plans, but you don't know that it will or won't happen	As of the date of value, you assume well conforms to capacity, but have not tested & can't prove capacity

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions

Jurisdictional exceptions:
- Linking estimate of value to specific exposure time
- Consideration of land use regulations and anticipated public projects (project influence)
- Specific Congressional legislation and regulations

Special rules and methods:
- Larger Parcel
- Unit Rule
- Government Project Influence and the Scope of the Project Rule
- Before and After Rule
- Damages
- Benefits

Student Manual Pages 25-26

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions

- Larger Parcel
  - Concurrent with highest and best use (HABU) analysis
  - Must determine
- Unit Rule
  - Value property as a whole rather than the sum of the physical components or interests

The larger parcel is that tract of land which possesses a unity of ownership and has the same, or an integrated, highest and best use.

Determining unity of ownership may require legal instruction.

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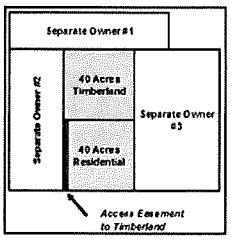
Problem #1

The agency intends to acquire the 40-acre residential parcel (*green*).

There are two owners affected:
- Smith: 40 acres timber (*yellow*)
- Jones: 40 acres residential (*green*)

What is/are the larger parcel(s)?



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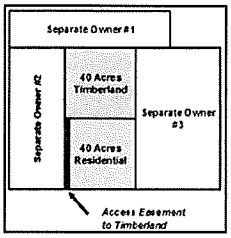
Problem #1: Suggested Answer

There are two larger parcels.

- Smith: 40 acres timber (*yellow*) enhanced by the dominant easement estate (*red*)
- Jones: 40 acres residential (*green*) encumbered by the servient easement estate (*red*)



This is the <u>only</u> Unit Rule exception.

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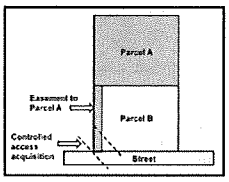
Problem #2

Parcel A and B are under different ownerships.

Describe the larger parcel(s) and estate(s) to be appraised.

There are two larger parcels.

- Parcel A (*gray*) enhanced by the dominant easement estate (*gray*)
- Parcel B (*white*) encumbered by the servient easement estate (*gray*)



As the acquisition is for a controlled access highway, what impact will the taking have on the "after acquisition" parcels?

Student Manual Pages 28 & 250

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Government Project Influence and the Scope of the Project Rule
  - Any increase or decrease in market value <u>prior</u> to effective date caused by the government project must be disregarded
    - Project influence
    - Scope of the Project Rule
  - If evidence of influence, appraiser must request legal instructions

> Proper application of the <u>scope of the project rule</u> is complex, and virtually always requires a <u>legal instruction</u>.

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Before and After Rule
  - Federal Rule
  - Result is amount that includes the
    - Value of the part acquired (as it contributes to the whole)
    - Compensable damages
      and/or
    - Special benefits

> These federal rules may differ from state law or local practice.

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Damages
  - Loss in value to remainder property as a result of a partial acquisition
  - Not separately appraised
  - Compensable/Non-compensable
    - Severance damages—compensable
    - Consequential damages—non-compensable

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1.2 Appraisal Development

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions* Extraordinary assumptions	Hypothetical conditions

- Benefits
  - Increase in value to remainder property that results from the public project
  - Special (direct) (e.g., construction of interstate ramps on a few properties)
  - General (indirect) (e.g., construction of the interstate in its entirety on the community)
  - Mixed fact/law question, requires legal instruction

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1.2 Appraisal Development

Scope of Work

Type and extent of research and analysis in an assignment

- Reflects
  - Full understanding of the critical assignment elements
  - Complexity of the property and the market
  - Intended use and intended users

Student Manual Page 30 43

1.2 Appraisal Development

Scope of Work

- Should
  - Verify the legal description
    - On the ground
    - With the owner, if possible
    - With maps
    - Through public records
- Must
  - Inspect the property in every assignment*

Agency responsibility to provide appraiser with:
1. Legal description prior to initiate assignment, or if a partial acquisition,
2. A legal description of larger parcel and a legal description of remainder property, or alternatively,
3. A legal description of the area to be acquired and/or encumbered

*In acquisitions of large or inaccessible properties where a physical on-the-ground inspection may not be possible, the client may modify the scope of work to allow for aerial inspection.

Student Manual Page 30 44

Discussion #2

We know…

- *USPAP states the appraiser determines the scope of work*
- *In federal land acquisitions, the agency is very involved and may dictate the scope of work determination*
- *The scope of work specified by the agency is acceptable if it allows the appraiser to develop credible assignment results*

=====

1. *Any examples when a scope of work conflict developed between the appraiser and the agency? How was it, if it was, resolved?*
2. *How does the agency's Statement of Work "fit in"?*
3. *What is the relationship between the Statement of Work and the Scope of Work?*

Student Manual Page 31 45

1.3 Appraisal Development

Data Collection

All the information concerning the land and improvement characteristics that influences the property value

- Property Data
  - Land
  - Improvements
  - Zoning and Land Use Controls
  - Use History
  - Sales History
  - Rental History
  - Assessed Value and Annual Tax Load

These Standards require a *10-year sales history*—longer than that required in appraisals for many other purposes—for the reasons discussed in Section 4.4.2.

Student Manual Page 32 46

1.3 Appraisal Development

- Zoning
  - Zoning must be considered
  - If subject to zoning, appraiser must identify applicable restrictions and interpret the impact of the restrictions on the utility and value of the subject property
  - If zoning is uncertain, legal instruction may be required
  - Appraiser should select sales with same or similar zoning as the property being appraised

Student Manual Page 32 47

1.3 Appraisal Development

- Appraiser must consider use and other zoning ordinance restrictions that may affect value
- Examples include

Lot area requirements	Building setback requirements
Floor/area ratios	Lot coverage ratios
Off-street parking	

- If partial acquisition, appraiser must consider the effect of zoning on larger parcel and remainder property

Student Manual Pages 32-33 48

1.3 Appraisal Development

- Must determine effect of zoning ordinance on remainder property that has become nonconforming by the partial acquisition
- Some ordinances provide for reclassification or "grandfather in" when property becomes nonconforming by the partial acquisition
- Other ordinances contain no mechanism to convert a property that has become nonconforming after zoning ordinance adoption into a conforming property or classifying it as a preexisting ("grandfather in") nonconforming use

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1.3 Appraisal Development

- Appraiser must consider effect of existing land use regulations and effect of reasonably probable modifications of land use regulations
- Appraiser might conclude property could be put to a more profitable HABU and investigate the probability of rezoning
- In partial acquisitions, the probability of rezoning must be separately analyzed in regard to larger parcel before acquisition and remainder property after acquisition

Student Manual Page 33

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Problem #3

The landowner is located near an Air Force base, and has requested a zoning change for the property (white).

The Air Force opposes the change, arguing that industrial development would create a flight hazard. It requests the application be denied.

Two months later, the Air Force condemns the site.

The appraiser, in developing a scope of work, questions if there is a Scope of the Project and/or project influence associated with the acquisition.

1. What are your thoughts?

Student Manual Page 34

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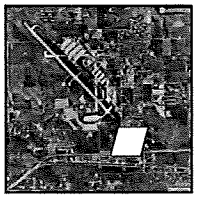
Problem #3: Suggested Answer

The Scope of the Project Rule is not applicable.

The only possibility under which the Scope of the Project Rule might apply would be if the Air Force's sole motive in resisting the zoning change was to depress the market value of the property.

However, because the concern has been raised, the appraiser must request appropriate legal instruction.

The Air Force, like any other property owner in the neighborhood, had the right to object to the rezoning of nearby property.



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1.3 Appraisal Development

- Use History
  - Appraiser
    - Must identify the purpose for which the improvements were designed, dates of original construction, major renovations, additions, and/or conversions
    - Should identify a 10-year history of the use and occupancy of the property, if available

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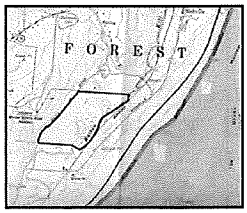
Problem #4

The subject tract contains 100 acres and is located adjacent to a Vermont river.

It is under a single ownership. The owner also owns 85 acres, 6 miles north. This second parcel was recently inherited from a family member.

1. What is the larger parcel?

Unless there is a unity of HABU, this 100-acre site is the larger parcel.



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1.3 Appraisal Development

- Sales History
  - Appraiser must collect data on all sales of the subject property for the 10 years prior to the effective date of value
  - If no sale occurred in the past 10 years, appraiser must identify and **analyze** most recent sale of the property, whenever it occurred
  - Any offers to buy or sell the subject property should be identified and evaluated, if available

> These Standards require a *10-year sales history*—longer than that required in appraisals for many other purposes—for the reasons discussed in Section 4.4.2.

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1.3 Appraisal Development

- Rental History
  - Appraiser
    - Must collect rental or lease data for at least the past three years, if information can be ascertained
    - Should identify and collect all current lease data

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1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

Data analysis consists of two related components: market analysis and highest and best use analysis (and larger parcel)

- Well-supported
- Fundamental to larger parcel analysis
- Fundamental to highest and best use analysis

> *Market decides the use. Use determines value.*

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1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Area and Neighborhood Analysis
  - Demographic and economic characteristics that directly influence the subject property
  - "Boilerplate" or general demographic and economic data should not be included
  - Must disregard neighborhood changes brought about by the government project influence, **prior** to the date of valuation (jurisdictional exception)

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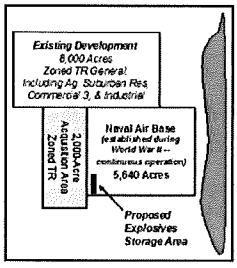
Problem #5

The 2,000-acre acquisition is the project.

The acquisition is intended to be a buffer zone for the proposed explosives area (*red*).

No military operations will change with project completion.

What, if anything, should the appraiser do about the possibility of project influence resulting from the original "proposed explosive storage area?"



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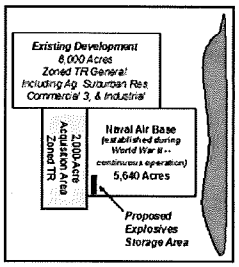
Problem #5: Suggested Answer

The appraiser needs to determine if any increase or decrease in the market value occurred prior to the date of valuation by the "proposed explosive storage area."

The appraiser also needs to determine if the Scope of the Project Rule applies. Because the Scope of the Project Rule involves interrelated factual and legal questions, the appraiser must request appropriate legal instruction.



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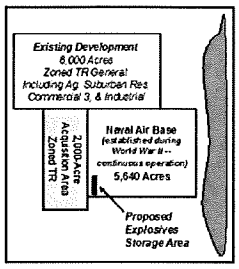
Problem #5: Suggested Answer

The appraiser may be asked to gather and/or analyze data to inform the legal analysis. Counsel (or the court) will instruct the appraiser as to:

1. *Whether* the Scope of the Project Rule applies
2. *How* the rule must be applied to the specific property under appraisal, and, if applicable
3. *When* the Scope of the Project Rule applies (i.e., the date as of which the rule is triggered).



1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest a

Requirement of market and marketability studies are not unique to these Standards.

Scope of analysis may change depending on complexity of appraisal problem and/or intended use and intended users.

- Marketability Studies
  - Detailed analysis of subject property and its economic environment
  - In complex or unusual appraisal problems, a marketability study may be required as part of the scope of work
  - Often required for properties
    - In transitional areas
    - That contain special-use improvements
    - For which the HABU is unclear without in-depth study

1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Are required in cases referred to the DOJ
- Should include a detailed analysis of the subject property and its economic environment
- Include an analysis of
  - Potential physically possible and legally permissible uses of the subject property
  - Competitive market position
  - Supply and demand analysis

1.4 Appraisal Developmer

Data Analysis	
Area and neighborhood analysis Marketability studies	

Supply and demand are the cornerstones on all approaches to value

Market analysis is not looking for "fluff;" it is looking for the answer to supply and demand for the defined product in the marketplace

- In income-producing properties, the marketability study should identify:
  - Quality class of the improvements
  - Existing and future competitive supply of similar improvements
  - Vacancy levels in the market, rental rates, operating expenses

1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Highest and best use is one of the most important elements in the appraisal process

Market decides the use. Use determines value.

- Market value must be determined with reference to the highest and best use

Definition of Highest and Best Use
The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Four Tests
  - Legally permissible
  - Physical possible
  - Financially feasible
  - Maximally productive
  - … and results in the highest value
- Government's intended use is an improper HABU
- Must be an economic use

1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Federal concept of market value is fundamentally different from real property appraisal concept of public interest value, which links HABU to noneconomic uses and public policy benefits rather than to market considerations
- **Noneconomic uses reflect something other than market value, appraisals for federal acquisitions cannot consider public interest value or related concepts**

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1.4 Appraisal Development

See Section 4.3.2.1.
All possible uses

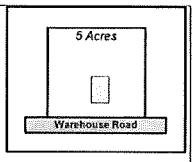
Data Analysis	
analysis es	Highest and best use analysis As if vacant As improved Larger parcel

- Two step process: As if vacant/As improved
- Highest and best use is ordinarily the existing use
- If not, the different highest and best use requires evidence that the property:
  - Is physically and legally adaptable
  - Has a demand in the market in the reasonably near future

Appraiser must reach a conclusion concerning the *timing* of any highest and best use that is different than the current use.

Problem #6

A five-acre level tract with all utilities is improved with a 5,000 sq. ft. 25-year-old warehouse in good condition.



- There is demand for warehouse property.
- Zoning is agricultural, but industrial is grandfathered. The zoning officer said industrial use may continue as long as there is continual and uninterrupted use. If the property is not used for six months, the structure must be removed.
- Allowable uses in agricultural zones include agriculture, low-density residential, recreational.
- There is strong demand for 5- to 10-acre residential home sites.
- In industrial zoned areas, an array of industrial uses are allowed.
- Demand is good.

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Problem #6

1. What is the HABU of the land, as if vacant?
2. Which sales support the highest and best use of the land, as if vacant?

Sale	Date	Acre Size	$/Acre	Zoning
A	Current	7.43	$ 4,500	Agriculture
B	Current	4.56	$ 43,000	Industrial
C	1 Yr. Ago	4.56	$ 5,000	Agriculture
D	3 Yrs Ago	9.50	$ 35,000	Industrial

"As if, vacant" assumes the building does not exist; thus, not grandfathered.
Allowable uses are agriculture, low-density residential, recreational.

3. Does this change your opinion of HABU?

Comment on the following

- It would be incorrect to conclude a vacant HABU for agricultural or residential, then use industrial sales for valuation
- It would be equally incorrect to conclude a vacant HABU for industrial use, as that use is not allowed under zoning
- In some circumstances (e.g., legal non-conforming), it may be necessary to value the land according to its current use, not its HABU

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1.4 Appraisal Development

Larger parcel and highest and best use are fully integrated and must be analyzed simultaneously.

Data Analysis	
eighborhood analysis tability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Larger Parcel
  - Tract of land that possesses a unity of *ownership* and has the same, or integrated *highest and best use*
    - Unity of ownership
    - Unity of highest and best use
    - Contiguity (or proximity)
  - Essential and integral to highest and best use analysis

The larger parcel is that tract of land which possesses a unity of *ownership* and has the same, or an integrated, *highest and best use*.

Determining unity of ownership may require legal instruction.

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1.4 Appraisal Development

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

- Appraiser must
  - Identify the most probable buyer and/or the most probable user
  - Reach a conclusion concerning the timing of any HABU that is different than current use
    - Timing is a function of a marketability study, a critical element in every appraisal
- Market analysis leads directly to marketability study, which is fundamental to HABU and larger parcel analyses

1.5 Appraisal Development

Land Valuation

- Land Valuation
  - Sales Comparison Approach (SCA)
    - Preferred method
  - Subdivision development method used rarely*
  - Ground lease capitalization used rarely**

* When the property has a highest and best use for subdivision development. Even when the property has a highest and best use for subdivision development, the method is better used as additional support for the sales comparison approach. The method can be easily misused and manipulated and under federal law it can be used only in limited circumstances, and then only with rigorous evidentiary support.
** When the property is subject to a long-term lease. Even when this situation exists, the method is better used as additional support for the sales comparison approach.

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1.5 Appraisal Development

Application of Approaches to Value: Sales comparison | Cost | Income capitalization

- Sales Comparison Approach
  - Preferred method
  - Systematic procedure to study the market for property sales with the same HABU and as close in proximity and time, as possible

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1.5 Appraisal Development

Application of Approaches to Value: Sales comparison | Cost | Income capitalization

- Selection and Verification of Sales

Confirmation
Substantiation that a transaction occurred
- Databases
- Deeds
- Public records (e.g., assessment reports)

Verification
Evidence that establishes the accuracy and motivations of a transaction
- Buyer
- Seller
- Broker
- Attorney
- Other knowledgeable participant

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1.5 Appraisal Development

Application of Approaches to Value: Sales comparison | Cost | Income capi

- Same economic HABU
- Greatest weight to most comparable sale
- Verified with buyer, seller, broker, other knowledgeable person
- Adequate data to support a detailed analysis
- Most cases, includes a personal inspection
- Should collect and analyze the comparables' recent sales history (trends, project impacts)

If case goes to condemnation, the testifying appraiser must personally verify sales

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1.5 Appraisal Development

Application of Approaches to Value: Sales comparison | Cost | Income capitalization

- Reconciliation and Opinion of Value
  - Consider comparative weight of each comparable sale
  - Reconcile to an opinion of value by the SCA approach

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1.5 Appraisal Development

Application of Approaches to Value: Sales comparison | Cost | Income capitalization

- Cost Approach (CA)
  - Market value of the land is added to the depreciated reproduction or replacement cost (contribution)* of the improvements to arrive at the indicated value of the property
  - Entrepreneurial incentive must be included
  - Most useful for properties with new improvements without depreciation
  - Highly improved properties with no known comparables
  - Special-purpose properties
  - Check on SCA

* It is common for appraisers to include the contributory value of site improvements as a separate component in the development of the cost approach.

1.5 Appraisal Development

Application of Approaches to Value		
Sales comparison	Cost	Income capitalization

- Income Capitalization Approach (ICA)
  - Capitalize market (economic) rent to arrive at the value of the whole—not the value of the various interests that may make up the whole

> **Definition of Market Rental Value**
> Market rental value is the rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open market, at or near the location of the property acquired, assuming reasonable time to find a tenant.

  - Generally used in addition to the SCA

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- ICA
  - Capitalization of a property's anticipated net income to derive an indication of its market value

Direct Capitalization	Yield Capitalization
Derive indication of market value of a stabilized income-producing property by applying overall capitalization rate to a property's single-year net income	Derive indication of market value of an income-producing property with varying forecasted income or expenses, typically using discounted cash flow (DCF) analysis. Forecasts of net income, expenses, cash flow, other factors over a holding or projection period are required

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Capitalization of **net operating income** into **market value**

Direct Capitalization	Ro	From market (preferred) From publications (support only)
Yield Capitalization (DCF)	Yo	Limited use in eminent domain Testing highest and best use feasibility Support for other approaches Before and after leasehold values

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- Critical to have market support for all components:
  - Income
  - Expenses
  - Capitalization/discount rates

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- Comparable Leases
  - Extracted from market
  - Same or similar highest and best use
  - As close to the effective date of value, as possible
  - Data verified by a party to the transaction
  - Physical inspection
  - Market data to support adjustments

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- Expense Analysis
  - Vacancy and credit (collection) loss
  - Operating expenses
  - Reserves for replacement (replacement allowances)

Subject property Operating history

Similar **competitive buildings** in the market area data

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1.6 Appraisal Development

Reconciliation
Final Opinion of Market Value

- Reconciliation Process
  - Critical to appraisal development
  - Careful examination of subject property and market data
  - HABU and larger parcel analysis for consistency and
  - Quality and extent and level of supporting data
  - Multiple data sources strengthen the final estimate of value
  - Approaches to value
    - Supporting data for consistency and accuracy
    - Adjustment processes (i.e., SCA, ICA)

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1.6 Appraisal Development

Reconciliation
Final Opinion of Market Value

- Final Opinion of Market Value
  - Critical to appraisal development
  - Not formulaic (e.g., averaging)
  - Logical analysis

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Problem #7

What are your thoughts as to whether or not the following uses meet the larger parcel test of contiguity (or proximity) as it bears on the highest and best use?

1. Pineapple plantation on one island and processing plant on another island.
2. Timber tract separated from the lumber mill.
3. Livestock feeding/milking facility and waste disposal land.
4. Restaurant and parking.
5. Golf course separated from clubhouse or front nine holes separated from back nine holes.
6. Farm/ranch buildings separated from farm/ranch lands.

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Problem #7: Suggested Answer

Physical contiguity is important in that it frequently has great bearing on unity of use. Tracts physically separated from one another frequently, but not always, are not and cannot be operated as a unit, and the greater the distance between them the less the possibility of a unitary operation.

The availability of replacement property for the part acquired must always be considered and can be particularly important in partial acquisitions involving noncontiguous parcels devoted to a unitary use (e.g., livestock ranch, timber and milling operation). However, even a demonstrated lack of available replacement property may not diminish the value of remainder property.

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1.7 Appraisal Development

- Partial Acquisitions
  - Many acquisitions acquire
    - A fee interest in only a portion of the larger parcel
    - An interest less than fee simple (e.g., an easement)
  - Appraisal requirements
    - Before and After Rule (Federal Rule)
    - Damages
    - Benefits
    - Offsetting of Benefits
    - Takings Plus Damages (State Rule)

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1.7 Appraisal Development

- Before and After Rule (Federal Rule)
  - Applies in all partial acquisition appraisals
  - Appraiser develops a market value before the acquisition and a market value after the acquisition
  - Allows for the calculation of a reasonable measure of compensation
  - The difference (result) includes the value of the part acquired, compensable damages and/or special (direct) benefits to the remainder property
  - **Two separate appraisals within the same assignment**

Before Acquisition Value
- <u>After Acquisition Value</u>
Difference

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1.7 Appraisal Development

- Allocation of difference between the before and after values into its component
  - Appraisal for DOJ: not typical

Before Acquisition Value
- After Acquisition Value
Difference

  - Appraisals for other clients: may allocate (e.g., under Uniform Act)

Before Acquisition Value
- After Acquisition Value
Difference
Allocation of Difference*
Value of the Part Acquired
Compensable Damages to the Remainder
* Accounting Tabulation

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1.7 Appraisal Development

- Damages
  - Federal Rule and State Rule may differ on which items may be compensable and which items may be non-compensable
    - If questions, consult counsel
  - Claim for compensable damages is a diminution in the market value of the remainder (e.g., HABU change or intensity change, balanced farm to an unbalanced farm)
  - Must be established factually and analytically, not assumed nor based on speculation

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1.7 Appraisal Development

- On occasion, damage to the remainder may be cured by remedial action (i.e., cost to cure)
- Cost to cure is a proper measure of damage when the cost is no greater than the damages to the remainder if not cured ("left as it stood")
- Cost to cure includes the direct costs, indirect costs, and, if appropriate, entrepreneurial profit
- Even when a cost to cure is appropriate, the remainder property is valued in its uncured condition

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Problem #8

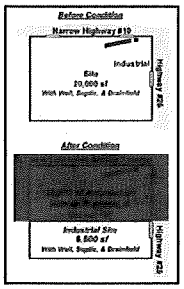
The subject property is an industrial site containing 20,000 sq. ft. Site improvements include a well and septic system. Access is good.

Sales indicate a before value of $50/sq. ft., well and septic system included.

The agency will acquire 13,500 sq. ft. to construct a controlled access highway.

In the after situation, the property will contain 6,500 sq. ft. There are no site improvements. Access is fair.

Sales indicate an after value of $20/sq. ft.



Problem #8

The appraiser reports the values as follows:

Before:	20,000 Sq Ft	x $	50.00	Per Sq Ft	=	$	1,000,000
After:	6,500 Sq Ft	x $	20.00	Per Sq Ft	=	$	130,000
Taking:	13,500 Sq Ft			Difference	=	$	870,000

Difference is 'allocated' as follows:

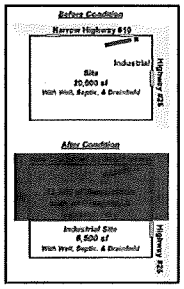
Value of acquisition	(13,500 sf x $50/sf)	=	$	675,000
Damages to remainder	(6,500 sf x $30/sf)	=	$	195,000
	Total	=	$	870,000

I. Accounting Tabulation

Thus: Acquisition plus cost-to-cure at $737,500 is due to the owner

2.) Cost-to-Cure Analysis — VERSUS

Value of acquisition (13,500 sf x $50/sf)	=	$	675,000
Plus: Damages to Remainder (Cost-to-Cure)	+	$	50,000
Plus: Time to Complete Cost-to-Cure (Section D.c. & Profit (15%))	+	$	12,500
Difference	=	$	737,500



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1.7 Appraisal Development

- Benefits
  - Federal Rule and State Rule may differ on what constitutes general (indirect) benefits and what constitutes special (direct) benefits
  - Whether the benefit is general or special is a fact/law question and counsel should be consulted
  - Examples: creating water frontage, better road frontage, improved drainage, upward shift in HABU
  - Must be established factually and analytically, not assumed nor based on speculation

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1.7 Appraisal Development

- Offsetting of Benefits
  - Special (direct) benefits may offset the contributory value of the part acquired and any damages to the remainder property

Before Acquisition Value	**(excluding any direct enhancement or diminution resulting from the project)**
- After Acquisition Value	**(including any damages and/or special (direct) benefits**
Difference	

  - Federal Rule and State Rule may differ

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1.7 Appraisal Development

- Taking Plus Damages Procedure (State Rule)
  - Used in federal condemnation and in rare situations (e.g., when strict adherence to Federal Rule will create costly and/or difficult burdens on appraiser)
    - Minor fee or easement acquisitions
    - Minor or no damages to the remainder
    - Appraisal cost is unwarranted
  - Appraiser
    - Determines the larger parcel
    - Develops an opinion of the part acquired as it contributes to the larger parcel
    - Adds minor damages, if appropriate, to the opinion of the part acquired

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1.7 Appraisal Development

Example

Facts

Parent Tract: 5,000 acres
Taking = 2 acres
Taking: Along part of southeast bound of property. Not anywhere near roadways or utilities
5,000 acre tracts sell for about $500/acre
2 acre tracts sell for about $4,500/acre
Damages to fencing are identified.
Cost to cure = $750

Taking Plus Damages, the value opinion is:

2 acres @ $500/acre	=	$1,000
Cost to cure	=	750
Total	=	$1,750

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1.8 Appraisal Development

- Leasehold Acquisitions
  - Leasehold estate in all or portion of a property
  - Right to use and occupy for an identified time period
  - Requirements
    - Market rent and highest and best use
    - Leasehold estate acquired
    - Larger parcel

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1.8 Appraisal Development

- Market Rent and Highest and Best Use
  - Market rent definition

Definition of Market Rental Value
Market rental value is the rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open market, at or near the location of the property acquired, assuming reasonable time to find a tenant.

  - Highest and best use determination
    - Selection of comparable rents
    - Marketability study

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1.8 Appraisal Development

- Leasehold Estate Acquired
  - Agency
    - Must provide appraiser a leasehold estate description
  - Appraiser
    - Must understand the estate to be acquired and impact on market value
    - Must convert periodic market rent to a lump sum present value or payment (present worth of 1 per period factor or by DCF analysis)
    - Should apply a market derived, supported discount rate
    - Must be mindful that government acquired leasehold estate may vary from private market leases

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Table 1. Common Differences Between Private and Government Leases

Adjustment Factors	Private Leases	Federal Leases
Measurements	Typical for market—often BOMA based	Generally inconsistent with local market and/or standards such as BOMA or PRIS
Term (duration)	Typical for market (e.g., five years)	Shorter or longer terms—often unusual (e.g., 33 months)
Base rent	Dollar per square foot monthly in advance	Lump sum in advance, or monthly in arrears
Rent adjustments	Index leases, graduated leases, percentage leases	Level payment over term (no adjustments) or adjustments built into lump sum
Expenses	Full service, gross, modified gross, net	Expense stops not included. May include janitorial, security services
Parking	x spaces per x square feet	More or less spaces than market norm
Tenant improvements (TIs)	Landlord provides dollar amount for tenant improvements (TIs)	No tenant improvements (TIs)
Rent concessions	Landlord provides free rent dependent on size and length of lease	No rent concessions
Renewal options	Established in lease	May constitute another term if needed
At lease end	Lessor retains TIs	May allow the government to destructively remove specialized equipment
At lease extension/renewal	Market rent for finished out space	Government won't pay twice for TIs already paid for

1.8 Appraisal Development

- Larger Parcel Concerns
  - Agency
    - May acquire a leasehold interest in only a portion of larger parcel
  - Appraiser
    - Must consider possibility of damages to the remainder property
    - Should consult with agency/counsel where damages may be significant

1.9 Appraisal Development

- Temporary Acquisitions
  - Temporary Construction Easements (TCEs)
  - Rights of Entry (Temporary Access Easement)
  - Temporary Acquisitions by Inverse Condemnation

1.9 Appraisal Development

- Temporary Construction Easements (TCEs)
  - Generally acquired in conjunction with a permanent acquisition
  - Used for initial construction of the improvement
  - After construction, expires and unencumbered land reverts
  - Usually based on market rent for the affected area for the TCE's term
  - Usually compensation for TCEs is nominal

1.9 Appraisal Development

- Shortcut method of estimation

Unencumbered land's fee value x reasonable rate of return x easement term

  - Not technically correct, but generally accepted
  - Not acceptable if indicated compensation is more than nominal
- When compensation is more than nominal appraiser must use proper appraisal methodology

Problem #9

In situations that are not handled administratively and as a shortcut to ordering a full appraisal, thereby saving public funds, agencies often use a shortcut method to estimate the value of a TCE.

Unencumbered land's fee value x reasonable rate of return x easement term

Facts:
- A TCE will encumber 1,000 sq. ft. of parking area on a 40,000 sq. ft. property
- Underlying fee has a value of $2.50/sq. ft.
- TCE's term is one year
- Typical market returns for public parking areas are 10% of fee value
- There are no damages to the remaining 39,000 sq. ft.

Problem #9

1. Calculate the rent loss.
2. The problem lays out a rationale for using this shortcut approach. Do you think that is the correct method?
3. Even though the amount is seemingly "nominal," would you abide by the Yellow Book's, "The rent loss associated with a TCE should be used as the basis for an adjustment to the remainder property's after value, not as something to be added to the difference between the before and after value of the property"?
4. How do you or agencies you work with define "nominal"?

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Problem #9: Answers and Discussion

1. 1,000 sq. ft. x $2.50/sq. ft. = $2,500 (Value of fee underlying TCE) x 0.10 (Return) x 1 year (Term) = $250 (Calculated rent loss)
2. The problem lays out rationale for using this shortcut approach. Do you think that is the correct method?
3. If the estimated rent loss is more than "nominal," then this shortcut method is not appropriate.
4. How do you or agencies you work with, define "nominal"?

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1.9 Appraisal Development

- Temporary Construction Easements (TCEs)
  - TCEs may restrict use of the unencumbered portion
    - Often, appraiser applies the rent loss to all lands affected
    - If rented for a lesser use during the TCE's term, measured by before and after rent differential
  - **TCEs are not independent and compensation cannot be added to the permanent acquisition**

Student Manual Page 61 111

1.9 Appraisal Development

- Rights of Entry (Temporary Access Easements)
  - Examples: environmental testing, surveying, inspection, borings
  - Rights of entry are treated in same manner as TCEs*

*Rights of entry are often so short and their purpose so restricted that agencies do not require an appraisal, but make administrative nominal compensation determinations.

Student Manual Page 61 112

1.9 Appraisal Development

- Temporary Inverse Takings
  - May be physical or regulatory
  - Measure is the same as TCEs
  - Differences from TCEs
    - Amount of indicated compensation
    - Usually involves
      - Whole ownerships
      - Substantially longer time periods
  - Often involve written legal instructions to appraiser (e.g., effective date, duration/extent of alleged taking)

Rental value of the land taken for the term of the taking.
===
Substitution of a return on fee value of the land for an opinion of the rental value of the land is not generally an accepted alternative.

Student Manual Page 61 113

1.9 Appraisal Development

- May temporarily change the use of land for its HABU to a secondary use

Before Market Rent	**(highest and best use for the duration of the taking)**
- <u>After Market Rent</u>	**(for its secondary, but allowable, use during the taking period)**
Difference	

- **Essential** counsel and appraiser work together

Student Manual Pages 61-62 114

1.10 Appraisal Development

- Acquisitions Involving Natural Resources
  - Requires specialized training and experience (USPAP COMPETENCY RULE)
  - Critical first step
    - Identify property rights to be acquired and the ownership interests into which may be divided
    - Appraiser and agency must work together
  - Common elements to all natural resource appraisals
    - Unit Rule
    - Highest and best use
    - Larger parcel

Student Manual Page 62 115

1.10 Appraisal Development

- Unit Rule
  - Property must be valued as a whole
  - Constituent parts are considered as they enhance or diminish the value of the whole
  - Avoid cumulative or summation appraisals

See Section 1.13 Supporting Experts Opinions and Reports

Student Manual Page 62 116

Problem #10

Larger Parcel (white)

The property owner and appraiser meet for the property inspection.

Owner indicates area sales are $100,000/acre, with the higher values for residential subdivision and estate lots.

Appraiser is aware of the sales and others that also support these prices.

A week later the DOT appraisal chief has informed the appraiser that a local land trust has a conservation easement that prevents any use of the property.

The appraisal chief suggests the agency may do an appraisal waiver valuation (less than $10,000 value).

1. Has the appraisal assignment changed?

Yellow Book appraisal for DOT using federal funds. Taking (*black*) for widening existing 2-lane road into 4-lane limited access highway with median.

Student Manual Page 63 117

Problem #10: Suggested Answer

No.

The assignment remains unchanged. The appraiser must appraise the whole, the property in its entirety. (Unit Rule or Undivided Fee Rule). See 4.2.2. The Unit Rule.

The appraiser must avoid cumulative or summation appraisals.

If the agency thinks it appropriate, it can apportion the value.

Yellow Book appraisal for DOT using federal funds. Taking (*black*) for widening existing 2-lane road into 4-lane limited access highway with median.

Student Manual Page 252 118

1.10 Appraisal Development

- Highest and Best Use (Natural Resources)
  - Critical element

First step: Market analysis to determine market supply and demand for the resource. If no market, the commodity's quantity and quality need not be determined. Provides foundation re: marketability, price, competition.

Second step: If a market exists for the resource, a supported determination of *legal permissibility* to extract/harvest/etc. and *physical characteristics* of the property's resource. Special expertise may be required.

Student Manual Page 64 119

1.10 Appraisal Development

Third step: Analyze and understand expert reports.

Fourth step: Adopt expert reports **if** the expert reports were prepared to appropriate standards, are sound, are adequately supported.

Fifth/Sixth steps: Identify the most likely purchaser and user/perform a larger parcel determination.*

Seventh step: Develop an opinion of value.

* A larger parcel analysis may require an examination of the resource beyond the land being acquired that meets the three larger parcel tests.

Student Manual Page 64 120

1.10 Appraisal Development

Caution: An assignment involving minerals should include direction from the client relative to the nature of the minerals and, where appropriate, legal instructions regarding any specific jurisdictional requirements

==========

- Special Considerations for Mineral Properties
  - Mineral property valuations can be highly complex
  - Identification of property rights and interests is fundamental
  - Mineral properties are identified as part of problem identification process
  - Comprehensive understanding of rights and interests to be appraised is critical to SCA and ICA

Student Manual Pages 64-65

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1.10 Appraisal Development

- Distinction between working interest and royalty interest in oil and gas industry
- Contributing and noncontributing interests created in hard rock mining
- In the SCA, the selection and evaluation of comparables, and in the ICA, selection of methodology, are driven by the interests being acquired and valued

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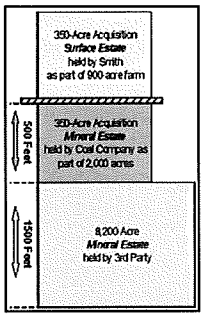
Problem #11



The US Bureau of Prisons acquired 350 acres (*yellow*) for a new facility historically used as a 900-acre farm.

The mineral estate was split:
- One to a depth of 500 feet (*grey*)
- A second from 501 feet to 1,500 feet (*blue*)

The prison officials, to avoid tunneling, also acquired the underlying mineral estate to the 350-acre portion to a reasonable depth.

1. What is/are the larger parcel(s)?
2. How many appraisal reports will be prepared?

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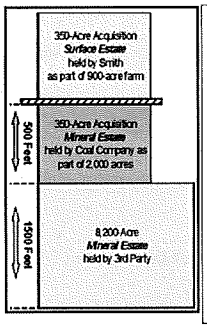
Problem #11: Suggested Answer



1. There are two larger parcels:
   - 900-acre surface estate, before, and a 550-acre surface estate (remainder estate), after
   - 2,000-acre mineral estate to 500 ft. depth, before, and a 1,650-acre mineral estate (remainder estate), after
2. The answer to this lies in the intended use of the assignment. If it is for an agency and is to be used to support acquisition strategy, then only one report may be appropriate.

   However, if it is to be used by an agency for acquisition purposes or if it is for litigation, then two reports, each containing before and after appraisals, may be more appropriate.

   Lesson: communication with the client is a must.

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1.10 Appraisal Development

- Sales Comparison Approach
  - Normally the most reliable approach for minerals and other property types
  - Cannot "default" to ICA or other valuation method
  - Appraiser must understand level of information concerning mineralization found on the subject property and comparable sales
  - Significant variables include:

Rights conveyed	Topography
Conditions of sale	Cover
Presence of multiple ores	Transportation availability
Access for extraction	Distances to smelters/refineries

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1.10 Appraisal Development

- Must understand the interplay of the real property components and identify where the real property ends and the business interest begins
- Sales verification is critical (assistance of experts may be required)
- Unit of comparison generally mirrors market participants

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1.10 Appraisal Development

- Income Capitalization Approach
  - Valid, but not exclusive if comparable sales are available
  - Especially applicable with property already being mined
  - Only consider the income the *property* will produce, not income the *business* produces
  - Most appropriate method is yield capitalization, DCF analysis
  - *Royalty income* not *business income or profit* (royalty income approach)

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1.10 Appraisal Development

- Creation of a detailed mining plan is often required
  - Royalty rate
  - Unit sale price
  - Projected annual production
  - When production will begin and projected years of production
  - Discount rate
    - Critical
    - Derived from and supported by market data

> In valuing mineral properties using the income capitalization approach, "[g]reat care must be taken, or such valuations can reach wonderland proportions."
>
> — *United States v. 47.14 Acres of Land in Polk Cty.*, 674 F.2d 722, 726 (8th Cir. 1982).

Student Manual Pages 67-68

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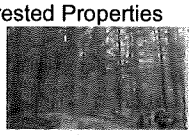
1.10 Appraisal Development

- Special Considerations for Forested Properties
  - Determination if property has **merchantable** timber and, if so, **marketable** and saleable
  - Sufficient volumes
  - Merchantable timber may contribute to value
  - Pre-merchantable timber may or may not contribute to value
  - Timber cruise is critical
  - In some cases, may be included in land value



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1.10 Appraisal Development

- Sales Comparison Approach
  - Unit of comparison based on common local market practices
- Income Capitalization Approach
  - Consider all factors (e.g., lumber selling price, absorption period, harvesting/transportation costs, costs of sales, profit)
  - Market-supported discount rate

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1.10 Appraisal Development

- Water Rights
  - Established under state, rather than federal, law
  - Sales in the same district or drainage basin
  - Appraiser needs to consider
    - Water-rights seniority
    - Past demands
    - Drought
    - Past depletion type of use
    - Historic place of use
    - Conversion
    - Demand
    - Statutory
    - Limitations on transferring place of use
    - Other factors
  - Consult with agency and counsel

gg

- Recommend written instructions in Statement of Work or a supplemental instruction

1.11 Appraisal Development

- Special Considerations in Appraisals for Inverse Condemnations
  - Involves a threshold question of government liability
  - Government may contest the landowner's claim that a taking occurred for which just compensation must be paid
  - Appraisers may develop opinions in connection with liability phase, compensation phase, or both
  - Liability phase—physical taking
    - Liability issue is fairly straightforward

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1.11 Appraisal Development

- Liability phase—regulatory taking
  - Court-developed tests (including economic impact test)
  - Economic impact test involves valuation of property before and after the government's action
  - When conducting analysis, appraiser's application of the larger parcel tests may vary from direct acquisition or condemnation
  - Appraiser may need to disregard the unity of title test and value the entirety of the originally acquired tract

1.11 Appraisal Development

- Compensation phase—physical and regulatory takings
  - Appraiser develops an opinion of the market value before and after the taking, as of the date of the taking, provided by legal counsel
  - Appraiser will generally utilize same larger parcel tests applied in direct acquisitions or condemnations, confirmed with legal counsel

1.11 Appraisal Development

- Compensation phase—physical and regulatory takings
  - Imperative appraiser and legal counsel understand what the appraiser's valuations are intended to measure
  - Continual contact is essential
    - Counsel determines *what* to measure
    - Appraiser determines *how* to measure

1.12 Appraisal Development

- Special Considerations in Appraisals for Federal Land Exchanges
  - Must be voluntary and parties must reach agreement on value
  - Exchanges are discretionary and voluntary
  - Not exempt from valuation litigation and/or adequacy of appraisal report
  - Most are accomplished pursuant to the Federal Land Policy and Management Act of 1976 (FLPMA), as amended
  - Appraisers must confer with agency

1.12 Appraisal Development

- Two agencies most actively involved: US Forest Service and Bureau of Land Management
  - Both have regulations and both require some modifications of these Standards
  - Regulations define appraisal, highest and best use, and market value and appraisers must use these definitions
- May complete feasibility analysis
- Qualified appraiser must be acceptable to all parties and approved by authorized officer

1.12 Appraisal Development

- Client: federal agency
- Intended users: federal agency and private landowners
- If any party issues instruction to make an extraordinary assumption or hypothetical condition in conflict with exchange regulations, Agreement to Initiate Exchange (ATI), or these Standards, the appraiser must advise the client of the conflict

1.12 Appraisal Development

- Major technical difference between appraisals prepared for federal land exchange purposes and those typically prepared under these Standards relates to
  - Appraisal of multiple tracts
  - Determination of the larger parcel
- Because the complexity of appraising multiple tracts for exchange purposes and their treatment is often fact specific, agencies **must provide written instructions** and appraiser must insist on instructions

Student Manual Pages 70-71

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1.13 Appraisal Development

- Supporting Experts Opinions and Reports
  - An adequately supported opinion of market value often requires expert assistance
  - Retained by consultant or by agency
  - Consultant selection must be by both appraiser and agency
  - Types of special consultants include:
    - Fixture appraisers
    - Environmental engineers and auditors
    - Civil engineers
    - Cost estimators and contractors
    - Market experts
    - Feasibility and planning experts
    - Statisticians
    - Geologists/mining engineers/mineral specialists
    - Hydrologists
    - Timber cruisers/foresters/forestry engineers
    - Communications experts

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1.13 Appraisal Development

- Appraiser
  - Cannot merely accept consultant report as accurate
  - Must analyze report and adopt
    - If reasonable
    - Adequately documented
    - Supported
  - Cannot simply add secondary valuation reports to the land value without proper analysis
  - Must consider components as they contribute to the market value of the whole (Unit Rule)

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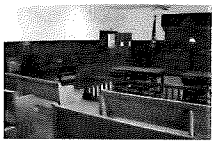
1.14 Appraisal Development

- Appraisers as Expert Witnesses
  - Appraiser
    - Actually prepares or is principally responsible for developing the appraisal and appraisal report
    - Thoroughly prepared to testify, if necessary



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1.15 Appraisal Development

- Confidentiality
  - Appraisers' valuations and supporting appraisal reports are confidential
  - Appraisers must adhere to USPAP's ETHICS RULE, Confidentiality section

"An appraiser must protect the confidential nature of the appraiser-client relationship." (USPAP)

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Section V Quiz

1. Yellow Book Standards modifications are not allowed. **F**
2. The Yellow Book is consistent with USPAP. **T**
3. The agency may recognize scope of work modification when the acquisition is not complex and meets the agency's requirements. **T**
4. The Yellow Book Standards require appraisers to provide an opinion of just compensation. **F**
5. Market value, prepared to Yellow Book Standards, is linked to a specific opinion of exposure time. **F**
6. A hypothetical condition may be used in an assignment if the appraiser complies with the disclosure requirements in USPAP. **T**

Student Manual Pages 73 & 253

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Section V Quiz

7. Any increase or decrease (i.e., project influence) in market value prior to effective date caused by the government project must be disregarded. **T**
8. The Before and After Rule results in an amount that includes the value of the part acquired, compensable damages, and/or general and special benefits. **F**
9. Compensable damages are separately appraised. **F**
10. A marketability study is the detailed analysis of the subject property and its economic environment. **T**
11. Acceptable highest and best use conclusions include public interest uses. **F**

Student Manual Pages 73 & 253

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Section V Quiz

12. A larger parcel determination is analyzed simultaneously with highest and best use. **T**
13. The State Rule (Taking Plus Damages) may be used when strict adherence to the Federal Rule will create costly and/or difficult burdens. **T**
14. Special considerations in appraisals for inverse condemnations include both liability (i.e., regulatory and physical) and compensation (i.e., regulatory and physical) phases. **T**
15. In utilizing supporting experts' opinions and reports, the appraiser may accept the secondary valuation report without analysis. **F**

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1. Appraisal Development

Now, you ...

- Understand the development process for valuation assignments for federal land acquisitions

Questions? Comments?

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2. Appraisal Reporting

When done, you will be able to ...

- Demonstrate an increased knowledge about the application of the appraisal process to valuation assignments for federal land acquisitions

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2.1 Introduction

- Addresses report
  - Content
  - Documentation
  - Additional content and documentation requirements for appraisal reports to be used by appraisers for testimony under Rule 26(a)(2)(B)
- Does not establish absolute requirement for appraisal report formatting*

* Appraisers should examine the appraisal contract or assignment letter for report formatting requirements.

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2.2 Appraisal Reporting

- Oral Appraisal Reports
  - Not permitted
    - Inconsistent with intended use and intended users
    - Even with workfile, does not satisfy agency recordkeeping
    - Cannot be reliably reviewed
    - Number of intended users make it impractical
- Restricted Appraisal Reports
  - Not permitted
    - Cannot be reviewed to the level of detail required
    - Intended user is restricted to the client only
    - Others will use and rely on the report

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2.2 Appraisal Reportin

Appraisal reports prepared in accordance with these Standards normally satisfy i., ii., iii.

Appraiser resumes typically do not include iv., v., vi. and must be supplemented

- Rule 26(a)(2)(B) of the F Procedure
  - Requires a written report expert, that contains

i. a complete statement of all opinions the witness will express and the basis and reasons for them;
ii. the facts or data considered by the witness in forming them;
iii. any exhibits that will be used to summarize or support them;
iv. the witness's qualifications, including a list of all publications authored in the previous 10 years;
v. a list of all other cases in which, during the previous 4 years, the witness testified as an expert at trial or by deposition; and
vi. a statement of the compensation to be paid for the study and testimony in the case.

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2.2 Appraisal Reporting

- Appraiser
  - Who may testify in federal trial/deposition **must** comply
  - Even when testimony is not anticipated, **may** wish to comply

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2.2 Appraisal Reporting

- Electronic Transmission of Appraisal Reports
  - Common
  - Appraiser responsible for security
- Draft Reports
  - Agency may request draft report of all or a portion prior to final report
  - Scope of work issue
  - Draft reports are
    - Not signed
    - Labeled/identified as a draft

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2.2 Appraisal Reporting

- Draft Reports
  - Allowed in litigation due to a change to Rules of Civil Procedure, which makes them undiscoverable
  - Appraiser must produce workfile if requested during discovery
  - Trial counsel identifies what in the workfile is not discoverable and what may be protected under privilege
  - Appraiser must ensure the draft is unsigned and labeled/identified as a draft
  - If signed or not marked draft, it can be discoverable

Student Manual Pages 75-76

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2.3 Appraisal Reporting

Report formats:

- Four-part appraisal report for total acquisition appraisals (See Appendix B)
- Seven-part appraisal report for partial acquisition appraisals (See Appendix C)
- Are recommended guides that agencies can modify as appropriate
- Present content and documentation in a logical progression
- Tell the story of the appraisal

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2.3 Appraisal Reporting

- Introduction
  - Title Page
    - Name
    - Street address
    - Agency assigned tract or parcel number
    - Name and address of the individual(s) making the report
    - Effective date of the appraisal

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2.3 Appraisal Reporting

- Letter of Transmittal
  - Date of letter
  - Identification of the property
  - Identification of the rights appraised
  - Reference the letter is accompanied by an appraisal report
  - Effective date of the appraisal
  - Identification of any:
    - Hypothetical conditions
    - Extraordinary assumptions
    - Limiting conditions
    - Legal instructions

Discussion #3

The appraiser assumed the property was a fee-simple estate and starts to appraise the property. A title report, prepared after the assignment started, indicated a split mineral estate in a jurisdiction where minerals are the dominant estate and, therefore, may limit the property's utility for inclusion into a wildlife refuge.

What are the appraiser's next steps?

Do you think uncovered situation is a hypothetical condition or an extraordinary assumption or neither?

Discussion #3: Answer

The appraiser should immediately contact the client to discuss the situation as the inclusion of a hypothetical condition or extraordinary assumption could affect the assignment results and render the appraisal inadequate for use by the Agency.

The uncovered information is an extraordinary assumption. (Extraordinary assumptions presume as fact otherwise uncertain information about . . . the integrity of data used in an analysis.)

2.3 Appraisal Reporting

- Value opinion (in a partial acquisition the value of larger parcel before the acquisition and remainder property after the acquisition, the difference)
- Appraiser's signature
- Table of Contents
  - Major parts and subheadings
  - Addenda items listed individually
- Appraiser's Certification
  - Signed and consistent with USPAP STANDARD 2 certification requirement
  - Following statements related to these Standards . . .

2.3 Appraisal Reporting

- Appraiser's Additional Certification

> - the appraisal was developed and the appraisal report was prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*;
> - the appraisal was developed and the appraisal report prepared in conformance with the Appraisal Standards Board's *Uniform Standards of Professional Appraisal Practice* and complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and
> - the appraiser has made a physical inspection of the property appraised and that the property owner, or [his][her] designated representative, was given the opportunity to accompany the appraiser on the property inspection.

2.3 Appraisal Reporting

- Appraiser's Certification
  - Opinion of market value of subject property as of the effective date
  - If acquisition is a portion of the whole or property rights appraised, include the market value of the
    - Whole property as of the effective date
    - Remainder property after the acquisition
    - Difference between them as of the effective date

2.3 Appraisal Reporting

- Appraiser's Certification
  - May include items required by
    - Law
    - Appraiser's professional organization(s)

=====

  - Appraiser should avoid adding non-pertinent certifications to the specific assignment. For example:
    - Reference to Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)
    - Certifying an opinion of just compensation

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Problem #12

A Yellow Book appraisal report contained the following Appraiser's Certification. See Student Manual, Page 83.

There are seven errors. How many can you locate (and what are they)?

Student Manual Page 81

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Problem #12: Suggested Answer

Errors include:

1. Incorrect: *within the three-year period of the effective date.* Correct: *immediately preceding acceptance of this assignment.*
2. Incorrect (not pertinent): *Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)* Correct: *the Uniform Appraisal Standards for Federal Land Acquisitions.*
3. Correct (add): *complies with USPAP's JURISDICTIONAL EXCEPTION RULE when invoked by Section 1.2.7.2 of the Uniform Appraisal Standards for Federal Land Acquisitions.*

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Problem #12: Suggested Answer

Errors include:

4. Incorrect: *I have not afforded the property owner . . .* Correct: *I have afforded the property owner . . .*
5. Incorrect: *a staff assistant provided significant real property appraisal assistance . . .* Correct: *the name of each individual providing significant real property appraisal assistance must be stated.*
6. Incorrect: *. . . that my opinion of the just compensation . . .* Correct: *. . . that my opinion of the market value . . .*

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Problem #12: Suggested Answer

Errors include:

7. As this is a partial acquisition, correct: "*If the government's acquisition comprises only a portion of the whole property or property rights appraised, the certification shall include both the appraiser's opinion of the market value of the whole property as of the effective date of the appraisal and the appraiser's opinion of the remainder property's market value after the government's acquisition and the difference between them as of the effective date of the appraisal.*"

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2.3 Appraisal Reporting

- Executive Summary
  - Report major facts and conclusions that led to the final opinion(s) of value
    - Identification of the property appraised
    - HABU of the property (before and after the acquisition, if a partial acquisition)
    - Brief description of improvements (before and after the acquisition, if a partial acquisition)
    - Indicated value by each approach employed (before and after the acquisition, if a partial acquisition)

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2.3 Appraisal Reporting

- Report major facts and conclusions that led to the final opinion(s) of value
  - Final opinion of value (before and after the acquisition, if a partial acquisition)
  - Any
    - Hypothetical conditions
    - Extraordinary assumptions
    - Limiting conditions
    - Legal instructions
  - Effective date of the appraisal

Student Manual Page 82 169

2.3 Appraisal Reporting

- Photographs
  - Tips

Section 2.3.1.6. Photographs

Appraiser should be guided by the knowledge that the government may be unable to acquire the property voluntarily and may take possession of the property well before the question of value is settled and property may be substantially altered and improvements demolished

Can never have too many photographs in workfile and those in the report must be meaningful

Student Manual Page 82 170

2.3 Appraisal Reporting

- Statement of Assumptions and Limiting Conditions
  - If necessary to the appraisal must be stated
  - Any agency or special legal instructions must be referenced and a copy included in the addenda
  - If appraisal made subject to encumbrances they must be identified and stated
    - Unacceptable to state property has been appraised as if free and clear of all encumbrances, except as stated in the body of the report

Student Manual Page 83 171

2.3 Appraisal Reporting

- Avoid "boilerplate"
- Cannot alter
  - Appraisal contract
  - Assignment letter
  - Scope of work
- Unauthorized hypothetical conditions, assumptions, limiting conditions may result in appraisal report disapproval

Student Manual Page 83 172

2.3 Appraisal Reporting

- In a partial acquisition, identify
  - Hypothetical conditions
  - Assumptions
  - Limiting conditions

  that are authorized and apply to
  - Both the before and after acquisition appraisals
  - Only the appraisal of the larger parcel before acquisition
  - Only the appraisal of the remainder

Student Manual Pages 83-84 173

2.3 Appraisal Reporting

- **If a client or legal instruction has not been provided in writing, it is not considered a binding instruction**
- If accept an oral instruction, appraiser becomes wholly responsible
- Reference to a client or legal instruction without a copy in the addenda will not be acceptable justification for acceptance or adoption of the instruction and may result in disapproval of the appraisal report

Student Manual Page 84 174

2.3 Appraisal Reporting

- Description of Scope of Work
  - Identify the problem identification elements to be solved
    - Client
    - Intended users
    - Intended use
      - Provide an opinion of market value as of a specific date
      - In a partial acquisition, provide an opinion of market value of the larger parcel before the acquisition and the market value of the remaining property after the acquisition

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2.3 Appraisal Reporting

- Definition of market value

> **Definition of Market Value**
> Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property

- Effective date
- Property characteristics
- Assignment conditions

Student Manual Pages 84-85

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2.3 Appraisal Reporting

- Describe the investigation and analysis undertaken
  - Geographical area and time span searched for market data
  - Type of market data researched
  - Extent of market data confirmation
  - State the references and data sources relied on
- Discuss applicability of approaches to value and explain exclusion of any approach

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2.3 Appraisal Reporting

- Identify and explain implications of any adopted
  - Hypothetical conditions
  - Extraordinary assumptions

  which must be
  - Included and labeled under the scope of work
- Must include any legal instructions in the addenda

Written authorization from the client **prior to** using any hypothetical condition and/or extraordinary assumption

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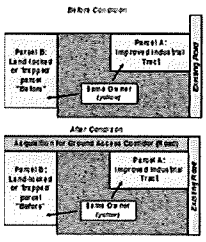
Problem #13

Parcel A and B have unity of title, but are physically separated in the before condition.

A proposed road will acquire a narrow strip of land along the northern boundary. While the two parcels will still be physically separated in the after condition, Parcel B will no longer be landlocked.



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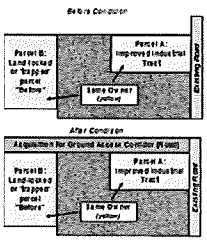
Problem #13

1. What is the larger parcel before the acquisition?
2. What is the remainder parcel after the acquisition?



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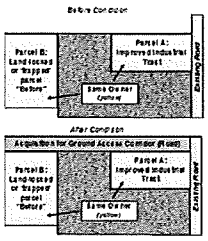
Problem #13: Suggested Answer

While there is unity of title, in the before condition there is no unity of use as to HABU or contiguity. There are two larger parcels.

In the after condition, there is unity of title. If Parcel A could be developed to a greater density by using Parcel B (i.e., unity of use as to HABU) then the remainder parcel could be Parcel A and B.



2.3 Appraisal Reporting

- Factual Data – Before Acquisition*
  - Legal description
  - Area, city, and neighborhood data
  - Site
  - Building improvements
  - Site improvements
  - Fixtures

* The Before Acquisition "steps" are also applicable to a total acquisition report format

2.3 Appraisal Reporting

- Factual Data—Before Acquisition
  - Use History
    - State briefly as vacant and as improved
    - If improved
      - State the purpose for which the improvements were designed
      - Dates of original construction
      - Dates of major renovations, additions, conversions
    - Include a 10-year history of the use and occupancy of the property
    - Must report if any information is indeterminable

2.3 Appraisal Reporting

- Sales History
  - Include a 10-year history of all sales and, if available, any offers to buy or sell
  - If no sales in past 10 years, must report the last sale, irrespective of date
  - Information to report
    - Name of seller and buyer
    - Date of sale
    - Price and terms and conditions of sale
    - Appraiser's verification and whether it meets conditions required for a comparable sale under

Section 1.5.2.2 Selection and Verification of Sales

2.3 Appraisal Reporting

- Rental History
  - Include at least a 3-year rental or lease history, if available
  - All current leases should be reported
    - Date of lease
    - Name of tenant
    - Rental amount, term of lease
    - Parties responsibility for expenses
    - Other pertinent lease provisions
    - Appraiser's verification and whether it meets conditions required for a comparable lease

2.3 Appraisal Reporting

- Assessed Value and Annual Tax Load
  - Include
    - Current assessment
    - Amount of real estate taxes
    - If assessed value is statutorily a percentage of market value, state the percentage
- Assessment based on current use vs. assessment based on HABU
  - Often relates to farmland, timberland, open space
  - Owner may agree to retain use for a certain time period
  - Appraiser should report the current assessed value and taxes for existing use **and** estimated assessed value and tax load at the HABU

2.3 Appraisal Reporting

- Zoning and Other Land Use Regulations
  - Must report in descriptive terms, not by zoning code
  - Must report other land use regulations
  - Must report recent rezoning and determine
    - If resulted from the project. If yes, must justify conclusion and disregard rezoning
    - If rezoning is imminent or probable, discuss
  - Mere assertion could be rezoned is insufficient
  - Must identify all other land use and environmental regulations that have an impact
  - Must discuss impact of any private restrictions

Student Manual Pages 88-89

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Problem #14

The property contains 20 acres. It is currently zoned for single-unit residential use with a minimum lot size of 20 acres.

The appraiser concludes developing the tract into 5-acre lots is physically possible and financially feasible.

1. To determine what is legally permissible, what is the appraiser's next step?

The appraiser meets with the zoning officer to determine the feasibility to develop the property into 5-acre lots.

The zoning officer reports that he/she favors such a rezoning and, in fact, the department is currently drafting a revision to the county plan that includes a higher-density zoning.

Student Manual Pages 90 & 255

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Problem #14

2. Is that adequate, or does the appraiser need to do more?

The appraiser needs to do more. The appraiser needs to undertake a more thorough investigation.

3. What exactly?

Continue to next slide

Student Manual Pages 90 & 255

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Problem #14: Suggested Answer

An investigation of the probability of rezoning should include:

- Interviews of zoning administrators and members of the legislative body that make final zoning determinations;
- Reviews of all rezoning activity of nearby property (both approvals and denials), land use patterns in the neighborhood (and any recent changes), physical characteristics of the subject and nearby properties, neighborhood growth patterns, and land use planning document provisions;
- Investigation of neighborhood attitudes concerning rezones;
- Determination of the age of the zoning ordinance; and
- Analysis of sales of similar property to determine whether the sale prices reflect anticipated rezoning.

In addition to zoning, the appraiser must consider the impact of other land use regulations on the utility and value of the subject property.

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Problem #14: Suggested Answer

After proper investigation and analysis, an appraiser can conclude that a probability of rezoning for the subject property exists, but it would be improper to assume such a probability.

The appraiser must also comply with USPAP requirements regarding disclosure and impact on the value conclusion.

Based on the manner in which the problem is stated, there is a possibility the appraiser may not have valued the property correctly.

- If the sales used were under the same zoning with the same potential for rezoning, the valuation may be acceptable
- If the appraiser used sales that were already zoned as 5-acre tracts, the valuation would need to consider the cost, time, and risk of rezoning—and likely overstated the subject's value

Student Manual Pages 255-256

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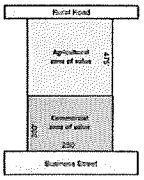
Problem #15

The subject property is a 4.59-acre parcel with two zones of value. There is no zoning. Most of the land along Business Street is commercial (to a depth of 300 ft.) and most of the land along Rural Road is agricultural. As there are no legal or physical impediments between the zones' dividing line, that line can "float" between uses.

The government will acquire a parcel 25 ft. x 250 ft. (6,250 sq. ft.) from the Business Street frontage.



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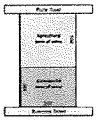
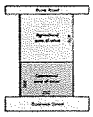
Problem #15

1. What is the larger parcel before acquisition?
2. What is the remainder parcel after acquisition?

Land in commercial areas is valued at $10/sq. ft. Land in agricultural areas is valued at $3,500/acre.

3. What is the market value of the parcel to be acquired?





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Problem #15: Suggested Answer

1. The property enjoys the unities of title and contiguity, but unity of use, as it relates to HABU is tenuous. There is no zoning and the market doesn't seem especially dynamic. In any event, there would seem to be two larger parcels: commercial to a depth of 300 ft. from Business Street and agricultural for the balance.

2. The same reasoning and conclusion applies after the acquisition.

3. $6,000 (R) (1.72 acres x $3,500/acre).

Student Manual Page 256 194

2.3 Appraisal Reporting

- Data Analysis and Conclusions – Before Acquisition
  - Highest and Best Use
    - One of the most important elements
    - First as if vacant
    - Second, as improved
    - May require extensive marketability and/or feasibility studies, which may require special consultants' conclusion

Student Manual Page 92 195

2.3 Appraisal Reporting

- Four Tests
  - Legally permissible →
    - All legal constraints should be described and impact discussed
    - If HABU requires rezoning or government approval, discuss investigation and analysis of probability, report in sufficient detail to understand conclusion

Student Manual Page 92 196

2.3 Appraisal Reporting

- Four Tests
  - Legally permissible
  - Physically possible →

Section 1.4
- Physical impacts that influence use and value should be described in adequate detail for client and intended users to understand how they influence HABU

Student Manual Page 92 197

2.3 Appraisal Reporting

- Four Tests
  - Legally permissible
  - Physically possible
  - Financially feasible →
    - Should describe all feasibility or comparative studies so client and intended users can understand analysis for their elimination

Student Manual Page 92 198

2.3 Appraisal Reporting

- Four Tests
  - Legally permissible
  - Physically possible
  - Financially feasible
  - Maximally productive

  ...and results in the highest value →

  - Discuss analysis and conclusions that led to highest value
  - Should identify timing of use and likely purchaser and user

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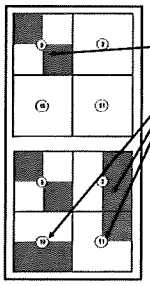
Problem #16



The Diamond Group owns vacant Tract 3.

Members of the Diamond Group also own vacant Tracts 2, 10, and 11.

Should the appraiser undertake a larger parcel analysis?

If no, why not?

If yes, how should the appraiser proceed?

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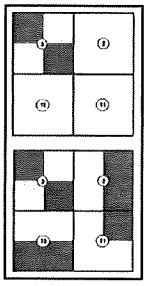
Problem #16: Suggested Answer



A larger parcel analysis must be made in every appraisal under the Yellow Book. The determination must be made regardless if a total or partial acquisition.

In making a larger parcel determination, it is permissible to consider all lands under the beneficial control of a single individual or entity even though title is not identical in all areas of the tract(s). If the appraiser concludes that the larger parcel constitutes lands that are under the beneficial control of a single entity (but title is not identical), the appraiser's larger parcel determination, together with the facts upon which it is based, should be submitted to the client agency's legal counsel for review before the appraiser proceeds. Based on applicable case law and the facts of the case, legal counsel can then determine whether, as a matter of law, the unity of ownership test of the larger parcel is present, and provide written legal instructions to the appraiser.

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2.3 Appraisal Reporting

- Data Analysis and Conclusions—Before Acquisition
  - Larger Parcel
    - Must describe the factual basis and analysis underlying conclusion
    - Three tests
      - Unity of ownership
      - Unity of highest and best use
      - Contiguity (or proximity) as it bears on the highest and best use
    - Tests reported in sufficient detail for client and intended users to understand conclusion

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2.3 Appraisal Reporting

- Larger Parcel and Highest and Best Use
  - Integrated concepts
  - Must be analyzed simultaneously
  - Terms are linked:
    - The **larger parcel** is the tract or tracts of land that possess a unity of ownership and have the same, or an **integrated, highest and best use**

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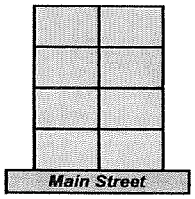
Problem #17, Scenario #1

Eight tracts of land under the same ownership have been platted (undedicated) into five-acre parcels.

What is the larger parcel?

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)



Suggested answer: One.

Drawing lines (platting) does not solidify the larger parcel determination. There needs to be more done to conclude the property has eight larger parcels.

Student Manual Pages 95 & 256

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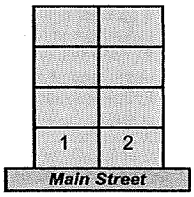
Problem #17, Scenario #2

Would your answer to Scenario #1 change if the acquisition is Tracts 1 and 2?

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)

Suggested answer: A larger parcel analysis should be completed without consideration of the acquisition. The acquisition does not drive the larger parcel conclusion.



Student Manual Pages 96 & 256

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Problem #17, Scenario #3

The same eight tracts of land have now been surveyed.

Roads have been constructed and utilities extended to each tract.

The tracts have been on th market for five years and none have sold.

What is the larger parcel?

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)

Suggested answer: More information is needed to determine the larger parcel.

If you agree with the previous sentence, what additional information would you like to have?

Student Manual Pages 97 & 256

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Problem #17, Scenario #4

In the past six months, two tracts sold.

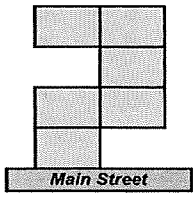
What is the larger

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)

Suggested an
on your own, b
the three large

- Unity of own
- Unity of high use
- Contiguity (c it bears on th best use

Also, more mar could help drive



Student Manual Pages 98 & 257

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2.3 Appraisal Reporting

- Application of the Approaches to Value—Before Acquisition
  - Land Valuation
    - Must report an opinion of land value at its HABU, as if vacant and available for that use
    - If comparable sales are available, SCA preferred
    - In rare cases, subdivision development method may be appropriate

Section 1.5.1 Land Valuation and Section 4.4.2 Sales Comparison Approach

Student Manual Page 99

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2.3 Appraisal Reporting

- Sales Comparison Approach
  - Must provide detailed descriptions of confirmed land sales with the same or similar HABU
  - Each comparable sale should as a minimum include:
    - Date of transaction
    - Price paid
    - Names of buyers and sellers
    - Size
    - Location
    - Zoning and other legal constraints
    - Physical characteristics
    - Identification of person who confirmed transaction

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2.3 Appraisal Reporting

- Consider adjustments between comparable sales and subject property and adjust for differences
- Must summarize adjustments in a grid with each adjustment supported with market data
- Data and analysis must provide sufficient detail for client and intended users to understand the appraiser's data, analysis, and logic

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2.3 Appraisal Reporting

- Subdivision Development Method
  - In circumstances when property has a HABU for subdivision development and the appraiser developed the method, the report must address the market derived and market supported

Lot sale price	Expenses
Absorption rate	Absorption period
Development costs	Discount rate (DCF)

  - **Not a preferred approach and rarely accepted**

Student Manual Pages 99-100

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2.3 Appraisal Reporting

- Cost Approach
  - Should be in a computational data form, arranged sequentially

Data Source:
- If national service, source of all figures: book and page, including last revision
- If contractor or professional cost estimator, data should be referenced and report included in addenda
- Entrepreneurial incentive must be considered and, when possible, developed from market

Depreciation must be explained:
- Physical deterioration
- Functional obsolescence
- External (economic) obsolescence

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2.3 Appraisal Reporting

- Sales Comparison Approach
  - Must contain sufficient description of comparable sales for client and intended users to understand the conclusions
  - Comparable sale documentation
    - Name of buyer and seller
    - Date of sale
    - Legal description
    - Type of sale instrument
    - Document recording information
    - Price

Student Manual Pages 100-101

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2.3 Appraisal Reporting

- Terms of sale
- Location
- Zoning
- Present use
- Highest and best use
- Brief physical description of property
- Plot plan or sketch
- Photographs
- Comparable sales map

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2.3 Appraisal Reporting

- Adjusting comparable sales
  - Quantitative adjustments
    - When adequate market data exists
    - Made first (if both quantitative and qualitative adjustments are used)
  - Qualitative adjustments
    - Only when quantitative data does not exist
    - Often require more extensive discussion of reasoning
    - May require greater number of comparable sales
  - Quantitative and qualitative adjustments are not mutually exclusive

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2.3 Appraisal Reporting

- Developing a final opinion of value
  - Must explain the comparative weight given to each comparable
  - Must include a comparative adjustment chart or graph

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2.3 Appraisal Reporting

- Income Capitalization Approach
  - Must contain adequate factual detail to support each fact and factor and arranged to show:
    - Estimated (potential) gross market income
    - Vacancy and credit (collection) loss
    - Itemized estimate of total operating expenses
    - Itemized estimate of reserves for replacements (replacement allowance)
    - Net income

Section 1.5.4 Income Capitalization Approach

Student Manual Pages 101-102

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2.3 Appraisal Reporting

- Capitalization
  - Technique, method, rate: explained in narrative form, supported by statement of sources of rates and factors
  - Rate: prevailing for property type and location
  - Rate: reflected from comparable sales (preferred)
- Current rent
  - If property rented, often best indicator of economic (market) rent (but not automatically assumed)
  - Should be given appropriate consideration in developing the (potential) gross income

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2.3 Appraisal Reporting

- Should attempt to obtain last three years historic income and expense statements (if available, include in this portion of report or in addenda)

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2.3 Appraisal Reporting

- Reconciliation and Final Opinion of Market Value
  - Must explain
    - Reasoning applied to arrive at final opinion of value
    - How results of each approach were weighted
    - Reliability of each approach to solve the particular problem
  - Must state
    - As a single amount including contributory value of fixtures, timber, minerals, water rights, if any
      - Avoid making a summation appraisal
  - Appraiser is solely responsible for final opinion of value. If opinion includes estimates by others, reasonableness must be confirmed

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2.3 Appraisal Reporting

- Factual Data—After Acquisition (Partial Acquisitions Only)
  - Legal Description
    - Must include legal description of remainder
      - If not available, may develop own (utilize before legal description and exclude acquired legal description)
      - If estate acquired is less than fee interest, legal description may be referenced and legal description of encumbered property included
      - If lengthy, briefly reference and include full legal description in addenda

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2.3 Appraisal Reporting

- Neighborhood Factors
  - Must describe government project and its impact, if any, on the neighborhood and remainder property
  - Degree of detail should relate to project's complexity and its impact on remainder property
  - Aspects of the project that will result in damages to remainder property should be described in detail

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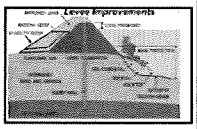
Problem #18

In the after acquisition, the appraiser must describe the project and its impact, if any, on the neighborhood and remainder property. The degree of detail should relate to project's complexity and its impact on remainder property.

=====

The government's acquisition is permanent easement through the parcel for construction of a flood control levee with associated temporary construction easements. (See sketch.)



What factors might you describe about the project and its impacts on the remainder property, if any?

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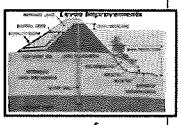
Problem #18: Possible Answer

A description might include

- *Height of the levee*
- *Width at the base and at the top of the levee*
- *Degree of side slopes of the levee*
- *Finish material (e.g., riprap, seeded soil) of the slopes*
- *Any provisions for access over the levee*
- *Treatment of any utilities and/or utility structures that may cross the levee, or the area of the levee (e.g., drainage and irrigation structures, electricity)*
- *Consideration of permanent takings to deal with preexisting structures and preserve access for repair, maintenance, and/or relocation*
- *Temporary construction easements (e.g., duration, use, condition at termination)*
- *Anticipated reduction in future flooding vs. historical flooding*



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2.3 Appraisal Reporting

- Property Data – After Acquisition
  - Site
    - Describe remainder site
      - Shape
      - Size
      - Available utilities
      - Available access to remainder
      - All requirements listed in

Section 2.3.2.3.1
Site

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2.3 Appraisal Reporting

Section 2.3.2.3.2
Improvements

- Improvements
  - Describe improvements remaining in whole or in part, addressing all requirements listed in
- Fixtures
  - Describe fixtures remaining, addressing all requirements listed in

Section 2.3.2.3.3
Fixtures

- If unchanged, may be referenced

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2.3 Appraisal Reporting

- History
  - If appraisal after date of acquisition, must report:
    - Utilization of remainder property since date of acquisition
    - Any sales or rentals of the remainder property, addressing all requirements listed in

Section 2.3.2.3.4
Use History

Section 2.3.2.3.5
Sales History

Section 2.3.2.3.6
Rental History

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2.3 Appraisal Reporting

- Assessed Value and Tax Load
  - If appraisal after date of acquisition, must report estimated assessed value and annual tax load to remainder property
  - Critical in ICA
  - Address requirements listed in

Section 2.3.2.3.7
Assessed Value and Annual Tax Load

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Problem #19

The tract is a 6,000-acre parcel (*red*) under one ownership. It is adjacent to an alpine lake/recreation area with recreation use.

The agency, under a voluntary fee simple acquisition, requires a Yellow Book appraisal on 1,000 acres (*yellow*).

The agency directed, and the appraiser agreed, the 1,000-acre tract is the larger parcel.

The following year, the agency engaged the appraiser to value a second 1,000-acre tract.

1. What is the larger parcel?

1st Acquisition

2nd Acquisition

3rd Acquisition

Student Manual Page 106

Problem #19

The third year, the agency engaged the appraiser to value a third 1,000-acre tract.

2. What is the larger parcel?

Point

The appraiser has the responsibility to determine the larger parcel, so the appraiser erred significantly when he/she agreed on the first assignment that the larger parcel was the 1,000 acquisition. The assignment should have been declined if the agency insisted on their course of action. By following the agency's direction(s) the result was that the appraiser valued the part taken, not the required before and after, which would have resulted in the contribution of the part taken to the whole.

1st Acquisition

2nd Acquisition

3rd Acquisition

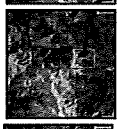
Student Manual Pages 106 & 257

Problem #19

It appears that in every instance, the appraiser allowed the agency to dictate the larger parcel determination. From what little information is provided, the larger parcel in the first scenario should be 6,000 acres, 5,000 acres in the second, and 4,000 acres in the third.

1st Acquisition

2nd Acquisition



3rd Acquisition

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2.3 Appraisal Reporting

- Zoning and Other Land Use Regulations
  - Must report influence on remainder property
  - Specific attention to
    - Probability of a rezoning, either up or down
    - Possibility the remainder property is nonconforming
    - Addressing all requirements listed in

Section 2.3.2.3.8 Zoning and Other Land Use Regulations

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2.3 Appraisal Reporting

- Data Analysis and Conclusions—After Acquisition (Partial Acquisitions Only)

"**Note:** These analyses and valuation sections relating to the remainder property constitute a **new appraisal**. In cases of an insignificant taking, the remainder may be so similar to the larger parcel before the acquisition that the same highest and best use analysis and the same cost, market, and income data and analysis will remain applicable and can therefore be referenced and employed in reporting the opinion of the market value of the remainder property. However, a change in the basic physical or economic character of the remainder may result in a change in the remainder's highest and best use or the intensity of that use and may result in damages or benefits, which will require different market data and/or analysis than that which was used in the larger parcel valuation." (emphasis added) (Yellow Book, pg. 69)

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2.3 Appraisal Reporting

- Highest and Best Use
  - State and explain for remainder land, as if vacant, and remainder property, as improved
  - Impacts of the acquisition or its intensity must be specifically addressed and described
  - If restoration or rehabilitation of the remainder will be required before it can be put to the HABU, physical and economic feasibility must be explained and justified
  - Major restoration or rehabilitation may require an expert
  - If the acquisition includes a TCE or other temporary interest, the effect on remainder property's HABU must be discussed

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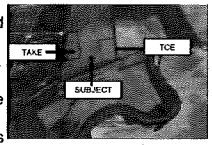
Problem #20

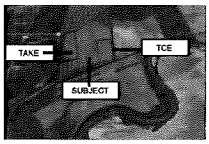
The subject property is a 40-acre tract that is 100% tillable farmland. The property is located along the route identified for the erection of a border protection facility. Ten acres of the tract will be acquired in fee and 10 acres will be encumbered by a TCE for a staging area. The TCE will expire 12 months from the date of taking. The taking of the property for both uses is simultaneous and is by Declaration of Taking.



Prior to the announcement of land acquisitions for the protection facility, land sales in the area ranged from $4,800 to $5,200 per acre with most clustering at $5,000 per acre. Rental rates for similar land in the area range from $175 per acre to $190 per acre with most rentals falling between $179 per acre and $181 per acre.

Problem #20

There are several sales of acreage that have either closed since the announcement of the protection facility or have been negotiated since the announcement of the protection facility. The sales range from a low of $4,000 per acre to a high of $5,000 per acre with most occurring within the narrow range of from $4,450 to $4,550 per acre. The sales that have been negotiated, but have not closed, fall within the same parameters.



1. What are the indicated before and after market values for this part of the project?
2. How would they be presented when reporting them?

Problem #20: Suggested Answer

Before Value:	40 ac @ $5,000/ac		= $200,000
After Value:			
Unencumbered acreage:	20 ac @ $4,500/ac	= $ 90,000	
Encumbered with TCE:	10 ac @ $4,500/ac	= $ 45,000	
Less: Rent loss:	10 ac @ $180/ac	= ($ 1,800)	
Net encumbered			$ 43,200
After Value			= $133,200
Difference			= $ 66,800

2.3 Appraisal Reporting

- Application of the Approaches to Value—After Acquisition
  - Land Valuation
    - Must develop an opinion of the market value of the remainder land at its HABU, as if vacant and available for that use
    - If the acquisition includes one or more TCEs, the impact on remainder property must be accounted for in the land valuation after acquisition
    - Any diminution in remainder land value by reason of temporary easement must be measured in accordance with Section 1.9.1 and used as basis for adjustment to remainder's land value

2.3 Appraisal Reporting

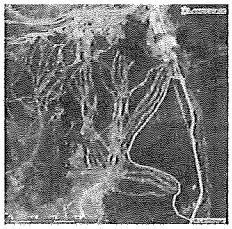
- Diminution in remainder's land value by a temporary easement should **not** be treated as an additive to the before and after value difference
- Diminution in remainder's land value **is** expressed as an adjustment
- Property Valuation
  - Cost Approach — Section 2.3.3.3 Cost Approach
  - Sales Comparison Approach — Section 2.3.3.4 Sales Comparison Approach
  - Income Capitalization Approach — Section 2.3.3.5 Income Capitalization Approach

2.3 Appraisal Reporting

- Reconciliation and Final Opinion of Market Value
  - Must describe reasoning applied to arrive at final opinion of value addressing all the requirements in Section 2.3.3.6 Reconciliation and Final Opinion of Market Value

Problem #21

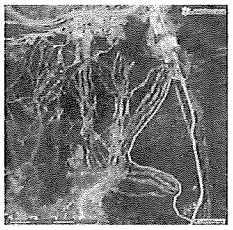
- The assignment is to appraise federal land (*yellow*) abutting a ski resort.
- Plans show incorporation of land into a private resort for a lift, two runs, and condo units.
- The tract could not be used economically as a "stand-alone" parcel for ski resort purposes.
- The appraiser disregards the intended use and concludes the HABU for timber production of "sustained agriculture" in accordance with its present use.



1. Do you agree with the appraiser?
2. What is the HABU if the land had been held privately?

Problem #21: Suggested Answer

1. No.
2. If the land had been held privately, the HABU is commercial and/or possibly high-density residential compatible with recreational use.



2.3 Appraisal Reporting

- Acquisition Analysis (Partial Acquisitions Only)*
  - Applicable only in partial acquisition appraisals
  - Must report the difference between value of the larger parcel and the value of the remainder by deducting the after value from the before value
  - Allocation and damages
    - Identified to assist agencies to meet obligations under the Uniform Act

* If the appraisal report is being prepared for condemnation trial purposes, trial counsel for the United States may instruct the appraiser to omit these sections.

2.3 Appraisal Reporting

- Must briefly explain any damages to remainder property and allocate the difference in value of the property before and after the acquisition between the value of the acquisition and damages to remainder
- **Should note the allocation is an accounting tabulation and not necessarily indicative of the appraisal method**
- If measured by a cost to cure, must justify the cost and demonstrate it is less than the damage if the cure was not undertaken

Problem #22

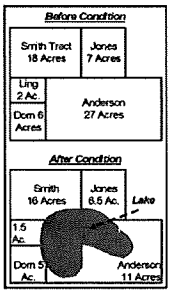
The government project provides for the construction of a small lake, in an area where no lakes or recreational areas exist.

There are a number of properties that have partial takings.

After the lake is constructed, the remainders will have lake frontage.

1. Is this an general (indirect) benefit or a special (direct) benefit?

Special (direct) benefit.

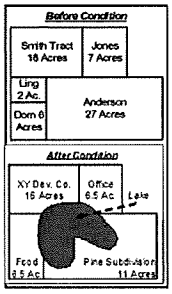


Problem #22

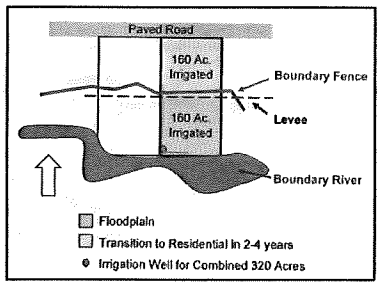
The area has become a resort community with an influx of construction capital and tourist dollars.

2. Is this an general (indirect) benefits or a special (direct) benefit?

General (indirect) benefit.



Case Study #1



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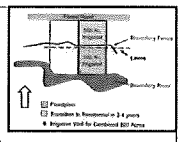
Case Study #1



The Agency requests an appraisal for an acquisition of four acres for a boundary fence (*red*).

The total ownership is 320 acres. Access before the acquisition is provided by the paved road along the north boundary. Land east and west of the subject is owned by other private individuals. There is an easement on the quarter-section line for a levee (*black dashed line*), which has been in place across the subject for 22 years.

The levee easement is held by the International Boundary Water Commission (IBWC) and allows access across the levee from north to south by the landowner only.

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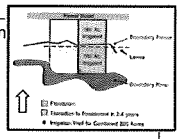
Case Study #1



The 320 acres is all irrigated with the irrigation well in the southwest corner of the southern portion (*green circle*). Underground irrigation supply lines extend north from the well to the northern 160 acres, which is allowed by the levee easement.

The parcel is three miles from a regional population center that has experienced strong population growth. The northern 160 acres is in transition to residential uses with anticipated absorption in 2-4 years. The southern 160 acres is in the floodplain and cannot be used or rezoned for anything other than agriculture or recreational uses.

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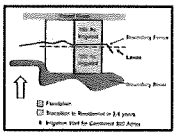
Case Study #1

1. What is the larger parcel?
2. Why?



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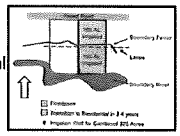
Case Study #1: Suggested Answer



There is unity of ownership and continuity, but, unity of use becomes the question. Due to the boundary fence, there is no legal access to the southern 160-acre portion in the after condition; thus, isolating the tract with the irrigation well from the northern parcel.

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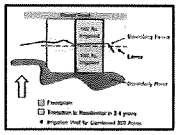
Case Study #1: Suggested Answer



There are two potential answers:

- Under the Yellow Book, a strict interpretation would suggest the northern 160 acres is the larger parcel due to transitional residential use. The only remedy for the landowner would be to bring a separate legal action and claim an "inverse taking" where the southern tract has been severely damaged by no access and diminishing the interim irrigated income as irrigated land.

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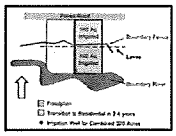
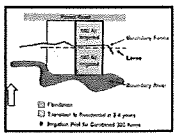
Case Study #1: Suggested Answer

- From a more reasonable and practical sense for the appraiser and in the current "as is" situation, the property has an integrated highest and best use as irrigated land with differing contributions for the north and south portions. Appraising the entire 320-acre ownership in the "before" more correctly allows for addressing the "taking" pertaining to the southern 160 acres in the "after" condition and damages.



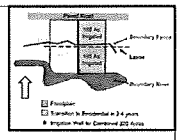
Case Study 1: Suggested Answer

- With an integrated highest and best use, it is recommended the appraiser measure the contribution to each, and note the northern tract is currently irrigated but in transition to residential use, while the southern tract is also irrigated, but with a lower value since it is in the floodplain.



Case Study #1: Suggested Answer

- There may be a cost-to-cure situation where the agency (Corps of Engineers) would pay to move the irrigation system under the fence and allow some form of exclusive access to the well site to maintain the system.



The Yellow Book says the preponderance of the decision on unity of unit flows to its current use. While residential development is highly likely, it would still be viewed by the courts as somewhat speculative. From the appraiser's prospective, find similar transitional sales and allocate to the integrated use.

2.3 Appraisal Reporting

- Special Benefits
  - Identified to assist agencies to meet obligations under the Uniform Act
  - Must identify any special (direct) benefits accruing to remainder property and explain how and why these occurred

2.3 Appraisal Reporting

- Exhibits and Addenda
  - Legal Instructions
    - Must be presented (e.g., hypothetical conditions, extraordinary assumptions)
  - Location Map
    - Display subject property location within city or area
    - Include a north arrow
    - Identify the subject property
  - Comparable Maps
    - Comparable land sales
    - Comparable improved sales
    - Comparable rentals

2.3 Appraisal Reporting

- Show the locations of the subject property and comparable sales and/or rentals
- If an unreadable map scale is required, secondary maps should be included
- Include a north arrow
- Details of Comparable Sales and Rental Data
  - May be included in the body of the report
  - Must include photographs

2.3 Appraisal Reporting

- Plot Plan
  - Should
    - Help reader visualize property and scope of appraisal considerations
    - Depict entire property including dimensions and street frontages
    - Show structural improvements in approximate locations, significant on-site improvements and easements
    - Note the improvements dimensions
    - Include a north arrow

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2.3 Appraisal Reporting

- Include photographs (location from which each subject photograph was taken and direction, identification number)
- Identify the remainder area and its dimensions
- Show any significant project construction features for which property being acquired
- Show, if the subject property or area acquired is complex, a separate plot plan
- Identify remainder area and dimensions

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2.3 Appraisal Reporting

- Floor Plan
  - Only necessary if
    - Leasehold acquisition
    - Unique property feature
- Title Evidence Report
  - If agency provides, included or referenced

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2.3 Appraisal Reporting

- Other Pertinent Reports and Exhibits
  - Might include, among others
    - Written agency or counsel provided instructions
    - Specialty reports
    - Pertinent title documents
    - Charts and illustrations that may have been previously referenced
- Qualifications of Appraisers
  - All who made significant contributions to the assignment
  - If for trial purposes, must include conformance with Rule 26(a)(2)(B) of the Federal Rules of Civil Procedures

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2.4 Appraisal Reporting

Reporting Requirements for Leasehold Acquisitions

- Provide the framework for reporting results for a leasehold appraisal
- Additional reporting requirements for these special assignments
  - Property Rights Appraised
    - Must clearly discuss terms of leasehold estate to be acquired
    - Any differences between government's lease and typical market rent leases must be described and analyzed

Section 1.8
Leasehold Acquisitions

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2.4 Appraisal Reporting

- Improvements Description
  - Must address all exterior and interior building improvement features
  - Must describe physical location of government's leasehold space in the building in sufficient detail to allow client and intended users to understand the impact, if any, on the rest of the building
- Highest and Best Use
  - Must describe factual basis and analysis concerning HABU of the building in which leasehold is located, including entire building
  - Must present the larger parcel analysis developed, which will dictate whether a before and after valuation must be performed

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2.4 Appraisal Reporting

- Critical
  - In determining the building's position in the market
  - In situations where the property is located in a transitional market

2.5 Appraisal Reporting

Reporting Requirements for Project Acquisitions

- Some projects require acquisition of many real property appraisals at the same time
- It may be logical to include appraisal of more than one parcel in a single report
- Separate opinions of value must be developed
- May be acceptable for agency negotiation under the Uniform Act and initial DOJ review
- Rarely conducive for litigation

A project appraisal report may be appropriate if:

(1) All parcels are total acquisitions OR all are partial acquisitions of a nominal and/or consistent nature;
(2) All parcels are vacant OR all have similar improvements;
(3) All parcels are located within a geographic area with a relatively similar land use pattern;
(4) All parcels have the same or similar highest and best use;
(5) The most relevant approach to value is the same for all parcels; and
(6) The same array of market data can be relied on in the valuation of each parcel.

2.5 Appraisal Reporting

The project appraisal report format consists of three major parts:

- Part I: Introduction, General Factual Data, and Analysis
- Part II: Individual Parcel Report
- Part III: General Exhibits and Addenda

2.5 Appraisal Reporting

Part I: Introduction, General Factual Data, and Analysis

(1) Title Page

- Government project title
- Number of individual parcels
- Name and address of the individual(s) making the report
- Date appraisals prepared

2.5 Appraisal Reporting

(2) Letter of Transmittal

- Date of letter
- Identification of the government project
- Number of parcels included in the report
- Statement of range of effective dates
- Identification of any
  - Hypothetical conditions
  - Extraordinary assumptions
  - Limiting conditions
  - Legal instructions relating to all properties
- Appraiser's signature

2.5 Appraisal Reporting

(3) Table of Contents

- Major appraisal parts and subheadings must be listed
- Location of each individual parcel report must be identified
- Addenda items must be individually listed

(4) Executive Summary

- Should report the value findings for each parcel
- Include
  - Agency assigned parcel number
  - Effective date of the value estimate(s)

2.5 Appraisal Reporting

- Value conclusion(s)
- If large number of parcels, alphabetical listing by owner's name
- Partial acquisitions
  - Include before value, after value, and difference

(5) Statements of Assumptions and Limiting Conditions

Section 2.3.1.7
Statements of Assumptions and Limiting Conditions

- All universally applied must be listed
- Individually applied should not be included, but noted in individual parcel reports

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2.5 Appraisal Reporting

(6) Scope of Work

Section 2.3.1.8
Scope of Work

(7) Area, City, and Neighborhood Data

Section 2.3.2.3.2
Area, City, and Neighborhood Analysis

- Partial acquisitions
  - Two sections: before acquisition and after acquisition

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2.5 Appraisal Reporting

(8) Zoning and Other Land Use Restrictions

- General discussion of all affected parcels
- General discussion of land use regulations and recent zoning activity
- Partial acquisitions
  - Two sections: before acquisition and after acquisition

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Problem #23

As part of an airport expansion, the regional airport authority is acquiring aviation easements. The easements will restrict the building height to a maximum of 35 ft.

The current zoning in the project area is Commercial—Office (C-O-6), which allows the construction of buildings up to and including 6 stories in height.

A second district, in close proximity to the project area, is zoned Commercial—Office (C-O-3), which allows the construction of buildings up to and including three stories in height.

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Problem #23

The subject property is a vacant 5-acre parcel in the project area and is zoned Commercial—Office (C-O-6). As part of the data analysis, the Agency's appraiser conducts a marketability study. The study concludes that, based on significant recent land sales ($125,000/acre) and the resultant development of those sites with moderately high rise (4–6 story) office buildings, that is the HABU for the subject property.

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Problem #23

With the imposition of an avigation easement, limiting development to 35 ft. over the entire parcel, the appraiser expanded land sales research. The appraiser's search located numerous land sales in nearby C-O-3 zoned areas for $85,000/acre.

1. What is the market value of the subject property before the imposition of the avigation easement?
2. What is the market value of the subject property after the imposition of the avigation easement?
3. What is the difference?

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Problem #23: Suggested Answer

Before Value: $625,000
5 acres x $125,000/acre
After Value: $425,000
5 acres x $85,000/acre
Difference: $200,000

2.5 Appraisal Reporting

(9) Analysis of Highest and Best Use

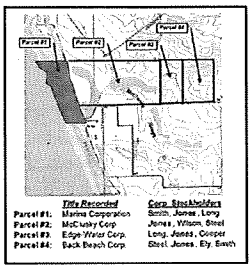
Section 2.3.3 Highest and Best Use

- As all parcels will have same or similar HABU, should discuss and develop
- If a parcel has a different HABU, should be excluded and a separate report prepared
- Partial acquisitions
  - Two sections: before acquisition and after acquisition

Problem #24

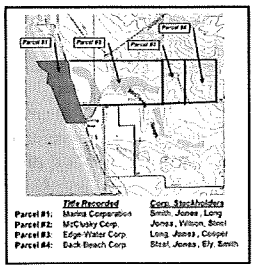
- Parcel 1 (*green*) is vacant beach-front property and Parcels 2, 3, and 4 are vacant slough and low-lying tracts sloping to the ocean.
- Major population center within 10 miles.
- Zoning varies from recreation to compatible residential uses - and can be changed for development into marina if tracts can be used together.

1. Can, or should you consider the four tracts as a single larger parcel?
2. What larger parcel test is involved?
3. What investigation should you undertake?



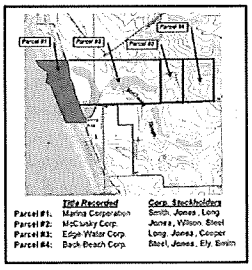
Problem #24: Suggested Answer

- A single individual is involved in all four corporations, but does that individual, or another entity, have beneficial control of all four corporations?
- Research into corporate ownership and any agreements between the corporations that bears on future utilization should be investigated.
- Research into historical land acquisitions of the corporations should be undertaken.



Problem #24: Suggested Answer

- If it can be determined with a reasonable degree of certainty that the lands are under the beneficial control of one entity, a preliminary determination may be made.
- Appraiser must consult with agency legal counsel before final decision and obtain written instruction as to whether or not the form of ownership does or does not meet the unity of ownership test.
- The Court found the four tracts could be viewed as a single parcel and stated, "a parcel of land which has been used and treated as an entity shall be so considered in assessing compensation for the taking of part or all of it. The fact that land thus treated is owned by different entities does not destroy the unity concept."



2.5 Appraisal Reporting

(10) Discussion of Approaches to Value

- Discuss approaches and applicability
- Modification to an approaches' application should be discussed
- Partial acquisitions
  - Two sections: before acquisition and after acquisition

2.5 Appraisal Reporting

(11) Land Valuation

- Identify, describe, and discuss all comparable land sales
- Discussion of how comparable sales will be used in the individual reports
- Reference to comparable sales data sheets, photos
- Comparable sales map must be included

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2.5 Appraisal Reporting

- Universal adjustments
  - Should be discussed and developed
  - Include market conditions, cash equivalency, other non-subject property dependent
- Special studies (e.g., size adjustment study) discussed
- Partial acquisitions
  - Two sections: before acquisition and after acquisition
- Generally, if a parcel requires land valuation by means other than comparable sales, the parcel should not be included in the project report

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2.5 Appraisal Reporting

(12) Cost Approach

- Describe methodology to develop reproduction or replacement cost and depreciation estimates
- If national cost service used, publication should be identified
- If depreciation studies using market extraction or sales comparison method were developed, should discuss and report conclusions
- Partial acquisitions
  - Two sections: before acquisition and after acquisition

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2.5 Appraisal Reporting

(13) Sales Comparison Approach

- Identify, describe, and discuss all improved comparable sales
- Discussion of how the comparable sales will be used in the individual reports
- Reference should be made to comparable sales data sheets, photos
- Comparable sales map must be included

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2.5 Appraisal Reporting

- Universal adjustments
  - Should be discussed and developed
  - Include market conditions, cash equivalency, other non-subject property dependent
- Partial acquisitions
  - Two sections: before acquisition and after acquisition

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2.5 Appraisal Reporting

(14) Income Capitalization Approach

- Identify, describe, and discuss all comparable rental properties
- Discussion of how the comparable rentals will be used in the individual reports
- Reference should be made to comparable rental data sheets, photos
- Comparable rental map must be included

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2.5 Appraisal Reporting

- Capitalization rates
  - Should be presented
  - Should be the same or in a relatively narrow bracket for each individual property
- Partial acquisitions
  - Two sections: before acquisition and after acquisition

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2.5 Appraisal Reporting

(15) Special Studies

- Present studies appropriate and apply to all, or most, of the parcels
  - Examples: easements, size adjustments, proximity, land lock, special benefit, project influence
  - May relate to the before situation, after situation, or both
- Are in addition to capitalization rate, market condition, entrepreneurial profit, depreciation, and cash equivalency studies

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Discussion #4

1. Draft reports must be signed and clearly labeled "draft" or "work in progress." **False**
2. Regardless of the intended use, all appraisal reports must comply with FIRREA's provisions. **False**
3. In developing and reporting an opinion of value by the ICA for a mineral property, the income that may be capitalized is the royalty income, and not the income or profit generated by the business of mining and selling the mineral. **True**

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Discussion #4

4. Some assignments (e.g., Uniform Act) may require allocation of the difference in the property's value before and after acquisition. Is the following acceptable?

Before Acquisition Value:	$250,000
After Acquisition Value:	$200,000
Difference:	$ 50,000
Allocation:	
Part Acquired:	$15,000
Damages to Remainder:	$35,000
Total:	$50,000

No. Allocation must be clearly labeled as accounting tabulations.

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Discussion #4

5. Prior to the acquisition, the larger parcel was a 15 rural residential site. Comparable sales indicate its market value at $45,000 ($3,000/acre). After the acquisition of a 5-acre strip across the rear of the property, the larger parcel was a 10 rural residential site. Comparable sales indicate its market value at $35,000. There are no damages or benefits to the remainder. How would you report the values?

Before Value:	$45,000 ($3,000/acre)	Before Value:	$45,000 ($3,000/acre)
After Value:	$35,000 ($3,500/acre)	After Value:	$30,000 ($3,000/acre)
Difference:	$10,000	Difference:	$15,000

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Discussion #4

6. The development and reporting of an appraisal of resource assets is an exception to the Unit Rule. **False**
7. The Yellow Book requires the appraiser to disregard changes in the neighborhood brought about by the government's project, prior to the acquisition, for which the subject property is being acquired. This is a jurisdictional exception and a hypothetical condition. **True**

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2.5 Appraisal Reporting

Part II: Individual Parcel Report

Each individual appraisal report should contain

(16) Title Page

(17) Table of Contents

(18) Appraiser's Certification

(19) Summary of Salient Facts and Conclusions

(20) Photographs of Subject Property

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2.5 Appraisal Reporting

(21) Statement of Assumptions and Limiting Conditions:

- If additions, modifications, deletions are necessary, they must be noted

(22) Scope of Work

- If additions, modifications, deletions are necessary, they must be noted

(23) Executive Summary

- Should discuss any specific problem unique to the property and briefly describe its treatment

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2.5 Appraisal Reporting

(24) Legal Description

(25) Area, City, and Neighborhood

- Should discuss any specific problem unique to the property and briefly describe its treatment

(26) Property Data

a. Site

b. Improvements

c. Fixtures

d. Use History

e. Sales History

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2.5 Appraisal Reporting

f. Rental History

g. Assessed Value and Annual Tax Load

h. Zoning and Other Land Use Regulations

- If additions, modifications, deletions are necessary, they must be noted

Student Manual Pages 127-128

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2.5 Appraisal Reporting

(27) Analysis of Highest and Best Use

- Must specifically state both in before and after situations, if a partial acquisition
- Thoroughly explain the reasoning to the conclusion

(28) Land Valuation

- Specifically identify which sales are the most comparable and were relied on in developing the opinion of value
- Comparative analysis between each selected comparable sale and subject must be included in the conclusion

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2.5 Appraisal Reporting

- If adjustments are based on universal adjustments and/or studies developed in Part I, discussion or study should specifically be referenced and related to the subject

(29) Value Indication by the Cost Approach

- If computations or estimates are based on studies discussed and developed in Part I, studies should specifically be referenced and related to the subject

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2.5 Appraisal Reporting

(30) Value Indication by the Sales Comparison Approach

- Must specifically identify which sales are most comparable and were relied on in developing an opinion of value for the parcel
- Comparative analysis between each selected comparable sale and the subject must be included
- If adjustments are based on universal adjustments and/or studies developed in Part I, discussion or study should specifically be referenced and related to the subject

Student Manual Page 128 301

2.5 Appraisal Reporting

(31) Value Indication by the Income Capitalization Approach

- Must specifically identify which rentals are most comparable and were relied on in developing an opinion of the parcel's market rent
- Comparative analysis between each selected comparable rental and subject must be included
- If capitalization rate selected is based on studies discussed and developed in Part I, the study must be specifically referenced and related to the subject property
-

Student Manual Pages 128-129 302

2.5 Appraisal Reporting

(32) Reconciliation and Final Value Estimate
(33) Acquisition Analysis
(34) Exhibits and Addenda
a. Location Map
b. Comparable Sales Map
c. Details of Comparable Sales and Rental Data
d. Plot Plan
e. Floor Plan
f. Title Evidence Report
g. Other Pertinent Reports and Exhibits

Student Manual Page 129 303

2.5 Appraisal Reporting

Part III: General Exhibits and Addenda

Exhibits and data should relate to all or most of the parcels. Exhibits and addenda items relating to only one or a small portion of the parcels should be included in the addenda of the individual parcel reports

(35) Location Map

- Should
  - Include a north arrow
  - Identification of the subject parcels

Student Manual Pages 129-130 304

2.5 Appraisal Reporting

(36) Comparable Data Maps

- Might include, among others, comparable land sales map, comparable improved sales map, comparable rentals map
- Include a north arrow with locations
- If comparable data map is not a readable scale, secondary maps should be included in the addenda of individual parcels

Student Manual Page 130 305

2.5 Appraisal Reporting

(37) Detail of Comparable Sales and Rental Data
(38) Other Pertinent Exhibits

- For example, any written instructions by agency or legal counsel, studies, charts or illustration, referenced in report body and relate to all or most parcels

(39) Qualifications of Appraiser

Student Manual Page 130 306

Section VI Quiz

1. Under the Yellow Book, the principal reporting option is a written Restricted Appraisal Report. F
2. Draft reports must not be signed and must be labelled as draft. T
3. Except in situations where an inspection is not possible (e.g., inaccessibility), the subject property must be inspected. T
4. Under the Yellow Book, the appraiser's certification must state the appraisal report was prepared in conformity with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the *Uniform Appraisal Standards for Federal Land Acquisitions.* F

Student Manual Pages 131-132 & 261

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Section VI Quiz

5. Under the Yellow Book, the appraisal report must state limiting conditions, marketing time, and specific exposure time. F
6. For the subject property, appraiser must report only a 10-year sales history. F
7. When reporting zoning, the appraiser may simply state the zoning code (e.g., C-2). F
8. Highest and best use analysis often requires a marketability study. T
9. When the appraiser concludes the highest and best use is different from the present use, the appraiser must provide evidence the property is physically and legally adaptable to that use. T

Student Manual Pages 131-132 & 261

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Section VI Quiz

10. In the sales comparison approach, quantitative adjustments are generally preferred over qualitative adjustments. T
11. In reporting a final opinion of value, the appraiser must develop and utilize the "mean" of the approaches utilized. F
12. Project appraisal reports may be appropriate when the properties are similar (e.g., improvements, highest and best uses, land patterns). T
13. Allocation of the difference between the before and after values into its components is common in appraisal reports prepared for the US Department of Justice. F
14. A cost to cure is a proper measure of damage when the cost is less than the damages to the remainder, if not cured T

Student Manual Pages 131-132 & 261

309

Section VI Quiz

15. The Statement of Assumptions and Limiting Conditions cannot alter the appraisal contract, assignment letter, or scope of work. T

Student Manual Pages 131-132 & 261

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2. Appraisal Reporting

Now you are able to …

- demonstrate an increased knowledge about the application of the appraisal process to valuation assignments for federal land acquisitions

Questions? Comments?

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4. Legal Foundations For Appraisal Standards

When done, you will be able to …

- connect the legal foundation/rationale/guidance that govern recurring valuation problems and specialized appraisal issues unique to federal land acquisitions.

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4.1 Legal Foundations For Appraisal Standards

- Introduction
  - Explains legal foundations for
    - Appraisal development
    - Appraisal reporting
    - Appraisal review
  - Discusses legal standards for recurring valuation problems
  - Guidance for specialized appraisal issues

Student Manual Page 133 313

4.1 Legal Foundations For Appraisal Standards

- About the Sixth Edition
  - Includes case studies and citations to court opinions (most are eminent domain cases)
  - Since 2000:
    - Topics of importance have become less significant
    - Issues that were controversial or unsettled have been resolved
    - Some valuation problems remain as vital
    - While underlying legal principles are unchanged, recent court rulings contain examples applying the law to actual valuation problems

Student Manual Page 133 314

4.1 Legal Foundations For Appraisal Standards

- Requirements of **Just Compensation**
  - These Standards explain valuation requirements involving "the measure of compensation . . . grounded upon the Constitution . . . " (Yellow Book, pg. 89)
  - Ensure a just result, "...just, not merely to the individual whose property is taken, but to the public which is to pay for it." (Yellow Book, pg. 90)

> "... nor shall private property be taken for public use, without just compensation."
>
> – U.S. Constitution, amendment v

Student Manual Page 133 315

4.1 Legal Foundations For Appraisal Standards

- Market Value: The Measure of Just Compensation
  - Federal courts have held market value as the measure of just compensation
  - Market value a fair measure to compensate loss incurred by an owner
  - **Appraiser *assists* in determination of just compensation**

> "... nor shall private property be taken for public use, without just compensation."
>
> – U.S. Constitution, amendment v

Student Manual Pages 133-134 316

4.1 Legal Foundations For Appraisal Standards

- Federal Law Controls
  - Follow appropriate standards and legal instructions
  - Some problems require nuanced legal instructions
  - If unclear, agencies may find it prudent to procure a dual-premise appraisal*
  - Federal courts determine title questions in federal condemnation proceedings, but sometimes refer to state law

* *United States v. Eastman* (*Eastman III*), 714 F.2d 76, 77 (9th Cir. 1983), *adopting* 528 F. Supp. 1177 (D. Or. 1981), and aff'g 528 F. Supp. 1184, 1184 (D. Or. 1981) ("dual set of findings" of market value so that "if the Court of Appeals reverses my preliminary [legal] ruling, it may then evaluate the correctness of the alternative finding"); *see United States v. Reynolds*, 397 U.S. 14, 15 (1970) ("There being a conflict between the circuits on this question, we granted certiorari to consider a recurring problem of importance in federal condemnation proceedings.").

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4.1 Legal Foundations For Appraisal Standards

- Can acquire any property interest necessary, whether or not the interest is recognized under state laws
- Federal law is "wholly applicable" to federal agency condemnations, controlling procedure and substantive matters under Federal Rules of Civil Procedure, Rule 71.1 apply

> "... nor shall private property be taken for public use, without just compensation."
>
> – U.S. Constitution, amendment v

Student Manual Page 134 318

4.1 Legal Foundations For Appraisal Standards

- Defining Property Interests
  - Appraiser cannot develop a market value opinion without knowing what will be acquired
  - Acquiring agency determines nature and extent of property interest being acquired
  - Property interest(s) to be acquired must be described with precision

> An interest is a legal share in property, such as a right to possess, use or convey it to another. An estate is the amount, degree, nature, and quality of a person's interest in property. The broadest possible estate is fee simple absolute (often shortened to fee simple or fee).

4.1 Legal Foundations For Appraisal Standards

- Other considerations may be imposed by specific statutes and regulations
- ". . . payment need only be made for what is taken, but for all that the Government takes it must pay"*
- Market value opinion can only be used for just compensation if it reflects market value of precise property interest being acquired

> An interest is a legal share in property, such as a right to possess, use or convey it to another. An estate is the amount, degree, nature, and quality of a person's interest in property. The broadest possible estate is fee simple absolute (often shortened to fee simple or fee).

* *United States v. Dickinson*, 331 U.S. 745, 750 (1947).

4.1 Legal Foundations For Appraisal Standards

- If appraiser is provided with incorrect or outdated legal description, the resulting market value opinion will be of little or no use
- Market Value Standard
  - Under established law, measure of just compensation is the market value of property acquired on the date appropriated. (Owner is entitled to receive what a willing buyer would pay in cash to a willing seller at the time of the taking)*

* *Kirby Forest Indus., Inc. v. United States*, 467 U.S. 1, 9-10 (1984) (internal quotations & citations omitted); *accord Miss. & Rum River Boom Co. v. Patterson*, 98 U.S. 403, 407-08 (1878).

4.2 Legal Foundations For Appraisal Standards

- ***Required*** Market Value Definition

> **Definition of Market Value**
>
> Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither compelled to buy or sell, giving due consideration to all available economic uses of the property.

- Based on Supreme Court decisions*

* *Bauman v. Ross*, 167 U.S. 548, 574 (1897) ("The just compensation required by the constitution to be made to the owner is to be measured by the loss caused to him by the appropriation. He is entitled to receive the value of what he has been deprived of, and no more."); *Miss. & Rum River Boom Co. v. Patterson*, 98 U.S. 403, 408 (1878) ("The inquiry in such cases must be what is the property worth in the market . . . from its availability for valuable uses.").

4.2 Legal Foundations For Appraisal Standards

- Date of Value
  - Determined by law or legal instruction
    - Direct acquisitions as near as possible to the date of the acquisition—typically the date of appraiser's last inspection
    - "Quick-take" (Date of Take [DT]), the earlier of the estimated compensation deposited with the court or government enters into possession
    - "Complaint-only" straight condemnations in which no declaration of taking is filed, the date trial commences

4.2 Legal Foundations For Appraisal Standards

- In inverse takings, the date of taking, provided by legal counsel
- For property exchanges, set by the parties or established by statute; provided by legal counsel or the appraiser's client
- Property's market value as it existed on the date of value

4.2 Legal Foundations For Appraisal Standards

- Does not prohibit consideration of market data or events that occurred after date of value (e.g., market data after the date of value may be considered for the purpose of corroborating the market expectations or trends that existed on the date of value)
- Sales that occurred after date of value may be appropriate
- Under Uniform Act, the assignment may instruct the appraiser to consider changes in value due to physical deterioration within the owner's reasonable control

See Section 4.4.2.4.7.
Sales After the Date of Valuation

4.2 Legal Foundations For Appraisal Standards

- Exposure on the Open, Competitive Market
  - Federal courts have neither defined a "reasonable" length of time nor required an estimate of market value be linked to a specified exposure time
  - Appraisers should not link market value opinions for federal acquisitions to specific exposure time

> Appraisers should not link an opinion of market value made for federal acquisition purposes to a specific exposure time. This jurisdictional exception to USPAP is required for appraisals applying the federal definition of market value.

> This jurisdictional exception to USPAP

4.2 Legal Foundations For Appraisal Standards

- Willing and Reasonably Knowledgeable Buyers and Sellers
  - Are not all-knowing, have knowledge possessed and are motivated by typical marketplace "willing buyer-willing seller"
  - Arm's-length transactions cannot be disregarded solely because a buyer or seller lacked perfect knowledge
  - Same considerations as in property sales between private parties

> "Speculation"
>
> While market participants may speculate, appraisers cannot. The finder of fact "must not, itself, speculate, i.e., guess, about potential end uses or markets when the speculation is so remote or improbable that one would not invest his money in it." *Fla. Rock Indus., Inc. v. United States (Florida Rock I)*, 791 F.2d 893, 903 (Fed. Cir. 1986); see Section 4.3.

4.2 Legal Foundations For Appraisal Standards

- All Available Economic Uses
  - Highest and maximally productive use that results in the highest value for a property
    - Adaptable and needed or likely needed in the reasonably near future
    - To the full extent that demand for the use affects the market value while the property is privately held
    - Only profitable (i.e., economic) uses
    - Nonmarket considerations (e.g., *value to the public)* must be disregarded

See Section 4.3
Highest and Best Use

4.2 Legal Foundations For Appraisal Standards

- The Unit Rule
  - Property must be valued as a unitary whole, held in single ownership
  - Value of the whole cannot be derived by adding the separate values of various interests or components (summation or cumulative appraisals are improper)
  - Relates to *ownership* interests (estates) and *physical* components
  - Can raise valuation issues in partial acquisitions, especially easements

4.2 Legal Foundations For Appraisal Standards

- Ownership Interests (Undivided Fee)
  - Must be valued as a whole, as if in one ownership
  - In acquisitions of less-than-fee interests, the interests being appraised must be valued as if under single ownership
  - Actions are *in rem* (proceedings against property) and not actions *in personam* (proceedings against a person)
  - Market value of the whole may later be apportioned among interest holders (by the court)

4.2 Legal Foundations For Appraisal Standards

- Physical Components
  - Buildings and improvements, timber, crops, sand, gravel, minerals, oil, etc., are considered to the extent they contribute to the whole
  - Appraiser does not value the land, then value the improvements, then add the two values to determine market value
  - Measure of just compensation is the market value of the entire property—not the total values of the separate items

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4.2 Legal Foundations For Appraisal Standards

- Unit Rule often misapplied in valuations involving natural resources (e.g., minerals, oil, gas, timber)
- **Possible or actual existence of natural resources is considered to the extent it contributes to the market value of the whole property on the date of value**

See Section 4.8
Natural Resources Acquisitions

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Quiz #1

1. In the development of an appraisal concerning properties containing resource assets, the property must be valued as a whole, with due consideration of all of the components that make up its value. Its constituent parts are considered only in light of how they enhance or diminish (contribute to) the value of the whole. **True**
2. It is proper to estimate the value of the surface of the property, add to it a valuation of the minerals or other resource (e.g., water or timber as estimated by a separate expert), and conclude an opinion of total market value for the property. **False**

Under the Unit Rule, the property being appraised must be valued as a unitary whole and held in single ownership.

Student Manual Pages 140 & 262

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Quiz #1

3. The Unit Rule relates only to the physical components of real estate (e.g., timber, mineral deposits, farmland, and buildings).

False See YB Page 95, Footnote 218

The Unit Rule also relates to ownership interests (estates) in real property (e.g., lessor/lessee, mortgagor/mortgagee).

4. A property with multiple ownership interests or estates (e.g., lessor / lessee, life tenant / remainderman, mortgagor / mortgagee) must be valued as a whole. The market value of the whole can be apportioned later among the respective interest holders. **True**
5. The determination as to the Unit Rule's applicability is made by a court, as a matter of law, rather than by an appraiser. **True**

Student Manual Pages 140 & 262

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4.2 Legal Foundations For Appraisal Standards

- Existing Government Improvements
  - Government-constructed buildings and improvements on property on date of value may significantly affect analysis of market value
  - Proper treatment of improvements is often dependent on legal effects of lease, if one exists. Valuation should consider lease terms of significance to a reasonable buyer
  - Regardless of contractual agreement, equitable principle that precludes unjust enrichment may prevent value of government-built premises becoming a windfall to the owner of the land

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4.2 Legal Foundations For Appraisal Standards

- Appraiser may need to determine a buyer's cost to remove these improvements, estimate any contributory value, or exclude from consideration
- **Should request legal instructions**

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4.2 Legal Foundations For Appraisal Standards

- Allocations and Administrative Payments Under the Uniform Act
  - Appraiser may allocate the whole property value among separate estates or interests to comply with the Uniform Act
  - Allocation should be reported in a separate, supplemental report, rather than in appraisal report of whole property
  - Any departure requires legal instruction

> Any departure from the unit rule requires a legal instruction, because the applicability of the rule is a matter of law that cannot be determined by an appraiser.

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4.2 Legal Foundations For Appraisal Standards

- Objective Market Evidence; Conjectural and Speculative Evidence
  - Measure must be objective
    - Determination must account for all considerations that might reasonably be given substantial weight between buyer and seller
  - Must disregard any special value to the owner and to the government
  - Only value transferable from one owner to another has validity and makes it a fair measure of public obligation to compensate loss

> "[It] is the owner's loss, not the taker's gain, which is the measure of compensation . . . ."
>
> —*United States ex rel. Tenn. Valley Auth. v. Powelson*, 319 U.S. 266, 281 (1943)

Student Manual Pages 141-142

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4.2 Legal Foundations For Appraisal Standards

- The Fifth Amendment provides just compensation, it does not guarantee a return of investment
- Just compensation cannot be based on mere speculation or conjecture
- Elements affecting value that depend on events or combinations of occurrences while possible but not reasonably probable should be excluded from consideration

> "[It] is the owner's loss, not the taker's gain, which is the measure of compensation . . . ."
>
> —*United States ex rel. Tenn. Valley Auth. v. Powelson*, 319 U.S. 266, 281 (1943)

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4.2 Legal Foundations For Appraisal Standards

- Refinements of Market Value Standard
  - Refinements over years to bring about constitutional guarantee of just compensation and include:
    - Analysis of highest and best use
    - Determination of the larger parcel
    - Acceptable approaches to value
    - Government project influence on market value
    - Before and after valuation method
    - Compensable damages

> Appraisers estimate market value, not just compensation. Departure from the market value standard is rarely justified in federal acquisitions, and inevitably requires appropriate legal instruction.

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4.2 Legal Foundations For Appraisal Standards

- Offsetting benefits
- Easement valuation
- Market rental value standard for leasehold and other temporary acquisitions
- Natural resources
- Inverse takings
- Land exchanges

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4.2 Legal Foundations For Appraisal Standards

- Special Rules
  - **Just compensation does not include value created by the government**
  - Specific implications in appraisal:
    - Riparian lands involving US's navigational servitude
    - Ranch lands involving federal grazing permits
    - Public roads, infrastructure, and facilities sometimes require special treatment

See Section 4.11 Special Rules

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4.2 Legal Foundations For Appraisal Standards

- Exceptions to Market Value Standard
  - **"[A]ppraisers do not have the authority to determine just compensation under the Fifth Amendment"***
  - Rarely, deviation from market value as the measure of just compensation may be required in federal acquisitions, but only when
    - Market value has been too difficult to find
    - Its application would result in manifest injustice to owner or public
  - Whether departure is appropriate is a legal question and requires legal instruction

* *See Monongahela Nav. Co. v. United States*, 148 U.S. 312, 327-28 (1893).

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4.3 Legal Foundations For Appraisal Standards

- Highest and Best Use
  - Definition of highest and best use: the highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future
  - **Must** use this definition
  - Must be reasonably probable
  - Use adaptable and needed or likely to be needed in the reasonably near future
  - Must be considered to the full extent of demand for use as if property privately held

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4.3 Legal Foundations For Appraisal Standards

- A specific highest and best use can only be considered "if the use is likely to be reasonably probable in the reasonably near future"
- There must be proof of "present or future demand . . ."
- The fact that a parcel's highest and most profitable use "can be made only in combination with other lands does not necessarily exclude that use from consideration . . ."
- There must be a reasonable probability of the lands being combined with other tracts for that purpose in the reasonably near future

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4.3 Legal Foundations For Appraisal Standards

- Criteria for Analysis
  - Each potential use must be analyzed using the criteria
- All Possible Uses
  - A property's HABU is generally presumed to be its existing use on date of value
  - A HABU (other than existing use) requires evidence that this different use is reasonably probable

Criteria for Analysis
Each potential highest and best use must be analyzed using four criteria as stated in Section 15.2:

(1) Physical possibility,
(2) Legal permissibility,
(3) Financial feasibility, and
(4) Degree of profitability.

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4.3 Legal Foundations For Appraisal Standards

- In litigation, the party claiming a HABU is not the existing use bears the burden of proof
- Any presumption favoring the existing use does not preclude consideration of other uses and any reasonably probable use should be considered
- Market Demand
  - Highest and best use requires market demand
  - "Objective evidence substantiating [appraiser's] market demand analysis is required"
  - Value implies demand and a buyer—each must be proven

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4.3 Legal Foundations For Appraisal Standards

- Highest and best use cannot be predicated on demand created solely by the government project for which the property is acquired*
- Government's intended use of the property (e.g., military bombing range, national monument, or habitat conservation) cannot be considered unless there is competitive demand for that use in the private market

* *United States v. Cors*, 337 U.S. 325, 333 (1949); *accord United States v. 320 Acres of Land*, 605 F.2d 762, 811 n.107 (5th Cir. 1979); *United States v. 46,672.96 Acres of Land in Doña Ana Ctys.*, 521 F.2d 13, 15, 16 (10th Cir. 1975); *J.A. Tobin Constr. Co. v. United States*, 343 F.2d 422, 423 (10th Cir. 1965); *United States v. 158.76 Acres of Land in Townshend*, 298 F.2d 559, 560 (2d Cir. 1962).

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4.3 Legal Foundations For Appraisal Standards

- "[V]alues resulting from the urgency or uniqueness of the government's need for the property or from the uniqueness of the use to which the property will be put do not reflect what a willing buyer would pay to a willing seller . . . government projects may render property valuable for a unique purpose." (*Yellow Book*, pg. 104)

4.3 Legal Foundations For Appraisal Standards

- Economic Use
  - Market value must be based on an economic use
  - Noneconomic uses cannot be considered in determining market value for federal acquisitions
  - Market value is intimately related to selling price on the market
  - A use cannot be considered unless there is competitive demand for that use in the private market

Market Value and Economic Use

"Value is a word of many meanings" —but "the value compensable under the Fifth Amendment ... is only that which is capable of transfer from owner to owner and thus of exchange for some equivalent." *Kimball Laundry Co. v. United States*, 338 U.S. 1, 4-5 (1949). Thus market value, as the measure of just compensation, cannot reflect noncommercial or noneconomic considerations.

The federal concept of market value is fundamentally different from the real estate appraisal concept of public interest value, which looks highest and best use to noneconomic uses and public policy benefits rather than market considerations. Because noneconomic uses reflect something other than market value, appraisals for federal acquisitions cannot consider public interest value or related concepts (such as highest value or preservation value).

4.3 Legal Foundations For Appraisal Standards

- A use can be considered only if that use contributes to the property's market value
- Supply and demand, in an open competitive market, controls prices
- Federal courts consistently reject alternative measures of compensation that reflect something other than market value
- Preservation, conservation or open space, among others, typically lack the competitive supply and demand aspects

4.3 Legal Foundations For Appraisal Standards

- The Supreme Court has rejected nonmarket, noneconomic considerations to market value
- Competitive private market demand could make mitigation an economic use
- It must be demonstrated by the specific facts of the property being appraised and the relevant market that the use is economic

4.3 Legal Foundations For Appraisal Standards

- Zoning and Permits
  - A proposed HABU cannot be considered reasonably probable unless it is *legally permissible*
  - Zoning regulations, permits, and other land use restrictions are critical in analyzing HABU
  - Regulatory restrictions may preclude otherwise possible use even more decisively than the physical characteristics of a property
  - Zoning or other use restrictions applied to the property and its proposed use on the date of valuation must be considered

4.3 Legal Foundations For Appraisal Standards

- Reasonable probability that the permit, license, or rezoning will occur must be shown
- Prospective purchasers may well consider the potential for a zoning change or variance
- It is legally improper to assume that a permit, license, or rezoning would be obtained
- Appraiser's opinion as to whether there is a reasonable probability of a zoning change must have a factual foundation

4.3 Legal Foundations For Appraisal Standards

- The test is not the probability (or possibility) of rezoning in absolute terms, but market value of the property "in the light of the chances as they would appear"
- Is there is a reasonable probability that permits for the proposed use would have been granted?
  - If so, the market value "would be based on the property value as if it had obtained the necessary permits"
  - If not, the value "would be based on conditions at the time" of the acquisition

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4.3 Legal Foundations For Appraisal Standards

- Exceptions
  - Narrow exception to zoning and other land use regulations must be considered in HABU and Scope of the Project Rule
  - Scope of the Project Rule ensures compensation does not reflect changes in market value due to influence of government project
  - In most valuations, zoning and other land use restrictions are not a form of *project influence*
  - In limited circumstances and only with legal instructions, application of the Scope of the Project Rule may allow or require appraiser to disregard the impact of a zoning restriction

Whether the scope of the project rule applies and if so, how to apply it, are complex questions that require legal instruction See Section 4.5.

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4.3 Legal Foundations For Appraisal Standards

- Exceptions
  - Landowner must show that the primary purpose of the regulation was to depress the property value of land or that the ordinance was enacted with the *specific intent* of depressing property value for the purpose of later condemnation

Whether the scope of the project rule applies and if so, how to apply it, are complex questions that require legal instruction See Section 4.5.

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4.3 Legal Foundations For Appraisal Standards

- Larger Parcel
  - "[A] parcel of land that has been used and treated as an entity shall be so considered in assessing compensation for the taking of part or all of it"*
  - It is the economic unit to be valued

A total acquisition is an acquisition of an entire larger parcel. A partial acquisition is an acquisition of only part of a larger parcel.

* *See Miller*, 317 U.S. at 375-76; *Sharp*, 191 U.S. at 351-56; *United States v. 33.92356 Acres of Land* (*Pize-Blondel*), 585 F.3d 1, 10 (1st Cir. 2009); *United States v. 8.41 Acres of Land in Orange Cty.*, 660 F.2d 388, 392-93 & n.6 (5th Cir. 1982); *Imperial Beach*, 612 F.2d at 464-65; *Bank of Edenton v. United States*, 152 F.2d 251, 253 (4th Cir. 1945); *United States v. 25.202 Acres of Land* (*Amexx I*), 860 F. Supp. 2d 165, 179-81 (N.D.N.Y. 2010), aff'd, 502 F. App'x 43, 45-46 (2d Cir. 2012); *cf. Gettysburg Tower*, 409 F.3d at 148 & n.15, *and on remand*, No. 1:CV-99-2128, 2006 WL 839375 (M.D. Pa. March 27, 2006).

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4.3 Legal Foundations For Appraisal Standards

- Definition of Larger Parcel: the tract or tracts of land that possess a unity of ownership and have the same, or an integrated, highest and best use
  - May or may not have the same boundaries as the acquisition
  - Appraiser must determine the larger parcel in every appraisal for federal acquisitions
  - Will distinguish whether a total or partial acquisition is involved and dictate the valuation method

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4.3 Legal Foundations For Appraisal Standards

- In a total acquisition, compensation is measured by the market value of the property acquired
- In a partial acquisition, compensation is measured by the difference between the market value of the larger parcel before and the market value of the remainder
- A single acquisition for government purposes may involve more than one larger parcel (or parts of more than one larger parcel) for compensation and valuation purposes
- The larger parcel determination is integral to the analysis of HABU

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4.3 Legal Foundations For Appraisal Standards

- Criteria for Analysis
  - In determining the larger parcel ("Three unities")
    - Unity of use
    - Unity of ownership (title) – typically involves questions of law and fact, **legal instructions are *often* required**
    - Physical unity (proximity or contiguity) as it relates to HABU
    - Primarily dependent on title and use

> Determination of the larger parcel is necessary in both total and partial acquisitions.
>
> Partial acquisitions (Section 4.6) require two larger parcel determinations. The larger parcel *before* acquisition is also called the parent tract, and the larger parcel *after* acquisition is the remainder.

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4.3 Legal Foundations For Appraisal Standards

- Unity of Use
  - Unity of use test turns on an integrated HABU
  - Lands with dissimilar uses must be considered as separate and distinct units
  - Existing use is compelling evidence of HABU
  - A merely planned or hoped for unity of use is insufficient
  - A potential use—only if reasonable probability in the relatively near future
  - Strict proof of the loss in market value to the remaining parcel is obligatory

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4.3 Legal Foundations For Appraisal Standards

- Similarly, the availability of replacement property for the part acquired must be considered, as reasonable buyers and sellers would do

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4.3 Legal Foundations For Appraisal Standards

- Unity of Ownership (Title)
  - Must be uniform—beneficial—control over the ownership
  - Focuses on whether a *single decision maker* has *actual legal control* of all property
  - Historically, all property comprising a single larger parcel to be owned to the same extent by the same owner
  - Modern case law recognizes, at times, the strict traditional rule may ignore market realities that should be considered

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4.3 Legal Foundations For Appraisal Standards

- Ultimately, unity of ownership turns on what "is more consistent with the goal of just compensation"*
- Appraiser must obtain legal instructions when the ownership interests in all parts of the whole are not identical

> * *14.36 Acres in McMullen*, 252 F. Supp. 2d at 364; *accord United States v. Miller*, 317 U.S. 369, 375-76 (1943) (larger parcel requirement and subsidiary rules developed "in order to do substantial justice").

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4.3 Legal Foundations For Appraisal Standards

- Consideration of market realities in determining unity of ownership:
  - For example: unity of title was satisfied for properties owned by three corporations because a single person served as the president, chairman of the board, and chief executive officer for all three entities*
  - But: "a group of individuals is significantly different than a single decision maker operating through a variety of corporate forms"**

> * *Imperial Beach*, 612 F.2d at 463-64
> ** *SESH*, 2008 WL 127490, at *2

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4.3 Legal Foundations For Appraisal Standards

- But: "the wishes of different individuals, and not a single individual wearing multiple hats, must be spanned to achieve unity of title"*
- Existence of common or overlapping owners among multiple decision makers is not sufficient for unity of ownership
- Tracts that lack unity of ownership cannot be treated as a single larger parcel for just compensation purposes, regardless of whether they share an integrated or actual use

* Ibid.

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4.3 Legal Foundations For Appraisal Standards

- Physical Unity (Contiguity or Proximity)
  - Physical unity is considered in the context of integrated use
  - Physical unity (proximity) or separation of a tract is an important consideration, but not necessarily determinative of what constitutes a single tract

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4.3 Legal Foundations For Appraisal Standards

- Availability of replacement property for the part acquired must be considered and can be important in partial acquisitions involving noncontiguous parcels devoted to a unitary use (e.g., livestock ranch, timber and milling operation)
- Effect of the existence (or absence) of replacement property on the market value of remainder property must be shown—it will vary depending on the property, its use, and relevant market

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4.3 Legal Foundations For Appraisal Standards

- Legal Instructions
  - Larger parcel must be determined by appraiser, legal instructions are often required. For example:
    - Whether unity of ownership exists based on the quality of the property interests held in different tracts raises factual and legal questions
    - If the ownership interests in all parts of the whole are not identical in a potential larger parcel
    - Whether there is sufficient evidence to support a finding of an integrated use involves factual and legal analysis

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4.3 Legal Foundations For Appraisal Standards

- In federal condemnation litigation, appraiser's larger parcel analysis and conclusions will be evaluated by the court and/or the finder of fact (e.g., jury, land commission, judge)

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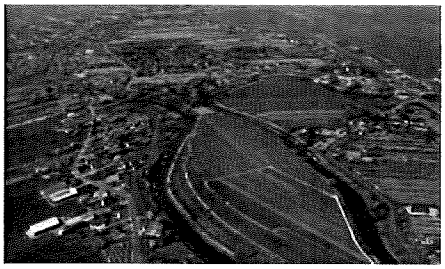
Case Study #2



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Case Study #2

421+/- total acres owned by Partnership A

Proposed Master Plan:
Mixed-use development
- 788 single-unit residences
- 610 multi-unit residences
- 217,700 sq. ft. commercial space
- Riverfront development
- Municipal parks
- Set-aside for schools
- Hike and Bike trails

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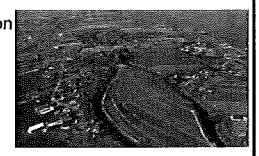
Case Study #2



16.5+/- acres approved for subdivision

- 66 single-unit residential lots
- Access roads installed, but need final asphalt coating
- Drainage, utility connections completed, but not approved
- Utilities awaiting testing and approval by municipal authorities
- Includes pumping station with capacity for significantly more than 66 lots

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Case Study #2

227 +/- acres designated as Reserves A and B

No development plans prepared or submitted for approval

Remaining 177.5 +/- acres not subdivided. Improved with lift station and main distribution lines for sewer and potable water—constructed about 35 years prior to date of taking and unused since construction

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Case Study #2

Proposed taking
Approximately 6.0 acres on southern boundary for control structure (levee)

Landowner retains right to cross part taken at specified location to access land between acquisition and river

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Case Study #2

What is the larger parcel?

Unity of Title (Ownership) – Beneficial Control

Unity of Use as relates to HABU?

Contiguity (Proximity)?

Student Manual Page 154 377

Case Study #2

Government Appraiser's Position

There is no unity of use

16.5-acre portion is an approved, partially developed subdivision
404.5 acres is unimproved raw land without preliminary plans or municipal approvals

404.5 acres is affected by take; 16.5 acres is not

Student Manual Page 154 378

Case Study #2

Landowner Appraiser's Position

Entire tract is larger parcel based on master plan and *implied* approvals through municipality's approval of a Tax Increment Reinvestment Zone* (TIRZ)

* A tax increment reinvestment zone (TIRZ) is a political subdivision of a municipality or county created to implement tax increment financing. It may be initiated by the city or county or by petition of owners whose total holdings in the zone consist of a majority of the appraised property value. (Wikipedia)

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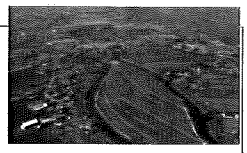
Case Study #2

Landowner Appraiser's Position

Taking "ruined and destroyed" riverfront development, parks, and hiking/biking trails



Loss of these amenities removed any potential for development of remaining tract

Damages included loss of ***any*** development of remainder

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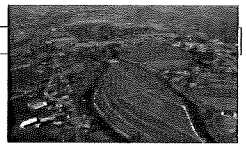
Case Study #2

What is the larger parcel?



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Case Study #2

Case was never litigated, so court never had the opportunity to render a decision

Is larger parcel the donut minus the hole (the approved subdivision) as alleged by the government?

OR

Is larger parcel the entire property as part of an integrated use theory as alleged by the landowner?

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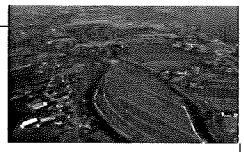
Case Study #2: Suggested Answer

The correct answer is based on the support, facts, and analyses of the appraiser.



The case study takeaway is that whatever the appraiser's conclusion, it ***must be*** well documented, logical, and easily understood by all readers of the report.

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4.3 Legal Foundations For Appraisal Standards

- Special Considerations in Partial Acquisitions
  - Appraiser must make two separate determinations of HABU
    - For the larger parcel (before acquisition)
    - For the remainder (after acquisition)
  - Existence and extent of any change in HABU due to the government's acquisition requires careful analysis
  - Highest and best use of the remainder
    - May reflect a complete change, a change in **intensity**, or no change from the highest and best use of the larger parcel before acquisition
    - May have a positive, negative, or negligible impact on market value

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4.3 Legal Foundations For Appraisal Standards

- For example: if what was farmland before acquisition becomes lakefront property with a HABU for recreational home sites, offsetting special (direct) benefits may apply
- Second example: if what was a flagship retail automobile agency before the acquisition becomes a wholesale used car sales lot, extreme damages may apply

See Section 4.5.2.
Application of the Scope of the Project Rule

4.3 Legal Foundations For Appraisal Standards

- Special Considerations in Riparian Land Acquisitions

See Section 4.11.1. - Riparian Lands and the Federal Navigational Servitude

- Special Considerations in Land Exchanges
  - Legal instructions for the appraiser to assume a specific larger parcel determination may be necessary to comply with statutes or other federal requirements

See Section 4.10 - Land Exchanges

4.3 Legal Foundations For Appraisal Standards

- Special Considerations in Inverse Takings

See Section 4.3.4.8.
Special Considerations in Inverse Takings

Determining the larger parcel in inverse takings claims raises complex legal issues. Close consultation between appraisers and legal counsel is essential.

4.4 Legal Foundations For Appraisal Standards

- The Three Approaches to Value
- SCA - under federal law:
  - Normally preferred as the best evidence of value, but not to the exclusion of other relevant evidence based on market data
  - Unforced, arm's-length property transactions in the vicinity of, comparable to, reasonably near the time of acquisition are normally the best evidence of market value
  - Most recent sale of the property being appraised may well be the most comparable of all the comparable sales

See Section 4.4.2.1 Comparability and Section 4.4.2.4.1. Prior Sales of the Same Property

4.4 Legal Foundations For Appraisal Standards

- Sales Verification
  - Appraiser must verify sales amounts and ascertain if terms and conditions were conventional and under open competitive market conditions
  - In addition to confirming recordation, typically requires interviews and discussions with
    - Seller
    - Buyer
    - Closing agency and/or
    - Broker handling the transaction

4.4 Legal Foundations For Appraisal Standards

- Must be accomplished by competent and reliable personnel
- If condemnation, appraiser who will testify must personally verify the sale

4.4 Legal Foundations For Appraisal Standards

- Transactions Requiring Extraordinary Care
  - Few property transaction types are categorically excluded as comparable sales, as a matter of law, and may be considered only under certain circumstances or for limited purposes
  - Careful verification and analysis is required
  - Extraordinary verification alone will not allow an appraiser to rely on a sale that cannot be considered for other reasons

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4.4 Legal Foundations For Appraisal Standards

(1) Prior Sales of the Subject Property

- If unforced, arm's-length, for cash or its equivalent, and reasonably recent to the date of valuation
- Must state and analyze immediate past sale, even if circumstances may render it irrelevant
- An unsupported statement that the sale [illegible] represent market value, or was not an arm's-length transaction is not sufficient

Some transactions require special attention, verification, and analysis, including:

- Prior sales of the same property
- Transactions with potential nonmarket motivations
- Exchanges of property
- Sales that include personal property
- Contingency sales
- Offers, listings, contracts, and options
- Sales after the date of valuation

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4.4 Legal Foundations For Appraisal Standards

- Pertinent, even when a considerable period of time has elapsed between the sale and the date of valuation
- The sales history should include prior transactions involving a portion of the property under appraisal

Under these Standards, appraisal reports must include:

- *a 10-year sales history* of the subject property (including the whole property or portions);
- the *most recent sale* of the subject property (regardless of when it occurred); and
- *an analysis of the most recent sale's relevance* (or lack of relevance) to the property's market value on the date of valuation.

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4.4 Legal Foundations For Appraisal Standards

Transactions with Potential Nonmarket Motivations

(1) Forced Sales

- Occur under a form of legal compulsion and cannot be considered as comparable sales

(2) Distressed Sales

- Distressed sales and sales with atypical financing terms are questionable indicators of value and can be used only with great care

(3) Settlement Negotiations

- Offers of settlement are not reliable indicators of market value

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4.4 Legal Foundations For Appraisal Standards

(4) Sales Between Related Parties or Entities

- Are not arm's-length transactions and generally cannot be considered

(5) Sales Involving the Government or Other Condemnation Authority

- May involve nonmarket considerations
- Must be viewed as suspect
- Require extraordinary verification

Sales to government entities are inherently suspect and cannot be relied on as comparable sales without a determination that they are true open-market transactions.

See Section 1.5.2.4, Sales Requiring Extraordinary Verification and Appendix E, Extraordinary Verification of Sales

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4.4 Legal Foundations For Appraisal Standards

(6) Sales Involving Environmental or Other Public Interest Organizations

- Purchased solely to transfer to the government
- May reflect project influence

(7) Project-Influenced Sales

- Must disregard any value attributable to the government project prompting the acquisition
- Prohibited under the Scope of the Project Rule

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4.4 Legal Foundations For Appraisal Standards

Other Problematic Transactions

- Exchanges of Property
  - Generally introduces too many collateral issues
- Sales with Personal Property
  - Cannot be considered unless adjusted to reliably reflect only the real property transaction
- Contingency Sales
  - Sales that are *contingent* on purchaser's ability to procure the rezoning or permitting necessary to develop the property
  - Cannot assume that a rezoning/permit is in place or will be granted

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Quiz #2

Which of the following, if any, are acceptable indicators of value and can generally be used as comparable sales?

1. *Binding and unconditional contract of sale* ☐
2. *Listing and other nonbinding offers to buy and sell* ☐
3. *Option to purchase* ☐
4. *Unexercised options* ☐
5. *Exercised options* ☐

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4.4 Legal Foundations For Appraisal Standards

- Offers, Listings, Contracts, and Opinions
  - Unconsummated transactions are generally not reliable
  - May be appropriate to consider for certain limited purposes
  - Opinion largely based on owners' asking prices should be rejected
  - Binding and unconditional contract of sale
    - Generally can be considered as evidence of value, even if title has yet to be conveyed
  - Nonbinding offers or unexercised options
    - Are not permissible evidence of value
    - Give little or no weight except to the extent may set limits of value

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4.4 Legal Foundations For Appraisal Standards

- Listings and other nonbinding offers to buy or sell real estate
  - Generally cannot be relied on as comparable sales
- Option to purchase
  - Form of an offer that is irrevocable for the period stipulated
  - Because not exposed to the market, it is not market value
- Unexercised options
  - Inadmissible to establish market value
- Exercised options
  - When result in a binding agreement between buyer and seller, do not differ from completed transactions

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Quiz #2: Answers

Which of the following, if any, are acceptable indicators of value and can generally be used as comparable sales?

1. *Binding and unconditional contract of sale* ☑
2. *Listing and other nonbinding offers to buy and sell* ☐
3. *Option to purchase* ☑
4. *Unexercised options* ☐
5. *Exercised options* ☑

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4.4 Legal Foundations For Appraisal Standards

- Sales After the Date of Valuation
  - May be considered if they are not otherwise suitable as evidence of value
  - May be tainted by government project influence
  - "[A]ppraiser must analyze whether the sales are tainted and how much the taint distorts true market value"
  - In partial acquisitions, post-acquisition sales that reflect the influence of the government project can be highly comparable in valuing remainder property

> Sales after the date of valuation may be considered if they are reliable indicators of value. Post-acquisition sales may be particularly useful in valuing the remainder property in partial acquisitions.

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4.4 Legal Foundations For Appraisal Standards

- CA
  - Often misused, identified by courts as "one of the least reliable indicia of market value"
  - Rarely, acceptable as a stand-alone indication of value for federal acquisitions
  - Appraiser must demonstrate relevance to market participants

Cost new of improvement (direct, indirect, entrepreneurial incentive)
- Depreciation (physical deterioration, functional obsolescence, external obsolescence)
+ Land (site) value
= Indicated value by the cost approach

4.4 Legal Foundations For Appraisal Standards

- Typically used to test the financial feasibility
- May be appropriate in the valuation of properties with highly specialized improvements that have no known comparable sales in the area
- Courts reject the approach without "unequivocal evidence that the improvements involved would be reproduced by private investors at the risk of private capital"
- Must include entrepreneurial incentive
- Depreciation must be market derived

4.4 Legal Foundations For Appraisal Standards

- Unit Rule and the Cost Approach
  - Must follow the Unit Rule

See Section 4.2.2. The Unit Rule

  - Critical to distinguish between calculating improvement cost and estimating the market value of the property as a whole, considering the contributory value of improvements

4.4 Legal Foundations For Appraisal Standards

- ICA Applications
  - Courts uniformly hold approach should be used only when no comparable sales and market value must be estimated
  - Because property produces (or could potentially produce) income will not, on its own, justify use of approach
  - Relevance to what a willing buyer would pay to a willing seller must be demonstrated
  - Use is improper when future use or demand is speculative

4.4 Legal Foundations For Appraisal Standards

- Landowner must show income-producing market existed at the date of taking or will exist in reasonably near future
- Regardless of the technique used, must be sufficient market data to ensure a reliable indication of value
- Direct capitalization
  - "There can be no capitalization of income unless the fact of income is itself first established"
  - Application is limited to ongoing business' opportunity for *continued* as opposed to *prospective* profit

4.4 Legal Foundations For Appraisal Standards

- Yield capitalization
  - May be appropriate with a highest and best use of development when that use is not yet generating income on the date of value
  - But . . . may not be based on conjectural future demand for proposed use
  - Market support should include investigation and analysis of potentially relevant data

4.4 Legal Foundations For Appraisal Standards

- Income to Be Considered
  - Proper application of approach requires a distinction between income generated by *the property* (e.g., rental or royalty income), which can be considered, and income generated by *a business conducted on the property*, which must be disregarded*
  - It is the value of the real property, not the business

* "Supreme Court has recognized a single exception . . . allowing consideration of *business* income, rather than *real estate* income . . . in those rare instances where the United States has condemned a business or franchise itself, and not merely a property on which business is conducted."

4.4 Legal Foundations For Appraisal Standards

- ICA and Unit Rule Implications
  - Subsidiary interests in a fee cannot add to its market value and compensation for these interests must be paid out of the amount for the whole
  - Frequently misapplied in valuations of properties containing minerals or other natural resources

See Section 4.2.2. The Unit Rule

See Section 4.8.1. Unit Rule and Natural Resources

4.4 Legal Foundations For Appraisal Standards

- Subdivision Valuation and the Development Method
  - When appropriate, aspects of SCA, ICA, CA can be incorporated to appraise undeveloped acreage with a HABU for subdivision
  - **Under federal law, development method cannot be used unless the property was "needed or likely to be needed in the reasonably near future for residential subdivision" and only with rigorous evidentiary support** (*Yellow Book*, pg. 143)

4.4 Legal Foundations For Appraisal Standards

- Use of the development method requires evidence that on the date of value, there was a reasonable probability that the property could be developed as a residential subdivision and that its lots would be sold within a reasonable time

4.5 Legal Foundations For Appraisal Standards

- Project Influence

  Note: Project Influence pertains to the before acquisition valuation. In the after condition, the appraiser must consider project influence to determine whether or not there are applicable damages (resulting from the government's acquisition and project)

  Change in market value due to the government project – project influence – must be disregarded under the scope of the project rule

  Mere existence of a government project does not automatically invoke the Scope of the Project Rule

4.5 Legal Foundations For Appraisal Standards

- Project influence on value is potentially problematic in acquisitions because "to permit compensation to be reduced or increased because of change in market value attributable to the project . . . would not lead to . . . 'just compensation'"

  Change in market value due to the government project – project influence – must be disregarded under the scope of the project rule

- At times, market value of property being acquired may be affected, positively or negatively, by the project prompting the acquisition

4.5 Legal Foundations For Appraisal Standards

- Government cannot be charged for value it created and an owner cannot be penalized for any diminution in value due to government project
- Once a property is "within the scope" of the government project, all project influence on the property's before market value must be disregarded

> Change in market value due to the government project—project influence—must be disregarded under the scope of the project rule

- Proper application of the Scope of the Project Rule requires careful legal and factual analysis of the government project and its influence on market value
- **Legal instruction is required**

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4.5 Legal Foundations For Appraisal Standards

- In a Scope of the Project Rule inquiry, legal determinations will be required regarding:
  - Date as of which the property was probably within the scope of the project
  - Whether application of the Scope of the Project Rule is warranted
  - If so, how to apply the Scope of the Project Rule to ensure a just result
  - "[I]f the lands were probably within the scope of the project from the time the Government was committed to it, no [change] in value attributable to the project is to be considered in awarding compensation"*

* *Miller*, 317 U.S. 369

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4.5 Legal Foundations For Appraisal Standards

- The Scope of the Project Test
  - Determination can be complex with acquisitions in later stages of large projects that span several years or require boundary adjustments (e.g., flood control, reservoir projects)
  - Courts typically consider the government's representations to the landowner or the public
  - How foreseeable it was at outset of project that property would be needed and length of time between the original and subsequent acquisitions, if applicable

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4.5 Legal Foundations For Appraisal Standards

- Need only show that during planning or original construction it became evident land would probably be needed*
- Some courts have framed inquiry in terms of reasonable expectations (i.e., whether, after announcement of the project, a reasonable buyer could reasonably anticipate being able to devote the subject property to its HABU without serious apprehension that it would soon be condemned)

* *Reynolds*, 397 U.S. at 21. *Miller*, 317 U.S. 369

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4.5 Legal Foundations For Appraisal Standards

- Objective is to:
  - Distinguish value attributable to government demand from market value of government-conferred benefits
  - Ensure the landowner is not awarded a premium for the former but, at the same time, is justly compensated for the latter

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4.5 Legal Foundations For Appraisal Standards

- The date government's project commences requires legal determination. Courts typically consider:
  - Public purpose for which property is to be acquired
  - Identification of the particular properties to be acquired for that public purpose
  - Imminent acquisition that is evident to the public
- Once date has been legally determined, the appraiser "must disregard any . . . alterations in value [due to the project] which it finds to have occurred thereafter"*

* *320 Acres*, 605 F.2d at 807; *cf. Bonner v. City of Prichard*, 661 F.2d 1206 (11th Cir. 1981) (en banc) (adopting as binding precedent all decisions rendered by the former Fifth Circuit prior to October 1, 1981); Fifth Circuit Court of Appeals Reorganization Act of 1980, Pub. L. No. 96- 452, 94 Stat. 1994 (1980) (codified as amended in scattered sections of 28 U.S.C.).

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4.5 Legal Foundations For Appraisal Standards

- Legal Instructions
  - Appraiser **must** request legal instruction
  - Appraiser may be asked to gather and/or analyze data to inform legal analysis
    - Whether Scope of the Project Rule applies, and, if so,
    - How the rule must be applied to the specific property under appraisal, and,
    - When the Scope of the Project Rule applies, (i.e., date rule triggered)

> Proper application of the scope of the project rule requires careful legal and factual analysis. The appraiser should request legal instructions from counsel.
>
> If the legal outcome is uncertain, the agency/client may find it prudent to direct the appraiser to perform a dual-premise appraisal.

4.5 Legal Foundations For Appraisal Standards

- There are criteria an appraiser must follow in determining market value
- If outcome uncertain, counsel may direct appraiser to perform dual-premise appraisal
- See Appendix D

4.5 Legal Foundations For Appraisal Standards

- Impact on Market Value
  - Even substantial decrease in marketability, decreasing the number of potential buyers, must be disregarded if the price property would be sold is not affected (i.e., market value assumes property has already had reasonable exposure time on the open market on the effective date of value)

See Section 4.2.1.2.
Exposure on the Open, Competitive Market

4.5 Legal Foundations For Appraisal Standards

- Substantial decrease in the *number of market sales* within announced project boundary would not be considered unless the project has affected the price at which the property could be sold

4.5 Legal Foundations For Appraisal Standards

- Limits on the Scope of the Project Rule
  - Designed to ensure landowner neither hurt nor helped
  - Applies only to changes in value attributable to project (i.e., rule does not allow appraiser to disregard changes in value attributable to other factors; e.g., changes due to physical deterioration within the landowner's reasonable control must be considered)
  - Similarly, Scope of Project Rule does not permit appraiser to ignore market realities beyond the government project

Case Study #3

The Corps of Engineers (COE) denied the permit citing general environmental concerns, along with concerns that the proposed residential development would adversely impact the new national park.

Subsequently, as the local sponsor of a COE project, the local government condemned a portion of the owner's land for construction of a flood-control levee.

The local government argued the land was worth $1,000/acre because it could not be developed. The owner argued the land was worth $35,000/acre based on its development potential for residential use.

U.S. v. Land, et. al. 213 F.3d 830 (5th Cir. 2000)

Case Study #3

Congress authorized the creation of a national park and appropriated funds for the land acquisitions.

The authorizing legislation also created a 30,000-acre "protection zone" around the park. Authorization to acquire land in the "protection zone" was granted, but only if the local authorities failed to enact protective land use regulations for land within the protection zone.

An owner with lands in the "protection zone" applied for a Section 404 Permit from the COE to fill lands for residential development.

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Case Study #3

The State Court found for the landowner. The decision was affirmed by the State Appellate Court. The State Supreme Court reversed and remanded the case back to the lower court with instructions to recompute compensation based on $1,000/acre.

After the state condemnation action, the local government failed to adopt protective zoning of lands in the "protection zone." Due to this failure and in accordance with legislation, the National Park Service decided to acquire the privately held land in the "protective zone."

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Case Study #3

1. As the appraiser, how do you apply the Scope of the Project Rule or project influence in this case?
2. What analysis is necessary in making the determination?
3. Provide reasoning for your conclusion.

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Case Study #3: Suggested Answer

This is a complex case, but the overriding answer is the Scope of the Project Rule does not apply.

In determining the applicability of the Scope of the Project Rule, it is first necessary to define the *project*.

The creation of the national park was a project, but it failed to unconditionally authorize the acquisition of lands in the "protection zone." Only after the local government failed to adopt protective zoning was the acquisition authorized.

Therefore, the subject property was not within the scope of the original national park project.

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Case Study #3: Suggested Answer

Only if the COE's Section 404 Permit denial was for the sole purpose of driving values down to facilitate the National Park Service acquisition would the Scope of the Project Rule apply.

The NPS's activities constituted two projects:

- the acquisition of lands for the park itself; and,
- the acquisition of lands in the "protection zone" around the park

As such, any impact on value of the existence of the park in the vicinity of the subject would be considered in preparing the appraisal.

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Case Study #3: Suggested Answer

Factual situations will create complex issues regarding the Scope of the Project Rule.

Therefore, after conducting research, **the appraiser should refer the question of whether the Scope of the Project Rule is applicable to the property being appraised to the Agency's legal counsel for a written instruction.**

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4.5 Legal Foundations For Appraisal Standards

- Limits on the Scope of the Project Rule
  - Required to consider the project's special (direct) benefits to remainder property in partial acquisitions does not conflict with rule*

See Section 4.6. Partial Acquisitions

* *320 Acres*, 605 F.2d at 781-89.

4.6 Legal Foundations For Appraisal Standards

- Partial Acquisitions
  - Just compensation must put a landowner "in the same position monetarily as he would have occupied if his property had not been taken"*
  - Compensation for a partial acquisition must reflect the property interest acquired and any value change to remainder directly caused by acquisition or planned use of the part acquired

In partial acquisitions the measure of compensation is the difference between the market value of the landowner's property before and after the government's acquisition.

* 246, 255 (1934); *United States v. New River Collieries Co.*, 262 U.S. 341, 343 (1923); *Seaboard Air Line Ry. Co. v. United States*, 261 U.S. 299, 304 (1923).

4.4 Legal Foundations For Appraisal Standards

- Partial Acquisition (under the Uniform Act)
  - Appraisers must apply the before and after method
  - Must analyze and consider compensable damages and benefits, and disregard non-compensable damages and benefits
  - While outside the appraiser's assignment, landowners are reimbursed for types of non-compensable damage (e.g., moving expenses, relocation costs) through the Uniform Act or other federal statutes

4.6 Legal Foundations For Appraisal Standards

- Partial Acquisition (under the Uniform Act)
  - Administrative payments for *people* or *businesses* affected by federal acquisitions are separate from just compensation

4.6 Legal Foundations For Appraisal Standards

- The Federal Rule: Before and After Methodology
  - All partial acquisitions require two appraisals
  - Accepted in all federal courts; also applies in many state jurisdictions
  - "Particularly advantageous" where remainder may have been damaged and/or benefitted
  - "All the elements of value entering into just compensation" (i.e., take and damages) "are contained in the federal formula."*

* *United States ex rel. Tenn. Valley Auth. v. Indian Creek Marble Co.*, 40 F. Supp. 811, 820 (E.D. Tenn. 1941), cited with approval by *City of Van Buren v. United States*, 697 F.2d 1058, 1062 (Fed. Cir. 1983), and *United States v. 2,847.58 Acres of Land in Bath Ctys.*, 529 F.2d 682, 686 (6th Cir. 1976); see *United States v. 760.807 Acres of Land in Honolulu*, 731 F.2d 1443, 1445 (9th Cir. 1984) ("Using [the before and after] method, any diminution in value of the remainder resulting from the taking and use of part of the original parcel, sometimes termed 'severance damages,' would be included in the award.").

4.6 Legal Foundations For Appraisal Standards

- Residues and Remainders
  - "'[D]istinction between a residue of a tract whose integrity is destroyed [or impaired] by the [acquisition] and what are merely other parcels or holdings of the same owner' that are not part of the remainder for compensation or valuation purposes"

4.6 Legal Foundations For Appraisal Standards

- Damages
  - Just compensation is measured by the owner's loss, not the government's gain
  - In partial acquisitions when only part of larger parcel is acquired, the value of the part acquired is not the sole measure of compensation
  - "(I)injury or benefit to part not taken is also to be considered"
  - Decreases in market value of remainder property for which compensation must be paid are compensable damage and must be considered

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4.6 Legal Foundations For Appraisal Standards

- Compensable damages may result from:
  - Government's planned use of the part acquired
  - Relation of the part acquired to the larger parcel
  - Direct loss reflected in the marketplace from the acquisition
- Non-compensable damages may include:
  - Loss of profits
  - Frustration of plans
  - Damages found through conjecture and speculation

See Section 4.6.2 Damages

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4.6 Legal Foundations For Appraisal Standards

- Stigma, Fear, and Contamination
  - If stigma or fear of a "hazard would affect the price a knowledgeable and prudent buyer would pay to a similarly well-informed seller, diminution in value caused by that fear may be recoverable as part of just compensation"
  - The threshold question is not whether the fear or stigma is rational or well-founded, but rather whether and to what extent it affects the market
  - There must be evidence "connecting the safety issue to the real estate market"

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4.6 Legal Foundations For Appraisal Standards

- It is improper to assume a hazard, or the fear of a hazard, has an effect on market value (e.g., EMFs)
- Fear or stigma associated with anticipated damage may be recoverable if it would affect the market price a knowledgeable and prudent buyer would pay for the property on the date of value
- Causation between the stigma or fear and the government's acquisition must be shown
- Diminution in value resulting from fear or stigma due to the actions of a third party or to preexisting conditions cannot be considered

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4.6 Legal Foundations For Appraisal Standards

- Appraisers must obtain clear written instructions regarding appropriate consideration of environmental contamination or other hazards

See Section 1.2.7.1. Instructions, Hypothetical Conditions, Extraordinary Assumptions

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4.6 Legal Foundations For Appraisal Standards

- Supreme Court has written:
  - "When [the government] takes the property, that is, the fee, the lease, whatever he may own, terminating altogether his interest, under the established law it must pay him for what is taken, not more; and he must stand whatever indirect or remote injuries are properly comprehended within the meaning of 'consequential damage' as that conception has been defined in such cases."

Gen. Motors, 323 U.S. at 382.

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4.6 Legal Foundations For Appraisal Standards

- While beyond the scope of the appraiser's assignment, Congress enacted remedies
  - Administrative benefits (e.g., Uniform Act, other statutes) are separate from compensation under the Fifth Amendment
  - People and businesses affected by federal acquisitions receive replacement housing, moving expenses, and relocation services
  - Congress authorized administrative payments for losses due to the cancellation of federal grazing permits for war purposes

4.6 Legal Foundations For Appraisal Standards

- Temporary Leasehold Acquisitions

See Section 4.7
Leaseholds and Other Temporary Acquisitions

  - Compensation for acquisitions that **acquire the full remaining lease term** is covered in the value of the leasehold
  - As a result, the expenses of removal or relocation are not included as a compensable payment
  - Relocation costs that are incidental to the value of an acquisition of the entire interest must be disregarded

4.6 Legal Foundations For Appraisal Standards

- Compensation for **acquisitions that interrupt but do not terminate a longer lease** may need to reflect reasonable costs for tenant relocation, preparing the space for the new occupant, and storage of goods pending the displaced tenant's return
- Exceptions: courts have recognized rare exceptions to the foregoing rules, allowing normally non-compensable damage to be reflected in unusual circumstances (e.g., temporary acquisition of a business property or a partial acquisition with the effect of a total taking)*

* These exceptions always require legal instruction.

4.6 Legal Foundations For Appraisal Standards

- Special (Direct) Benefits
  - Benefits to the remainder as a result of the acquisition
  - Acquisitions and projects can enhance properties' market value
  - Existence or absence turns on the government project's impact in the market
  - Examples include:
    - New access to a waterway or highway
    - Filling in of swampland
    - Eligibility for special zoning

4.6 Legal Foundations For Appraisal Standards

- General (Indirect) Benefits
  - Inure to the public as a whole
  - Compensation is not offset by the benefit
  - Examples include:
    - Installation of a municipal water line
    - Construction of an interchange on a limited access highway (special and/or general)
    - Installation of a flood control levee

In contemporary federal acquisitions, appraisers are rarely asked to quantify *indirect* and *general benefits* in making valuations for just compensation purposes.

4.6 Legal Foundations For Appraisal Standards

- To take into account any special benefits from the project, appraisers apply the Before and After Rule

Before Value:	$80,000[1]
(219.18 acres @ $365/acre)[2]	
After Value	$30,000[3]
(74.26 acres @ $404/acre)[2]	
Compensation Estimate	$50,000

[1]Without enhancement because of proximity to projected development of a dam and lake

[2] Accounting Tabulations

[3]Consideration that will accrue from its proximity to the lake and advantage of an unobstructed view

4.6 Legal Foundations For Appraisal Standards

- Do not violate the Scope of the Project Rule

See Section 4.5
Project Influence

  - General principle: the government "may not be required to compensate a [landowner] for elements of value the Government has created . . ." (*Yellow Book*, pg. 165)
  - This general principle does not prevent application of the Scope of the Project Rule to exclude increments in value due to the government's project when necessary for substantial justice

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4.6 Legal Foundations For Appraisal Standards

- Application of the Scope of the Project Rule turns on the question: "Should the owner have the benefit of any increment of value added to the property taken by the action of the public authority[?]"
- Answer depends on the precise facts of each acquisition, and "requires discriminating judgment" and legal instructions

See Section 4.5
Project Influence

- **Benefit issues require a legal instruction**

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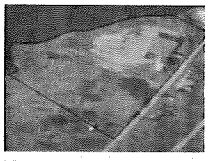
Case Study #4

Before: The subject property contains 20 acres. It has 950 feet of road frontage and approximately 1,300 feet of frontage on a recreational waterway.



On the date of taking the property was improved with a long-abandoned, 15,000 sq.ft. industrial building.

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Case Study #4

Independently, the agency and property owner have concluded the larger parcel is the entire 20-acre site with a highest and best use of residential (condominium) development. The abandoned industrial building is a detriment to the site and will need to be demolished to achieve this HABU.

The property sold two years ago for $4,000,000 ($200,000/acre). Prior to purchase, the buyer (current owner) obtained two estimates for the building's demolition. Based on the estimates, the buyer concluded that demolition costs would be, at the time of purchase, $50,000. Both estimators cautioned the buyer that they had not considered any monies in their estimates, should contamination be discovered.

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Case Study #4

Since the sale, at an expense of $175,000, the owner has prepared and submitted plans for the development of 100 condominium units. The review process, which is proceeding well, is nearing completion.

The appraiser located four sales in addition to the subject property sale, with varying degrees of comparability. The four sales sold over the past 18 months. The range of sale prices is $165,000/acre to $225,000/acre. All four sales were vacant. Two sales, at the higher end of the value range, had planning commission approval for development at the time of sale. No approval activity had occurred for the other two sales when they sold.

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Case Study #4

The agency appraiser developed a before value of $4,300,000.

Note: For this case study, the principal adjustments are marketing conditions, demolition, and stage of plan approval. All sales, including the subject, were adjusted upward for market conditions. Only the subject property sale was adjusted downward for demolition costs. The two sales at the lower end of the value range ($165,000/acre) were adjusted upward for stage of plan approval. The two sales at the higher end of the value range ($225,000/acre) were adjusted downward as planning commission approval was already in place.

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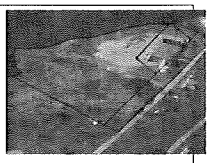
Case Study #4



The acquisition contains 2.75 acres in fee and includes a portion of the structure. In addition, a one-year temporary easement containing 1.5 acres will be acquired to demolish the remainder of the improvement that was not acquired.

The effects of the acquisition, in addition to the loss of 2.75 acres, is a reduction in the project size to 85 units. Finally, the cost to demolish the structure will no longer be borne by the developer, but by the government project.

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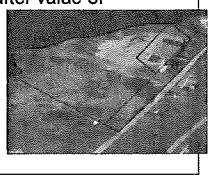
Case Study #4

After: The subject property contains 17.25 acres. It has 950 feet of road frontage and approximately 1,300 feet of frontage on a recreational waterway. The property is vacant.

The agency appraiser developed an after value of $3,600,000. Therefore,



Before Value: $4,300,000
After Value: $3,600,000
Difference: $ 700,000

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Case Study #4

Note—for this case study:

1. A professional engineer estimated the government's demolition cost at $115,000. The same engineer estimated the expense, should the owner have to incur demolition costs, at $75,000.
2. The owner's architect estimated the added expense to revise the condominium project plans and to shepherd the revised project through the planning commission process at $90,000.
3. An analysis of the five comparable sales demonstrates that when all other factors are equalized, the smaller the condominium development project, the lower the value per acre per condominium unit.

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Case Study #4

1. Regarding the demolition costs: which, if either amount is, the proper charge?
2. How should the appraiser treat the uncertainty of property contamination? Ignore it? Hypothetical condition? Extraordinary assumption? Do something else?
3. Is there a special benefit because the government will now bear the demolition costs rather than the property owner?
4. Are there damages to the remainder property? If so, are they compensable or non-compensable (e.g., loss of business, frustration of future plans)?
5. Has the appraiser "double paid"? Has he/she compensated for the increased expense to revise the condominium project plans and damaged the remainder property due to the smaller project?

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Case Study #4: Possible Answer

1. The proper demolition charge would be the expense the owner would incur, rather than what the government will pay.
2. As soon as the appraiser realized there was even the slightest possibility the subject property might be contaminated, he/she should have advised the client. The client will need to determine if there is an issue, if there is what it is, and what it might do about it. Should the agency determine the property is not contaminated, the appraiser should report that fact and include the agency's written conclusion in the report. If the agency determines there is contamination, the appraiser should follow the agency's or counsel's written instructions.

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Case Study #4: Possible Answer

Depending on what transpires, the appraiser may be faced with a hypothetical condition or an extraordinary assumption. Under no circumstances should the appraiser simple ignore the issue.

3. There appears to be a special benefit. The burden, uncertainty, risk, and expense have now fallen on the government agency.
4. The market indicates that there is a damage to the remainder property. Whether because of economies of scale or for other reasons, the market participants prefer larger condominium projects over smaller ones. Whether or not the damage to the remainder property is compensable or non-compensable should be addressed by legal counsel.

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Case Study #4: Possible Answer

5. From what little the case study reports, the sales data seems to show that the stage of planning commission approvals and project size are distinct factors.

   The appraiser, during the sales verification process, should ask about motivations and why the buyers paid what they paid.

4.6 Legal Foundations For Appraisal Standards

- Exceptions to the Federal Rule
  - Deviation from the before and after method may be appropriate, if at all, only in "very unique and complex" circumstances
  - In those unusual circumstances, the evaluation approach utilized in damage situations can increase the burden in persuading that speculation and conjecture are **not** the basis for the determination

4.6 Legal Foundations For Appraisal Standards

- Taking Plus Damages (the "State Rule")
  - State Rule: taking plus damages
  - May "arrive at either more or less, than compensation" under the Fifth Amendment
  - Taking plus damages method lacks the "effectiveness of the before and after method in clearly and simply dealing with . . . damages and benefits"
  - Subject to error and apt to result in improper duplication or double damage

Some assignments may require allocation of the difference in the property's value before and after acquisition, between (1) the part acquired and (2) damage to the remainder, to meet agency obligations under the Uniform Act, 42 U.S.C. § 4651(3).

This accounting exercise is not an exception to the federal rule that partial acquisitions must be valued using the before and after method.

Any allocations must be clearly labeled as accounting tabulations that do not indicate the appraisal method(s) employed.

4.6 Legal Foundations For Appraisal Standards

- Under federal law, compensation must reflect the effect of the appropriation of a part of a single parcel by considering both damages and benefits that accrue to the remainder
- **Generally taking plus damages is improper in valuations for federal acquisitions and cannot be used without legal instruction**
- Not a decision made by the appraiser
- May be appropriate or mandated in nonfederal acquisitions, as certain state laws offset benefits against damages to the remainder but not against the value of the part acquired

4.6 Legal Foundations For Appraisal Standards

- For example
  - Partial acquisitions affected by federal navigational servitude may require use of a taking plus damages method due to the unique constitutional and statutory requirements for compensation
  - Partial acquisitions for some easements or other minor interests for flowage or road purposes from large or complex properties
- Whether a partial acquisition is sufficiently "minor" depends on the acquisition's impact on the property
- Generally, use of the taking plus damages method is limited to acquisitions that cause no damage to the remainder

4.6 Legal Foundations For Appraisal Standards

- Example of general State Rule application

Category	Acres		$/Acre		Total
Part Taken	3.00	x	$ 2,500	=	$ 7,500
Damages *(cost-to-cure)* Fencing				=	$ 1,000
Benefits				-	$.
Total				=	$ 8,500

4.6 Legal Foundations For Appraisal Standards

- Easement Valuation Issues
  - A limited right to use or control land owned by another for specified purposes
  - A property interest less than the fee estate, with the underlying fee owner (i.e., servient estate) retaining control, subject only to the easement (i.e., dominant estate)
  - The fee owner may use the property as long as it does not interfere with the easement holder's reasonable use of the easement and is not specifically excluded by the terms of the easement

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4.6 Legal Foundations For Appraisal Standards

- Appurtenant easement benefits another tract of land, and typically used in conjunction with other property but has no independent utility
- Easement in gross benefits a person or entity, and typically has utility in and of itself or in conjunction with other easements
- Federal acquisitions involve a wide variety of easements including

Road	Avigation
Pipeline	Conservation
Transmission line	Sewer line
Levee	Flowage

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4.6 Legal Foundations For Appraisal Standards

- Easement-related valuation problems arise in:
  - Direct easement acquisition—dominant easement interest—and its resulting impact on value of the larger parcel
  - Acquisition of a servient estate—encumbered by an existing dominant easement
  - Acquisition that affects or extinguishes an existing easement (appurtenant or in gross)
- Effect of the easement must be analyzed to reach an opinion of value

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4.6 Legal Foundations For Appraisal Standards

- The agency determines the nature and extent of easement being acquired and what interest(s) will remain with the underlying fee owner

> In easement acquisitions, the agency must provide the appraiser with a written description of the precise estate(s) being acquired. There is no "generic" road easement, conservation easement, or any other type of easement.

- Dominant Easement Interests
  - If the easement is on less than the entire larger parcel, the remainder will include the portion of the parcel outside the easement
  - If the easement is on the entire larger parcel, there is still a remainder estate **(all easement takings are partial acquisitions)**

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4.6 Legal Foundations For Appraisal Standards

- Where an easement is acquired, the full fee value of the land within the easement is **not** a proper measure of damages, as rights remain in the owners of the servient estate
- Valuing only the area subject to the easement fails to compare the market value of the entire tract affected by the acquisition before and after the taking
- In an acquisition of a dominant easement, the appraiser must understand the specific easement terms involved to analyze its burden on the servient estate and the impact on value

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4.6 Legal Foundations For Appraisal Standards

- "Going Rates" and Nonmarket Considerations
  - For some easement types, (e.g., electric, fiber optics, transmission line, pipeline) there may be a customary "going rate" (e.g., per line-mile, per rod)
  - Tend to reflect non-compensable considerations
  - Improperly assume the easement is a separate economic unit
  - **Federal easement acquisitions cannot be based on going rates but on before and after appraisals**

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4.6 Legal Foundations For Appraisal Standards

- Temporary Easements
  - Compensation is measured by the market rental value for the term of the easement, adjusted as may be appropriate for the rights of use, if any, reserved to the owner
  - Federal courts apply this measure even to temporary easement acquisitions that are seldom exchanged
- Sale or Disposal of Easements
  - Before and after method not required when the government sells or otherwise disposes of an easement interest

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4.6 Legal Foundations For Appraisal Standards

- Lands Encumbered by Easements
  - It is improper to disregard preexisting encumbrances and their impact on the property
  - In a total acquisition of property encumbered by a preexisting easement, the measure of compensation is the market value of the property as encumbered
  - In a partial acquisition of property encumbered by a preexisting easement, the measure of compensation is the difference between the market value of the property as encumbered before the acquisition, and the market value of the remainder property—subject to the preexisting and newly acquired easements—after acquisition

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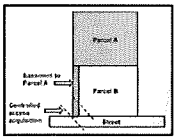
4.6 Legal Foundations For Appraisal Standards

- Appurtenant Easements to the Servient Estate
  - The acquisition involves two larger parcels and requires two appraisal assignments
  - For example, a proposed fee acquisition of Owner B's parcel through which Owner A has an access easement to connect Owner A's property to a highway



  - Owner A: Appraiser develops an opinion of value of Parcel A as benefitted by the dominant estate
  - Owner B: Appraiser develops an opinion of value of Parcel B as encumbered by the servient estate

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4.6 Legal Foundations For Appraisal Standards

- In neither appraisal will the appraiser develop an opinion of the market value of the property as if unencumbered
- The value of the undivided fee is simply not relevant to compensation for these acquisitions

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4.7 Legal Foundations For Appraisal Standards

- Leaseholds and Other Temporary Acquisitions
  - Acquisition of a leasehold or other temporary interest in property; the measure of compensation is the market rental value of the premises acquired for the term acquired
  - Definition of Market Rental Value

> **Definition of Market Rental Value**
> The rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open competitive market, at or near the location of the property acquired, assuming reasonable time to find a tenant.

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4.7 Legal Foundations For Appraisal Standards

- As with market value, the federal definition of market rental value requires:
  - Willing and reasonably knowledgeable market participants
  - Not compelled to buy or sell
  - Giving due consideration to all available economic uses
- Temporary acquisitions require a rigorous, well-supported analysis of HABU
- Only direct evidence of market rental value, to the exclusion of remote, hypothetical conjecture, should be considered

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4.7 Legal Foundations For Appraisal Standards

- In keeping with the Unit Rule, market rental value must be determined for the property as an unencumbered whole, regardless of subleases or other subsidiary interests into which it may have been divided

See Section 4.2.2. The Unit Rule

- Temporary acquisitions present difficult problems in establishing just compensation
  - Perhaps the most frequently encountered arise in federal leasehold acquisitions—particularly office space leaseholds

4.7 Legal Foundations For Appraisal Standards

- Leaseholds
  - Best evidence of the market rental value of a leasehold estate is comparable leasehold transactions
  - Elements of comparability in leasehold valuations include:
    - Size
    - Time
    - Location
    - Period (term)
    - Number and terms of any renewal option(s)
    - Tenant build-out
    - Nature and extent of services provided by the lessor and/or the lessee

A lease is a contract arrangement in which an owner (landlord or lessor) conveys to another (tenant or lessee) the rights to use and occupy property for a period of time in exchange for payment.

During the lease, the tenant/lessee owns a possessory interest called the leasehold estate, and the landlord/lessor owns the remaining interest, called the leased fee estate.

4.7 Legal Foundations For Appraisal Standards

- Several terms and services in government leases differ from market leases and require careful adjustment (See Table 1—following slide)
- All terms must be evaluated in regard to market rental value of the space
- Market rental value must not reflect the government's special need for the property or the risk that the government may exercise the power of eminent domain
- Period of leasehold being acquired may require careful consideration

Table 1. Common Differences Between Private and Government Leases

Adjustment Factors	Private Leases	Federal Leases
Measurements	Typical for market—often BOMA based	Generally determined with local market and/or standards such as BOMA or IPMS
Term (duration)	Typical for market (e.g., five years)	Shorter or longer terms—often unusual (e.g., 33 months)
Base rent	Dollar per square foot monthly in advance	Lump sum in advance, or monthly in arrears
Rent adjustments	Index leases, graduated leases, percentage leases	Level payment over term (no adjustments) or adjustments built into lump sum
Expenses	Full service, gross, modified gross, net	Expense stops not included. May include excess janitorial, security services
Parking	x spaces per x square feet	More or less spaces than market norm
Tenant improvements (TIs)	Landlord provides dollar amount for tenant improvements (TIs)	No tenant improvements (TIs)
Rent concessions	Landlord provides free rent dependent on size and length of lease	No rent concessions
Renew of options	Established in lease	May condemn another term if needed
At lease end	Lessor retains TIs	May allow the government to destructively remove specialized equipment
At lease extension/renewal	Market rent for finished out space	Government won't pay twice for TIs already paid for

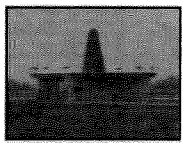
4.7 Legal Foundations For Appraisal Standards

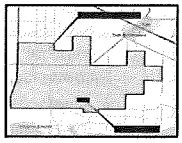
- If a short-term occupancy is being acquired, its market rental value may not be accurately reflected by the long-term market rental value of the same space. The market rental value of the short-term occupancy is to be ascertained
- Temporary acquisitions may be partial or total. The acquisition of a leasehold estate over only a portion of a larger property may cause the diminution in the market rental value of the area not leased and must be considered

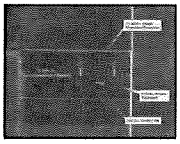
4.7 Legal Foundations For Appraisal Standards

- For example, in an acquisition of a leasehold of a portion of a commercial office building, if the rental value of the remainder is diminished unless offered together with the space acquired by the government, then the diminution in rental value of the remainder would be compensable and must be considered
- In both temporary and permanent acquisitions, lack of comparable transactions does not change the measure of compensation
- It is improper to develop an opinion of the market rental value of a leasehold estate based on the value of the underlying fee (i.e., percentage-of-fee value)

Case Study #5







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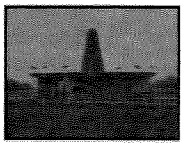
Case Study #5

BACKGROUND

You have been contacted by the Federal Aviation Administration (FAA) to perform an appraisal regarding the acquisition of a 0.42-acre fee acquisition, a 0.59-acre access easement, and a 57.40-acre height easement above a specific subject property containing 130.024 acres.



All airspace at and above 500 ft. from the earth's surface is part of the National Airspace System and the federal government acquired rights to that space through various judiciary proceedings. Rights are not held by the federal government to the airspace below 500 ft. above the earth's surface. Thus, to restrict development in areas in which structures create problems, fee purchases or easements must be acquired containing the right of restriction.

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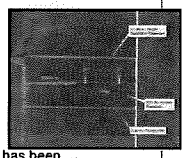
Case Study #5

The FAA oversees the operation of numerous navigational aid facilities throughout the country. One such navigational aid is a VORTAC facility. These facilities transmit radio signals in a 360 degree pattern, which allows aircraft pilots to determine their directional location from the facility.



The height-restrictive easement seeks to remove the right to build any improvement (house, barn, shed, cellular Tower, wind turbine, etc.) within a 1,000 foot radius of a specific VORTAC facility. The VORTAC facility sits on a 130.024-acre tract of land and the 0.42-acre site has historically been leased from the surface owner. A recent commercial wind power facility has been constructed in the area and includes two operational wind turbines within the physical boundaries of the subject site. Both of the wind turbines are located within the 1,000 foot radius from the VORTAC facility and would have to be removed due to the acquisition of the height restrictive easement.

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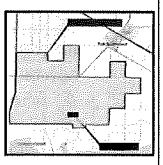
Case Study #5

The owner and operator of the wind power facility is Big Sky Wind. Big Sky leases the wind rights from the fee owner. Additionally, the company holds leases on approximately 10,000 acres in the area surrounding the 130-acre tract of land. The leased area houses the remaining wind turbines in the power plant facility.



Commercial scale wind facility outlays are a result of extensive engineering, which systematically constructs "sticks" of turbines throughout an area. These "sticks" contain two or more turbines that are constructed in a symmetrical line. As wind passes over the blades of the turbine it becomes turbulent and cannot exert as much energy on an object without adequate time to reconfigure itself and continue moving across the earth's surface.

This wind phenomenon encourages developers to stagger the various "sticks" or groups of turbines so that turbines downwind are not receiving dirty air. Turbine placement is a result of numerous wind studies and area-specific data. Once placement decisions are made, the whole wind farm is engineered.

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Case Study #5

The engineering includes underground electrical lines carrying the power generated from each turbine to an onsite transformer, which then feeds the main power grid. Removing the two turbines from the subject property will cause a disruption in the facility to gather generated electricity not only from the two specific turbines, but also the six remaining turbines located off the subject property that were engineered to operate in conjunction with the developed "stick."

In addition, the power plant is under contract with a nearby urban area to supply renewable energy to the urban area's portfolio. Failure to deliver the agreed upon electricity results in penalties to the wind farm operator.

Given the above data, answer the following questions.

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Case Study #5: Suggested Answer

1. What rights are being acquired by the agency?

The agency seeks to acquire the following rights:
0.42-acre fee acquisition out of a 130.024-acre tract of land
0.59-acre access easement situated on a 130.024-acre tract of land
57.40-acre height restrictive easement situated on a 130.024-acre tract of land

2. What parties are losing property rights due to the agency's proposed acquisition? (See next slide.)

Student Manual Pages 196 & 265

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Case Study #5: Suggested Answer

The fee simple owner of the 130.024-acre tract of land is losing the right to construct, or lease the right to construct any improvements within the 57.40-acre area. He/she is also losing access rights to a third party along a 0.59-acre corridor, and is losing ownership in a 0.42-acre portion of the property.

Big Sky Wind is losing the right to produce wind-generated electricity on the property in the area of two existing turbines.

Adjoining land owners with turbines in the same "stick" as the subject tract are losing the income generated by the contractual lease due to the engineering disruption, but are not losing the right to construct or lease the right to construct improvements. (Does this require compensation?)

Continue...

Case Study #5: Suggested Answer

3. What is the consultation advice given to the agency based on what is known?

The acquisition of the rights sought will require at least two appraisals. One appraisal must deal with the fee simple owner of the 130.024-acre tract of land (unity of title, contiguity, unity of use). The other appraisal must deal with the value of a leasehold estate that includes 10,000 acres of leased area due to an impact to a larger leasehold (unity of title, contiguity, unity of use).

4. What is the larger parcel?

The larger parcel for one appraisal will be the fee simple value of the 130.024-acre tract of land. The acquisition will be measured by appraising the 130.024-acre tract of land both before and after the acquisition has taken place, accounting for the rights lost by the fee owner. (Continued on next slide)

Case Study #5: Suggested Answer

The larger parcel for a second appraisal will be the leasehold value of the Big Sky Wind Farm. The acquisition will be measured by appraising the leasehold interest of the 10,000-acre leasehold estate both before and after acquisition has taken place, accounting for the loss in rights to two turbine sites. The appraisal must explore cost-to-cure options regarding the re-engineering of the lost "stick" and compare that with the loss in value due to the rights taken.

Follow-Up Questions:

If the "stick" cannot be re-engineered due to density constraints in the remaining wind turbine locations, is it possible that the wind farm be worth $0 due to its inability to fulfill its contractual obligations to the urban area?

If the inability to supply the contractual obligation to the urban area causes the wind farm to go bankrupt, are the remaining property owners who have wind leases in place entitled to payment for the loss of an income stream?

Continue...

Case Study #5: Suggested Answer

Summary

This case study exhibits how appraisal assignments may appear simple on the surface, but result in a complex acquisition after adequate research has been made. Acquiring agencies often are not educated on the complexities of rural leases, and the possibility that acquiring a right may extend to ownership outside the scope of the request. Ultimately, appraisers may have to rely on legal instruction in such complex assignments, but the ability of the appraiser to identify such issues and discuss them with the agency is an inherent responsibility. Simply having an agency say "this is the larger parcel" does not satisfy the requirements of the Yellow Book.

4.8 Legal Foundations For Appraisal Standards

- Natural Resources Acquisitions
  - Follow the same valuation standards/methodology
  - "The degree of speculation can and should be minimized"
  - Specialized expertise is typically required, either by the appraiser or through appropriate experts, subject to the requirements in

See Section 1.11.
Special Considerations in Appraisals for Inverse Condemnations
Section 4.12.
Appraisers' Use of Supporting Experts' Opinions

4.8 Legal Foundations For Appraisal Standards

- Unit Rule and Natural Resources

See Section 4.2.2.
The Unit Rule

  - Often misapplied
  - Property must be valued as a whole—not by summation of its constituent parts
  - Possible or actual existence of a resource in a property can only be considered to the extent it contributes to the value of the whole property

4.8 Legal Foundations For Appraisal Standards

- Land that is underlain with marketable minerals, those minerals are a factor of value to be considered
- Landowner is not entitled to have the surface value of the land and the value of underlying minerals aggregated (summation)
- It is possible the whole property is worth more than, the same as, or less than the mineral or other resource

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4.8 Legal Foundations For Appraisal Standards

- Highest and Best Use and Natural Resources
  - Presence of natural resources requires an analysis of highest and best use

See Section 4.3. Highest and Best Use

  - Adaptability of mineral deposit to a use does not establish a market
  - Courts require a showing of a feasible market before the quantity and price of a commodity or substance may be used as a factor in expert's opinion

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4.8 Legal Foundations For Appraisal Standards

- Must distinguish between a HABU of mineral **extraction** and a HABU of mineral **exploration**
- Where a HABU is extraction, the appraiser must show
  - Presence of the mineral in commercially exploitable amounts
  - Market exists for the mineral that would justify its extraction in the reasonably foreseeable future

Student Manual Pages 199-200

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4.8 Legal Foundations For Appraisal Standards

- Where a HABU is exploration, the appraiser must show a reasonable probability that market participants would attempt to explore the property for such a use—and would pay more for a property on the date of value for that reason
- With a proposed HABU of holding for future mineral extraction, the following are critical:
  - Timing of future use
  - Relation to current market value (i.e., as of the date of valuation)

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4.8 Legal Foundations For Appraisal Standards

- Extraction of a mineral or other resource cannot be considered unless it would be legally permissible
- Market value cannot be premised on inconsistent or incompatible uses
  - While a parcel's surface might be suitable for subdivision purposes and the same parcel's subsurface oil and gas resources suitable for extraction, "the surface could not be used for a residential subdivision if oil wells were drilled and producing. These are inconsistent uses" (*Yellow Book*, pg. 180)

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4.8 Legal Foundations For Appraisal Standards

- Minerals, if any, located beneath the surface of the parcel cannot be ignored
- This fact would not prevent a determination that different parts of a property have different highest and best uses—as long as those uses are compatible and consistent
- To avoid duplication of value, a determination of multiple highest and best uses must not
  - Attribute two highest and best uses to the same acres, or
  - Accept conflicting and incompatible uses

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4.8 Legal Foundations For Appraisal Standards

- Valuation Approaches for Mineral Resources
  - SCA is most reliable
  - Appraiser cannot default to ICA or other valuation method that may be acceptable for other intended users
  - Courts and industry professionals have criticized valuations that improperly disregard the SCA
  - An unsupported statement that comparable sales do not exist is insufficient
    - "Elements of sales of quite distant properties, even those with different mineral content, may be comparable in an economic or market sense when due allowance is made for variables" (*Yellow Book*, pg. 181)

Student Manual Pages 200-201 505

4.8 Legal Foundations For Appraisal Standards

- Elements of comparison for mineral properties may include:
  - Location (relative to market demand, processing facilities, transportation options, etc.)
  - Certainty (e.g., proven or unproven deposits), mineral content or type
  - Mineral quality
  - Mineral quantity
  - Zoning or permitting status

Student Manual Page 201 506

4.8 Legal Foundations For Appraisal Standards

- Use of SCA requires the appraiser to determine the appropriate unit of comparison and should reflect that used by market participants
- Arriving at a valuation by multiplying an assumed quantity of mineral reserves by a unit price is almost universally disapproved by the courts
- It may be appropriate to apply the ICA to value mineral properties; cannot be used as a stand-alone approach to value if comparable sales are available

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4.8 Legal Foundations For Appraisal Standards

- Even if comparable sales are lacking, courts have held the ICA can be used only with great caution for purposes of just compensation
- Valuations of mineral property based on the ICA require impeccably objective and convincing evidence

"Failure to anchor assumptions to information corroborated by demonstrable facts renders the computations' mathematical exercises unrelated to reality"
- *Foster*, 2 Cl. Ct. at 451

Student Manual Pages 201-202 508

4.8 Legal Foundations For Appraisal Standards

- Requires a distinction between income generated by the property itself (i.e., royalty income in producing mining properties), which can be considered, and income generated by a business conducted on the property (i.e., a mining enterprise), which must be disregarded
- Sometimes called the royalty income approach
- When applicable, yield capitalization is generally appropriate and involves a discounted cash flow (DCF) analysis

Student Manual Page 202 509

4.8 Legal Foundations For Appraisal Standards

- Every factor considered must be properly supported
  - One of the most critical factors is the selection of the discount rate, which should be derived from and supported by market data
- Courts have rejected income capitalization without evidence that rates are in fact fixed in the marketplace by a process that parallels the expert's calculations

Student Manual Page 202 510

4.8 Legal Foundations For Appraisal Standards

- Necessary to take into consideration varied factors:
  - Future supply and demand
  - Economic conditions
  - Estimates of mineral recoverability
  - Value of currency
  - Changes in the marketplace
  - Technological advances

If comparable sales are not available, use of the income capitalization approach may be appropriate in valuing mineral property. When applying this approach to mineral properties, yield capitalization techniques (e.g. discounted cash-flow [DCF] analysis) are typically more appropriate than direct capitalization techniques.

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4.8 Legal Foundations For Appraisal Standards

- Timber
  - SCA is the most reliable
  - Typically requires special expertise and analysis, including a
    - Timber cruise
    - Evaluation of logging conditions
    - Investigation of potential timber sales
  - Never appropriate to simply add timber value to land value to determine market value of property as a whole

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4.8 Legal Foundations For Appraisal Standards

- Important considerations in valuing timber properties may include
  - Quantity and quality of
    - Merchantable (i.e., demonstrated market) timber
    - Operable (i.e., can be physically harvested) timber
  - Land features (e.g., topography—slopes, wetlands), feasible logging methods
- Local, state, and federal laws may significantly affect value of forested properties and must be considered

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4.8 Legal Foundations For Appraisal Standards

- Water Rights
  - May have a substantial impact on market value and property uses
  - Laws vary significantly by jurisdiction
  - May be an important consideration in determining liability in inverse takings
  - Generally allocated based on ownership of overlying land, prior appropriation, or state management
  - Legal instructions may be required

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4.8 Legal Foundations For Appraisal Standards

- State laws on surface water rights generally follow one of three systems
  - In most Eastern states, based on the doctrine of riparian rights. Broadly,
    - Allocated to owners of riparian land, land adjacent to a body of water
    - Regulate reasonable use to protect other riparian owners

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4.8 Legal Foundations For Appraisal Standards

- In most Western states, based on a prior appropriation system
  - "First in time, first in right" concept
  - Allocated based on when a person puts a quantity of water to actual beneficial use, regardless of whether that person owns riparian land
- In several Western states (including California, Texas, and Oklahoma): originally riparian rights, later incorporated an appropriation system, creating a hybrid system with both riparian and appropriation elements

Student Manual Pages 203-204

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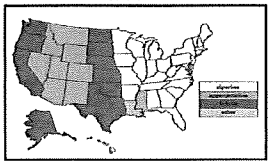
4.8 Legal Foundations For Appraisal Standards

- Unique variations apply in Hawaii and Louisiana, and Pueblo water rights affect a few places in the Southwest
- Special rules regarding riparian lands adjacent to navigable waters and the federal navigational servitude



See Section 4.11.1. Riparian Lands and the Federal Navigational Servitude

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4.9 Legal Foundations For Appraisal Standards

- Inverse Takings
  - Most valuation assignments under these Standards result from intentional acquisitions, however:
    - May take property rights without intending to do so
    - Landowner can sue for compensation
  - Claims involve important legal and practical differences
    - In a direct condemnation, government acknowledges actual or proposed property acquisition and its obligation to pay compensation
    - In an inverse taking, government may contest claim a taking occurred for which just compensation must be paid

Student Manual Pages 204-205

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4.9 Legal Foundations For Appraisal Standards

- Court must first determine whether a taking occurred for which just compensation must be paid
- Liability inquiry will vary depending on nature of claim
  - May be straightforward if action resulted in permanent physical occupation
  - Numerous ways government actions or regulations can affect property interests
  - Regulatory takings claims, tests to determine whether a taking has occurred include: character of government action; extent to which the regulation interferes with distinct, investment-backed expectations; and economic impact of the regulation
  - May impact the larger parcel for liability purposes

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4.9 Legal Foundations For Appraisal Standards

- If court finds compensable taking occurred, litigation will proceed to the compensation phase, standard valuation rules apply
- Appraisers may develop opinions in connection with the liability phase, the compensation phase, or both
- Generally, appraiser will develop opinions of market value before and after taking
- Date of value is typically the date of taking, which should be provided by legal counsel

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4.10 Legal Foundations For Appraisal Standards

- Land Exchanges
  - Are voluntary real property transactions between the United States and nonfederal landowner
  - Exchanges can be initiated by any party
  - Parties must agree on market value of properties being exchanged
  - Land exchanges may result in litigation relating to valuation and/or appraisal adequacy
  - Most federal land exchanges are authorized under Federal Land Policy and Management Act of 1976 (FLPMA)

Student Manual Pages 205-206

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4.10 Legal Foundations For Appraisal Standards

- Some land exchanges are Congressionally legislated, sometimes with special provisions
- Are subject to same standards and methodologies as other types of federal acquisitions
- Special rules commonly dictate larger parcel determination
- Appraiser **must** obtain legal instructions (e.g., date of valuation)

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4.10 Legal Foundations For Appraisal Standards

- For example, following the eruption at Mount St. Helens in 1980, Congress authorized the acquisition of lands by donation or exchange in what is now the Mount St. Helens National Volcanic Monument

- Most acquisitions required appraisal of the properties' current market value, but the statute expressly provided for timber acquisitions to be valued as of July 1, 1982, in recognition of rapid deterioration of timber in the area

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4.10 Legal Foundations For Appraisal Standards

- Analysis of HABU is critical
  - Federal lands to be exchanged are not likely being put to their HABU on the date of value, while nonfederal party's proposed use may well be a feasible HABU and must be considered
  - An existing federal use or a nonfederal party's proposed use cannot be considered unless there is competitive demand for that use in the market
  - Any proposed use, no matter how probable or profitable, is considered only "to the full extent that the prospect of demand for the use affects market value" (*Yellow Book*, pg. 187)

Student Manual Page 206

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4.11 Legal Foundations For Appraisal Standards

- Riparian Lands and the Federal Navigational Servitude
  - Navigational servitude
    - Dominant federal easement over the nation's navigable waters
    - Preexisting limitation on ownership of flow of navigable waters and underlying streambeds
    - Inland waterways are national assets rather than the private property of riparian owners
    - Encompasses the exercise of federal power to the stream and the lands beneath and within its high-water mark

Student Manual Pages 206-207

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4.11 Legal Foundations For Appraisal Standards

- Applies to all holders of riparian and riverbed interests
- When US exercises its navigational servitude, no property is taken within the meaning of the Fifth Amendment and no compensation is due
- Elements of Value Under the Navigational Servitude
  - Any market value that arises from access to or use of navigable waters is allocable to the public, not to private owners

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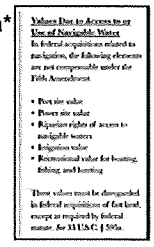
4.11 Legal Foundations For Appraisal Standards

- Acquisitions Under 33 U.S.C.§ 595a*
  - Total acquisitions - appraiser must consider water-dependent uses in determining the HABU
  - Partial acquisitions - require special valuation method (e.g., taking plus damages) **but only with legal instructions**


Values Due to Access to or Use of Navigable Water

In federal acquisitions related to navigation, the following elements are not compensable under the Fifth Amendment

- Pier site value
- Power site value
- Riparian rights of access to navigable waters
- Irrigation value
- Recreational value for boating, fishing, and hunting

These values must be disregarded in federal acquisitions of fast land, except as required by federal statute, for 33 U.S.C. § 595a.

* Title 33 – Navigation and Navigable Waters, 33 U.S.C.§ 595a – Compensation for taking or condemnation of property for public improvements; fair market value; partial taking; effective date

Student Manual Pages 207-208

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4.11 Legal Foundations For Appraisal Standards

- Navigational Servitude and Inverse Taking Clause
  - Navigational servitude does not create a blanket exception to the Takings Clause

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4.11 Legal Foundations For Appraisal Standards

- Federal Grazing Permits
  - Appraisers must disregard
    - Any value added to privately owned lands as a result of its use in combination with federal lands
    - The use or potential use of federal lands even if "this element of value would be considered by a potential buyer in the open market"
  - Revocable and create no property rights in the holder
  - Revert to the federal agency when the base property is sold and may or may not be granted to the new owner

Student Manual Page 208 529

4.11 Legal Foundations For Appraisal Standards

- Streets, Rail Corridors, Infrastructure, and Public Facilities
  - Federal acquisitions may involve property already used to benefit the public that may require replacement of the facility acquired
  - "Whether departure from the market value measure of just compensation is required, and if so, what alternative measure of compensation is appropriate, are **legal determinations** that cannot be made by the appraiser" (*Yellow Book*, pg. 195)

Student Manual Page 208 530

4.11 Legal Foundations For Appraisal Standards

- Streets, roads, highways, and alleys typically have only nominal compensation due for their acquisition
- Critical for the appraiser to understand the precise property interest(s) being acquired and the impact of any existing encumbrances*
- Existing legal encumbrances and preexisting physical conditions must be considered when developing opinions of market value
- If the street does not require replacement by the owner, the owner (typically a city or other municipal entity) suffers no loss, and no compensation is due

*Encumbrances affecting streets could include dedication to highway use, prohibitions on non-road use, or reversionary rights, for example. Such legal encumbrances are a type of easement, that is, a limited right to use or control land owned by another for specified purposes.

Student Manual Pages 208-209 531

4.11 Legal Foundations For Appraisal Standards

- Even strips of land that may have been intended for use as a street, but are not legally encumbered ("dedicated"), typically have limited market value. It is legally improper to simply assume these strips have the same market value as surrounding lands
- It is permissible for the government to provide compensation in the form of a substitute facility

Student Manual Page 209 532

4.11 Legal Foundations For Appraisal Standards

- For example, in an inverse taking of a railway corridor with physical remnants of the abandoned railway that would require removal to put the property to its HABU, the court held that failing to consider the removal costs will result in an artificially inflated value
- Legal instructions are typically required

See Section 4.2.2.2.1.
Existing Government Improvements

Student Manual Page 209 533

4.11 Legal Foundations For Appraisal Standards

- Corridors and Rights of Way
  - Involve many valuation problems similar to acquisitions of streets, highways, etc.
  - Often involve preexisting encumbrances that may deprive them of value for other uses
  - Appraiser must understand the precise property interest(s) being acquired and the impact of any existing encumbrances
  - Typically, legal instructions are required

Student Manual Page 209 534

4.11 Legal Foundations For Appraisal Standards

- Rails-to-Trails Claims
  - Issues frequently arise
  - Numerous inverse takings claims regarding adjacent landowners' potential reversionary interests
    - Court must first determine liability proceeding to the compensation phase
    - In the compensation phase, appraiser develops opinion value and standard valuation rules apply

Student Manual Page 210 535

4.11 Legal Foundations For Appraisal Standards

- Frequently include preexisting improvements or physical remnants of rail use
  - Failing to consider the removal costs is an improper appraisal methodology that "will result in an artificially inflated value" (*Yellow Book*, pg. 198)
- Takings may be permanent or temporary
- Legal instructions may be necessary

Student Manual Page 210 536

4.11 Legal Foundations For Appraisal Standards

- Substitute-Facility Compensation
  - Permissible to provide compensation in the form of a substitute facility
  - May be the most practical and equitable in acquisitions of properties owned by a public entity, dedicated to public use, and for which a functional substitute is required and payment of market value would deviate significantly from making the owner whole
  - If compensation provided by substitute facility, market value is not relevant

Student Manual Page 210 537

4.11 Legal Foundations For Appraisal Standards

- Appraisers or other experts may prepare estimate costs, perform traffic studies, or conduct other analyses
- Congress can authorize substitute-facility compensation or agencies be guided by fairness to the owner and the public and in making the owner whole
- The measure of compensation achieves a fair balance between the public's need and the owner's loss

Student Manual Pages 210-211 538

4.12 Legal Foundations For Appraisal Standards

- Appraisers' Use of Supporting Experts' Opinions
  - Some appraisal assignments may require the appraiser to rely on other experts' opinions on technical or other specialized issues
  - Expert opinion must be founded on substantial data, not conjecture, speculation, or unwarranted assumption
  - Appraiser cannot assume supporting experts' reports are accurate and reliable

Reliance on unsupported subsidiary expert opinions can undermine or even invalidate the appraiser's valuation analysis and conclusions.

Student Manual Page 211 539

4.12 Legal Foundations For Appraisal Standards

- Appraiser must carefully analyze subsidiary experts' reports to ensure a full understanding of the bases for their findings and the impact on the appraisal
- Appraiser considerations include:
  - Are experts' opinions confirmed by appropriate analyses?
  - Did experts credibly reconcile data or other facts that may contradict their conclusions?

Student Manual Page 211 540

4.12 Legal Foundations For Appraisal Standards

- Did experts gather relevant data in a methodical manner?
- Are the assumptions underlying experts' opinions reasonable and appropriate?
- Are experts' conclusions substantiated by other evidence?
- With appropriate verification of reliability and support, appraiser reliance on an expert's report is appropriate

Student Manual Page 211 541

4.12 Legal Foundations For Appraisal Standards

- Unit Rule Considerations
  - The results of subsidiary valuation reports cannot simply be added to the value of the land to arrive at a value of the property as a whole
  - Violates the Unit Rule and appraisal standards
  - Subsidiary valuation reports should be considered in the context of how they contribute to the market value of the property as a whole

See Section 4.2.2. The Unit Rule

Student Manual Page 211 542

4.13 Legal Foundations For Appraisal Standards

- Common Purpose (Roles and Responsibilities)
  - The importance of sound appraisals cannot be overstated
  - It is the government's obligation to serve the general public and protect the common welfare by paying just compensation whenever property is needed for public purposes, and reliable, objective valuations are critical to achieving this end
  - Appraisers, landowners, attorneys, and government agency staff play important roles in the federal acquisition process, whether or not litigation is anticipated

Student Manual Page 212 543

4.13 Legal Foundations For Appraisal Standards

- Appraisers and Other Experts
  - Appraisers assist in the determination of just compensation by developing an opinion of market value often in consultation with experts in other fields
  - Requires
    - Expertise, diligence, sound judgment, and objectivity
    - Diligence in data collection and competently applying accepted methods and techniques of the appraisal profession and the special rules and requirements in these Standards
    - Exercise of sound judgment and development of an unbiased opinion

It is inappropriate to "give the benefit of the doubt" to either a landowner or the United States.

Student Manual Page 212 544

4.13 Legal Foundations For Appraisal Standards

- Appraisers Retained as Expert Witnesses by the US Department of Justice
  - Expert witnesses for litigation have additional obligations
    - Spend adequate time and effort to thoroughly prepare to testify in depositions and at trial
    - Confer with the trial attorney
    - Conform appraisal reports with Rule 26(a)(2)(B) of the Federal Rules of Civil Procedure
    - Have familiarity with local rules regarding expert reports
    - Personally verify all comparable sales prior to testifying in deposition or at trial

Student Manual Pages 212-213 545

4.13 Legal Foundations For Appraisal Standards

- Distinguish between a rigorous exploration of methodologies, analysis, and factual support and improper pressure that undermines objectivity and reliability of the conclusions
- Advise the attorney of any information that would be helpful in strengthening the report that was not available to the appraiser
- Discuss the logistics of a site inspection and appropriate communication with the landowner
- Develop and testify to an objective opinion of market value, following federal law, that is supported by factual data to warrant being accorded weight

Student Manual Page 213 546

4.13 Legal Foundations For Appraisal Standards

- Landowners
  - Entitled to just compensation if their property is acquired for public purposes and to receive fair and equitable treatment no matter which agency is acquiring their land
  - Must be given an opportunity to accompany the appraiser on the property

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Section VII Quiz

1. When there are multiple value components to a property, the Unit Rule specifies that the appraiser can value the entire property by summing the legal interests and/or the physical component values. **F**
2. With legal instructions, the appraiser often determines just compensation. **F**
3. The terms "sale confirmation" and "sale verification" are synonymous. **F**
4. Every appraisal prepared under the Yellow Book requires a larger parcel determination. **T**
5. Some property transaction types (e.g., forced sales, to public interest organizations, to governments) are not defined as market value transactions and cannot be considered. **F**

Student Manual Pages 215 & 266

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Section VII Quiz

6. A scope of the project decision requires a legal instruction. **T**
7. The scope of the project rule applies to government projects only, not all projects (i.e., public and private). **T**
8. General (indirect) benefits are non-compensable. **T**
9. All easement acquisitions are partial acquisitions. **T**
10. Fear created by the project's "stigma," in and of itself, is adequate to allow compensation. **F**
11. Highest and best use cannot be predicated on demand created solely by the government project for which the property is acquired. **T**
12. The appraiser's opinion as to whether there is a reasonable probability of a zoning change must have a factual basis. **T**

Student Manual Page 215 & 266

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Section VII Quiz

13. Tracts that lack unity of ownership cannot be treated as a single larger parcel if they do not share an integrated or actual use. **T**
14. Examples of non-compensable damages are frustration of future plans, setback reduction, diversion of traffic. **F**
15. Under the Yellow Book, federal grazing permits create property rights in the beholder (permittee). **F**

Student Manual Page 215 & 266

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4. Legal Foundations For Appraisal Standards

Now, you are able to …

- Connect the legal foundation/rationale/guidance that govern recurring valuation problems and specialized appraisal issues unique to federal land acquisitions

Questions? Comments?

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3. Appraisal Review

When done, you will be able to …

- Evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions

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3.1 Appraisal Review

- Introduction
  - Developed and reported in conformance with these Standards and with the 2016-2017 USPAP edition
  - Types of Review
    - Technical Review
      - Desk
      - Field
    - Administrative Review
  - Types of Reviewers
    - Government Review Appraisers
    - Contract Review Appraisers
    - Rebuttal Appraisers

Student Manual Page 216 553

3.1 Appraisal Review

- Government Review Appraisers
  - Administrative or Technical
    - Often assigned administrative duties in addition to the technical reviews
  - Administrative
    - Vary from agency to agency
    - May range from contract administration or counseling management for general valuation issues to assisting agency to meet its non-appraisal and appraisal obligations under the Uniform Act
    - Fall outside the scope of these Standards

Student Manual Page 216 554

3.1 Appraisal Review

- A review appraiser is a separate specialty and not just an appraiser who reviews an appraisal. Appraisal review is a unique skill that builds on appraisal skills.
- At a minimum, must
  - Examine presentation and analysis of market information
  - Ensure appraisal report meets applicable appraisal requirements (Standards)

Student Manual Page 216 555

3.1 Appraisal Review

- Ensure analysis and market information support appraiser's opinion of value
- Understand the level of review is dependent on complexity of appraisal problem

Student Manual Page 217 556

3.1 Appraisal Review

- "If authorized by the agency to do so, the staff review appraiser shall also *approve* the appraisal (as the basis for the establishment of the amount believed to be just compensation) and, if also authorized to do so, develop and report the amount believed to be just compensation."
- Must identify each report as
  - *Recommended* (as the basis for amount believed just compensation)
  - *Accepted* (meets all requirements, not selected as recommended or approved)
  - *Not accepted*

Student Manual Page 217 557

3.1 Appraisal Review

- Unable to recommend (or approve)
- signed certification stating
  - parameters of review
  - approved value
  - if authorized, amount believed to be just compensation
- Must prepare a written report that identifies . . .
  - Appraisal reports reviewed
  - Documents findings and conclusions arrived at during review
  - Any damages or benefits to remaining property

See Section 3.4 Responsibilities of the Review Appraiser
See Section 3.5 Review Appraiser Expressing an Opinion of Value

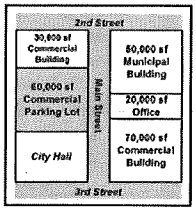
Student Manual Page 217 558

Problem #25

The agency requests a Yellow Book appraisal for the 60,000 sq. ft. paved site owned by Big Auto. The agency plans to construct a courthouse.

The site is part of a single downtown redevelopment zone. Substantial renovation, development, and demolition has occurred during the past 4-5 years.

During inspection, the owner said the site was leased to C. Wilson, who relied on parking customers from City Hall and other nearby municipal buildings



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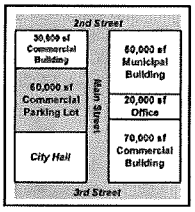
Problem #25

Lease:

- 25-year term entered into 10 years ago
- Use limited to surface parking
- Tenant make all necessary improvements to convert to parking lot
- At lease termination, all improvements remain or removed at lessor's option but at lessee's expense
- Initial rent: $60,000/year, adjusted every five years based on CPI
- Last adjustment, one month ago to $81,000
- Lessee responsible for all property expenses (e.g., taxes, assessments, and insurance)



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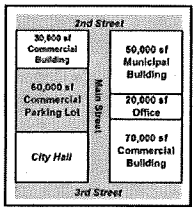
Problem #25

Investigation shows market rent from $1.25/sq. ft. to $1.50/sq. ft., triple net.

Most proximate sales purchased for speculation in anticipation of long-term appreciation. After adjusting sales for market conditions, demolition costs, if any, and cash equivalency, the sales indicate $25/sq. ft. to $35/sq. ft.

Some proximate interim uses include parking, used car lots, etc.

1. What is the range of values?
2. What is the range of capitalization rates?
3. What does the capitalization rate indicate to you?
4. What is the HABU of the property?



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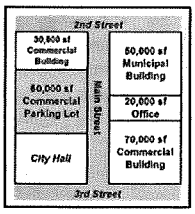
Problem #25: Suggested Answer

Investigation shows market rent from $1.25/sq. ft. to $1.50/sq. ft., triple net.

Most proximate sales purchased for speculation in anticipation of long-term appreciation. After adjusting sales for market conditions, demolition costs, if any, and cash equivalency, the sales indicate $25/sq. ft. to $35/sq. ft.

Some proximate interim uses include parking, used car lots, etc.

1. What is the range of values? *($4,500,000 - $5,400,000)*
2. What is the range of capitalization rates? *(1.5% - 1.8%)*
3. What does the capitalization rate indicate to you? *(current rent is a "billpayer")*
4. What is the HABU of the property? *(commercial development)*



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Discussion #5

A long-tenured landowner continues to use a 20-acre property in a metropolitan area for parking and a weekly farmers' market. The surrounding area is developed for single-unit residential use.

According to the Yellow Book, what information should the appraiser consider in the highest and best use analysis?

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Discussion #5: Suggested Answer

"A determination that the property has a different highest and best use than its existing use requires evidence that the property is physically and legally adaptable for that use and there is market demand for that use in the reasonably near future."

Interagency Land Acquisition Conference, *Uniform Appraisal Standards for Federal Land Acquisitions*, 2016. Page 23.

Student Manual Page 267

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3.1 Appraisal Review

- Government Review Appraisers
  - Agencies have adopted implementation policies and rules regarding these Standards
  - Should refer to agency specific review standards
  - Set USPAP requirements as a minimum
  - Prior to approving an appraisal (more than nominal value) should prepare a written review report including
    - Scope of work
    - Analysis and support for recommended action

3.1 Appraisal Review

- Responsible for
  - Determining if adequately supported
  - Complying with recognized appraisal principles and practices
  - Complying with contract (or assignment letter)
  - Conforming to legal premises in written legal instructions
  - Conforming to these Standards

3.1 Appraisal Review

- Agency appraisals provided to Department of Justice (DOJ) to request support to initiate condemnation must be reviewed by DOJ's Appraisal Unit
- Responsibilities of DOJ's Appraisal Unit: ensure credible, reliable, accurate appraisals for litigation, including settlement negotiations and trials
  - Must
    - Confirm technical conformance with these Standards
    - Confirm reasonableness of appraiser's opinion of value

3.1 Appraisal Review

- Must
  - Determine the suitability for trial purposes
  - Identify weaknesses and strengths and recommend corrective actions appraiser and/or trial counsel can take
- Appraisal reports may be unsuitable for trial purposes even if in technical conformance with these Standards and the opinion of value are reasonable
- Due to intended use and intended user reviewer must not develop own independent of opinions of value

3.1 Appraisal Review

- Contract Review Appraisers
  - Some agencies have authority to engage contract review appraisers*
  - Most cases bound by requirements of
  - Different requirements may apply

Section 3.1.1 Government Review Appraisers and Section 3.2 Types of Appraisal Reviews

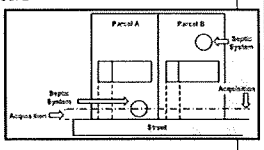
* Refer to specific agency, regulations, guidelines, and authorities.

Discussion # 6

The before value of both Parcel A and Parcel B is $200,000.

An acquisition will be made from both parcels.

The appraiser locates several "before and after" sales, which indicate a $5,000 difference in prices.

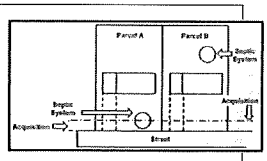


The acquisition crossing Parcel A impacts the septic system, which will have to be located on the property

The appraiser obtains a bid from a local contractor to replace the septic system and repair lawn at $10,000 (including entrepreneurial profit). The new system will be installed within 30 days (cost-to-cure).

Discussion #6

The appraiser reports the findings:



Parcel A
Before Value: $200,000
After Value: $185,000
Difference: $ 15,000

Parcel B
Before Value: $200,000
After Value: $195,000
Difference: $ 5,000

1. As the review appraiser, what are your thoughts?

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3.1 Appraisal Review

- Rebuttal Experts
  - Contract appraisers may engage as rebuttal experts
  - Typically, engaged by DOJ in condemnation trial proceedings to contradict or rebut analysis and conclusions of another appraiser
  - May be asked to review an entire appraisal report, a specific element (e.g., HABU, specific approach to value)
  - Must comply with USPAP and Federal Rules of Civil Procedure, particularly Rule 26(a)(2)
  - Must not allow assignment conditions or client's objectives to either bias or render the assignment results noncredible

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3.2 Appraisal Review

- Generally, Two Appraisal Review Types
  - Technical Review and Administrative (Compliance) Review
  - Technical Review
    - Developed and reported by appraisers only
    - In accordance with
      - These Standards
      - USPAP
      - Agency policies, rules, regulations

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3.2 Appraisal Review

- Renders opinions on
  - Quality of an appraisal report
  - Whether the opinion(s) of value are adequately supported
  - Compliance with all appropriate standards, laws, regulations relating to federal acquisitions
  - If appropriate, separate opinion of value
    - Value must be developed and reported in accordance with appraisal development and content requirements for
      - These Standards
      - Agency policies, rules and/or regulations

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Problem #26

Parcel A and Parcel B are owned by W.C. Corporation, a wholly owned subsidiary of Omega Corporation.

Parcel A and the western half of Parcel B are leased to the city for public parking.

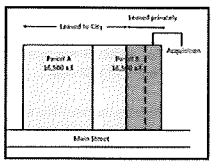
The eastern half of Parcel B is leased to a private corporation for parking.

The acquisition is the eastern 35 ft. of Parcel B.

What information should the appraiser provide to support the larger parcel decision?

What is the larger parcel?

Why?



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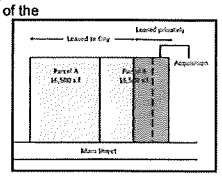
Problem #26: Suggested Answer

The court concluded there was no unity of use and limited damages to the western portion of Parcel B.

The court also stated "We can agree that the physical proximity and the possibility of an integrated use of the two separate tracts would give rise to an additional economic value to each, but it does not follow that the mere proximity or possibility of the integrated use will confer upon the owner a right to severance (sic) damages."



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3.2 Appraisal Review

- Administrative or Compliance Review
  - May be performed by appraiser or non-appraiser
  - Scope of work and content will vary with its intended use and intended user
  - Some agencies have specific policies re: development and use
  - May include confirmation the appraisal report
    - Conforms to contract/assignment letter, federal law
    - Includes signed certification stating report in compliance with these Standards

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3.2 Appraisal Review

- May verify the appraisal report
  - Identifies correct subject property
  - Contains subject property and comparable market data properties photographs
  - Analysis reflects most recent project plan
  - Contains correct factual data and mathematics
- Must not
  - form an opinion on the quality of analysis, judgment, or opinion(s) of value in appraisal report
- Does not meet requirements of Uniform Act
- Often use a checklist in making determination (See Appendix A)

Student Manual Page 226 578

3.3 Appraisal Review

- Technical Reviews
  - Problem Identification
    - Research and analysis to develop credible assignment result, varies with scope of work
  - Technical reviews may be desk reviews or field reviews
    - Most significant difference is level of evaluation accorded the factual data presented
    - Desk Reviews
      - Limits examination to information and analysis in appraisal report
      - Data verification may or may not occur
      - Identification of additional comparative market data may or may not occur

Student Manual Pages 226-227 579

3.3 Appraisal Review

- Field Reviews
  - Represent highest level of due diligence
  - At least an exterior inspection of subject property and often comparable data properties
  - Usually report data is independently confirmed
  - May obtain additional market data or resolve differences

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Problem #27

The appraiser hired a forester to conduct complete a timber cruise. He also hired a water rights expert to value 300 acre-feet of appurtenant water rights.

The forester's timber cruise recommends the timber be clear cut. The forester estimated the sale price of the timber at the mill and then deducted hauling and harvesting costs.

The appraiser valued the "dry" surface without merchantable timber and used the water rights expert's estimate as part of the opinion of value.

The appraiser submitted the appraisal report to the agency with an estimated opinion of value at $1,700,000 to the agency.

Element/Category	*Independent Expert*	Opinion of Value
Timber Cruise:		$ 625,000
Dry Surface Rights:		$ 1,000,000
Water Rights:		$ 75,000
	Cumulative Total =	$ 1,700,000

gg

1. As the review appraiser what are your thoughts?

Student Manual Page 228 581

Problem #27: Suggested Answer

The appraiser violated the Unit Rule. He cannot simply add secondary valuation reports (e.g., timber) to the land value without proper analysis. The appraiser cannot merely accept a consultant report as accurate, but must analyze the report and adopt it, if it is reasonable, adequately documented, and supported.

The appraiser must consider the components as they contribute to the market value of the whole.

This appraisal added independent "pieces" together to arrive at the value of the entirety. The property must be valued as a whole rather than as the sum of the physical components.

The way to avoid this problem is to utilize sales that include all the components.

The appraiser was responsible for valuing the timber and water rights as they contribute to the whole. gg

Student Manual Page 268 582

3.3 Appraisal Review

- Problem Identification
  - Appropriate Scope of Work
    - May be based on dollar amount and/or:
      - Complexity of valuation problem, as dictated by agency regulatory and policy requirements
      - Degree of controversy surrounding a particular acquisition may play a role

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3.3 Appraisal Review

- Clearly identify precise scope of work and extent of review process
  - Terms (e.g., administrative review, technical review, desk review, field review) require definition
  - Mandatory scope of work elements
  - May call for the review to include
    - Workfile
    - Portion of appraisal report

combination

Section 3.3.1 - Section 3.3.7

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Discussion #7

The Yellow Book states that (t)erms such as administrative or technical review, desk review and field review may not be understood by all users . . . and require precise definition if used.

USPAP states "Appraisers sometimes use such terms as "Desk Review," "Field Review," "Complete Review," "Limited Review," "Technical Review," and "Administrative Review." However, without appropriate explanation, these terms and phrases can result in misunderstanding . . ."

How do you define those terms?

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Discussion #7: Answer

The Yellow Book states "An administrative review may be performed by an appraiser or a non-appraiser and is sometimes referred to as a compliance review. The content and scope of an administrative review will vary with the intended use and intended user of the administrative review. Some federal agencies have specific policies regarding the development and use of administrative reviews."

"A technical review is developed and reported by an appraiser in accordance with these Standards, which require conformity with USPAP and with agency polices, rules, and regulations."

A desk review, "[i]n addition to confirmation that the report was prepared with these Standards, it involves a thorough review and analysis of the information and analysis contained in the appraisal report under review and a careful examination of the internal logic and consistency. In a desk review, the review appraiser limits the examination to the information and analysis presented within the appraisal report."

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Discussion #7: Answer

"A field review always requires at least an exterior field inspection of the subject property and often of the properties used as comparable data in the appraisal report. In addition, the data contained within the appraisal report is usually independently confirmed during the review process . . . The field review represents the highest level of due diligence within the appraisal review practice."

USPAP states the term "Appraisal Review" is used in USPAP to identify the activity of a reviewer in an appraisal review assignment. Appraisers sometimes use such terms as "Desk Review," "Field Review," "Complete Review," "Limited Review," "Technical Review," and "Administrative Review." However, without appropriate explanation, these terms and phrases can result in misunderstanding about the function being performed by a reviewer. While such terms may be convenient labels for use in a business setting, they do not necessarily impart the same meaning in every situation.

Student Manual Pages 268-269

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Discussion #7: Answer

Rather than simply using labels, reviewers should also accurately define the scope of work - in fact, Standards Rule 3-2(g) requires the reviewer to ". . . determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE" and Standards Rule 3-5(g) requires the reviewer to "state the scope of work used to develop the appraisal review . . ." These requirements are designed to ensure that an intended user of appraisal review results is not misled as to the reviewer's scope of work and the basis for his or her opinions and conclusions. The terms "Review Appraisal" and "Review Appraiser" are also sometimes used in practice, primarily to refer to the marketing of services or to an appraiser's functional status in employment. These phrases are not used in STANDARD 3, in part to avoid giving confusing implications, such as, for example, the impression that an appraisal is always part of a review.

2016-2017 Uniform Standards of Professional Appraisal Practice (Washington, DC: The Appraisal Foundation) AO-20, p. 134, lines 52-57.

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Discussion #7: Answer

USPAP STANDARD 3 states that "*The content of an Appraisal Review Report must be consistent with the intended use of the appraisal review and . . . state the reviewer's opinions and conclusions about the work under review, including the reasons for any disagreement.*"

Stated differently, an administrative review is generally done for compliance (to make sure that all elements are in place), while a technical review requires development of opinions as to whether the analyses contained in the report under review are appropriate; whether the opinions and conclusions in the report under review are appropriate; whether the opinions and conclusions in the report under review are credible; and the reasons for any disagreement between the appraisal under review and the reviewer's opinion.

2016-2017 Uniform Standards of Professional Appraisal Practice (Washington, DC: The Appraisal Foundation) SR 3-5.

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3.3 Appraisal Review

- Appropriate Scope of Work
  - Request for corrective actions
    - Should maintain complete file memorandum or preliminary review and requested corrective action
    - Practice of maintaining only the final corrective report and final review should be avoided
- Client
  - Must identify, including all relevant contact information

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3.3 Appraisal Review

- Intended Users
  - Must disclose understanding of who intends to use the appraisal review assignment results
- Intended Use
  - Must disclose understanding of intended use of the appraisal review assignment results by clients and intended users

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3.3 Appraisal Review

- Type of Opinion
  - Must disclose type of opinion being rendered
    - Generally, opinion of quality of the work under review
    - If applicable, should discuss actions (e.g., accept, approve, not accept, etc.) to be taken with implementing the Uniform Act
- Effective Date
  - Normally reflects effective date of review appraiser's opinions and conclusions
  - Must clearly disclose date of report and effective date of the appraisal under review

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3.3 Appraisal Review

- Subject of the Assignment
  - Must identify what is being reviewed, typically an appraisal report
  - Must provide identifying details relating to the report
    - Author(s)
    - Report subject
    - Etc.
  - Should recognize specific scope of work
    - May include workfile
    - Portion of appraisal report

    } combination

Student Manual Pages 231-232

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3.3 Appraisal Review

- Assignment Conditions
  - Clearly identify type and extent of research and analysis undertaken
  - If significant assistance required to arrive at conclusions, should identify extent in
    - Scope of work
    - Certification

    with names and extent of assistance of those providing assistance

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3.3 Appraisal Review

- Other conditions discussed may be
  - Assumptions
  - Extraordinary assumptions
  - Hypothetical conditions
  - Laws and Regulations
  - Other conditions that affect scope of work
- Conditions applied to the appraisal review, not just those adopted in the report under review

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Problem #28

The subject property is 320 acres of forested lands (*yellow*).

A marketability study and HABU analysis concludes the HABU is for recreation and low-density residential or executive estates, ranging from 5 acres to 20 acres in size.

The legal ownership is ~330,000 contiguous acres in this locale (*green*).

What do you think the appraiser's larger parcel determination was?

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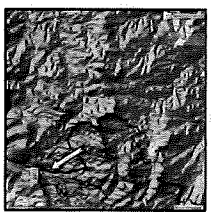
Problem #28: Suggested Answer

Of the three tests, the larger parcel seems to center on unity of highest and best use and contiguity as it bears on the highest and best use.



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3.4 Appraisal Review

- Responsibilities of the Review Appraiser
  - Must remain objective
  - Cannot allow agency goals or adversarial pressure influence opinions of appraisal report's appropriateness or value opinion it reports
  - Cannot allow personal opinions of agency's proposed acquisition to enter in
  - Should not substitute own judgment for appraiser's unless willing and able to develop opinions of value and become the appraiser of record

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3.4 Appraisal Review

Note: It is important that, when writing this section of the review, the appraisal reviewer distinguish between the assignment conditions that apply to the appraisal under review, those that apply to the review process being undertaken, and those that apply to both the report under review and the review process

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3.4 Appraisal Review

- **Must recognize technical deficiencies are present in most appraisal reports and should not be an excuse to not accept a report if the underlying reason for not accepting is differing opinions of market value**
- Review appraiser must
  - Identify scope of work performed
  - Describe opinion of completeness of appraisal report within scope of work of the appraisal assignment, which must include these Standards
  - Develop opinion as to adequacy and relevance of data and adequacy of market support for adjustments to data

See Section 3.3 Problem Identification

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3.4 Appraisal Review

- Must
  - Develop opinion as to appropriateness of appraisal methods and techniques used and describe reasons for disagreements
  - Develop opinion as to whether analysis, opinions, conclusions in appraisal report are appropriate, reasonable, adequately supported by market data and describe reasons for disagreement
  - Prepare appraisal review report in compliance with
    - Agency policies, rules, regulations
    - These Standards
    - USPAP

Student Manual Pages 234-235 601

Problem #29

The agency will acquire 10 acres in fee from a 40-acre larger parcel. The tract has a highest and best use as irrigated cropland. Land, mostly owned by speculators, has potential for future development. As a holding measure, the owners rent the property for irrigated cropland use.

The agency will also acquire a TCE for a four-year period on an adjacent 10-acre portion. The TCE will not impact the remainder property or its operation.

Real estate investment returns (developed from published data) are 10%.

Several area land sales indicate before prices of $5,000/acre. Because of the irregular shape after the acquisition, other sales indicate a sale prices at $4,500/acre.

Student Manual Page 236 602

Problem #29

The appraiser reported the following:

Value Before (40 acres @ $5,000)		= $ 200,000
Value After (30 acres @ $4,500)		- $ 135,000
Difference		= $ 65,000
Value TCE (10 acres @ $5,000)	$ 50,000	
Reasonable Return on Investment	10%	
Annual Return	$ 5,000	
Term of TE (in years)	x 4	
Value of Temporary Easement		= $ 20,000
Just Compensation		$ 65,000

1. Do the valuation procedures meet Yellow Book requirements?
2. As a review appraiser, what questions do you have?
3. As a review appraiser what, if anything, will you do?

Student Manual Page 236 603

Problem #29: Suggested Answer

The appraiser's methodology and computations do not conform to Yellow Book requirements.

The appraiser:

- Failed to consider market rent for irrigated cropland and substituted a return on investment
- Rental data was available and the appraiser should have utilized it, rather than resort to a less reliable methodology
- Even if the short-cut method of estimating rent was somehow justified, the computations are incorrect. Computations should have been made on the after value at $4,500/acre. (The time the government will occupy the TCE occurs after the date of taking. Therefore, the damage to the land due to irregular shape has already occurred)
- Findings are incorrect as the TCE was shown as an independent acquisition and added to the difference between the "before" and "after" permanent acquisition values

Student Manual Page 270 604

Problem #29: Suggested Answer

- Assuming the "market rent" was 10%, the proper presentation is:

Value Before: (40 acres @ $5,000)			= $ 200,000
Value After:			
Unencumbered (30 acres @ $4,500)		= $ 135,000	
Encumbered with TCE:			
10 acres @ $4,500	= $ 45,000		
Less Value of Rent Loss	- $ 18,000 *		
Net Value of Encumbered Property		$ 27,000	
Value 'After' Taking			- $ 162,000
Just Compensation **			= $ 38,000

*Computed: 10 acres X $4,500/acre X 10% X 4 years (*undiscounted per the appraiser's treatment of rent loss*)

** The appraiser reference to "just compensation" is beyond the scope of the appraiser's assignment, which is to form an opinion of market value

Student Manual Page 270 605

3.5 Appraisal Review

- Review Appraiser Expressing an Opinion of Value
  - If cannot accept or recommend approval for Uniform Act purpose and not practical to obtain an additional appraisal, may be authorized to develop an independent opinion of value*
  - Various agencies have policies, rules, procedures when review appraiser may develop independent opinion of value and become the appraiser of record

* The appraisal review process should be developed and reported in conformity with these Standards, which are compatible . . . with the current edition of USPAP

Student Manual Page 237 606

3.5 Appraisal Review

- May recommend, accept, or not accept appraisal report based on compliance with these Standards and appropriateness of methods and analysis in appraisal report. These actions do not constitute opinion of value nor do they infer review appraiser has taken ownership of value opinion in appraisal report
- When developing opinion of value and becoming appraiser of record, value opinion must be supported and documented to these Standards

Student Manual Page 237 607

3.5 Appraisal Review

- May incorporate, by reference, credible data and analysis in compliance with these Standards using an extraordinary assumption
- Portions not credible or inconsistent with these Standards must be replaced with additional data and analysis
- May use additional information not available to original appraiser, under these circumstances, the reviewer's opinion of value generally will be at a later effective date than the appraiser's effective date

Student Manual Page 237 608

Problem #30

The US government filed a Petition for Condemnation and a Declaration of Taking for the acquisitions of timberland tracts containing approximately 9,500 from a 24,500-acre parcel. International Paper Company (IP) owned the property, located in Decatur County, Georgia.

In addition to these lands, IP owned 440,000 additional acres in the general area, several wood yards (one of which was located in Bainbridge, Decatur County, Georgia), and a large, modern paper mill located approximately 136 miles away in Panama City, Bay County, Florida.

IP contented there was an integrated unitary use among the land taken, the wood yard in Bainbridge, Georgia, and the paper mill in Panama City, Florida. They claimed to be entitled to receive, as just compensation, compensation for the lands actually taken and severance damage to the contiguous land not taken, and also severance damage resulting from the decrease in market value of the non-contiguous wood yard and paper mill caused by the taking.

The government claimed there was no integrated unitary use with respect to IP's lands, wood yard, and paper mill.

Student Manual Page 238 609

Problem #30: Answer

The court "found no unitary use between woodland acres and the same landowner's paper mill in another state, as neither the existing operation nor any reasonable expectation in the foreseeable future showed any difference between the owner's small woodland tracts and 'the tracts of small owners whose products would be available on a competitive basis.'"

"Moreover, the landowner could 'turn right around and Unity of Ownership (Title) make its acreage whole by buying [similarly located timber property to replace that taken] with the proceeds of the condemnation award.'"

Int'l Paper, 227 F.2d at 206. The Fifth Circuit went on to state that regardless of whether a unitary tract existed (which it called "quite doubtful"), there was "no doubt whatever about the correctness" of the finding that the taking of woodland acreage did not diminish the value of the remainder property (the paper mill). *Id.* at 206-07.

Student Manual Page 271 610

3.6 Appraisal Review

- Review Appraiser's Use of Information Not Available to Appraiser
  - Typically, scope of work involving federal acquisitions exceeds usual appraisal reviews because
    - Uniform Act regulations require review appraisers to determine if appraisal report can be basis to establish just compensation
      - May need to consider information not available to appraiser
      - Must consider all available information in making a recommendation

Student Manual Page 239 611

3.6 Appraisal Review

- USPAP allows use of information that should have been considered and information not available to appraiser
- Must explain all pertinent findings to avoid impression appraisal report was not accepted because of quality or reasonableness. Some agencies allow reviewers to *accept* but not *approve*

Not a jurisdictional exception

Student Manual Page 239 612

Problem #31

The government acquired two adjacent tracts in fee simple. "A" owned Tract No. 1 in fee, which he leased to "B" under a 99-year lease. "B" owned Tract No. 2 in fee. On the date of value, "B" had built and was operating, as a tourist attraction, an observation tower on Tract No. 1. The tower overlooked a significant Civil War battlefield. "B" made lease payments to "A." The owner of Tract No. 2 (which "B" owned in fee) operated a gift shop, restaurant, and parking lot.

The court was presented with two valuation methodologies:

Problem #31

1. Appraiser One valued the fee, as a whole. The lease payments were not considered an expense but merely a transfer of funds between interest holders that would cancel out under a unit valuation and had no bearing on the land's inherent capacity to generate income. Appraiser One's task was neither to appraise "A's" interest nor "B's" interest, but rather the composite value of all interests.

The court adopted Appraiser One's methodology.

3.7 Appraisal Review

- Review Reporting Requirements
  - Oral Reports
    - Contrary to Uniform Act and these Standards
    - **Not permitted as end-result or final conclusion**
    - May be reported if
      - Scope of work requires it be conducted in advance of final written appraisal review report and
      - Adequate support in review appraiser's workfile
  - Appraisal Report
    - No specific report format or structure
    - For consistency and efficiency, many agencies require or recommend formats

3.7 Appraisal Review

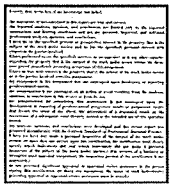
- Irrespective of format, all review reports must be in writing and contain, at a minimum
  - Identification of client and intended users, intended use, and purpose of the review
  - Identification of appraisal report under review, date of review report, property and ownership interest appraised, date of report, and effective date of value opinion in report under appraiser's name
  - Description of scope of work performed
  - Statement of opinions, reasons, conclusions reached concerning appraisal report

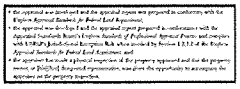
3.7 Appraisal Review

  - signed certification stating report compliance with these Standards and USPAP (whatever is required in USPAP is required in the Yellow Book)
- Scope of work must be adequately described so intended users will understand type and level of review completed

3.8 Appraisal Review

- Certification
  - Signed and consistent with USPAP, STANDARD 3 requirements
  - These Standards



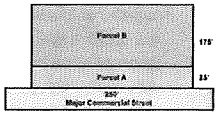


Refer to Student Manual for readable version.

Discussion #8

The area is in high demand for commercial development. Both parcels are zoned C-1, General Commercial.

Parcel A, with a depth of 25 ft., is too shallow for independent development. As a stand-alone property, its value is $12,500.



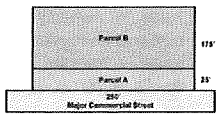
Parcel B is physically large enough for development, but is landlocked. As a stand-alone property, its value is $75,000.

If assembled, the value of the assembled property is $250,000.

Discussion #8

In the determination of HABU, elements affecting value that depend on events or combinations of occurrences, while possible, must also be probable.

The fact that a parcel's highest and most profitable use can be made only in combination with other lands does not necessarily exclude that use from consideration.

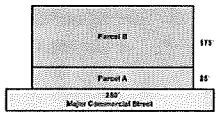


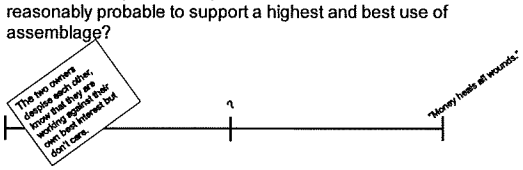
There must be a reasonable probability of the lands being combined in the reasonably near future.

Discussion #8

It is obvious to a disinterested third party that assemblage is the most profitable option.

The question is, at what point in time and what events, or combination of events need to occur to move the needle from impossible to possible to reasonably probable to support a highest and best use of assemblage?





Section VIII Quiz

1. Under the Yellow Book, appraisal reviews may be administrative or technical. **T**
2. Government review appraisers must identify each report as accepted, recommended, or not accepted. **T**
3. Technical reviews are developed and reported in conformance with Yellow Book Standards and USPAP. **T**
4. Administrative reviews are developed and reported in conformance with Yellow Book Standards and USPAP. **F**
5. If authorized, the staff review appraiser may approve the appraisal as the just compensation amount. **T**
6. US Department of Justice reviews for litigation must develop an independent opinion of value. **F**

Section VIII Quiz

7. Technical field reviews require at least an exterior inspection of the subject property. **T**
8. In completing a technical field review, the appraiser must inspect the subject property and review both the workfile and the appraisal report. **F**
9. The effective date of the review appraiser's report may vary, but is usually reflective of the effective date of the review appraiser's opinions and conclusions. **T**
10. The review appraiser may incorporate into the review, by reference, credible data and analysis from the appraisal report through a hypothetical condition. **F**

Section VIII Quiz

11. The subject of an appraisal review assignment is typically an appraisal report. **T**
12. Appraisal review assignment conditions (e.g., extraordinary assumptions, hypothetical conditions) are adopted from the appraisal under review. **F**
13. Only staff review appraisers can allow the agency's goals to influence opinions of an appraisal report's appropriateness or the value opinion it reports. **F**
14. Technical deficiencies are present in most appraisal reports. **T**
15. In the review process, the review appraiser may not use additional information not available to the appraiser. **F**

3. Appraisal Review

Now, you are able to …

- Evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions

Questions? Comments?

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Conclusion

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Course Objectives

Right now, you should:

- Understand the development process for valuation assignments for federal land acquisitions
- Demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions
- Evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions
- Connect the legal foundation/rationale/guidance that governs recurring valuation problems and specialized appraisal issues unique to federal land acquisitions

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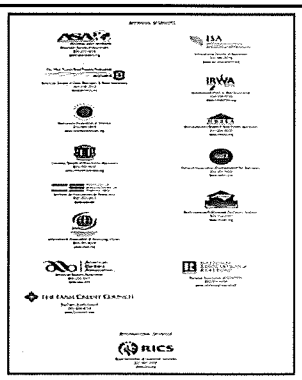

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Contact Us

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- Address: **1155 15th Street NW, Suite 1111 Washington, DC 20005**

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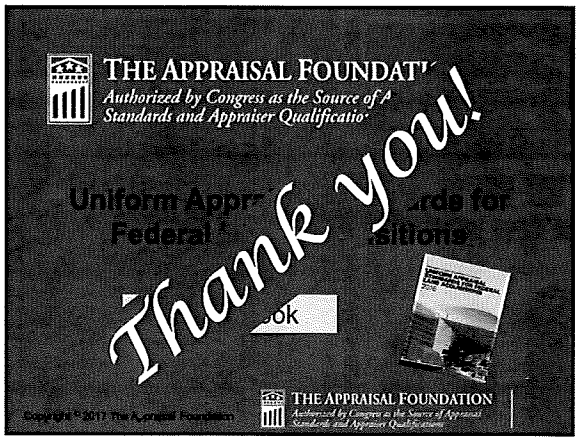

UNIFORM APPRAISAL STANDARDS FOR FEDERAL LAND ACQUISITIONS YELLOW BOOK COURSE

Student Manual

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

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Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) Course

Student Manual

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ABOUT THE APPRAISAL FOUNDATION

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at **www.appraisalfoundation.org.**

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Magdalene Vasquez, Editor, The Appraisal Foundation

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I. Overview

Course Description

This course is based on the *Uniform Appraisal Standards for Federal Land Acquisitions* (Yellow Book), sixth edition. In updating these Standards, the Interagency Land Acquisition Conference, incorporated relevant new appraisal methodology and theory, integrated new case law, and ensured appropriate consistency with professional appraisal standards. The content is restructured and revised for clarity and readability, resulting in practical and understandable guidance for appraisers, attorneys, and the public.

The first three sections, Appraisal Development, Appraisal Reporting, and Appraisal Review, parallel The Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice* (USPAP) STANDARD 1: Real Property Appraisal Development, STANDARD 2: Real Property Appraisal, Reporting, and STANDARD 3: Appraisal Review, Development and Reporting. The Yellow Book's Section 4, Legal Foundations for Appraisal Standards, explains the legal foundations for the previous sections.

Learning Enhancements

The material has been designed with a variety of elements to enhance your learning experience.

In addition to lectures, the course includes discussions, problems, and case studies that show how the Yellow Book applies in situations appraisers may encounter in practice.

The course provides 21 hours (50 minutes/hour) of instruction. There is an optional (optional as determined by the education provider) two-hour exam after the course.

Learning Objectives

When completed, you will ...

- understand the development process for valuation assignments for federal land acquisitions
- demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions
- evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions
- connect the legal foundation/rationale/guidance that govern recurring valuation problems and specialized appraisal issues unique to federal land acquisitions.

Preview

Each Section begins with a Purpose or Introduction. This topic states the learning objective and a brief overview.

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Review

Each Section includes a quiz. The quizzes serve as a review of the material, measured against the Section's objective, and as preparation for the exam.

PowerPoint

The PowerPoint presentation provides detailed coverage of the course material. The PowerPoint is simply another tool that will help you remember specific points about the material.

The PowerPoint files are copyrighted by The Appraisal Foundation. There are for the exclusive use by the Foundation or its License Agreement signees. The PowerPoint slides cannot be used in any other educational programs, in part or in whole, without the written permission of The Appraisal Foundation.

"Homework"

After Day One, you should read and consider Case Study #1, Case Study #2, and Case Study #3 as they will be discussed the following day. The same is true for Case Study #4 and Case Study #5; you should read them prior to Day Three's class.

Also, it would be helpful for your understanding of the Yellow Book to review each day's material and to look at the following day's presentation.

Calculator

While a financial calculator (e.g., HP 12c) is best, a four-function calculator will, in most instances, suffice. You may use a financial calculator app on your smart phones during the class, but not during the exam.

Exam

An optional exam is provided with the course. The education provider will decide if it will be administered. The exam contains 75 multiple-choice questions and will be offered on the afternoon of the third day. You will have two hours to complete it.

Classroom Guidelines

To make the classroom environment a positive experience for everyone, adherence to the following is required:

First the No's:

- No smoking, except in designated areas
- No cell phones, pagers, laptops, tablets, and any other electronic devices, etc. when the class is in session
- No audio/video recording
- No distracting behavior when the class is in session

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Now the Yes's:

- Participation is strongly encouraged
- Courteousness and consideration of your classmates is always appreciated

Intended Audience

It is assumed that you have a basic knowledge of the appraisal process and its component steps. Without some knowledge of appraisal principles and practices, you may have a harder time understanding the terminology and elements addressed in these Standards. Some of you will already be Yellow Book fluent. If you are familiar with the Yellow Book, from time to time, please add your knowledge to the instruction.

Course Structure

On Day One, you will cover the Introductory Material, Section 1, Appraisal Development, and Section 2, Appraisal Reporting. Day Two is devoted to Section 4, Legal Foundations for Appraisal Standards. The course sequencing is intended to move from the "what" to the "how" and then the "why". Day Three finishes Section 4, moves to Section 3, Appraisal Review, and ends with a Conclusion. The optional exam concludes the day.

Over the three days, the course builds in two ways. First, the material: there is a degree of repetition. Topics raised in Section 1 may reappear in Section 2 and 4, but when they do, the content is developed from different angles, in more depth, and, with more problems and case studies. Second, the perspective from which the material is discussed changes. One person characterized the course flow as follows: "Section 1 is definitional, Section 2, is applications, and Section 4, legal aspects." (Section 3, Appraisal Review is a stand-alone topic.)

Student Material

Required:

- Student Manual
- *Interagency Land Acquisition Conference*, Uniform Appraisal Standards for Federal Land Acquisition, 2016

Recommended reading (not required for this course):

- Eaton, J.D., MAI, SRA. *Real Estate Valuation in Litigation*. Chicago: Appraisal Institute, 1995.

Suggested answers to the problems, case studies, and other class activities are included in the Student Manual. You are encouraged to solve or otherwise resolve the question(s) posed before looking at the suggested answer(s). In most cases, the answers are only suggested and may provoke further discussion.

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Evaluations and Other Comments

The education provider is responsible for any evaluation and receiving other student comments.

Should you have any questions or comments that are course material-related, please contact The Appraisal Foundation at YBCourse@appraisalfoundation.org.

Course Schedule

The course schedule is divided in time increments, based on a 50-minute hour. Ten-minute breaks are included in the schedule.

Morning Day One
0. Introductory Material
1. Appraisal Development

Afternoon Day One
2. Appraisal Reporting

Morning Day Two
4. Legal Foundations for Appraisal Standards

Afternoon Day Two
4. Legal Foundations for Appraisal Standards

Morning Day Three*
4. Legal Foundations for Appraisal Standards
3. Appraisal Review

Afternoon Day Three*
3. Appraisal Review
5. Conclusion
6. Exam

* Misnumbering is intentional

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0. Introductory Material

Timing

There is considerable material and as a matter of courtesy to the instructor and other students, please be on time for all the sessions.

In addition to the typical "housekeeping" explanations, this Section introduces the Yellow Book.

The purpose of an appraisal for federal acquisitions—whether prepared for the government or a landowner—is to develop an opinion of market value that can be used to determine just compensation under federal law.

Federal case law holds that just compensation must reflect basic principles of fairness and justice for both the individual whose property is taken and the public which must pay for it.

These Standards cover the following areas:

1. Appraisal Development
2. Appraisal Reporting
3. Appraisal Review
4. Legal Foundations for Appraisal Standards

The sixth edition reflects developments in appraisal methodology and theory, case law, and other federal requirements since the fifth edition (2000). They have been restructured for clarity, convenience, and are broadly consistent with the 2016-2017 *Uniform Standards of Professional Appraisal Practice* (USPAP) and federal regulations implementing the *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970* (Uniform Act or URA).

1. Appraisal Development

Appraisal development reflects the application of the appraisal process to valuation assignments for federal property acquisitions. It is the "what" of the course. It links the Yellow Book to the appraisal process, which has been "customized" specifically to these Standards.

Section One's objective is for you to better understand the 2016 *Uniform Appraisal Standards for Federal Land Acquisitions*.

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2. Appraisal Reporting

Appraisal reporting addresses the content and level of information and analysis required to communicate the results of an appraisal prepared for federal property acquisitions.

Section Two will enable you to demonstrate an increased knowledge about the application of the appraisal process to valuation assignments for federal land acquisitions.

4. Legal Foundations for Appraisal Standards

Section 4 explains the legal foundations for Sections 1 and 2. This Section discusses the legal standards that govern many recurring valuation problems, and provides guidance on specialized appraisal issues that are unique to federal acquisitions.

Many instructors consider Section 4 to be the "meat of the course" and the "why" of these Standards.

Section Four's objective is to connect the legal foundation/rationale/guidance that govern recurring valuation problems and specialized appraisal issues unique to federal land acquisitions.

3. Appraisal Review

Appraisal review discusses the appraisal review process in federal acquisitions and that an appraisal review should be developed and reported in conformity with these Standards, which are compatible with standards and practices of the appraisal profession and with USPAP.

After laying the groundwork in Sections 1, 2, and 4, you will be in a better position to evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions

5. Conclusion

The course finishes with a summary of the objectives and the significant topics discussed. It also allows time for questions and other comments you may have.

Exam

The exam contains 75 multiple-choice questions. You will have two hours to complete it.

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II. General Information

A. Introductions

1. Who we are
2. What we do
3. Where we do it
4. How long we've been doing it

B. Housekeeping

1. Building logistics (e.g., restrooms, exits, temperature)
2. The yes's:
   a. Courteousness and consideration
   b. Participation
3. The no's:
   a. Recording
   b. Smoking
   c. Cell phones
4. Attendance and timeliness
5. Evaluations and certificates
6. Exam (education provider decision)

C. Schedule

1. 21 Hours + 2 Hour Exam = 23 Hours Total
2. Day one
   a. Morning: Section 1: Appraisal Development
   b. Afternoon: Section 2: Appraisal Reporting
3. Day two
   a. All Day: Section 4: Legal Foundations for Appraisal Standards
4. Day three
   a. Morning: Section 4: Legal Foundations for Appraisal Standards and Section 3: Appraisal Review
   b. Afternoon: Section 3: Appraisal Review, Conclusion, and Exam

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D. Course Preview

1. Provide guidance in the valuation of real property in federal land acquisitions
2. Incorporate current appraisal methodology and theory, new case law, and appropriate consistency with professional appraisal standards
3. Accomplished through lecture, discussion, problems, case studies, and reference to the *Uniform Appraisal Standards for Federal Land Acquisitions* (Yellow Book) and, when appropriate, the *Uniform Relocation and Real Property Acquisition Policies Act of 1970* (Uniform Act) and the 2016-2017 *Uniform Standards of Professional Appraisal Practice* (USPAP)

E. Course Objectives

1. When done, you will:
   a. Understand the development process for valuation assignments for federal land acquisitions
   b. Demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions
   c. Evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions
   d. Connect the legal foundation/rationale/guidance that governs recurring valuation problems and specialized appraisal issues unique to federal land acquisitions

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III. Structure of the Yellow Book

A. Introductory Material

B. Appraisal Reporting

C. Appraisal Review

D. Legal Foundations for Appraisal Standards

E. Appendix

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IV. Introductory Material

A. Purpose of Yellow Book

1. Promote fairness, uniformity, and efficiency
2. Develop a market value opinion as a basis for just compensation
3. Set forth principles, legal requirements, practical applications
4. Modification of these Standards may be necessary to meeting differing needs of various government agencies

B. Governing Principles

1. Just compensation
   a. Payment of just compensation is a substantive right
   b. Grounded in the US Constitution
   c. Determined under federal common law (i.e., case law)
   d. Measured by market value that is credible, reliable, accurate
2. Reflects development in appraisal methodology and theory, case law, federal requirements
3. Follows the appraisal process
4. Explains legal foundations
5. Provides practical examples
6. Broadly consistent with USPAP, which are the Congressionally authorized minimum standards, and the Uniform Act regulations
7. Impartially protect the public's interest
8. Ensure fair and equitable treatment of those whose property is needed for public purposes

> **"[O]ur cases have set forth a clear and administrable rule for just compensation: 'The Court has repeatedly held that just compensation normally is to be measured by 'the market value of the property at the time of the taking.'"**
>
> **— *Horne v. Dep't of Agric.*, 135 S. Ct. 2419, 2432 (2015) (quoting *United States v. 50 Acres of Land* (*Duncanville*), 469 U.S. 24, 29 (1984))**

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9. General policy: the United States bases its property acquisitions on market value appraisals, the standard adopted by the courts as the practical, objective measure of just compensation

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V. Appraisal Development

A. Appraisal Process

Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions
Scope of Work						
Data Collection						
Data Analysis						
Area and neighborhood analysis Marketability studies				Highest and best use analysis As if vacant As improved Larger parcel		
Land Valuation						
Application of Approaches to Value						
Sales comparison		Cost			Income capitalization	
Reconciliation						
Final Opinion of Market Value						
Report of Opinion of Market Value						

*Assignment conditions also include assumptions, specific legislation and regulations, jurisdictional exceptions, instructions, special rules and methods, and other conditions that affect the scope of work.

- Reflects the application of the appraisal process to valuation assignments for federal land acquisitions

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- Goal: well-supported, credible, reliable, accurate market value opinions that can be used for just compensation purposes
- Appraisal process provides a logical framework for problem identification and its proper solution
- In addition to the appraisal process, contains appraisal development requirements specific to certain federal acquisition types
    - Partial acquisitions
    - Leasehold acquisitions
    - Temporary acquisitions
    - Natural resources acquisitions
    - Inverse takings
    - Federal land exchanges
- Provides guidance for use of reports by other experts and the appraiser's litigation responsibilities
- Generally consistent with USPAP STANDARD 1
- Provides more in-depth discussion to address the heightened requirements for market value appraisals that can be used for just compensation purposes

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Problem Identification						
Client and other intended users	Intended use	Market value and definition of market value	Effective date of the market value opinion	Relevant characteristics of the subject property	Assignment conditions*	
					Extraordinary assumptions	Hypothetical conditions

1. Problem identification
   - Ensures identification and understanding of assignment elements when developing an appraisal for federal property acquisitions
   - Appraiser and client address the
     - Assignments elements
     - Assignment conditions
   - Assists appraiser and agency to determine scope of work—for clarification, please refer to The Appraisal Foundation, 2016-2017 *Uniform Standards of Professional Appraisal Practice* (USPAP), pgs. 17-18. See SCOPE OF WORK RULE and Standards Rule 1-2

a. Client and other intended users and intended use
   1) Client: federal agency requesting the appraisal
   2) Intended users: in addition to the client agency, often include:
      a) Other federal, state, or local agencies
      b) Federal court
      c) Landowner
      d) Landowner's counsel
   3) Assist client agency in determining market value to be paid as just compensation
   4) Assist government's trial counsel and court in determining market value for the purpose of just compensation

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Note: ". . . [i]n those instances when proposed acquisitions are complex, high value, sensitive, or controversial or when the matter must be referred to the Department of Justice for litigation, the full scope of work described in these standards must be applied. In other assignments, it is appropriate to modify the scope of work when the acquisition is noncomplex and/or to ensure the cost of the appraisal is consistent with the requirements of the client agency. Under no circumstances may the scope of work result in an appraisal that does not meet the minimum requirement under the Uniform Act." (*Yellow Book*, pg. 9)

"The sixth edition's structure reflects the evolution of USPAP . . . as the congressionally authorized minimum standards for the appraisal profession." (*Yellow Book*, pg. 6)

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Discussion #1:

The Yellow Book standards require appraisers to provide an opinion of **market value**.

The United States Constitution requires that private property not "be taken for public use, without just compensation."

As an appraiser

What do the two terms mean to you?

_____

_____

_____

How do you reconcile them?

_____

_____

_____

Do you even think about them?

_____

_____

_____

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b. Market value and definition of market value

   1) Market value (as defined in these Standards) is not linked to a specific opinion of exposure time. (Jurisdictional exception.)

   2) Marketing time estimates are not appropriate and must not be included.

c. Effective date of the market value opinion

   1) Direct acquisitions (e.g., voluntary purchases): typically the date of final inspection

   2) Quick takes: date the United States files a declaration of taking (DT) and deposits estimated compensation in court **or** the date the government enters into possession, whichever is earlier

   3) Straight condemnations: (in which no declaration of taking is filed) may be one of two dates, the date of final inspection or the trial date (which is a new appraisal assignment)

   4) Inverse taking: typically established by the court (client legal instruction, when necessary)

d. Relevant characteristics of the subject property

   1) Subject property/larger parcel

      a) Characteristics

         i. Physical

         ii. Legal

         iii. Economic

      b) Property interest to be appraised

      c) Legal description

   2) Property inspections

      a) Must inspect subject property—in acquisitions of large or inaccessible properties where a physical on-the-ground inspection may not be possible, the client may modify the scope of work to allow for aerial inspection

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b) Should inspect comparables—physical inspection of all properties used as sales or rental comparables is required for any appraisal being prepared for the United States Department of Justice for litigation purposes.

3) Contacting landowners

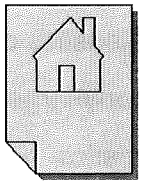
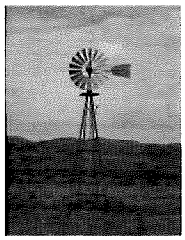
a) Expected to meet with owner or representative—under the Uniform Act, the owner or representative must be given an opportunity to accompany the appraiser during the inspection

e. Assignment conditions: extraordinary assumptions and hypothetical conditions

1) Instructions—from client/counsel. Examples: clarification of legal description and/or property rights to be acquired

2) Hypothetical conditions—appraiser must consult with the client/counsel before using a hypothetical condition. If used, written legal instructions must be provided. When appraising for federal condemnation, written legal instructions are/should be received prior to using a hypothetical condition

<u>Hypothetical condition</u> may be used in an assignment only if:

Examples	
<u>Urban</u>	***<u>Rural</u>***
Proposed	**Well Off-Site**
	
As of the current date of value, property consists of vacant lot; but have house plans and client needs an "As if complete" value opinion. You know the house doesn't exist.	As of the date of value, you know the well is located off the subject and that there is no agreement for its use, but for reasons of analysis you use the hypothetical condition that there is a well-use agreement *(a condition you know is false)*

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a) Use is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;

b) Use of the hypothetical condition results in a credible analysis; and

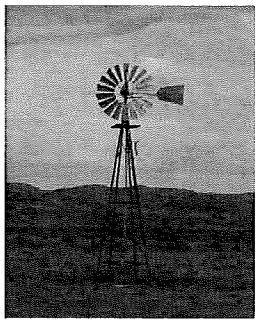
c) The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions

3) Extraordinary assumptions—improper for the appraiser to classify conclusions reached and analysis as assumptions. Written legal instructions may be necessary

Extraordinary assumption may be used in an assignment only if:

a) It is required to properly develop credible opinions and conclusions;

b) The appraiser has a reasonable basis for the extraordinary assumption;

Examples	
Urban	**Rural**
	
Date of value at some point in the future; then you assume it will be built according to plans, but you don't know that it will or won't happen	As of the date of value, you assume well conforms to capacity, but have not tested & can't prove capacity

c) Use of the extraordinary assumption results in a credible analysis; and

d) The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions

4) Jurisdictional exceptions

a) Linking estimate of value to specific exposure time

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b) Consideration of land use regulations and anticipated public projects (project influence)

c) Specific Congressional legislation and regulations

5) Special rules and methods

a) Larger parcel

i. Concurrent with highest and best use conclusion

ii. Must determine

b) Unit Rule

i. Value property as a whole rather than the sum of the physical components or interests

> **The larger parcel is that tract of land which possesses a unity of *ownership* and has the same, or an integrated, *highest and best use*.**
>
> **Determining unity of ownership may require legal instruction.**

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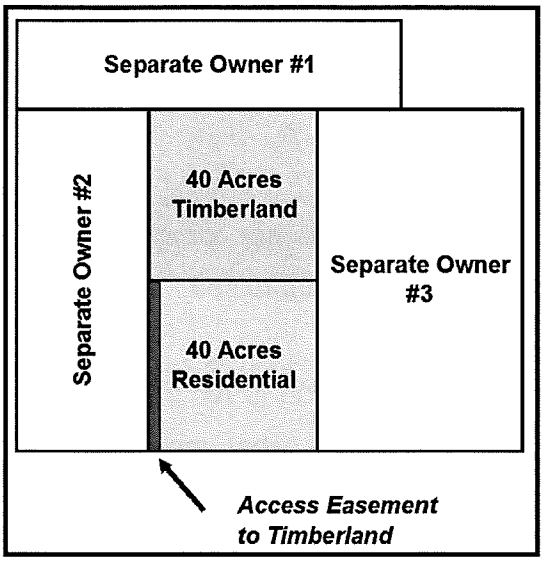
Problem #1:

The agency intends to acquire the 40-acre residential parcel (*green*).

There are two owners affected:

- Smith: 40 acres timber (*yellow*)
- Jones: 40 acres residential (*green*)

What is/are the larger parcel(s)?



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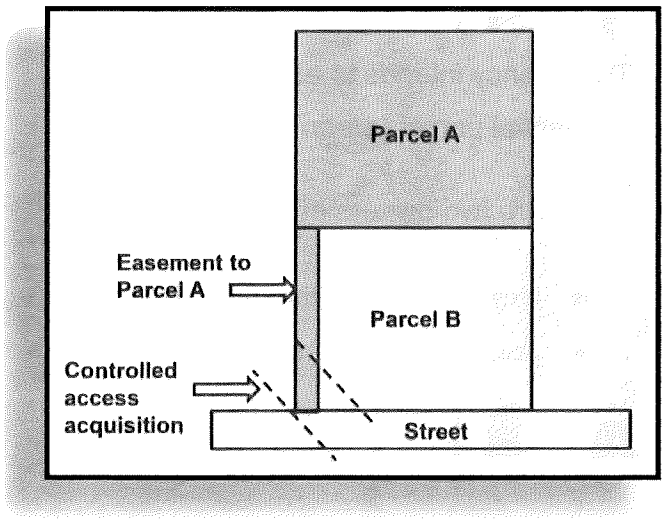
Problem #2:

Parcel A and B are under different ownerships.

Describe the larger parcel(s) and estate(s) to be appraised.

As the acquisition is for a controlled access highway, what impact will the taking have on the "after acquisition" parcels?



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c) Government project influence and the Scope of the Project Rule

i. Any increase or decrease in market value prior to effective date caused by the government project must be disregarded

- Project influence
- Scope of the Project Rule

> **Proper application of the scope of the project rule is complex, and virtually always requires a legal instruction.**

ii. If evidence of influence, appraiser must request legal instructions

d) Before and After Rule

i. Federal Rule

ii. Result is amount that includes the:

- Value of the part acquired
- Compensable damages

and/or

- Special benefits

> **These federal rules may differ from state law or local practice.**

e) Damages

i. Loss in value to remainder property as a result of a partial acquisition

ii. Not separately appraised

iii. Compensable/Non-compensable

- Severance damages—compensable
- Consequential damages—non-compensable

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f) Benefits

i. Increase in value to remainder property that results from the public project

ii. Special (direct) (e.g., construction of interstate ramps on a few properties)

iii. General (indirect) (e.g., construction of the interstate in its entirety on the community)

iv. Mixed fact/law question, requires legal instruction

Scope of Work

2. Scope of work

a. Type and extent of research and analysis in an assignment

b. Reflects:

1) Full understanding of the critical assignment elements

2) Complexity of the property and the market

3) Intended use and intended users

c. Should verify the legal description:

1) On the ground

2) With the owner, if possible

3) With maps

4) Through public records

d. Must inspect the property in every assignment—in acquisitions of large or inaccessible properties where a physical on-the-ground inspection may not be possible, the client may modify the scope of work to allow for aerial inspection

Agency responsibility to provide appraiser with:

1. Legal description prior to initiate assignment, or if a partial acquisition,
2. A legal description of larger parcel and a legal description of remainder property, or alternatively,
3. A legal description of the area to be acquired and/or encumbered

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Discussion #2:

We know . . .

- USPAP states the appraiser determines the scope of work
- In federal land acquisitions, the agency is very involved and may dictate the scope of work determination
- The scope of work specified by the agency is acceptable if it allows the appraiser to develop credible assignment results

---

1. Any examples when a scope of work conflict developed between the appraiser and the agency? How was it, if it was, resolved?

_____

_____

_____

2. How does the agency's Statement of Work "fit in?"

_____

_____

_____

3. What is the relationship between the Statement of Work and the Scope of Work?

_____

_____

_____

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Data Collection

3. Data collection - all the information concerning the land and improvement characteristics that influences the property value
   a. Property data
      1) Land
      2) Improvements
      3) Zoning and land use controls
      4) Use history
      5) Sales history
      6) Rental history
      7) Assessed value and annual tax load

> **These Standards require a *10-year sales history*—longer than that required in appraisals for many other purposes—for the reasons discussed in Section 4.4.2.**

   b. Zoning
      1) Zoning must be considered
      2) If subject to zoning, appraiser must identify applicable restrictions and interpret the impact of the restrictions on the utility and value of the subject property
      3) If zoning is uncertain, legal instruction may be required
      4) Appraiser should select sales with same or similar zoning as the property being appraised
      5) Appraiser must consider use and other zoning ordinance restrictions that may affect value
      6) Examples include:
         a) Lot area requirements
         b) Building setback requirements
         c) Floor/area ratios
         d) Lot coverage ratios
         e) Off-street parking

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7) If partial acquisition, appraiser must consider the effect of zoning on larger parcel and remainder property
8) Must determine effect of zoning ordinance on remainder property that has become nonconforming by the partial acquisition
9) Some ordinances provide for reclassification or "grandfather in" when property becomes nonconforming by the partial acquisition
10) Other ordinances contain no mechanism to convert a property that has become nonconforming after zoning ordinance adoption into a conforming property or classifying it as a preexisting ("grandfather in") nonconforming use
11) Appraiser must consider effect of existing land use regulations and effect of reasonably probable modifications of land use regulations
12) Appraiser might conclude property could be put to a more profitable highest and best use and investigate the probability of rezoning
13) In partial acquisitions, the probability of rezoning must be separately analyzed in regard to larger parcel before acquisition and remainder property after acquisition

c. Use history
    1) Appraiser must identify the purpose for which the improvements were designed, dates of original construction, major renovations, additions, and/or conversions
    2) Appraiser should identify a 10-year history of the use and occupancy of the property, if available

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Problem #3:

The landowner is located near an Air Force base, and has requested a zoning change for the property (white).

The Air Force opposes the change, arguing that industrial development would create a flight hazard. It requests the application be denied.

Two months later, the Air Force condemns the site.

The appraiser, in developing a scope of work, questions if there is a Scope of the Project and/or project influence associated with the acquisition.

What are your thoughts?

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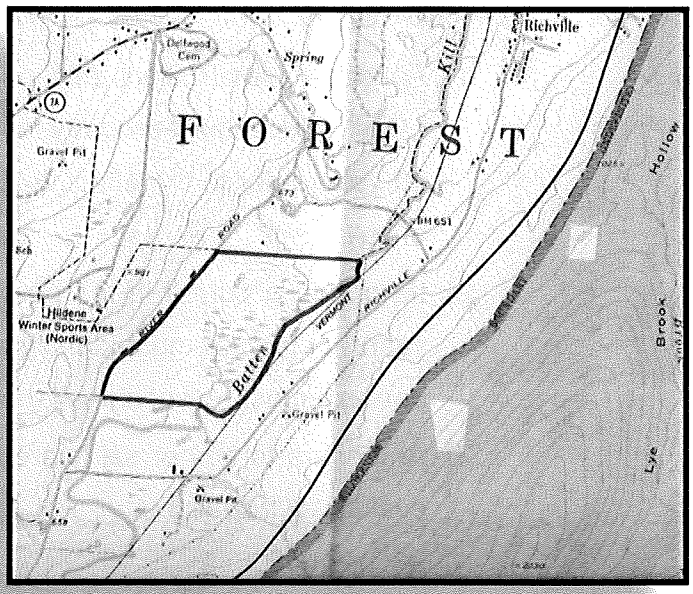
Problem #4:

The subject tract contains 100 acres and is located adjacent to a Vermont river.

It is under a single ownership. The owner also owns 85 acres, 6 miles north. This second parcel was recently inherited from a family member.



What is the larger parcel?

_____

_____

_____

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d. Sales history

1) Appraiser must collect data on all sales of the subject property for the 10 years prior to the effective date of value

2) If no sale occurred in the past 10 years, appraiser must identify and **analyze** most recent sale of the property, whenever it occurred

> **These Standards require a *10-year sales history*—longer than that required in appraisals for many other purposes—for the reasons discussed in Section 4.4.2.**

3) Any offers to buy or sell the subject property should be identified and evaluated, if available

e. Rental history

1) Appraiser must collect rental or lease data for at least the past three years, if information can be ascertained

2) Appraiser should identify and collect all current lease data

Data Analysis	
Area and neighborhood analysis Marketability studies	Highest and best use analysis As if vacant As improved Larger parcel

4. Data analysis

- Data analysis consists of two related components: market analysis and highest and best use analysis (and larger parcel)
- Well-supported
- Fundamental to larger parcel analysis
- Fundamental to highest and best use analysis

> ***Market* decides the *use*. *Use* determines *value*.**

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a. Area and neighborhood analysis

1) Demographic and economic characteristics that directly influence the subject property

2) "Boilerplate" or general demographic and economic data should not be included

3) Must disregard neighborhood changes brought about by the government project influence, **prior** to the date of valuation (jurisdictional exception)

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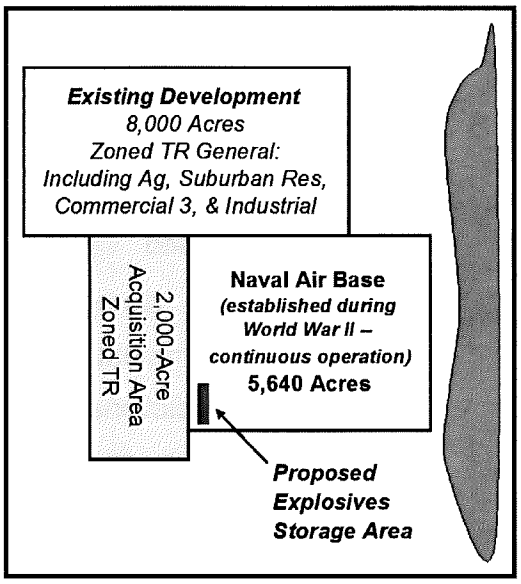
Problem #5:

The 2,000-acre acquisition **is** the project.

The acquisition is intended to be a buffer zone for the proposed explosives area (*red*).

No military operations will change with project completion.

What, if anything, should the appraiser do about the possibility of project influence resulting from the original "proposed explosive storage area?"



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b. Marketability studies

1) Detailed analysis of subject property and its economic environment
2) In complex or unusual appraisal problems, a marketability study may be required as part of the scope of work
3) Often required for properties:
   a) In transitional areas
   b) That contain special-use improvements
   c) For which the highest and best use is unclear without in-depth study
4) Are required in cases referred to the Department of Justice
5) Should include a detailed analysis of the subject property and its economic environment
6) Include an analysis of:
   a) Potential physically possible and legally permissible uses of the subject property
   b) Competitive market position
   c) Supply and demand analysis
7) In income-producing properties, the marketability study should identify:
   a) Quality class of the improvements
   b) Existing and future competitive supply of similar improvements

Requirement of market and marketability studies are not unique to these Standards.

Scope of analysis may change depending on complexity of appraisal problem and/or intended use and intended users.

Supply and demand are the cornerstones on all approaches to value

Market analysis is not looking for "fluff," it is looking for the answer to supply and demand for the defined product in the marketplace

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c) Vacancy levels in the market, rental rates, operating expenses

c. Highest and best use analysis

1) Highest and best use is one of the most important elements in the appraisal process

> ***Market* decides the *use*. *Use* determines *value*.**

2) Market value must be determined with reference to the highest and best use

> The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

3) Four tests

a) Legally permissible

b) Physical possible

c) Financially feasible

d) Maximally productive

. . . and results in the highest value

4) Government's intended use is an improper highest and best use

5) Must be an economic use

6) Federal concept of market value is fundamentally different from real property appraisal concept of public interest value, which links highest and best use to noneconomic uses and public policy benefits rather than to market considerations

7) **Noneconomic uses reflect something other than market value, appraisals for federal acquisitions cannot consider public interest value or related concepts**

8) Two step process: as if vacant/as improved

9) Highest and best use is ordinarily the existing use

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10) If not, the different highest and best use requires evidence that the property:
    a) Is physically and legally adaptable
    b) Has a demand in the market in the reasonably near future

Appraiser must reach a conclusion concerning the *timing* of any highest and best use that is different than the current use.

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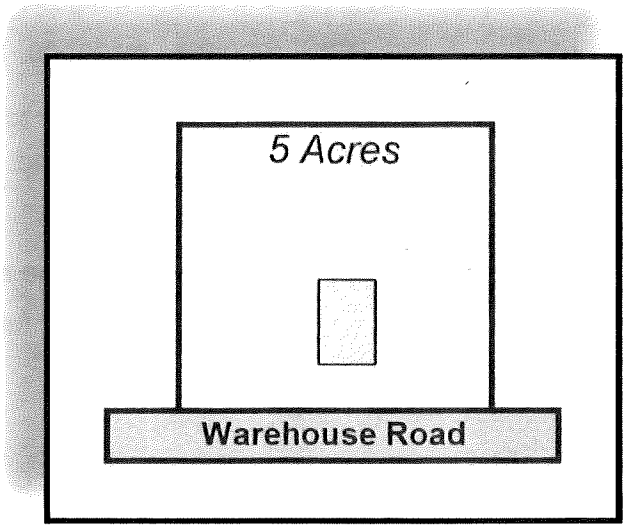
Problem #6:

A five-acre level tract with all utilities is improved with a 5,000 sq. ft. 25-year-old warehouse in good condition.



- There is demand for warehouse property.
- Zoning is agricultural, but industrial is grandfathered. The zoning officer said industrial use may continue as long as there is continual and uninterrupted use. If the property is not used for six-months, the structure must be removed.
- Allowable uses in agricultural zones include agriculture, low-density residential, recreational.
- There is strong demand for 5- to 10-acre residential home sites.
- In industrial zoned areas, an array of industrial uses are allowed.
- Demand is good.

1. What is the highest and best use of the land, as if vacant?
2. Which sales support the highest and best use of the land, as if vacant?

Sale	Date	Acre Size	$/Acre	Zoning
A	Current	7.43	$ 4,500	Agriculture
B	Current	4.56	$ 43,000	Industrial
C	1 Yr. Ago	4.56	$ 5,000	Agriculture
D	3 Yrs. Ago	9.90	$ 35,000	Industrial

3. Does this change your opinion of highest and best use?

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11) Larger parcel—tract of land that possesses a unity of *ownership* and has the same, or integrated *highest and best use.* Essential to highest and best use analysis

> Larger parcel and highest and best use are fully integrated and must be analyzed simultaneously.

a) Unity of ownership
b) Unity of highest and best use
c) Contiguity (or proximity)
d) Appraiser must:
   i. Identify the most probable buyer and/or the most probable user
   ii. Reach a conclusion concerning the timing of any highest and best use that is different than current use
      - Timing is a function of a marketability study, a critical element in every appraisal

> **The <u>larger parcel</u> is that tract of land which possesses a unity of *ownership* and has the same, or an integrated, *highest and best use.***
>
> **Determining unity of ownership may require <u>legal instruction</u>.**

e) Market analysis leads directly to marketability study, which is fundamental to highest and best use and larger parcel analyses

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5. Land valuation
   a. Sales comparison approach (preferred method)
   b. Subdivision development method used rarely—when the property has a highest and best use for subdivision development. Even when the property has a highest and best use for subdivision development, the method is better used as additional support for the sales comparison approach. The method can be easily misused and manipulated and under federal law it can be used only in limited circumstances, and then only with rigorous evidentiary support
   c. Ground lease capitalization used rarely—when the property is subject to a long-term lease. Even when this situation exists, the method is better used as additional support for the sales comparison approach

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Application of Approaches to Value		
Sales comparison	Cost	Income capitalization

6. Application of approaches to value
   a. Sales comparison approach
      1) Preferred method
      2) Systematic procedure to study the market for property sales with the same highest and best use and as close in proximity and time, as possible
      3) Selection and verification of sales
         a) Confirmation—substantiation that a transaction occurred
            i. Databases
            ii. Deeds
            iii. Public records (e.g., assessment reports)
         b) Verification—evidence that establishes the accuracy and motivations of a transaction
            i. Buyer
            ii. Seller
            iii. Broker
            iv. Attorney
            v. Other knowledgeable participant
      4) Same economic highest and best use
      5) Greatest weight to most comparable sale
      6) Verified with buyer, seller, broker, other knowledgeable person—if case goes to condemnation, the testifying appraiser must personally verify sales
      7) Adequate data to support a detailed analysis
      8) Most cases, includes a personal inspection
      9) Should collect and analyze the comparables' recent sales history (trends, project impacts)

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10) Reconciliation and opinion of value

a) Consider comparative weight of each comparable sale

b) Reconcile to an opinion of value by the sales comparison approach

b. Cost approach

1) Market value of the land is added to the depreciated reproduction or replacement cost (contribution) of the improvements to arrive at the indicated value of the property. It is common for appraisers to include the contributory value of site improvements as a separate component in the development of the cost approach

2) Entrepreneurial incentive must be included

3) Most useful for properties with new improvements without depreciation

4) Highly improved properties with no known comparables

5) Special-purpose properties

6) Check on sales comparison approach

c. Income capitalization approach

1) Capitalize market (economic) rent to arrive at the value of the whole—not the value of the various interests that may make up the whole

Definition of Market Rental Value

Market rental value is the rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open market, at or near the location of the property acquired, assuming reasonable time to find a tenant.

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2) Generally used in addition to the sales comparison approach
3) Capitalization of a property's anticipated net income to derive an indication of its market value
4) Direct capitalization—derive indication of market value of a stabilized income-producing property by applying overall capitalization rate to a property's single-year net income
    a) From market (preferred)
    b) From publications (support only)
5) Yield capitalization—derive indication of market value of an income-producing property with varying forecasted income or expenses, typically using discounted cash flow (DCF) analysis. Forecasts of net income, expenses, cash flow, other factors over a holding or projection period are required
    a) Limited use in eminent domain
    b) Testing highest and best use feasibility
    c) Support for other approaches
    d) Before and after leasehold values
6) Critical to have market support for all components:
    a) Income
    b) Expenses
    c) Capitalization/discount rates
7) Comparable leases
    a) Extracted from market
    b) Same or similar highest and best use
    c) As close to the effective date of value, as possible
    d) Data verified by a party to the transaction
    e) Physical inspection
    f) Market data to support adjustments

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8) Expense analysis
   a) Vacancy and credit (collection) loss
   b) Operating expenses
   c) Reserves for replacement (replacement allowances)

Subject property Operating history

Similar **competitive buildings** in the market area data

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Reconciliation
Final Opinion of Market Value

7. Reconciliation and final opinion of market value
    a. Reconciliation process
        1) Critical to appraisal development
        2) Careful examination of subject property and market data
        3) Highest and best use and larger parcel analysis for consistency and accuracy
        4) Reconciliation occurs throughout the appraisal process
        5) Approaches to value
            a) Supporting data for consistency and accuracy
            b) Adjustment processes (i.e., sales comparison approach, income capitalization approach)
            c) Quality and extent and level of supporting data
            d) Multiple data sources strengthen the final estimate of value
    b. Final opinion of market value
        1) Critical to appraisal development
        2) Not formulaic (e.g., averaging)
        3) Logical analysis

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Problem #7:

What are your thoughts as to whether or not the following uses meet the larger parcel test of contiguity (or proximity) as it bears on the highest and best use?

1. Pineapple plantation on one island and processing plant on another island.
2. Timber tract separated from the lumber mill.
3. Livestock feeding/milking facility and waste disposal land.
4. Restaurant and parking.
5. Golf course separated from clubhouse or front nine holes separated from back nine holes.
6. Farm/ranch buildings separated from farm/ranch lands.

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8. Partial acquisitions
   a. Many acquisitions acquire:
      1) A fee interest in only a portion of the larger parcel
      2) An interest less than fee simple
   b. Appraisal requirements
      1) Before and After Rule (Federal Rule)
         a) Applies in all partial acquisition appraisals
         b) Appraiser develops a market value before the acquisition and a market value after the acquisition
         c) Allows for the calculation of a reasonable measure of compensation
         d) The difference (result) includes the value of the part acquired, compensable damages and/or special (direct) benefits to the remainder property
         e) **Two separate appraisals within the same assignment**

Before Acquisition Value
- <u>After Acquisition Value</u>
Difference

         f) Allocation of difference between the before and after values into its component
            i. Appraisals for Department of Justice: not typical
            ii. Appraisals for other clients: may allocate (e.g., under Uniform Act)

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2) Damages

a) Federal Rule and State Rule may differ on which items may be compensable and which items may be non-compensable

Before Acquisition Value
- <u>After Acquisition Value</u>
Difference

<u>Allocation of Difference*</u>
Value of the Part Acquired
Compensable Damages to the Remainder

*** Accounting Tabulation**

i. If questions, consult counsel

b) Claim for compensable damages is a diminution in the market value of the remainder (e.g., highest and best use change or intensity change, balanced farm to an unbalanced farm)

c) Must be established factually and analytically, not assumed nor based on speculation

d) On occasion, damage to the remainder may be cured by remedial action (i.e., cost to cure)

e) Cost to cure is a proper measure of damage when the cost is no greater than the damages to the remainder if not cured ("left as it stood")

f) Cost to cure includes the direct costs, indirect costs, and, if appropriate, entrepreneurial profit

g) Even when a cost to cure is appropriate, the remainder property is valued in its uncured condition

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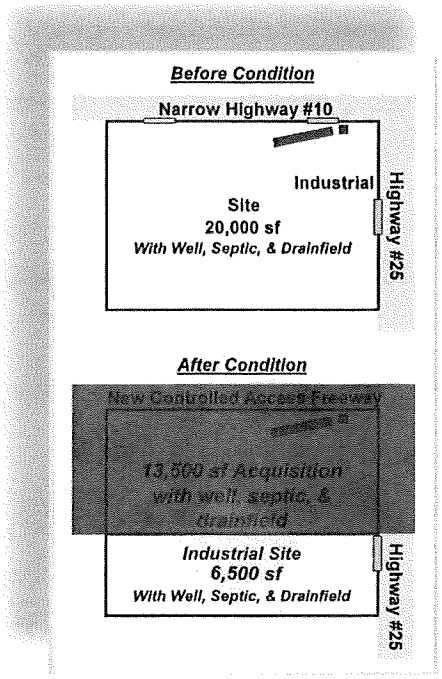
PROBLEM #8:

The subject property is an industrial site containing 20,000 sq.ft. Site improvements include a well and septic system. Access is good.



Sales indicate a before value of $50/sq. ft., well and septic system included.

The agency will acquire 13,500 sq. ft. to construct a controlled access highway.

In the after situation, the property will contain 6,500 sq. ft. There are no site improvements. Access is fair.

Sales indicate an after value of $20/sq. ft.

The appraiser reports the values as follows:

Before:	20,000	Sq. Ft.	x	$ 50.00	Per Sq.Ft.	=	$	1,000,000
After:	6,500	Sq. Ft.	x	$ 20.00	Per Sq.Ft.	=	$	130,000
Taking:	13,500	Sq. Ft.			Difference	=	**$**	**870,000**

Difference is 'allocated' as follows: 1.

Value of acquisition	**(13,500 sf x $50/sf)**	=	$	675,000
Damages to remainder	**(6,500 sf x $30/sf)**	=	$	195,000
	Total	=	**$**	**870,000**

1. Accounting Tabulation

A well and septic system, built to regulations, can be installed on the remainder for $50,000 plus $12,500 for effects of delay and entrepreneurial incentive. ($62,500)

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2.) Cost-to-Cure Analysis:		VERSUS
Value of acquisition *(13,500 sf x $50/sf)*	=	$ 675,000
Plus: Damages to Remainder (Cost-to-Cure)	+	$ 50,000
Plus: Time to Complete Cost-to-Cure *(Section D-4)* & Profit *(15%)*	+	$ 12,500
Difference	=	$ 737,500

Which Method Should Be Employed?

1.) Before & After Method	=	$ 870,000
2.) Cost-to Cure Method	=	$ 737,500
Difference Between Methods *(Savings)*	=	$ 132,500

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3) Benefits
   a) Federal Rule and State Rule may differ on what constitutes general (indirect) benefits and what constitutes special (direct) benefits
   b) Whether the benefit is general or special is a fact/law question and counsel should be consulted
   c) Examples: creating water frontage, better road frontage, improved drainage, upward shift in highest and best use
   d) Must be established factually and analytically, not assumed nor based on speculation
4) Offsetting of benefits
   a) Special (direct) benefits may offset the contributory value of the part acquired and any damages to the remainder property

Before Acquisition Value (excluding any direct enhancement or diminution resulting from the project)
- <u>After Acquisition Value</u> (including any damages and/or special (direct) benefits

Difference

   b) Federal Rule and State Rule may differ
5) Takings plus damages procedure (State Rule)
   a) Used in federal condemnation and in rare situations (e.g., when strict adherence to Federal Rule will create costly and/or difficult burdens on appraiser)
      i. Minor fee or easement acquisitions
      ii. Minor or no damages to the remainder
      iii. Appraisal cost is unwarranted
   b) Appraiser
      i. Determines the larger parcel
      ii. Develops an opinion of the part acquired as it contributes to the larger parcel

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iii. Adds minor damages, if appropriate, to the opinion of the part acquired

Facts

Parent Tract: 5,000 acres

Taking = 2 acres

Taking: Along part of southeast bound of property. Not anywhere near roadways or utilities

5,000 acre tracts sell for about $500/acre

2 acre tracts sell for about $4,500/acre

Damages to fencing are identified.

Cost to cure = $750

Taking Plus Damages, the value opinion is:

2 acres @ $500/acre	=	$1,000
Cost to cure	=	750
Total	=	$1,750

9. Leasehold acquisitions
   a. Leasehold estate in all or portion of a property
   b. Right to use and occupy for an identified time period
   c. Requirements
      1) Market rent and highest and best use
         a) Market rent definition

Definition of Market Rental Value

Market rental value is the rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open market, at or near the location of the property acquired, assuming reasonable time to find a tenant.

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b) Highest and best use determination

i. Selection of comparable rents

ii. Marketability study

2) Leasehold estate acquired

a) Agency

i. Must provide appraiser a leasehold estate description

b) Appraiser

i. Must understand the estate to be acquired and impact on market value

ii. Must convert periodic market rent to a lump sum present value or payment (present worth of 1 per period factor or by DCF analysis)

iii. Should apply a market derived, supported discount rate

iv. Must be mindful that government acquired leasehold estate may vary from private market leases

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Table 1. Common Differences Between Private and Government Leases

Adjustment Factors	Private Leases	Federal Leases
Measurements	Typical for market—often BOMA based	Generally inconsistent with local market and/or standards such as BOMA or IPMS
Term (duration)	Typical for market (e.g., five years)	Shorter or longer terms—often unusual (e.g., 33 months)
Base rent	Dollar per square foot monthly in advance	Lump sum in advance, or monthly in arrears
Rent adjustments	Index leases, graduated leases, percentage leases	Level payment over term (no adjustments) or adjustments built into lump sum
Expenses	Full service, gross, modified gross, net	Expense stops not included. May include excess janitorial, security services
Parking	x spaces per x square feet	More or less spaces than market norm
Tenant improvements (TIs)	Landlord provides dollar amount for tenant improvements (TIs)	No tenant improvements (TIs)
Rent concessions	Landlord provides free rent dependent on size and length of lease	No rent concessions
Renewal options	Established in lease	May condemn another term if needed
At lease end	Lessor retains TIs	May allow the government to destructively remove specialized equipment
At lease extension/renewal	Market rent for finished out space	Government won't pay twice for TIs already paid for

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3) Larger parcel concerns
   a) Agency
      i. May acquire a leasehold interest in only a portion of larger parcel
   b) Appraiser
      i. Must consider possibility of damages to the remainder property
      ii. Should consult with agency/counsel where damages may be significant

10. Temporary acquisitions
   a. Temporary construction easements (TCEs)
      1) Generally acquired in conjunction with a permanent acquisition
      2) Used for initial construction of the improvement
      3) After construction, expires and unencumbered land reverts
      4) Usually based on market rent for the affected area for the TCE's term
      5) Usually compensation for TCEs is nominal
      6) Shortcut method of estimation

Unencumbered land's fee value x reasonable rate of return x easement term

         a) Not technically correct, but generally accepted
         b) Not acceptable if indicated compensation is more than nominal
      7) When compensation is more than nominal appraiser must use proper appraisal methodology

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Problem #9:

In situations that are not handled administratively and as a shortcut to ordering a full appraisal, thereby saving public funds, agencies often use a shortcut method to estimate the value of a TCE.

Unencumbered land's fee value x reasonable rate of return x easement term

Facts:

- A TCE will encumber 1,000 sq. ft. of parking area on a 40,000 sq. ft. property
- Underlying fee has a value of $2.50/sq. ft.
- TCE's term is one year
- Typical market returns for public parking areas are 10% of fee value
- There are no damages to the remaining 39,000 sq. ft.

1. Calculate the rent loss.

2. The problem lays out rationale for using this shortcut approach. Do you think that is the correct method?

3. Even though the amount is seemingly "nominal," would you abide by the Yellow Book's, "The rent loss associated with a TCE should be used as the basis for an adjustment to the remainder property's after value, not as something to be added to the difference between the before and after value of the property"?

4. How do you or agencies you work with define "nominal"?

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8) TCEs may restrict use of the unencumbered portion
   a) Often, appraiser applies the rent loss to all lands affected
   b) If rented for a lesser use during the TCE's term, measured by before and after rent differential
9) **TCEs are not independent and compensation cannot be added to the permanent acquisition**

b. Rights of entry (temporary access easement)
   1) Examples: environmental testing, surveying, inspection, borings
   2) Rights of entry are treated in same manner as TCEs—rights of entry are often so short and their purpose so restricted that agencies do not require an appraisal, but make administrative nominal compensation determinations

c. Temporary inverse takings
   1) May be physical or regulatory
   2) Measure is the same as TCEs
   3) Differences from TCEs
      a) Amount of indicated compensation
      b) Usually involves
         i. Whole ownerships
         ii. Substantially longer time periods
   4) Often involve written legal instructions to appraiser (e.g., effective date, duration/extent of alleged taking)
   5) May temporarily change the use of land for its highest and best use to a secondary use

> Rental value of the land taken for the term of the taking.
>
> ===
>
> Substitution of a return on fee value of the land for an opinion of the rental value of the land is not generally an accepted alternative.

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Before Market Rent	**(highest and best use for the duration of the taking)**
- <u>After Market Rent</u>	**(for its secondary, but allowable, use during the taking period)**
Difference	

<

a) **Essential** counsel and appraiser work together

11. Acquisitions involving natural resources
    - Requires specialized training and experience (USPAP COMPETENCY RULE)
    - Critical first step:
        - Identify property rights to be acquired and the ownership interests into which may be divided
        - Appraiser and agency must work together
    - Common elements to all natural resource appraisals
        - Unit Rule
        - Highest and best use
        - Larger parcel

    a. Unit Rule
        1) Property must be valued as a whole
        2) Constituent parts are considered as they enhance or diminish the value of the whole
        3) Avoid cumulative or summation appraisals

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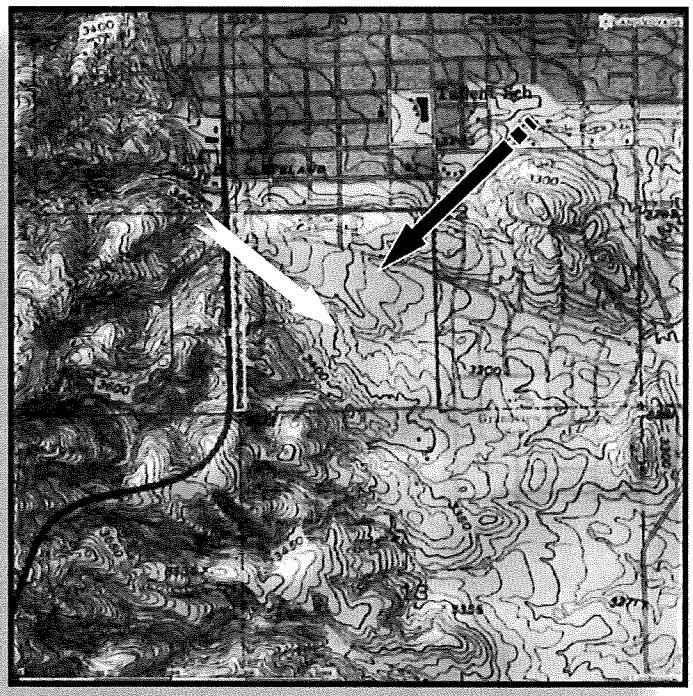
Problem #10:

Larger Parcel (*white*)

Yellow Book appraisal for DOT using federal funds. Taking (*black*) for widening existing 2-lane road into 4-lane limited access highway with median.

The property owner and appraiser meet for the property inspection.

Owner indicates area sales are $100,000/acre, with the higher values for residential subdivision and estate lots.



Appraiser is aware of the sales and others that also support these prices.

A week later the DOT appraisal chief has informed the appraiser that a local land trust has a conservation easement that prevents any use of the property.

The appraisal chief suggests the agency may do an appraisal waiver valuation (less than $10,000 value).

1. Has the appraisal assignment changed?

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b. Highest and best use

1) Critical element

First step: Market analysis to determine market supply and demand for the resource. If no market, the commodity's quantity and quality need not be determined. Provides foundation regarding marketability, price, competition.

Second step: If a market exists for the resource, a supported determination of *legal permissibility* to extract/harvest/etc. and *physical characteristics* of the property's resource. Special expertise may be required.

Third step: Analyze and understand expert reports.

Fourth step: Adopt expert reports **if** the expert reports were prepared to appropriate standards, are sound, are adequately supported.

Fifth/Sixth steps: Identify the most likely purchaser and user/perform a larger parcel determination. A larger parcel analysis may require an examination of the resource beyond the land being acquired that meets the three larger parcel tests.

Seventh step: Develop an opinion of value.

c. Special considerations for mineral properties

Caution: An assignment involving minerals should include direction from the client relative to the nature of the minerals and, where appropriate, legal instructions regarding any specific jurisdictional requirements

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1) Mineral property valuations can be highly complex
2) Identification of property rights and interests is fundamental
3) Mineral properties are identified as part of problem identification process
4) Comprehensive understanding of rights and interests to be appraised is critical to the sales comparison approach and income approach
5) Distinction between working interest and royalty interest in oil and gas industry
6) Contributing and noncontributing interests created in hard rock mining
7) In the sales comparison approach, the selection and evaluation of comparables, and in the income approach, the selection of methodology, are driven by the interests being acquired and valued

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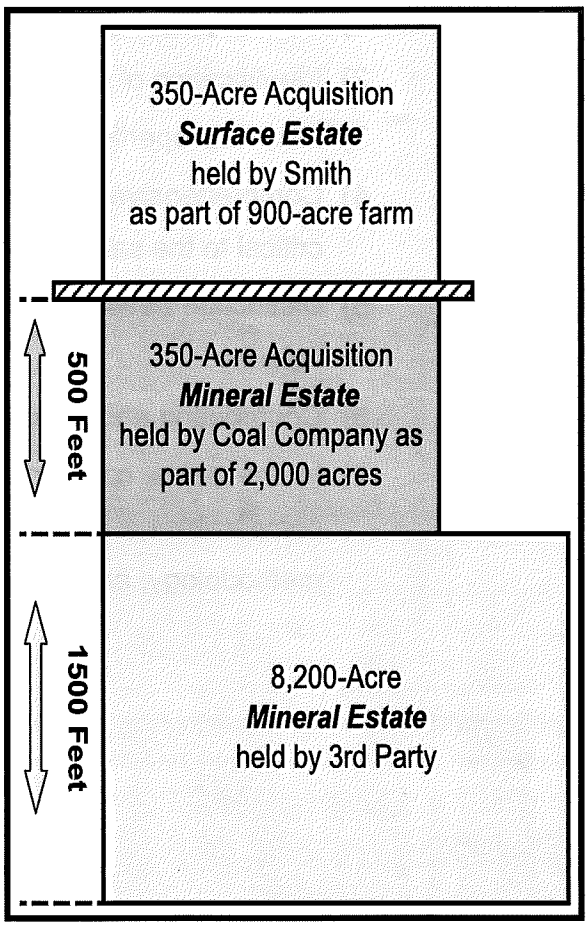
Problem #11:

The US Bureau of Prisons acquired 350 acres (*yellow*) for a new facility historically used as a 900-acre farm.

The mineral estate was split:

- One to a depth of 500 feet (*grey*)
- A second from 501 feet to 1,500 feet (*blue*)

The prison officials, to avoid tunneling, also acquired the underlying mineral estate to the 350-acre portion to a reasonable depth.



1. What is/are the larger parcel(s)?

_____

_____

_____

2. How many appraisal reports will be prepared?

_____

_____

_____

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8) Sales comparison approach
   a) Normally the most reliable approach for minerals and other property types
   b) Cannot "default" to the income capitalization approach or other valuation method
   c) Appraiser must understand level of information concerning mineralization found on the subject property and comparable sales
   d) Significant variables include: rights conveyed, conditions of sale, presence of multiple ores, access for extraction, topography, cover, transportation availability, distances to smelters/refineries
   e) Must understand the interplay of the real property components and identify where the real property ends and the business interest begins
   f) Sales verification is critical (assistance of experts may be required)
   g) Unit of comparison generally mirrors market participants
9) Income capitalization approach
   a) Valid, but not exclusive if comparable sales are available
   b) Especially applicable with property already being mined
   c) Only consider the income the *property* will produce, not income the *business* produces
   d) Most appropriate method is yield capitalization, DCF analysis
   e) *Royalty income* not *business income or profit* (royalty income approach)
   f) Creation of a detailed mining plan is often required
      i. Royalty rate
      ii. Unit sale price

> **In valuing mineral properties using the income capitalization approach, "[g]reat care must be taken, or such valuations can reach wonderland proportions."**
>
> — ***United States v. 47.14 Acres of Land in Polk Cty.*, 674 F.2d 722, 726 (8th Cir. 1982).**

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iii. Projected annual production

iv. When production will begin and projected years of production

v. Discount rate

- Critical
- Derived from and supported by market data

d. Special considerations for forested properties

1) Determination if property has **merchantable** timber and, if so, if it is **marketable** and saleable

2) Sufficient volumes

3) Merchantable timber may contribute to value

4) Pre-merchantable timber may or may not contribute to value

5) Timber cruise is critical

6) In some cases, may be included in land value

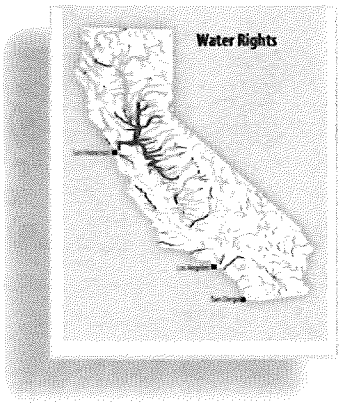
7) Sales comparison approach

a) Unit of comparison based on common local market practices

8) Income capitalization approach

a) Consider all factors (e.g., lumber selling price, absorption period, harvesting/transportation costs, costs of sales, profit)

b) Market-supported discount rate



e. Water rights

1) Established under state, rather than federal, law

2) Sales in the same district or drainage basin

3) Appraiser needs to consider: water-rights seniority, past demands, drought, past depletion type of use, historic place of use, conversion, demand, statutory, limitations on transferring place of use, other factors

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4) Consult with agency and counsel

5) Recommend written instructions in Statement of Work or a supplemental instruction

12. Special considerations in appraisals for inverse condemnations

a. Involves a threshold question of government liability

b. Government may contest the landowner's claim that a taking occurred for which just compensation must be paid

c. Appraisers may develop opinions in connection with liability phase, compensation phase, or both

d. Liability phase—physical taking

1) Liability issue is fairly straightforward

e. Liability phase—regulatory taking

1) Court-developed tests (including economic impact test)

2) Economic impact test involves valuation of property before and after the government's action

3) When conducting analysis, appraiser's application of the larger parcel tests may vary from direct acquisition or condemnation

4) Appraiser may need to disregard the unity of title test and value the entirety of the originally acquired tract

f. Compensation phase—physical and regulatory takings

1) Appraiser develops an opinion of the market value before and after the taking, as of the date of the taking, provided by legal counsel

2) Appraiser will generally utilize same larger parcel tests applied in direct acquisitions or condemnations, confirmed with legal counsel

3) Imperative appraiser and legal counsel understand what the appraiser's valuations are intended to measure

4) Continual contact is essential

a) Counsel determines *what* to measure

b) Appraiser determines *how* to measure

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13. Special considerations in appraisals for federal land exchanges
    a. Must be voluntary and parties must reach agreement on value
    b. Exchanges are discretionary and voluntary
    c. Not exempt from valuation litigation and/or adequacy of appraisal report
    d. Most are accomplished pursuant to the Federal Land Policy and Management Act of 1976 (FLPMA), as amended
    e. Appraisers must confer with agency
    f. Two agencies most actively involved: US Forest Service and Bureau of Land Management
        1) Both have regulations and both require some modifications of these Standards
        2) Regulations define appraisal, highest and best use, and market value and appraisers must use these definitions
    g. May complete feasibility analysis
    h. Qualified appraiser must be acceptable to all parties and approved by authorized officer
    i. Client: federal agency
    j. Intended users: federal agency and private landowners
    k. If any party issues instruction to make an extraordinary assumption or hypothetical condition in conflict with exchange regulations, Agreement to Initiate Exchange (ATI), or these Standards, the appraiser must advise the client of the conflict
    l. Major technical difference between appraisals prepared for federal land exchange purposes and those typically prepared under these Standards relates to:
        1) Appraisal of multiple tracts
        2) Determination of the larger parcel

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m. Because the complexity of appraising multiple tracts for exchange purposes and their treatment is often fact specific, agencies **must provide written instructions** and appraiser must insist on instructions

14. Supporting experts opinions and reports
    a. An adequately supported opinion of market value often requires expert assistance
    b. Retained by consultant or by agency
    c. Consultant selection must be by both appraiser and agency
    d. Types of special consultants include:

- Fixture appraisers
- Environmental engineers and auditors
- Civil engineers
- Cost estimators and contractors
- Market experts
- Feasibility and planning experts
- Statisticians
- Geologists/mining engineers/mineral specialists
- Hydrologists
- Timber cruisers/foresters/forestry engineers
- Communications experts

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e. Appraiser

1) Cannot merely accept consultant report as accurate
2) Must analyze report and adopt
   a) If reasonable
   b) Adequately documented
   c) Supported
3) Cannot simple add secondary valuation reports to the land value without proper analysis
4) Must consider components as they contribute to the market value of the whole (Unit Rule)

15. Appraisers as expert witnesses

a. Appraiser

1) Actually prepares or is principally responsible for developing the appraisal and appraisal report
2) Thoroughly prepared to testify, if necessary

b. Confidentiality

1) Appraisers' valuations and supporting appraisal reports are confidential
2) Appraisers must adhere to USPAP's ETHICS RULE, Confidentiality section

"An appraiser must protect the confidential nature of the appraiser-client relationship." (USPAP, Page 10)

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Section V Quiz: True or False?

1. Yellow Book Standards modifications are not allowed.
2. The Yellow Book is consistent with USPAP.
3. The agency may recognize scope of work modification when the acquisition is not complex and meets the agency's requirements.
4. The Yellow Book Standards require appraisers to provide an opinion of just compensation.
5. Market value, prepared to Yellow Book Standards, is linked to a specific opinion of exposure time.
6. A hypothetical condition may be used in an assignment if the appraiser complies with the disclosure requirements in USPAP.
7. Any increase or decrease (i.e., project influence) in market value prior to effective date caused by the government project must be disregarded.
8. The Before and After Rule results in an amount that includes the value of the part acquired, compensable damages, and/or general and special benefits.
9. Compensable damages are separately appraised.
10. A marketability study is the detailed analysis of the subject property and its economic environment.
11. Acceptable highest and best use conclusions include public interest uses.
12. A larger parcel determination is analyzed simultaneously with highest and best use.
13. The State Rule (Taking Plus Damages) may be used when strict adherence to the Federal Rule will create costly and/or difficult burdens.
14. Special considerations in appraisals for inverse condemnations include both liability (i.e., regulatory and physical) and compensation (i.e., regulatory and physical) phases.
15. In utilizing supporting experts' opinions and reports, the appraiser may accept the secondary valuation report without analysis.

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VI. Appraisal Reporting

- Addresses report
  - Content
  - Documentation
  - Additional content and documentation requirements for appraisal reports to be used by appraisers for testimony under Rule 26(a)(2)(B)
- Does not establish absolute requirement for appraisal report formatting. Appraisers should examine the appraisal contract or assignment letter for report formatting requirements

A. Appraisal Reports

1. Oral appraisal reports
   a. **Not permitted**
   b. Inconsistent with intended use and intended users
   c. Even with workfile, does not satisfy agency recordkeeping
   d. Cannot be reliably reviewed
   e. Number of intended users make it impractical
2. Restricted appraisal reports
   a. **Not permitted**
   b. Cannot be reviewed to the level of detail required
   c. Intended user is restricted to the client only
   d. Others will use and rely on the report
3. Rule 26(a)(2)(B) of the Federal Rules of Civil Procedure
   a. Requires a written report, prepared and signed by the expert that contains the following statements:

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- the appraisal was developed and the appraisal report was prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*;
- the appraisal was developed and the appraisal report prepared in conformance with the Appraisal Standards Board's *Uniform Standards of Professional Appraisal Practice* and complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and
- the appraiser has made a physical inspection of the property appraised and that the property owner, or [his][her] designated representative, was given the opportunity to accompany the appraiser on the property inspection.

b. Appraisal reports prepared in accordance with these Standards normally satisfy i., ii., iii.

c. Appraiser resumes typically do not include iv., v., vi. and must be supplemented

d. Appraiser

1) Who may testify in federal trial/deposition **must** comply

2) Even when testimony is not anticipated, **may** wish to comply

4. Electronic transmission of appraisal reports

a. Common

b. Appraiser responsible for security

5. Draft reports

a. Agency may request draft report of all or a portion prior to final report

b. Scope of work issue

c. Draft reports are:

1) Not signed

2) Labeled/identified as a draft

d. Allowed in litigation due to a change to Rules of Civil Procedure, which makes them undiscoverable

e. Appraiser must produce workfile if requested during discovery

f. Trial counsel identifies what in the workfile is not discoverable and what may be protected under privilege

g. Appraiser must ensure the draft is unsigned and labeled/identified as a draft

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h. If signed or not marked draft, it can be discoverable

B. Report Formats

- Four-part appraisal report for total acquisition appraisals (See Appendix B)
- Seven-part appraisal report for partial acquisition appraisals (See Appendix C)
- Are recommended guides that agencies can modify as appropriate
- Present content and documentation in a logical progression
- Tell the story of the appraisal

1. Introduction

a. Title page

1) Name

2) Street address

3) Agency assigned tract or parcel number

4) Name and address of the individual(s) making the report

5) Effective date of the appraisal

b. Letter of transmittal

1) Date of letter

2) Identification of the property

3) Identification of the rights appraised

4) Reference the letter is accompanied by an appraisal report

5) Effective date of the appraisal

6) Identification of any:

a) Hypothetical conditions

b) Extraordinary assumptions

c) Limiting conditions

d) Legal instructions

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Discussion #3:

The appraiser assumed the property was a fee-simple estate and starts to appraise the property. A title report, prepared after the assignment started, indicated a split mineral estate in a jurisdiction where minerals are the dominant estate and, therefore, may limit the property's utility for inclusion into a wildlife refuge.

What are the appraiser's next steps?

Do you think uncovered situation is a hypothetical condition or an extraordinary assumption or neither?

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e) Value opinion (in a partial acquisition the value of larger parcel before the acquisition and remainder property after the acquisition, the difference)

f) Appraiser's signature

c. Table of contents

1) Major parts and subheadings

2) Addenda items listed individually

d. Appraiser's certification

1) Signed and consistent with USPAP STANDARD 2 certification requirement

2) Following statements related to these Standards

a) Appraiser's additional certification

- the appraisal was developed and the appraisal report was prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*;
- the appraisal was developed and the appraisal report prepared in conformance with the Appraisal Standards Board's *Uniform Standards of Professional Appraisal Practice* and complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and
- the appraiser has made a physical inspection of the property appraised and that the property owner, or [his][her] designated representative, was given the opportunity to accompany the appraiser on the property inspection.

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3) Opinion of market value of subject property as of the effective date
4) If acquisition is a portion of the whole or property rights appraised, include the market value of the:
    a) Whole property as of the effective date
    b) Remainder property after the acquisition
    c) Difference between them as of the effective date
5) May include items required by:
    a) Law
    b) Appraiser's professional organization(s)
6) Appraiser should avoid adding non-pertinent certifications to the specific assignment. For example:
    a) Reference to Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)
    b) Certifying an opinion of just compensation

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Problem #12:

A Yellow Book appraisal report contained the following Appraiser's Certification.

APPRAISER'S CERTIFICATION

Project No. _____

Project Name _____

Town of _____

County of _____

State of _____

Map No.: __, Parcel No.: __

Property Owner: _____

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed a prior real property appraisal for the same client, as an appraiser regarding the property that is the subject of this report within the three-year period of the effective date of this report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and *Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)*.
- I have made a personal inspection of the property that is the subject of this report.
- I have not afforded the property owner of the property owner's designated representative the opportunity to accompany me on the property inspection.
- a staff assistant provided significant real property appraisal assistance to the person signing this certification.
- that my opinion of the just compensation due the property owner for this partial acquisition as of _____ day of _____ 201_ is Two hundred twenty-five thousand ($225,000) dollars.

R. P. Appraiser
R.P Appraiser
Certified General Appraiser
Certification No._____
_____ __, 201_

There are seven errors. How many can you locate (and what are they)?

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e. Executive summary

1) Report major facts and conclusions that led to the final opinion(s) of value

a) Identification of the property appraised

b) Highest and best use of the property (before and after the acquisition, if a partial acquisition)

c) Brief description of improvements (before and after the acquisition, if a partial acquisition)

d) Indicated value by each approach employed (before and after the acquisition, if a partial acquisition)

2) Report major facts and conclusions that led to the final opinion(s) of value

a) Final opinion of value (before and after the acquisition, if a partial acquisition)

b) Any:

i. Hypothetical conditions

ii. Extraordinary assumptions

iii. Limiting conditions

iv. Legal instructions

c) Effective date of the appraisal

f. Photographs

1) Tips

a) Appraiser should be guided by the knowledge that the government may be unable to acquire the property voluntarily and may take possession of the property well before the question of value is settled and property may be substantially altered and improvements demolished

b) Can never have too many photographs in workfile and those in the report must be meaningful

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g. Statement of assumptions and limiting conditions

1) If necessary to the appraisal must be stated
2) Any agency or special legal instructions must be referenced and a copy included in the addenda
3) If appraisal made subject to encumbrances they must be identified and stated
    a) Unacceptable to state property has been appraised as if free and clear of all encumbrances, except as stated in the body of the report
4) Avoid "boilerplate"
5) Cannot alter
    a) Appraisal contract
    b) Assignment letter
    c) Scope of work
6) Unauthorized hypothetical conditions, assumptions, limiting conditions may result in appraisal report disapproval
7) In a partial acquisition, identify
    a) Hypothetical conditions
    b) Assumptions
    c) Limiting conditions

    that are authorized and apply to:

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i. Both the before and after acquisition appraisals

ii. Only the appraisal of the larger parcel before the acquisition

iii. Only the appraisal of the remainder

8) **If a client or legal instruction has not been provided in writing, it is not considered a binding instruction**

9) If appraiser accepts an oral instruction, appraiser becomes wholly responsible

10) Reference to a client or legal instruction without a copy in the addenda will not be acceptable justification for acceptance or adoption of the instruction and may result in disapproval of the appraisal report

h. Description of scope of work

1) Identify the problem identification elements to be solved

a) Client

b) Intended users

c) Intended use

i. Provide an opinion of market value as of a specific date

ii. In a partial acquisition, provide an opinion of market value of the larger parcel before the acquisition and the market value of the remaining property after the acquisition

d) Definition of market value

Definition of Market Value

Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property.

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e) Effective date

f) Property characteristics

g) Assignment conditions

2) Describe the investigation and analysis undertaken

a) Geographical area and time span searched for market data

b) Type of market data researched

c) Extent of market data confirmation

d) State the references and data sources relied on

3) Discuss applicability of approaches to value and explain exclusion of any approach

4) Identify and explain implications of any adopted

a) Hypothetical conditions

b) Extraordinary assumptions

Which must be included and labeled under the scope of work

5) Must include any legal instructions in the addenda

Written authorization from the client **prior to** using any hypothetical condition and/or extraordinary assumption

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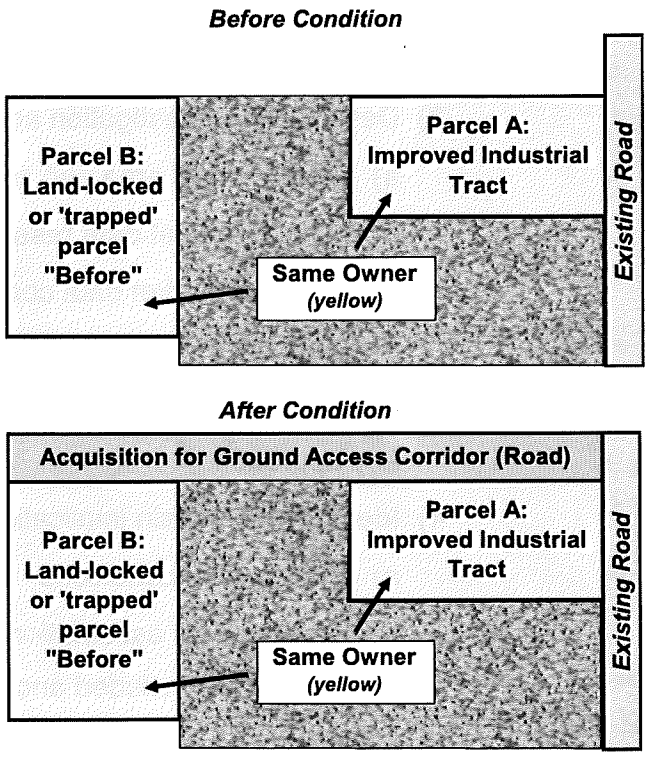
Problem #13:

Parcel A and B have unity of title, but are physically separated in the before condition.

A proposed road will acquire a narrow strip of land along the northern boundary. While the two parcels will still be physically separated in the after condition, Parcel B will no longer be landlocked.



1. What is the larger parcel before the acquisition?

2. What is the remainder parcel after the acquisition?

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2. Factual data—before acquisition (the before acquisition steps are also applicable to a total acquisition report format)
   a. Legal description
   b. Area, city, and neighborhood data
   c. Site
   d. Building improvements
   e. Site improvements
   f. Fixtures
   g. Use history
      1) State briefly as vacant and as improved
      2) If improved
         a) State the purpose for which the improvements were designed
         b) Dates of original construction
         c) Dates of major renovations, additions, conversions
      3) Include a 10-year history of the use and occupancy of the property
      4) Must report if any information is indeterminable
   h. Sales History
      1) Include a 10-year history of all sales and, if available, any offers to buy or sell
      2) If no sales in past 10 years, must report the last sale, irrespective of date
      3) Information to report
         a) Name of seller and buyer
         b) Date of sale
         c) Price and terms and conditions of sale
         d) Appraiser's verification and whether it meets conditions required for a comparable sale under Section 1.5.2.2. Selection and Verification of Sales
   i. Rental history
      1) Include at least a 3-year rental or lease history, if available

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2) All current leases should be reported
    a) Date of lease
    b) Name of tenant
    c) Rental amount, term of lease
    d) Parties responsibility for expenses
    e) Other pertinent lease provisions
    f) Appraiser's verification and whether it meets conditions required for a comparable lease

j. Assessed value and annual tax load
    1) Include
        a) Current assessment
        b) Amount of real estate taxes
        c) If assessed value is statutorily a percentage of market value, state the percentage
    2) Assessment based on current use vs. assessment based on highest and best use
        a) Often relates to farmland, timberland, open space
        b) Owner may agree to retain use for a certain time period
        c) Appraiser should report the current assessed value and taxes for existing use **and** estimated assessed value and tax load at the highest and best use

k. Zoning and other land use regulations
    1) Must report in descriptive terms, not by zoning code
    2) Must report other land use regulations
    3) Must report recent rezoning and determine
        a) If resulted from the project. If yes, must justify conclusion and disregard rezoning
        b) If rezoning is imminent or probable, discuss
    4) Mere assertion could be rezoned is insufficient

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5) Must identify all other land use and environmental regulations that have an impact
6) Must discuss impact of any private restrictions

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Problem #14:

The property contains 20 acres. It is currently zoned for single-unit residential use with a minimum lot size of 20 acres.

The appraiser concludes developing the tract into 5-acre lots is physically possible and financially feasible.

1. To determine what is legally permissible, what is the appraiser's next step?

2. Is that adequate, or does the appraiser need to do more?

3. What exactly?

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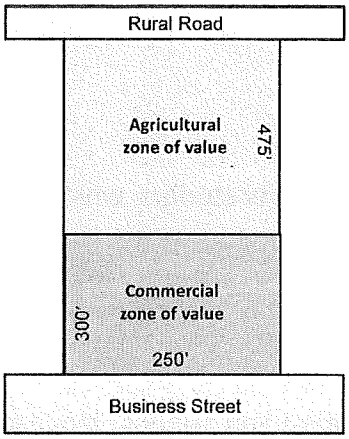
Problem #15:



The subject property is a 4.59-acre parcel with two zones of value. There is no zoning. Most of the land along Business Street is commercial (to a depth of 300 ft.) and most of the land along Rural Road is agricultural. As there are no legal or physical impediments between the zones' dividing line, that line can "float" between uses.

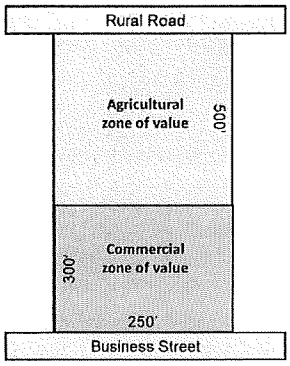
The government will acquire a parcel 25 ft. x 250 ft. (6,250 sq. ft.) from the Business Street frontage.

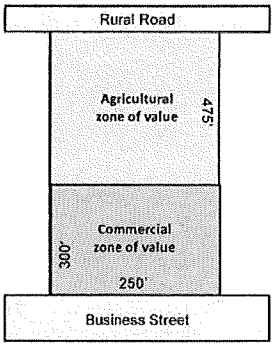
1. What is the larger parcel before acquisition?

2. What is the remainder parcel after acquisition?

Land in commercial areas is valued at $10/sq. ft. Land in agricultural areas is valued at $3,500/acre.

3. What is the market value of the parcel to be acquired?





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3. Data analysis and conclusions—before acquisition
    a. Highest and best use
        - One of the most important elements
        - First, as if vacant
        - Second, as improved (if improved)
        - May require extensive marketability and/or feasibility studies, which may require special consultants' conclusion

        1) Four tests
            a) Legally permissible
                i. All legal constraints should be described and impact discussed
                ii. If highest and best use requires rezoning, discuss investigation and analysis of probability, report in sufficient detail to understand conclusion
                iii. If highest and best use requires government approval, discuss investigation and analysis of probability, report in sufficient detail to understand conclusion
            b) Physically possible
                i. Physical impacts that influence use and value should be described in adequate detail for client and intended users to understand how they influence highest and best use
            c) Financially feasible
                i. Should describe all feasibility or comparative studies so client and intended users can understand analysis for their elimination
            d) Maximally productive (and results in the highest value)
                i. Discuss analysis and conclusions that led to highest value
                ii. Should identify timing of use and likely purchaser and user

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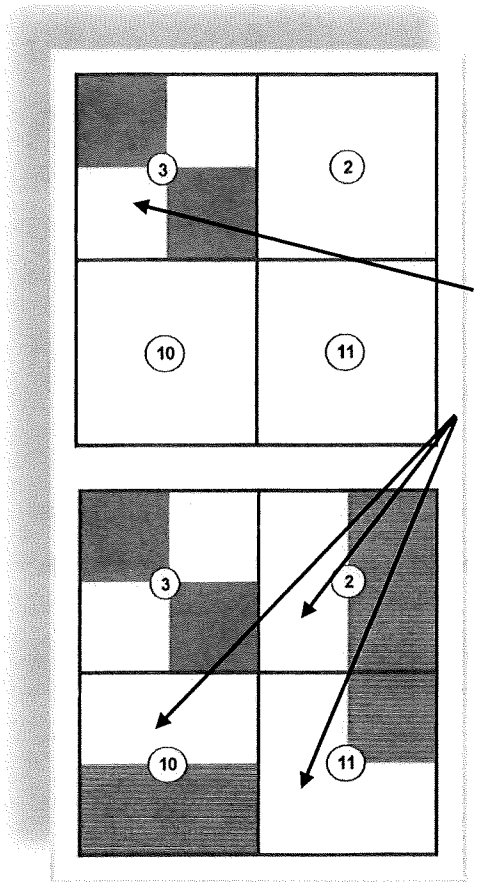
Problem #16:



The Diamond Group owns vacant Tract 3.

Members of the Diamond Group also own vacant Tracts 2, 10, and 11.

Should the appraiser undertake a larger parcel analysis?

If no, why not?

If yes, how should the appraiser proceed?

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2) Larger parcel
   a) Must describe the factual basis and analysis underlying conclusion
   b) Three tests
      i. Unity of ownership
      ii. Unity of highest and best use
      iii. Contiguity (or proximity) as it bears on the highest and best use
   c) Tests reported in sufficient detail for client and intended users to understand conclusion
   d) Larger parcel and highest and best use
      i. Integrated concepts
      ii. Must be analyzed simultaneously
      iii. Terms are linked:
         - The **larger parcel** is the tract or tracts of land that possess a unity of ownership and have the same, or an **integrated, highest and best use**

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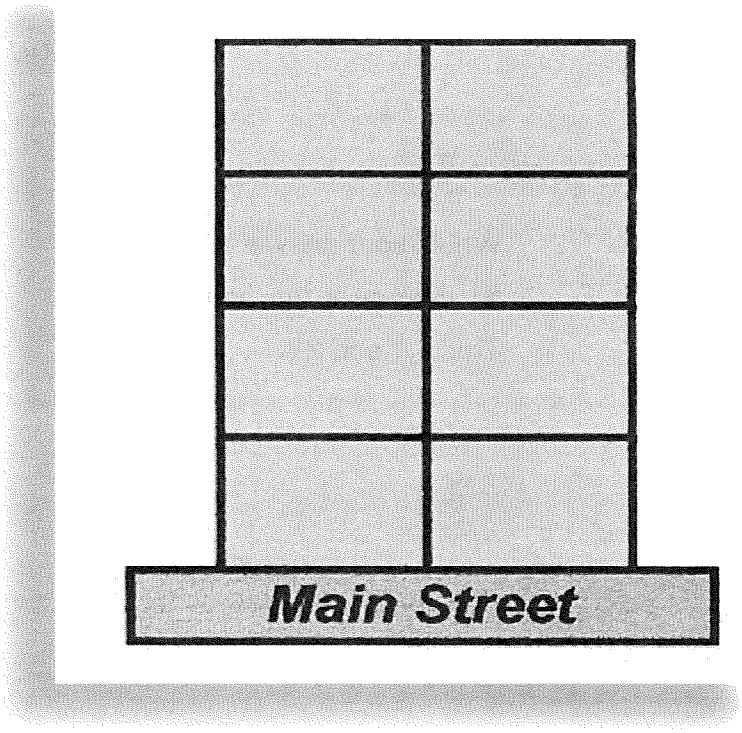
Problem #17, Scenario #1:

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)



Eight tracts of land under the same ownership have been platted (undedicated) into five-acre parcels.

What is the larger parcel?

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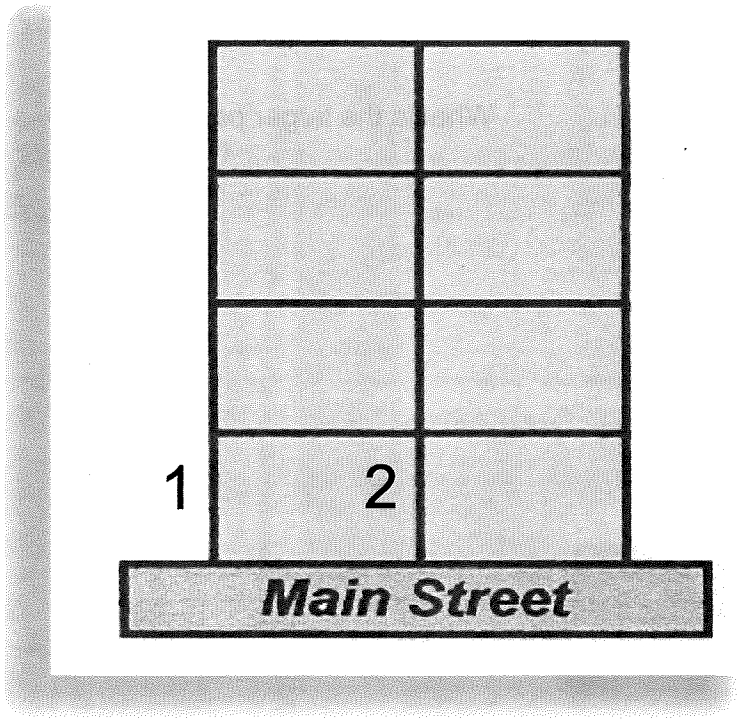
Problem #17, Scenario #2:

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)



Would your answer to Scenario #1 change if the acquisition is Tracts 1 and 2?

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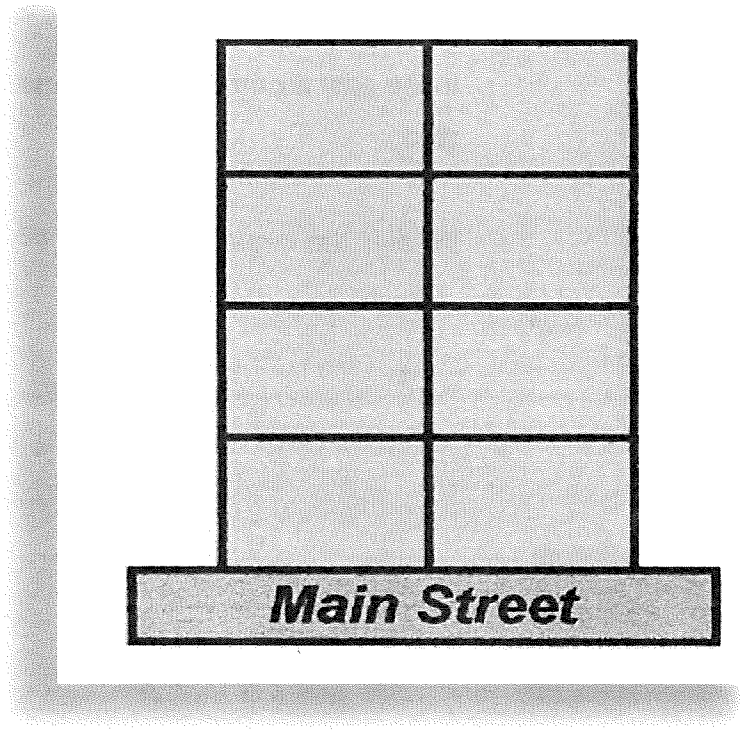
Problem #17, Scenario #3:

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)



The same eight tracts of land have now been surveyed.

Roads have been constructed and utilities extended to each tract.

The tracts have been on the market for five years and none have sold.

What is the larger parcel?

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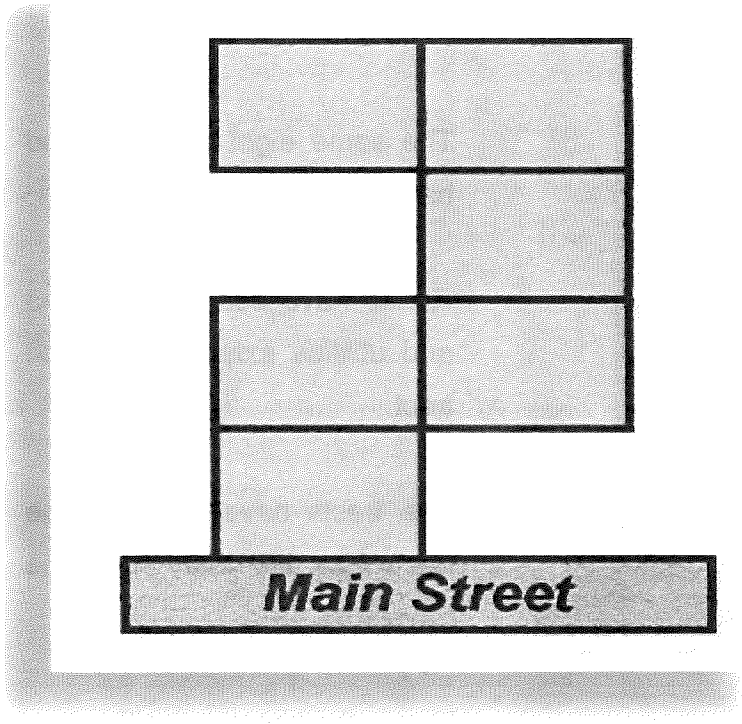
Problem #17, Scenario #4:

1. Unity of title
2. Unity of use as relates to HABU
3. Contiguity (proximity)



In the past six months, two tracts sold.

What is the larger parcel?

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b. Land valuation

1) Must report an opinion of land value at its highest and best use, as if vacant and available for that use
2) If comparable sales are available, sales comparison approach preferred
3) In rare cases, subdivision development method may be appropriate
4) Sales comparison approach
   a) Must provide detailed descriptions of confirmed land sales with the same or similar highest and best use
   b) Each comparable sale should, at a minimum, include:
      i. Date of transaction
      ii. Price paid
      iii. Names of buyers and sellers
      iv. Size
      v. Location
      vi. Zoning and other legal constraints
      vii. Physical characteristics
      viii. Identification of person who confirmed transaction
   c) Consider adjustments between comparable sales and subject property and adjust for differences
   d) Must summarize adjustments in a grid with each adjustment supported with market data
   e) Data and analysis must provide sufficient detail for client and intended users to understand the appraiser's data, analysis, and logic
5) Subdivision development method

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a) In circumstances when property has a highest and best use for subdivision development and the appraiser developed the method, the report must address the market derived and market supported

Lot sale price	Expenses
Absorption rate	Absorption period
Development costs	Discount rate (DCF)

b) **Not a preferred approach and rarely accepted**

c. Property valuation

1) Cost approach

a) Should be in a computational data form, arranged sequentially

b) Data source:

i. **If** national service, source of all figures: book and page, including last revision

ii. **If** contractor or professional cost estimator, data should be referenced and report included in addenda

iii. Entrepreneurial profit must be considered and, when possible, developed from market

c) Depreciation must be explained:

i. Physical deterioration

ii. Functional obsolescence

iii. External (economic) obsolescence

2) Sales comparison approach

a) Must contain sufficient description of comparable sales for client and intended users to understand the conclusions

b) Comparable sale documentation

i. Name of buyer and seller

ii. Date of sale

iii. Legal description

iv. Type of sale instrument

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v. Document recording information

vi. Price

vii. Terms of sale

viii. Location

ix. Zoning

x. Present use

xi. Highest and best use

xii. Brief physical description of property

xiii. Plot plan or sketch

xiv. Photographs

xv. Comparable sales map

c) Adjusting comparable sales

i. Quantitative adjustments

- When adequate market data exists
- Made first (if both quantitative and qualitative adjustments are used)

ii. Qualitative adjustments

- Only when quantitative data does not exist
- Often require more extensive discussion of reasoning
- May require greater number of comparable sales

iii. Quantitative and qualitative adjustments are not mutually exclusive

d) Developing a final opinion of value

i. Must explain the comparative weight given to each comparable

ii. Must include a comparative adjustment chart or graph

3) Income capitalization approach

a) Must contain adequate factual detail to support each fact and factor and arranged to show:

i. Estimated (potential) gross market income

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ii. Vacancy and credit (collection) loss

iii. Itemized estimate of total operating expenses

iv. Itemized estimate of reserves for replacements (replacement allowance)

v. Net income

b) Capitalization

i. Technique, method, rate: explained in narrative form, supported by statement of sources of rates and factors

ii. Rate: prevailing for property type and location

iii. Rate: reflected from comparable sales (preferred)

c) Current rent

i. If property rented, often best indicator of economic (market) rent (but not automatically assumed)

ii. Should be given appropriate consideration in developing the (potential) gross income

iii. Should attempt to obtain last three years historic income and expense statements (if available, include in this portion of report or in addenda)

4) Reconciliation and final opinion of market value

a) Must explain:

i. Reasoning applied to arrive at final opinion of value

ii. How results of each approach were weighted

iii. Reliability of each approach to solve the particular problem

b) Must state as a single amount including contributory value of fixtures, timber, minerals, water rights, if any

i. Avoid making a summation appraisal

c) Appraiser is solely responsible for final opinion of value. If opinion includes estimates by others, reasonableness must be confirmed

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4. Factual data—after acquisition (partial acquisitions only)
    a. Legal description
        1) Must include legal description of remainder
            a) If not available, may develop own (utilize before legal description and exclude acquired legal description)
            b) If estate acquired is less than fee interest, legal description may be referenced and legal description of encumbered property included
            c) If lengthy, briefly reference and include full legal description in addenda
    b. Neighborhood factors
        1) Must describe government project and its impact, if any, on the neighborhood and remainder property
        2) Degree of detail should relate to project's complexity and its impact on remainder property
        3) Aspects of the project that will result in damages to remainder property should be described in detail

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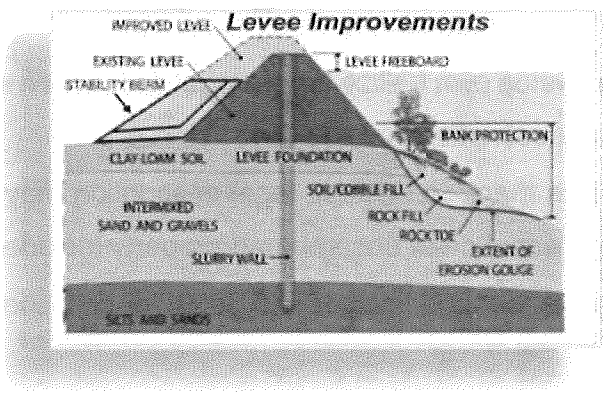
Problem #18:



In the after acquisition, the appraiser must describe the project and its impact, if any, on the neighborhood and remainder property. The degree of detail should relate to project's complexity and its impact on remainder property.

The government's acquisition is a permanent easement through the parcel for construction of a flood control levee with associated temporary construction easements. (See sketch.)

What factors might you describe about the project and its impacts on the remainder property, if any?

_____

_____

_____

_____

_____

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c. Property data

1) Site

a) Describe remainder site

i. Shape

ii. Size

iii. Available utilities

iv. Available access to remainder

v. All requirements listed in Section 2.3.2.3.1. Site

2) Improvements

a) Describe improvements remaining in whole or in part, addressing all requirements listed in Section 2.3.2.3.2. Improvements

3) Fixtures

a) Describe fixtures remaining, addressing all requirements listed in Section 2.3.2.3.3. Fixtures

4) If unchanged, may be referenced

5) History

a) If appraisal after date of acquisition, must report:

i. Utilization of remainder property since date of acquisition

ii. Any sales or rentals of the remainder property, addressing all requirements listed in Section 2.3.2.3.4. Use History, 2.3.2.3.5. Sales History, and 2.3.2.3.6. Rental History

6) Assessed value and tax load

a) If appraisal after date of acquisition, must report estimated assessed value and annual tax load to remainder property

b) Critical in income capitalization approach

c) Address requirements listed in Section 2.3.2.3.7. Assessed Value and Annual Tax Load

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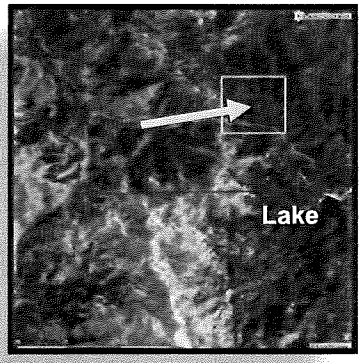
Problem #19:

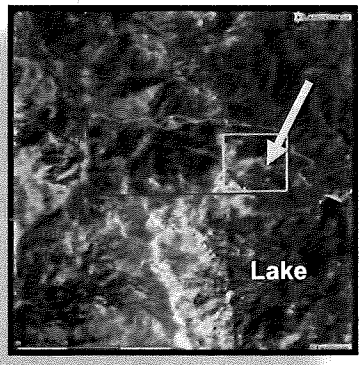
1st Acquisition



The tract is a 6,000-acre parcel (*red*) under one ownership. It is adjacent to an alpine lake/recreation area with recreation use.

The agency, under a voluntary fee simple acquisition, requires a Yellow Book appraisal on 1,000 acres (*yellow*).

2nd Acquisition



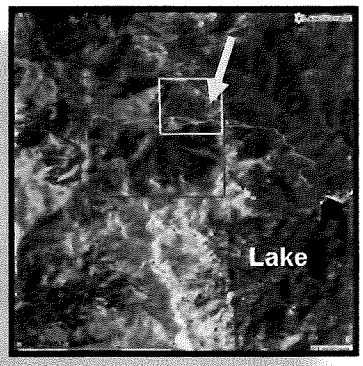
The agency directed, and the appraiser agreed, the 1,000-acre tract is the larger parcel.

The following year, the agency engaged the appraiser to value a second 1,000-acre tract.

1. What is the larger parcel?

The third year, the agency engaged the appraiser to value a third 1,000-acre tract.

3rd Acquisition



2. What is the larger parcel?

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7) Zoning and other land use regulations
   a) Must report influence on remainder property
   b) Specific attention to
      i. Probability of a rezoning, either up or down
      ii. Possibility the remainder property is nonconforming
      iii. Addressing all requirements listed in Section 2.3.2.3.8. Zoning and Other Land Use Regulations

5. Data analysis and conclusions—after acquisition (partial acquisitions only)

   Note: "These analyses and valuation sections relating to the remainder property constitute a **new appraisal**. In cases of an insignificant taking, the remainder may be so similar to the larger parcel before the acquisition that the same highest and best use analysis and the same cost, market, and income data and analysis will remain applicable and can therefore be referenced and employed in reporting the opinion of the market value of the remainder property. However, a change in the basic physical or economic character of the remainder may result in a change in the remainder's highest and best use or the intensity of that use and may result in damages or benefits, which will require different market data and/or analysis than that which was used in the larger parcel valuation." (emphasis added) (Yellow Book, pg. 69)

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a. Highest and best use

1) State and explain for remainder land, as if vacant, and remainder property, as improved
2) Impacts of the acquisition or its intensity must be specifically addressed and described
3) If restoration or rehabilitation of the remainder will be required before it can be put to the highest and best use, physical and economic feasibility must be explained and justified
4) Major restoration or rehabilitation may require an expert
5) If the acquisition includes a TCE or other temporary interest, the effect on remainder property's highest and best use must be discussed

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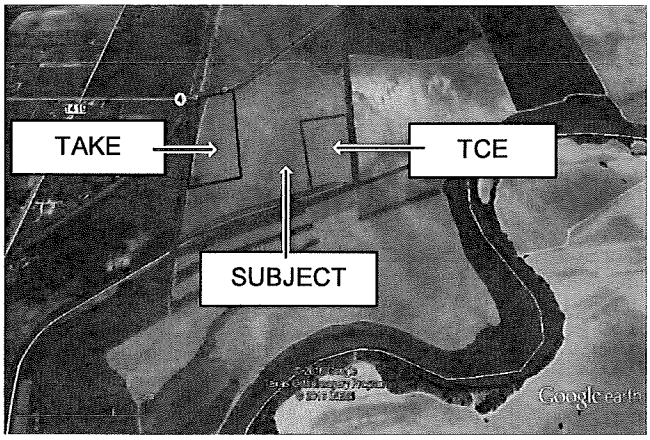
Problem #20:



The subject property is a 40-acre tract that is 100% tillable farmland. The property is located along the route identified for the erection of a border protection facility. Ten acres of the tract will be acquired in fee and 10 acres will be encumbered by a TCE for a staging area. The TCE will expire 12 months from the date of taking. The taking of the property for both uses is simultaneous and is by Declaration of Taking.

Prior to the announcement of land acquisitions for the protection facility, land sales in the area ranged from $4,800 to $5,200 per acre with most clustering at $5,000 per acre. Rental rates for similar land in the area range from $175 per acre to $190 per acre with most rentals falling between $179 per acre and $181 per acre.

There are several sales of acreage that have either closed since the announcement of the protection facility or have been negotiated since the announcement of the protection facility. The sales range from a low of $4,000 per acre to a high of $5,000 per acre with most occurring within the narrow range of from $4,450 to $4,550 per acre. The sales that have been negotiated, but have not closed, fall within the same parameters.

1. What are the indicated before and after market values for this part of the project?

2. How would they be presented when reporting them?

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b. Application of the approaches to value—after acquisition

1) Land valuation

a) Must develop an opinion of the market value of the remainder land at its highest and best use, as if vacant and available for that use

b) If the acquisition includes one or more TCEs, the impact on remainder property must be accounted for in the land valuation after acquisition

c) Any diminution in remainder land value by reason of temporary easement must be measured in accordance with Section 1.9.1 and used as basis for adjustment to remainder's land value

d) Diminution in remainder's land value by a temporary easement should **not** be treated as an additive to the before and after value difference

e) Diminution in remainder's land value **is** expressed as an adjustment

2) Property valuation

a) Cost approach—Section 2.3.3.3

b) Sales comparison approach—Section 2.3.3.4

c) Income capitalization approach—Section 2.3.3.5

d) Reconciliation and final opinion of market value—must describe reasoning applied to arrive at final opinion of value addressing all the requirements in Section 2.3.3.6. Reconciliation and Final Opinion of Market Value

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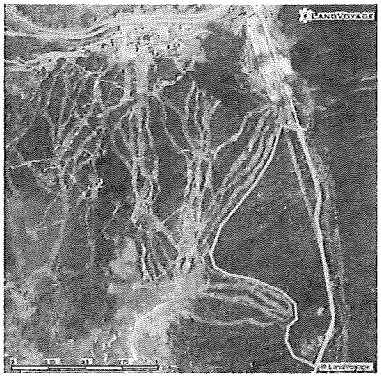
Problem #21:



- The assignment is to appraise federal land (*yellow*) abutting a ski resort.
- Plans show incorporation of land into a private resort for a lift, two runs, and condo units.
- The tract could not be used economically as a "stand-alone" parcel for ski resort purposes.
- The appraiser disregards the intended use and concludes the highest and best use for timber production of "sustained agriculture" in accordance with its present use.

1. Do you agree with the appraiser?

2. What is the highest and best use if the land had been held privately?

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6. Acquisition analysis (partial acquisitions only)—if the appraisal report is being prepared for condemnation trial purposes, trial counsel for the United States may instruct the appraiser to omit these sections.
   - Applicable only in partial acquisition appraisals
   - Must report the difference between value of the larger parcel and the value of the remainder by deducting the after value from the before value

   a. Allocation and damages
      1) Identified to assist agencies to meet obligations under the Uniform Act
      2) Must briefly explain any damages to remainder property and allocate the difference in value of the property before and after the acquisition between the value of the acquisition and damages to remainder
      3) **Should note the allocation is an accounting tabulation and not necessarily indicative of the appraisal method**
      4) If measured by a cost to cure, must justify the cost and demonstrate it is less than the damage if the cure was not undertaken

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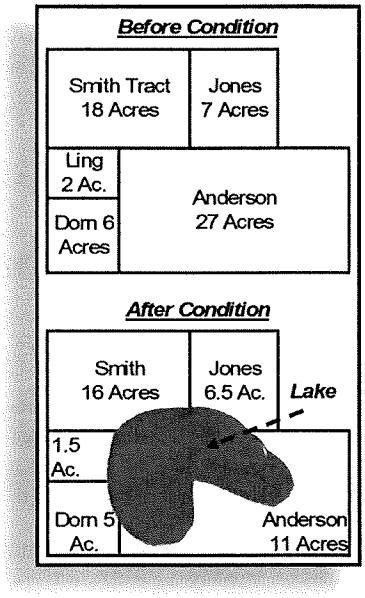
Problem #22:

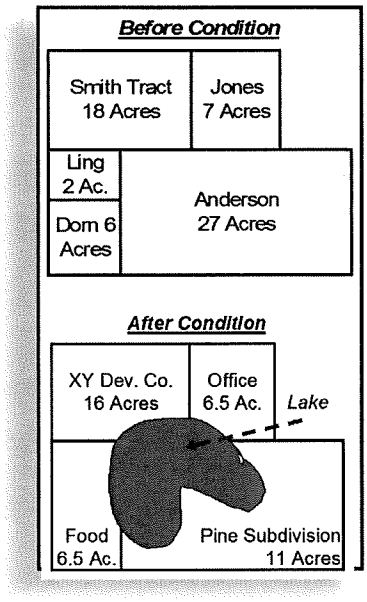


The government project provides for the construction of a small lake, in an area where no lakes or recreational areas exist.

There are a number of properties that have partial takings.

After the lake is constructed, the remainders will have lake frontage.

1. Is this a general (indirect) benefit or a special (direct) benefit?



The area has become a resort community with an influx of construction capital and tourist dollars.

2. Is this a general (indirect) benefit or a special (direct) benefit?

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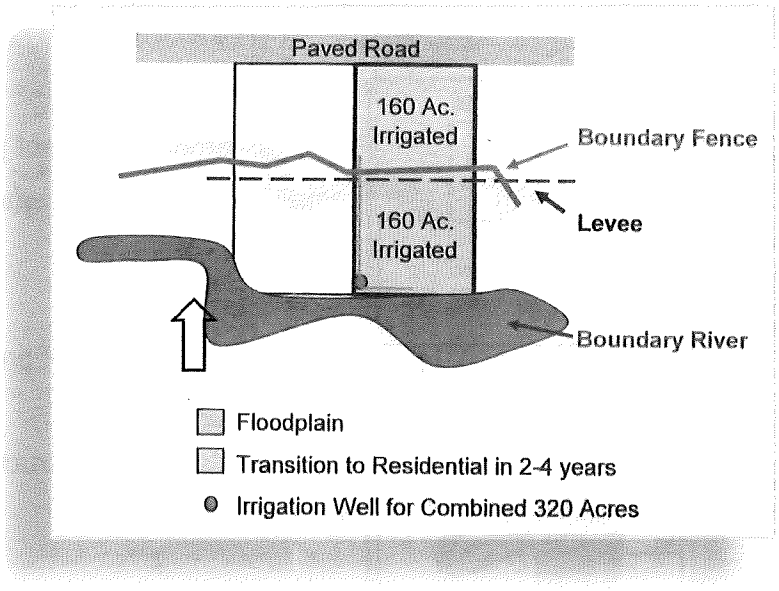
Case Study #1

The Agency requests an appraisal for an acquisition of four acres for a boundary fence (*red*).



The total ownership is 320 acres. Access before the acquisition is provided by the paved road along the north boundary. Land east and west of the subject is owned by other private individuals. There is an easement on the quarter-section line for a levee (*black dashed line*), which has been in place across the subject for 22 years.

The levee easement is held by the International Boundary Water Commission (IBWC) and allows access across the levee from north to south by the landowner only.

The 320 acres is all irrigated with the irrigation well in the southwest corner of the southern portion (*green circle*). Underground irrigation supply lines extend north from the well to the northern 160 acres, which is allowed by the levee easement.

The parcel is three miles from a regional population center that has experienced strong population growth. The northern 160 acres is in transition to residential uses with anticipated absorption in 2–4 years. The southern 160 acres is in the floodplain and cannot be used or rezoned for anything other than agriculture or recreational uses.

1. What is the larger parcel?
2. Why?

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b. Special benefits

1) Identified to assist agencies to meet obligations under the Uniform Act

2) Must identify any special (direct) benefits accruing to remainder property and explain how and why these occurred

7. Exhibits and addenda

a. Legal instructions

1) Must be presented (e.g., hypothetical conditions, extraordinary assumptions)

b. Location map

1) Display subject property location within city or area

2) Include a north arrow

3) Identify the subject property

c. Comparable maps

1) Comparable land sales

2) Comparable improved sales

3) Comparable rentals

4) Show the locations of the subject property and comparable sales and/or rentals

5) If an unreadable map scale is required, secondary maps should be included

6) Include a north arrow

d. Details of comparable sales and rental data

1) May be included in the body of the report

2) Must include photographs

e. Plot plan

1) Should:

a) Help reader visualize property and scope of appraisal considerations

b) Depict entire property including dimensions and street frontages

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c) Show structural improvements in approximate locations, significant on-site improvements and easements

d) Note the improvements dimensions

e) Include a north arrow

f) Include photographs (location from which each subject photograph was taken and direction, identification number)

g) Identify the remainder area and its dimensions

h) Show any significant project construction features for which property being acquired

i) Show, if the subject property or area acquired is complex, a separate plot plan

j) Identify remainder area and dimensions

f. Floor plan

1) Only necessary if:

a) Leasehold acquisition

b) Unique property feature

g. Title evidence report

1) If agency provides, included or referenced

h. Other pertinent reports and exhibits

1) Might include, among others

a) Written agency or counsel-provided instructions

b) Specialty reports

c) Pertinent title documents

d) Charts and illustrations that may have been previously referenced

i. Qualifications of appraisers

1) All who made significant contributions to the assignment

2) If for trial purposes, must include conformance with Rule 26(a)(2)(B) of the Federal Rules of Civil Procedures

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C. Reporting Requirements for Leasehold Acquisitions

- Provide the framework for reporting results for a leasehold appraisal
- Additional reporting requirements for these special assignments

1. Property rights appraised
   a. Must clearly discuss terms of leasehold estate to be acquired
   b. Any differences between government's lease and typical market rent leases must be described and analyzed
2. Improvements description
   a. Must address all exterior and interior building improvement features
   b. Must describe physical location of government's leasehold space in the building in sufficient detail to allow client and intended users to understand the impact, if any, on the rest of the building
3. Highest and best use
   a. Must describe factual basis and analysis concerning highest and best use of the building in which leasehold is located, including entire building
   b. Must present the larger parcel analysis developed, which will dictate whether a before and after valuation must be performed
   c. Critical:
      1) In determining the building's position in the market
      2) In situations where the property is located in a transitional market

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D. Reporting Requirements for Project Acquisitions

1. Some projects require acquisition of many real property appraisals at the same time
2. It may be logical to include appraisal of more than one parcel in a single report
3. Separate opinions of value must be developed
4. May be acceptable for agency negotiation under the Uniform Act and initial US Department of Justice review
5. Rarely conducive for litigation
6. The project appraisal report format consists of three major parts:
   a. Part I: Introduction, General Factual Data, and Analysis
      1) (1) Title Page
         a) Government project title
         b) Number of individual parcels
         c) Name and address of the individual(s) making the report
         d) Date appraisals prepared
      2) (2) Letter of Transmittal
         a) Date of letter
         b) Identification of the government project
         c) Number of parcels included in the report
         d) Statement of range of effective dates
         e) Identification of any:
            i. Hypothetical conditions
            ii. Extraordinary assumptions

A project appraisal report may be appropriate if:

(1) All parcels are total acquisitions OR all are partial acquisitions of a nominal and/or consistent nature;
(2) All parcels are vacant OR all have similar improvements;
(3) All parcels are located within a geographic area with a relatively similar land use pattern;
(4) All parcels have the same or similar highest and best use;
(5) The most relevant approach to value is the same for all parcels; and
(6) The same array of market data can be relied on in the valuation of each parcel.

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iii. Limiting conditions

iv. Legal instructions relating to all properties

f) Appraiser's signature

3) (3) Table of Contents

a) Major appraisal parts and subheadings must be listed

b) Location of each individual parcel report must be identified

c) Addenda items must be individually listed

4) (4) Executive Summary

a) Should report the value findings for each parcel

b) Include:

i. Agency assigned parcel number

ii. Effective date of the value estimate(s)

iii. Value conclusion(s)

iv. If large number of parcels, alphabetical listing by owner's name

c) Partial acquisitions

i. Include before value, after value, and difference

5) (5) Statements of Assumptions and Limiting Conditions

a) All universally applied must be listed

b) Individually applied should not be included, but noted in individual parcel reports

6) (6) Scope of Work – see Section 2.3.1.8. Scope of Work

7) (7) Area, City, and Neighborhood Data

a) Partial acquisitions

i. Two sections: before acquisition and after acquisition

8) (8) Zoning and Other Land Use Restrictions

a) General discussion of all affected parcels

b) General discussion of land use regulations and recent zoning activity

c) Partial acquisitions

i. Two sections: before acquisition and after acquisition

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Problem #23:

As part of an airport expansion, the regional airport authority is acquiring aviation easements. The easements will restrict the building height to a maximum of 35 ft.

The current zoning in the project area is Commercial—Office (C-O-6), which allows the construction of buildings up to and including 6 stories in height.

A second district, in close proximity to the project area, is zoned Commercial—Office (C-O-3), which allows the construction of buildings up to and including three stories in height.

The subject property is a vacant 5-acre parcel in the project area and is zoned Commercial-Office (C-O-6). As part of the data analysis, the Agency's appraiser conducts a marketability study. The study concludes that, based on significant recent land sales ($125,000/acre) and the resultant development of those sites with moderately high-rise (4-6 story) office buildings, that is the highest and best use for the subject property.

With the imposition of an avigation easement, limiting development to 35 ft. over the entire parcel, the appraiser expanded land sales research. The appraiser's search located numerous land sales in nearby C-O-3 zoned areas for $85,000/acre.

1. What is the market value of the subject property before the imposition of the avigation easement?

2. What is the market value of the subject property after the imposition of the avigation easement?

3. What is the difference?

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9) (9) Analysis of Highest and Best Use
   a) As all parcels will have same or similar highest and best use, should discuss and develop
   b) If a parcel has a different highest and best use, it should be excluded and a separate report prepared
   c) Partial acquisitions
      i. Two sections: before acquisition and after acquisition

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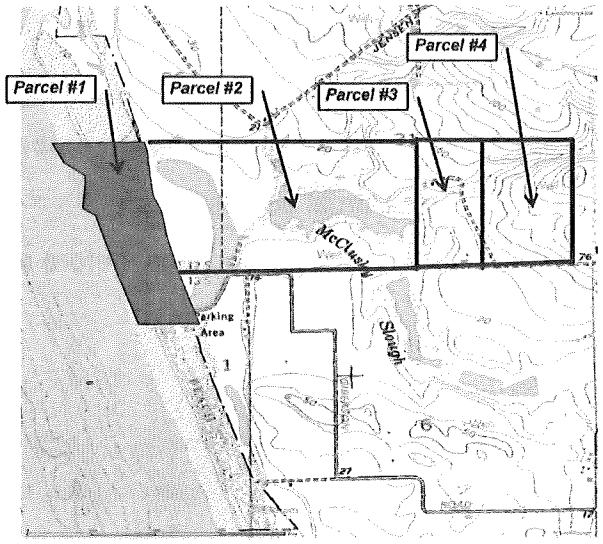
Problem #24:

Parcel 1 (*green*) is vacant beachfront property and Parcels 2, 3, and 4 are vacant slough and low-lying tracts sloping to the ocean.

Major population center within 10 miles.

Zoning varies from recreation to compatible residential uses—and can be changed for development into marina if tracts can be used together



	Title Recorded	***Corp. Stockholders***
Parcel #1:	Marina Corporation	Smith, ***Jones***, Long
Parcel #2:	McClusky Corp.	***Jones***, Wilson, Steel
Parcel #3:	Edge-Water Corp.	Long, ***Jones***, Cooper
Parcel #4:	Back-Beach Corp.	Steel, ***Jones***, Ely, Smith

1. Can, or should you consider the four tracts as a single larger parcel?

2. What larger parcel test is involved?

3. What investigation should you undertake?

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10) (10) Discussion of Approaches to Value
    a) Discuss approaches and applicability
    b) Modification to an approaches' application should be discussed
    c) Partial acquisitions
        i. Two sections: before acquisition and after acquisition
11) (11) Land Valuation
    a) Identify, describe, and discuss all comparable land sales
    b) Discussion of how comparable sales will be used in the individual reports
    c) Reference to comparable sales data sheets, photos
    d) Comparable sales map must be included
    e) Universal adjustments
        i. Should be discussed and developed
        ii. Include market conditions, cash equivalency, other non-subject property dependent
    f) Special studies (e.g., size adjustment study) discussed
    g) Partial acquisitions
        i. Two sections: before acquisition and after acquisition
    h) Generally, if a parcel requires land valuation by means other than comparable sales, the parcel should not be included in the project report
12) (12) Cost Approach
    a) Describe methodology to develop reproduction or replacement cost and depreciation estimates
    b) If national cost service used, publication should be identified
    c) If depreciation studies using market extraction or sales comparison method were developed, should discuss and report conclusions
    d) Partial acquisitions
        i. Two sections: before acquisition and after acquisition

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13) (13) Sales Comparison Approach
    a) Identify, describe, and discuss all improved comparable sales
    b) Discussion of how the comparable sales will be used in the individual reports
    c) Reference should be made to comparable sales data sheets, photos
    d) Comparable sales map must be included
    e) Universal adjustments
        i. Should be discussed and developed
        ii. Include market conditions, cash equivalency, other non-subject property dependent
    f) Partial acquisitions
        i. Two sections: before acquisition and after acquisition
14) (14) Income Capitalization Approach
    a) Identify, describe, and discuss all comparable rental properties
    b) Discussion of how the comparable rentals will be used in the individual reports
    c) Reference should be made to comparable rental data sheets, photos
    d) Comparable rental map must be included
    e) Capitalization rates
        i. Should be presented
        ii. Should be the same or in a relatively narrow bracket for each individual property
    f) Partial acquisitions
        i. Two sections: before acquisition and after acquisition
15) (15) Special Studies
    a) Present studies appropriate and apply to all, or most, of the parcels
        i. Examples: easements, size adjustments, proximity, land lock, special benefit, project influence
        ii. May relate to the before situation, after situation, or both

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b) Are in addition to capitalization rate, market condition, entrepreneurial profit, depreciation, and cash equivalency studies

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Discussion #4:

1. Draft reports must be signed and clearly labeled "draft" or "work in progress."
2. Regardless of the intended use, all appraisal reports must comply with FIRREA's provisions.
3. In developing and reporting an opinion of value by the income capitalization approach for a mineral property, the income that may be capitalized is the royalty income, and not the income or profit generated by the business of mining and selling the mineral.
4. Some assignments (e.g., Uniform Act) may require allocation of the difference in the property's value before and after acquisition. Is the following acceptable?

Before Acquisition Value:	$250,000
After Acquisition Value:	$200,000
Difference:	$ 50,000

Allocation:	
Part Acquired:	$15,000
Damages to Remainder:	$35,000
Total:	$50,000

5. Prior to the acquisition, the larger parcel was a 15 rural residential site. Comparable sales indicate its market value at $45,000 ($3,000/acre). After the acquisition of a 5-acre strip across the rear of the property, the larger parcel was a 10 rural residential site. Comparable sales indicate its market value at $35,000. There are no damages or benefits to the remainder. How would you report the values?
6. The development and reporting of an appraisal of resource assets is an exception to the Unit Rule.
7. The Yellow Book requires the appraiser to disregard changes in the neighborhood brought about by the government's project, prior to the acquisition, for which the subject property is being acquired. This is a jurisdictional exception and a hypothetical condition.

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b. Part II: Individual Parcel Report

Each individual appraisal report should contain:

1) (16) Title Page
2) (17) Table of Contents
3) (18) Appraiser's Certification
4) (19) Summary of Salient Facts and Conclusions
5) (20) Photographs of Subject Property
6) (21) Statement of Assumptions and Limiting Conditions:
    a) If additions, modifications, deletions are necessary, they must be noted
7) (22) Scope of Work
    a) If additions, modifications, deletions are necessary, they must be noted
8) (23) Executive Summary
    a) Should discuss any specific problem unique to the property and briefly describe its treatment
9) (24) Legal Description
10) (25) Area, City, and Neighborhood
    a) Should discuss any specific problem unique to the property and briefly describe its treatment
11) (26) Property Data
    a) Site
    b) Improvements
    c) Fixtures
    d) Use History
    e) Sales History
    f) Rental History
    g) Assessed Value and Annual Tax Load
    h) Zoning and Other Land Use Regulations

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i. If additions, modifications, deletions are necessary, they must be noted

12) (27) Analysis of Highest and Best Use
    a) Must specifically state both in before and after situations, if a partial acquisition
    b) Thoroughly explain the reasoning to the conclusion
13) (28) Land Valuation
    a) Specifically identify which sales are the most comparable and were relied on in developing the opinion of value
    b) Comparative analysis between each selected comparable sale and subject must be included in the conclusion
    c) If adjustments are based on universal adjustments and/or studies developed in Part I, discussion or study should specifically be referenced and related to the subject
14) (29) Value Indication by the Cost Approach
    a) If computations or estimates are based on studies discussed and developed in Part I, studies should specifically be referenced and related to the subject
15) (30) Value Indication by the Sales Comparison Approach
    a) Must specifically identify which sales are most comparable and were relied on in developing an opinion of value for the parcel
    b) Comparative analysis between each selected comparable sale and the subject must be included
    c) If adjustments are based on universal adjustments and/or studies developed in Part I, discussion or study should specifically be referenced and related to the subject
16) (31) Value Indication by the Income Capitalization Approach
    a) Must specifically identify which rentals are most comparable and were relied on in developing an opinion of the parcel's market rent

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b) Comparative analysis between each selected comparable rental and subject must be included

c) If capitalization rate selected is based on studies discussed and developed in Part I, the study must be specifically referenced and related to the subject property

17) (32) Reconciliation and Final Value Estimate

18) (33) Acquisition Analysis

19) (34) Exhibits and Addenda

a) Location Map

b) Comparable Sales Map

c) Details of Comparable Sales and Rental Data

d) Plot Plan

e) Floor Plan

f) Title Evidence Report

g) Other Pertinent Reports and Exhibits

c. Part III: General Exhibits and Addenda

Exhibits and data should relate to all or most of the parcels. Exhibits and addenda items relating to only one or a small portion of the parcels should be included in the addenda of the individual parcel reports

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1) (35) Location Map
   a) Should
      ii. Include a north arrow
      iii. Identification of the subject parcels
2) (36) Comparable Data Maps
   a) Might include, among others, comparable land sales map, comparable improved sales map, comparable rentals map
   b) Include a north arrow with locations
   c) If comparable data map is not a readable scale, secondary maps should be included in the addenda of individual parcels
3) (37) Detail of Comparable Sales and Rental Data
4) (38) Other Pertinent Exhibits
   a) For example, any written instructions by agency or legal counsel, studies, charts or illustration, referenced in report body and relate to all or most parcels
5) (39) Qualifications of Appraiser

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Section VI Quiz: True or False?

1. Under the Yellow Book, the principal reporting option is a written Restricted Appraisal Report.
2. Draft reports must not be signed and must be labelled as draft.
3. Except in situations where an inspection is not possible (e.g., inaccessibility) the subject property must be inspected.
4. Under the Yellow Book, the appraiser's certification must state the appraisal report was prepared in conformity with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the Uniform Appraisal Standards for Federal Land Acquisitions.
5. Under the Yellow Book, the appraisal report must state limiting conditions, marketing time, and specific exposure time.
6. For the subject property, appraiser must report only a 10-year sales history.
7. When reporting zoning, the appraiser may simply state the zoning code (e.g., C-2).
8. Highest and best use analysis often requires a marketability study.
9. When the appraiser concludes the highest and best use is different from the present use, the appraiser must provide evidence the property is physically and legally adaptable to that use.
10. In the sales comparison approach, quantitative adjustments are generally preferred over qualitative adjustments.
11. In reporting a final opinion of value, the appraiser must develop and utilize the "mean" of the approaches utilized.
12. Project appraisal reports may be appropriate when the properties are similar (e.g., improvements, highest and best uses, land patterns).
13. Allocation of the difference between the before and after values into its components is common in appraisal reports prepared for the US Department of Justice.
14. A cost to cure is a proper measure of damage when the cost is less than the damages to the remainder, if not cured.

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15. The Statement of Assumptions and Limiting Conditions cannot alter the appraisal contract, assignment letter, or scope of work.

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VII. Legal Foundations for Appraisal Standards

A. Introduction

1. Explains legal foundations for:
   a. Appraisal development
   b. Appraisal reporting
   c. Appraisal review
2. Discusses legal standards for recurring valuation problems
3. Guidance for specialized appraisal issues
4. About the sixth edition
   a. Includes case studies and citations to court opinions
   b. Since 2000:
      1) Topics of importance have become less significant
      2) Issues that were controversial or unsettled have been resolved
      3) Some valuation problems remain as vital
      4) While underlying legal principles are unchanged, recent court rulings contain examples applying the law to actual valuation problems
5. Requirements of just compensation
   a. These Standards explain valuation requirements involving "the measure of compensation . . . grounded upon the Constitution . . ." (Yellow Book, pg. 89)
   b. Questions with respect to just compensation must be resolved under federal common law—case law
   c. Case law cited in these Standards result from federal eminent domain, but other federal acquisitions, whether or not condemnation, may be involved
   d. Ensure a just result, ". . . just, not merely to the individual whose property is taken, but to the public which is to pay for it." (Yellow Book, pg. 90)
6. Market value: the measure of just compensation

> **". . . nor shall private property be taken for public use, without just compensation."**
>
> **– U.S. Constitution, amendment v**

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a. Federal courts have held market value as the measure of just compensation

b. Market value a fair measure to compensate loss incurred by an owner

c. **Appraiser *assists* in determination of just compensation**

7. Federal law controls

a. Follow appropriate standards and legal instructions

b. Some problems require nuanced legal instructions

c. If unclear, agencies may find it prudent to procure a dual-premise appraisal

> *United States v. Eastman* (Eastman III), 714 F.2d 76, 77 (9th Cir. 1983), *adopting* 528 F. Supp. 1177 (D. Or. 1981), and aff'g 528 F. Supp. 1184, 1184 (D. Or. 1981) ("dual set of findings" of market value so that "if the Court of Appeals reverses my preliminary [legal] ruling, it may then evaluate the correctness of the alternative finding"); *see United States v. Reynolds*, 397 U.S. 14, 15 (1970) ("There being a conflict between the circuits on this question, we granted certiorari to consider a recurring problem of importance in federal condemnation proceedings.").

d. Federal courts determine title questions in federal condemnation proceedings, but sometimes refer to state law

e. Can acquire any property interest it necessary, whether or not the interest is recognized under state laws

f. Federal law is "wholly applicable" to federal agency condemnations, controlling procedure and substantive matters under Federal Rules of Civil Procedure, Rule 71.1 apply

8. Defining property interests

a. Appraiser cannot develop a market value opinion without knowing what will be acquired

b. Acquiring agency determines nature and extent of property interest being acquired

c. Property interest to be acquired must be described with precision

d. Other considerations may be imposed by specific statutes and regulations

e. " . . . payment need only be made for what is taken, but for all that the Government takes it must pay." (*United States v. Dickinson*, 331 U.S. 745, 750 (1947).)

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f. Market value opinion can only be used for just compensation if it reflects market value of precise property interest being acquired

g. If appraiser is provided with incorrect or outdated legal description, the resulting market value opinion will be of little or no use

> **An interest is a legal share in property, such as a right to possess, use or convey it to another. An estate is the amount, degree, nature, and quality of a person's interest in property. The broadest possible estate is fee simple absolute (often shortened to fee simple or fee).**

B. Market Value Standard

Under established law, measure of just compensation is the market value of property acquired on the date appropriated. (Owner is entitled to receive what a willing buyer would pay in cash to a willing seller at the time of the taking.)

> * *Kirby Forest Indus., Inc. v. United States*, 467 U.S. 1, 9-10 (1984) (internal quotations & citations omitted); *accord Miss. & Rum River Boom Co. v. Patterson*, 98 U.S. 403, 407-08 (1878).

1. ***Required*** market value definition

> **Definition of Market Value**
> Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property.

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Based on Supreme Court decisions:

* *Bauman v. Ross*, 167 U.S. 548, 574 (**1897**) ("The just compensation required by the constitution to be made to the owner is to be measured by the loss caused to him by the appropriation. He is entitled to receive the value of what he has been deprived of, and no more."); *Miss. & Rum River Boom Co. v. Patterson*, 98 U.S. 403, 408 (1878) ("The inquiry in such cases must be what is the property worth in the market . . . from its availability for valuable uses.").

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a. Date of value

1) Determined by law or legal instruction

a) **Direct acquisitions** as near as possible to the date of the acquisition—typically the date of appraiser's last inspection

b) "**Quick-take**" (Date of Take [DT]), the earlier of the estimated compensation deposited with the court or government enters into possession

c) "Complaint-only" **straight condemnations** in which no declaration of taking is filed, the date trial commences

d) In **inverse takings**, the date of taking, provided by legal counsel

e) For **property exchanges**, set by the parties or established by statute; provided by legal counsel or the appraiser's client

2) Property's market value is ascertained on appropriate date of value, considering property as it existed on the date of value

a) Does not prohibit consideration of market data or events that occurred after date of value (e.g., market data after the date of value may be considered for the purpose of corroborating the market expectations or trends that existed on the date of value)

b) Sales that occurred after date of value may be appropriate

c) Under Uniform Act, the assignment may instruct the appraiser to consider changes in value due to physical deterioration within the owner's reasonable control

b. Exposure on the open, competitive market

1) Federal courts have neither defined a "reasonable" length of time nor required an estimate of market value be linked to a specified exposure time

> **Appraisers should not link an opinion of market value made for federal acquisition purposes to a specific exposure time. This jurisdictional exception to USPAP is required for appraisals applying the federal definition of market value.**

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2) Appraisers should not link market value opinions for federal acquisitions to specific exposure time

c. Willing and reasonably knowledgeable buyers and sellers

1) Are not all-knowing, have knowledge possessed and are motivated by typical marketplace "willing buyer-willing seller"

2) Arm's-length transactions cannot be disregarded solely because a buyer or seller lacked perfect knowledge

3) Same considerations as in property sales between private parties

> **"Speculation"**
>
> While *market participants* may speculate, *appraisers* cannot. The finder of fact "must not, itself, speculate, i.e., guess, about potential end uses or markets when the speculation is so remote or improbable that one would not invest his money in it." *Fla. Rock Indus., Inc. v. United States* (*Florida Rock II*), 791 F.2d 893, 903 (Fed. Cir. 1986); *see* Section 4.3.

d. All available economic uses

1) Highest and maximally productive use that results in the highest value for a property

a) Adaptable and needed or likely to be needed in the reasonably near future

b) To the full extent that demand for the use affects the market value while the property is privately held

c) Only profitable (i.e., economic) uses

d) Nonmarket considerations (e.g., *value to the public)* must be disregarded

2. The Unit Rule

- Property must be valued as a unitary whole, held in single ownership
- Value of the whole cannot be derived by adding the separate values of various interests or components (summation or cumulative appraisals are improper)
- Relates to *ownership* interests (estates) and *physical* components
- Can raise valuation issues in partial acquisitions, especially easements

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a. Ownership interests (undivided fee)
   1) Must be valued as a whole, as if in one ownership
   2) In acquisitions of less-than-fee interests, the interests being appraised must be valued as if under single ownership
   3) Actions are *in rem* (proceedings against property) and not actions *in personam* (proceedings against a person)
   4) Market value of the whole may later be apportioned among interest holders (by the court)
b. Physical components
   1) Buildings and improvements, timber, crops, sand, gravel, minerals, oil, etc., are considered to the extent they contribute to the whole
   2) Appraiser does not value the land, then value the improvements, then add the two values to determine market value
   3) Measure of just compensation is the market value of the entire property—not the total values of the separate items
   4) Unit Rule often misapplied in valuations involving natural resources (e.g., minerals, oil, gas, timber)
   5) Possible or actual existence of natural resources is considered to the extent it contributes to the market value of the whole property

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Quiz #1 – True or False?

1. In the development of an appraisal concerning properties containing resource assets, the property must be valued as a whole, with due consideration of all of the components that make up its value. Its constituent parts are considered only in light of how they enhance or diminish (contribute to) the value of the whole.
2. It is proper to estimate the value of the surface of the property, add to it a valuation of the minerals or other resource (e.g., water or timber as estimated by a separate expert), and conclude an opinion of total market value for the property.
3. The Unit Rule relates only to the physical components of real estate (e.g., timber, mineral deposits, farmland, and buildings).
4. A property with multiple ownership interests or estates (e.g., lessor/lessee, life tenant/remainderman, mortgagor/mortgagee) must be valued as a whole. The market value of the whole can be apportioned later among the respective interest holders.
5. The determination as to the Unit Rule's applicability is made by a court, as a matter of law, rather than by an appraiser.

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6) Existing government improvements

a) Government-constructed buildings and improvements on property on date of value may significantly affect analysis of market value

b) Proper treatment of improvements is often dependent on legal effects of lease, if one exists. Valuation should consider lease terms of significance to a reasonable buyer

c) Regardless of contractual agreement, equitable principle that condemns unjust enrichment may prevent value of government-built premises becoming a windfall to the owner of the land

d) Appraiser may need to determine a buyer's cost to remove these improvements, estimate any contributory value, or exclude from consideration

e) **Should request legal instructions**

c. Allocations and administrative payments under the Uniform Act

1) Appraiser may allocate the whole property value among separate estates or interests to comply with the Uniform Act

2) Allocation should be reported in a separate, supplemental report, rather than in appraisal report of whole property

3) Any departure requires legal instruction

> **Any departure from the unit rule requires a legal instruction, because the applicability of the rule is a matter of law that cannot be determined by an appraiser.**

3. Objective market evidence; conjectural and speculative evidence

a. Measure must be objective

1) Market value determination must account for all considerations that might reasonably be given substantial weight between buyer and seller

b. Must disregard any special value to the owner and to the government

> **"[I]t is the owner's loss, not the taker's gain, which is the measure of compensation . . . ."**
>
> —*United States ex rel. Tenn. Valley Auth. v. Powelson*, 319 U.S. 266, 281 (1943)

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c. Only value transferable from one owner to another has external validity and makes it a fair measure of public obligation to compensate loss

d. The Fifth Amendment provides just compensation, it does not guarantee a return of investment

e. Just compensation cannot be based on mere speculation or conjecture

f. Elements affecting value that depend on events or combinations of occurrences while possible but not reasonably probable should be excluded from consideration

> **Appraisers estimate market value, not just compensation. Departure from the market value standard is rarely justified in federal acquisitions, and inevitably requires appropriate legal instruction.**

4. Refinements of market value standard

   a. Refinements over years to bring about constitutional guarantee of just compensation and include:

      1) Analysis of highest and best use
      2) Determination of the larger parcel
      3) Acceptable approaches to value
      4) Government project influence on market value
      5) Before and after valuation method
      6) Compensable damages
      7) Offsetting benefits
      8) Easement valuation
      9) Market rental value standard for leasehold and other temporary acquisitions
      10) Natural resources
      11) Inverse takings
      12) Land exchanges

5. Special rules

   a. **Just compensation does not include value created by the government**

   b. Specific implications in appraisal:

      1) Riparian lands involving the United States' navigational servitude

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2) Ranch lands involving federal grazing permits

3) Public roads, infrastructure, and facilities sometimes require special treatment

6. Exceptions to market value standard

a. "[A]ppraisers do not have the authority to determine just compensation under the Fifth Amendment." *See Monongahela Nav. Co. v. United States*, 148 U.S. 312, 327-28 (1893). (*Yellow Book*, pg. 101)

b. Rarely, deviation from market value as the measure of just compensation may be required in federal acquisitions, but only when:

1) Market value has been too difficult to find

2) Its application would result in manifest injustice to owner or public

c. Whether departure is appropriate is a legal question and requires legal instruction

C. Highest and Best Use

1. Definition of highest and best use

> **Definition of Highest and Best Use**
> The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

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a. **Must** use this definition

b. Must be reasonably probable

c. Use adaptable and needed or likely to be needed in the reasonably near future

d. Must be considered to the full extent of demand for use if property privately held

e. A specific highest and best use can only be considered "if the use is likely to be reasonably probable 'in the reasonably near future'" (*Yellow Book*, pg. 102)

f. There must be proof of "present or future demand . . ."

g. The fact that a parcel's highest and most profitable use "can be made only in combination with other lands does not necessarily exclude that use from consideration . . ." (*Yellow Book*, pg. 102)

h. There must be a reasonable probability of the lands being combined with other tracts for that purpose in the reasonably near future

2. Criteria for analysis—each potential use must be analyzed using the criteria

   a. All possible uses

      1) A property's highest and best use is generally presumed to be its existing use on the date of value

      2) A highest and best use (other than existing use) requires evidence that this different use is reasonably probable

      3) In litigation, the party claiming a highest and best use is not the existing use bears the burden of proof

      4) Any presumption favoring the existing use does not preclude consideration of other uses and any reasonably probable use should be considered

> **Criteria for Analysis**
> Each potential highest and best use must be analyzed using four criteria as stated in Section 1.5.2:
>
> (1) Physical possibility,
> (2) Legal permissibility,
> (3) Financial feasibility, and
> (4) Degree of profitability.

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b. Market demand

1) Highest and best use requires market demand

2) "Objective evidence substantiating [the appraiser's] market demand analysis is required" (*Yellow Book*, pg. 104)

3) Value implies demand and a buyer—each must be proven

4) "Highest and best use cannot be predicated on demand created solely by the government project for which the property is acquired . . ." *United States v. Cors*, 337 U.S. 325, 333 (1949); *accord United States v. 320 Acres of Land*, 605 F.2d 762, 811 n.107 (5th Cir. 1979); *United States v. 46,672.96 Acres of Land in Doña Ana Ctys.*, 521 F.2d 13, 15, 16 (10th Cir. 1975); *J.A. Tobin Constr. Co. v. United States*, 343 F.2d 422, 423 (10th Cir. 1965); *United States v. 158.76 Acres of Land in Townshend*, 298 F.2d 559, 560 (2d Cir. 1962). (*Yellow Book*, pg. 104)

5) Government's intended use of the property (e.g., military bombing range, national monument, or habitat conservation) cannot be considered unless there is competitive demand for that use in the private market

"[V]alues resulting from the urgency or uniqueness of the government's need for the property or from the uniqueness of the use to which the property will be put do not reflect what a willing buyer would pay to a willing seller . . . government projects may render property valuable for a unique purpose . . ." (*Yellow Book*, pg. 104)

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c. Economic use

1) Market value must be based on an economic use
2) Noneconomic uses cannot be considered in determining market value for federal acquisitions
3) Market value is intimately related to selling price on the market
4) A use cannot be considered unless there is competitive demand for that use in the private market
5) A use can be considered only if that use contributes to the property's market value
6) Supply and demand, in an open competitive market, controls prices
7) Federal courts consistently reject alternative measures of compensation that reflect something other than market value
8) Preservation, conservation or open space, among others, typically lack the competitive supply and demand aspects
9) The Supreme Court has rejected nonmarket, noneconomic considerations to market value
10) Competitive private market demand could make mitigation an economic use
11) It must be demonstrated by the specific facts of the property being appraised and the relevant market that the use is economic

Market Value and Economic Use

"Value is a word of many meanings"—but "the *value* compensable under the Fifth Amendment ... is only that which is capable of transfer from owner to owner and thus of exchange for some equivalent." *Kimball Laundry Co. v. United States*, 338 U.S. 1, 4-5 (1949). Thus market value, as the measure of just compensation, cannot reflect nonmarket or noneconomic considerations.

The federal concept of market value is fundamentally different from the real estate appraisal concept of public interest value, which links highest and best use to noneconomic uses and public policy benefits rather than market considerations. Because noneconomic uses reflect something other than market value, **appraisals for federal acquisitions cannot consider public interest value or related concepts** (such as habitat value or preservation value).

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d. Zoning and permits

1) A proposed highest and best use cannot be considered reasonably probable unless it is *legally permissible*

2) Zoning regulations, permits, and other land use restrictions are critical in analyzing highest and best use

3) Regulatory restrictions may preclude otherwise possible use even more decisively than the physical characteristics of a property

4) Zoning or other use restrictions applied to the property and its proposed use on the date of valuation must be considered

5) Reasonable probability that the permit, license, or rezoning will occur must be shown

6) Prospective purchasers may well consider the potential for a zoning change or variance

7) It is legally improper to assume that a permit, license, or rezoning would be obtained

8) Appraiser's opinion as to whether there is a reasonable probability of a zoning change must have a factual foundation

9) The test is not the probability (or possibility) of rezoning in absolute terms, but market value of the property "in the light of the chances as they would appear . . ." (*Yellow Book*, pg. 108)

10) Is there is a reasonable probability that permits for the proposed use would have been granted?

    a) If so, the market value "would be based on the property value as if it had obtained the necessary permits"

    b) If not, the value "would be based on conditions at the time" of the acquisition

e. Exceptions

1) Narrow exception to zoning and other land use regulations must be considered in highest and best use and Scope of the Project Rule

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2) Scope of the Project Rule ensures compensation does not reflect changes in market value due to influence of government project

3) In most valuations, zoning and other land use restrictions are not a form of *project influence*

4) In limited circumstances and only with legal instructions, application of the Scope of the Project Rule may allow or require appraiser to disregard the impact of a zoning restriction

> **Whether the scope of the project rule applies and if so, how to apply it, are complex questions that require legal instruction. See Section 4.5.**

5) Landowner must show that the primary purpose of the regulation was to depress the property value of land or that the ordinance was enacted with the *specific intent* of depressing property value for the purpose of later condemnation

3. Larger parcel

   a. "[A] parcel of land which has been used and treated as an entity shall be so considered in assessing compensation for the taking of part or all of it." *See Miller*, 317 U.S. at 375-76; *Sharp*, 191 U.S. at 351-56; *United States v. 33.92356 Acres of Land* (*Piza-Blondet*), 585 F.3d 1, 10 (1st Cir. 2009); *United States v. 8.41 Acres of Land in Orange Cty.*, 680 F.2d 388, 392-93 & n.6 (5th Cir. 1982); *Imperial Beach*, 612 F.2d at 464-65; *Bank of Edenton v. United States*, 152 F.2d 251, 253 (4th Cir. 1945); *United States v. 25.202 Acres of Land* (*Amexx I*), 860 F. Supp. 2d 165, 179-81 (N.D.N.Y. 2010), aff'd, 502 F. App'x 43, 45-46 (2d Cir. 2012); *cf. Gettysburg Tower*, 409 F.3d at 148 & n.15, *and on remand*, No. 1:CV-99-2128, 2006 WL 839375 (M.D. Pa. March 27, 2006). (*Yellow Book*, pg. 110)

> **A total acquisition is an acquisition of an entire larger parcel. A partial acquisition is an acquisition of only part of a larger parcel.**

   b. It is the economic unit to be valued

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c. Definition of larger parcel

Definition of Larger Parcel

The tract or tracts of land that possess a unity of ownership and have the same, or an integrated, highest and best use.

1) May or may not have the same boundaries as the acquisition
2) Appraiser must determine the larger parcel in every appraisal for federal acquisitions
3) Will distinguish whether a total or partial acquisition is involved and dictate the valuation method
4) In a total acquisition, compensation is measured by the market value of the property acquired
5) In a partial acquisition, compensation is measured by the difference between the market value of the larger parcel before and the market value of the remainder
6) A single acquisition for government purposes may involve more than one larger parcel (or parts of more than one larger parcel) for compensation and valuation purposes
7) The larger parcel determination is integral to the analysis of highest and best use

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4. Criteria for analysis
   a. In determining the larger parcel ("three unities") – primarily dependent on title and use
      1) Unity of use
         a) Unity of use test turns on an integrated highest and best use
         b) Lands with dissimilar uses must be considered as separate and distinct tracts
         c) Actual use is compelling evidence of highest and best use
         d) A merely planned or hoped for unity of use is insufficient
         e) A potential use—only if reasonable probability in the relatively near future
         f) Strict proof of the loss in market value to the remaining parcel is obligatory
         g) Similarly, the availability of replacement property for the part acquired must be considered, as reasonable buyers and sellers would do
      2) Unity of ownership (title) – typically involves questions of law and fact, **legal instructions are *often* required**
         a) Must be uniform—beneficial—control over the ownership and future of the larger parcel
         b) Focuses on whether a *single decision maker* has *actual legal control* of all property
         c) Historically, all property comprising a single larger parcel to be owned to the same extent by the same owner

> **Determination of the <u>larger parcel</u> is necessary in both total and partial acquisitions.**
>
> **Partial acquisitions (Section 4.6) require two larger parcel determinations. The larger parcel *before* acquisition is also called the <u>parent tract</u>, and the larger parcel *after* acquisition is the <u>remainder</u>.**

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d) Modern case law recognizes, at times, the strict traditional rule may ignore market realities that should be considered

e) Ultimately, unity of ownership turns on what "is more consistent with the goal of just compensation . . ." *14.36 Acres in McMullen*, 252 F. Supp. 2d at 364; *accord United States v. Miller,* 317 U.S. 369, 375-76 (1943) ("larger parcel requirement and subsidiary rules developed 'in order to do substantial justice'"). (*Yellow Book*, pg. 114)

f) Appraiser must obtain legal instructions when the ownership interests in all parts of the whole are not identical

g) Consideration of market realities in determining unity of ownership:

   i. For example: unity of title was satisfied for properties owned by three corporations because a single person served as the president, chairman of the board, and chief executive officer for all three entities. *Imperial Beach*, 612 F.2d at 463-64

   ii. But: "a group of individuals is significantly different than a single decision maker operating through a variety of corporate forms." *SESH*, 2008 WL 127490, at *2

   iii. But: "the wishes of different individuals, and not a single individual wearing multiple hats, must be spanned to achieve unity of title" *SESH*, 2008 WL 127490, at *2

   iv. Existence of common or overlapping owners among multiple decision makers is not sufficient for unity of ownership

h) Tracts that lack unity of ownership cannot be treated as a single larger parcel for just compensation purposes, regardless of whether they share an integrated or actual use

3) Physical unity (contiguity or proximity) as it relates to highest and best use

   a) Physical unity is considered in the context of integrated use

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b) Physical unity (proximity) or separation of a tract is an important consideration, but not necessarily determinative of what constitutes a single tract

c) Availability of replacement property for the part acquired must always be considered and can be important in partial acquisitions involving noncontiguous parcels devoted to a unitary use (e.g., livestock ranch, timber and milling operation)

d) Effect of the existence (or absence) of replacement property on the market value of remainder property must be shown—it will vary depending on the property, its use, and relevant market

4) Legal instructions

a) Larger parcel must be determined by appraiser, and legal instructions are often required. For example:

i. Whether unity of ownership exists based on the quality of the property interests held in different tracts raises factual and legal questions

ii. If the ownership interests in all parts of the whole are not identical in a potential larger parcel

iii. Whether there is sufficient evidence to support a finding of an integrated use involves factual and legal analysis

b) In federal condemnation litigation, appraiser's larger parcel analysis and conclusions will be evaluated by the court and/or the finder of fact (e.g., jury, land commission, judge)

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Case Study #2

421 +/- total acres owned by Partnership A

Proposed Master Plan:

- Mixed-use development
- 788 single-unit residences
- 610 multi-unit residences
- 217,700 sq. ft. commercial space
- Riverfront development
- Municipal parks
- Set-aside for schools
- Hike and bike trails

16.5 +/- acres approved for subdivision

- 66 single-unit residential lots
- Access roads installed, but need final asphalt coating
- Drainage, utility connections completed, but not approved
- Utilities awaiting testing and approval by municipal authorities
- Includes pumping station with capacity for significantly more than 66 lots

227 +/- acres designated as Reserves A and B

No development plans prepared or submitted for approval

Remaining 177.5 +/- acres not subdivided. Improved with lift station and main distribution lines for sewer and potable water—constructed about 35 years prior to date of taking and unused since construction

Proposed taking

Approximately 6.0 acres on southern boundary for control structure (levee)

Landowner retains right to cross part taken at specified location to access land between acquisition and river

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What is the larger parcel?

Unity of Title (Ownership)—Beneficial Control

Unity of Use as relates to highest and best use?

Contiguity (Proximity)?

Government Appraiser's Position
There is no unity of use
16.5-acre portion is an approved, partially developed subdivision
404.5 acres is unimproved raw land without preliminary plans or municipal approvals
404.5 acres is affected by take; 16.5 acres is not

Landowner Appraiser's Position
Entire tract is larger parcel based on master plan and *implied* approvals through municipality's approval of a Tax Increment Reinvestment Zone* (TIRZ)

* A tax increment reinvestment zone (TIRZ) is a political subdivision of a municipality or county created to implement tax increment financing. It may be initiated by the city or county or by petition of owners whose total holdings in the zone consist of a majority of the appraised property value. (Wikipedia)

Landowner Appraiser's Position
Taking "ruined and destroyed" riverfront development, parks, and hiking/biking trails
Loss of these amenities removed any potential for development of remaining tract
Damages included loss of ***any*** development of remainder

What is the larger parcel?

Case was never litigated, so court never had the opportunity to render a decision.

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Is larger parcel the donut minus the hole (the approved subdivision) as alleged by the government?

OR

Is larger parcel the entire property as part of an integrated use theory as alleged by the landowner?

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5) Special considerations in partial acquisitions
   a) Appraiser must make two separate determinations of highest and best use
      i. For the larger parcel (before acquisition)
      ii. For the remainder (after acquisition)
   b) Existence and extent of any change in highest and best use due to the government's acquisition requires careful analysis
   c) Highest and best use of the remainder:
      i. May reflect a complete change, a change in **intensity**, or no change from the highest and best use of the larger parcel before acquisition
      ii. May have a positive, negative, or negligible impact on market value
   d) For example: if what was farmland before acquisition becomes lakefront property with a highest and best use for recreational home sites, offsetting special (direct) benefits may apply
   e) Second example: if what was a flagship retail automobile agency before the acquisition becomes a wholesale used car sales lot, extreme damages may apply
6) Special considerations in riparian land acquisitions—see Section 4.11.1. Riparian Lands and the Federal Navigational Servitude
7) Special considerations in land exchanges—legal instructions for the appraiser to assume a specific larger parcel determination may be necessary to comply with statutes or other federal requirements. See Section 4.10. Land Exchanges
8) Special considerations in inverse takings—see Section 4.3.4.8

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a) Determining the larger parcel in connection with inverse taking claims for liability purposes requires different considerations than in eminent domain-based valuations because of the distinct—and complex—legal issues involved

> **Determining the larger parcel in inverse takings claims raises complex legal issues. Close consultation between appraisers and legal counsel is essential.**

b) The boundaries of the property allegedly taken must be determined by taking jurisprudence rather than the laws of eminent domain

c) In the context of regulatory inverse takings claims, the larger parcel is commonly referred to as the parcel as a whole or the denominator

D. Valuation Process

1. The three approaches to value

   a. Market value must be determined with an approach that seeks, with aid of all relevant data, an amount representing value to any normally situated owner or purchaser of the interests taken

   b. Recognized approaches to value

      1) Sales comparison approach

      2) Cost approach

      3) Income capitalization approach

   c. Sales comparison approach is preferred (but not to the exclusion of other relevant value-based, market data)

   d. One or more value approaches may be appropriate—even necessary

2. Sales comparison approach

   a. Normally preferred as the best evidence of value, but not to the exclusion of other relevant evidence of value based on market data

   b. Under federal law, unforced, arm's-length property transactions in the vicinity of, comparable to, reasonably near the time of acquisition are normally the best evidence of market value

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c. Most recent sale of the property being appraised may well be the most comparable of all the comparable sales. See Section 4.4.2.4.1. Prior Sales of the Same Property

d. Comparability

   1) Sale's comparability is largely a function of three variables

      a) Characteristics of the properties

      b) Geographic proximity to one another

      c) Time differential

   2) Significance of different elements of comparison vary with type of property and relevant market (e.g., when large areas of open country are involved, similarity of character and locality depends not upon mere proximity)

e. Sales verification

   1) Appraiser must verify sales amounts and ascertain if terms and conditions were conventional and under open competitive market conditions

   2) In addition to confirming recordation, typically requires interviews and discussions with:

      a) Seller

      b) Buyer

      c) Closing agency and/or

      d) Broker handling the transaction

   3) Must be accomplished by competent and reliable personnel

   4) If condemnation, appraiser who will testify must personally verify the sale

f. Transactions requiring extraordinary care

   - Few property transaction types are categorically excluded as comparable sales, as a matter of law, and may be considered only under certain circumstances or for limited purposes

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- Careful verification and analysis is required
- Extraordinary verification alone will not allow an appraiser to rely on a sale that cannot be considered for other reasons

1) Prior sales of the subject property
   a) If unforced, arm's-length, for cash or its equivalent, and reasonably recent to the date of valuation
   b) Must state and analyze immediate past sale, even if circumstances may render it irrelevant
   c) An unsupported statement that the sale did not represent market value, or was not an arm's-length transaction is not sufficient
   d) Pertinent, even when a considerable period of time has elapsed between the sale and the date of valuation
   e) The sales history should include prior transactions involving a portion of the property under appraisal
2) Transactions with potential nonmarket motivations
   a) Forced sales—occur under a form of legal compulsion and cannot be considered as comparable sales

Some transactions require special attention, verification, and analysis, including:

- **Prior sales of the same property**
- **Transactions with potential nonmarket motivations**
- **Exchanges of property**
- **Sales that include personal property**
- **Contingency sales**
- **Offers, listings, contracts, and options**
- **Sales after the date of valuation**

Under these Standards, appraisal reports must include:

- **a *10-year sales history* of the subject property (including the whole property or portions);**
- **the *most recent sale* of the subject property (regardless of when it occurred); and**
- **an *analysis of the most recent sale's relevance* (or lack of relevance) to the property's market value on the date of valuation.**

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b) Distress sales—distress sales and sales with atypical financing terms are questionable indicators of value and can be used only with great care

c) Settlement negotiations—offers of settlement are not reliable indicators of market value

d) Sales between related parties or entities—are not arm's-length transactions and generally cannot be considered

e) Sales involving the government or other condemnation authority

   i. May involve nonmarket considerations

   ii. Must be viewed as suspect

   iii. Require extraordinary verification

> **Sales to government entities are inherently suspect and cannot be relied on as comparable sales without a determination that they are true open-market transactions.**

f) Sales to environmental or other public interest organizations

   i. Purchased solely to transfer to the government

   ii. May reflect project influence

g) Project-influenced sales

   i. Must disregard any value attributable to the government project prompting the acquisition

   ii. Prohibited under the Scope of the Project Rule

3) Other problematic transactions

   a) Exchanges of property

      i. Generally introduces too many collateral issues

   b) Sales with personal property

      i. Cannot be considered unless adjusted to reliably reflect only the real property transaction

   c) Contingency sales

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i. Sales that are *contingent* on purchaser's ability to procure the rezoning or permitting necessary to develop the property

ii. Cannot assume that a rezoning/permit is in place or will be granted

---

Quiz #2:

Which of the following, if any, are acceptable indicators of value and can generally be used as comparable sales?

1. Binding and unconditional contract of sale ☐
2. Listing and other nonbinding offers to buy and sell ☐
3. Option to purchase ☐
4. Unexercised options ☐
5. Exercised options ☐

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4) Offers, listings, contracts, and opinions
   a) Unconsummated transactions are generally not reliable
   b) May be appropriate to consider for certain limited purposes
   c) Opinion largely based on owners' asking prices should be rejected
   d) Binding and unconditional contract of sale
      i. Generally can be considered as evidence of value, even if title has yet to be conveyed
   e) Nonbinding offers or unexercised options
      i. Are not permissible evidence of value
      ii. Give little or no weight except to the extent may set limits of value
   f) Listings and other nonbinding offers to buy or sell real estate
      i. Generally cannot be relied on as comparable sales
   g) Option to purchase
      i. Form of an offer that is irrevocable for the period stipulated
      ii. Because not exposed to the market, it is not market value
   h) Unexercised options
      i. Inadmissible to establish market value
   i) Exercised options
      i. When result in a binding agreement between buyer and seller, do not differ from completed transactions

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5) Sales after the date of valuation
   a) May be considered if they are not otherwise suitable as evidence of value
   b) May be tainted by government project influence
   c) "[A]ppraiser must analyze whether the sales are tainted and how much the taint distorts market value" (*Yellow Book*, pg. 131)
   d) In partial acquisitions, post-acquisition sales that reflect the influence of the government project can be highly comparable in valuing remainder property

> **Sales after the date of valuation may be considered if they are reliable indicators of value. Post-acquisition sales may be particularly useful in valuing the remainder property in partial acquisitions.**

3. Cost approach
   a. Often misused, identified by courts as "one of the least reliable indicia of market value" (*Yellow Book*, pg. 131)
   b. Rarely, acceptable as a stand-alone indication of value for federal acquisitions
   c. Appraiser must demonstrate relevance to market participants

Cost new of improvement (direct, indirect, entrepreneurial incentive)
- Depreciation (physical deterioration, functional obsolescence, external obsolescence)
+ Land (site) value
= Indicated value by the cost approach

   d. Typically used to test the financial feasibility
   e. May be appropriate in the valuation of properties with highly specialized improvements that have no known comparable sales in the area
   f. Courts reject the approach without "unequivocal evidence that the [improvements] involved would be reproduced by private investors at the risk of private capital" (*Yellow Book*, pg. 133)

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g. Must include entrepreneurial incentive

h. Depreciation must be market derived

i. Unit Rule and the cost approach

1) Must follow the Unit Rule

2) Critical to distinguish between calculating improvement cost and estimating the market value of the property as a whole, considering the contributory value of improvements

4. Income capitalization approach applications

a. Courts uniformly hold approach should be used only when no comparable sales and market value must be estimated

b. Because property produces (or could potentially produce) income will not, on its own, justify use of approach

c. Relevance to what a willing buyer would pay to a willing seller must be demonstrated

d. Use is improper when future use or demand is speculative

e. Landowner must show income-producing market existed at the date of taking or will exist in reasonably near future

f. Regardless of the technique used, must be sufficient market data to ensure a reliable indication of value

g. Direct capitalization

1) "There can be no capitalization of income unless the fact of income itself is established" (*Yellow Book*, pg. 139)

2) Application is limited to ongoing business' opportunity for *continued* as opposed to *prospective* profit

h. Yield capitalization

1) May be appropriate with a highest and best use of development when that use is not yet generating income on the date of value

2) But . . . may not be based on conjectural future demand for proposed use

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3) Market support should include investigation and analysis of potentially relevant data

i. Income to be considered

1) Proper application of approach requires a distinction between income generated by *the property* (e.g., rental or royalty income), which can be considered, and income generated by *a business conducted on the property*, which must be disregarded. "Supreme Court has recognized a single exception . . . allowing consideration of *business* income, rather than *real estate* income . . . in those rare instances where the United States has condemned a business or franchise itself, and not merely a property on which business is conducted (*Yellow Book*, pg. 140)

2) It is the value of the real property, not the business

j. Income capitalization approach and Unit Rule implications

1) Subsidiary interests in a fee cannot add to its market value and compensation for these interests must be paid out of the amount for the whole

2) Frequently misapplied in valuations of properties containing minerals or other natural resources

5. Subdivision valuation and the development method

a. When appropriate, aspects of sales comparison approach, income capitalization approach, and cost approach can be incorporated to appraise undeveloped acreage with a highest and best use for subdivision

b. **Under federal law, development method cannot be used unless the property was "needed or likely to be needed in the reasonably near future for residential subdivision" and only with rigorous evidentiary support** (emphasis added) (*Yellow Book*, pg. 143)

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c. Use of the development method requires evidence that on the date of value, there was a reasonable probability that the property could be developed as a residential subdivision and that its lots would be sold within a reasonable time

E. Project Influence

> **Change in market value due to the government project—project influence—must be disregarded under the scope of the project rule.**

Note: Project influence pertains to the before acquisition valuation. In the after condition, the appraiser must consider project influence to determine whether or not there are applicable damages (resulting from the government's acquisition and project)

- Mere existence of a government project does not automatically invoke the Scope of the Project Rule
- Project influence on value is potentially problematic in acquisitions because "to permit compensation to be either reduced or increased because of an alteration in market value attributable to the project itself would not lead to 'just compensation'" (*Yellow Book*, pg. 145)
- At times, market value of property being acquired may be affected, positively or negatively, by the project prompting the acquisition
- Government cannot be charged for value it created and an owner cannot be penalized for any diminution in value due to government project
- Once a property is "within the scope" of the government project, all project influence on the property's market value must be disregarded
- Proper application of the Scope of the Project Rule requires careful legal and factual analysis of the government project and its influence on market value
- **Legal instruction is required**
- In a Scope of the Project Rule inquiry, legal determinations will be required regarding:
  - Date as of which the property was probably within the scope of the project
  - Whether application of the Scope of the Project Rule is warranted

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- If so, how to apply the Scope of the Project Rule to ensure a just result
- "[I]f the lands were probably within the scope of the project from the time the Government was committed to it, no [change] in value attributable to the project is to be considered in awarding compensation." *Miller*, 317 U.S. 369 (*Yellow Book*, pg. 146)

1. The scope of the project test
   a. Determination can be complex with acquisitions in later stages of large projects that span several years or require boundary adjustments (e.g., flood control, reservoir projects)
   b. Courts typically consider the government's representations to the landowner or the public
   c. How foreseeable it was at outset of project that property would be needed and length of time between the original and subsequent acquisitions, if applicable
   d. Need only show that during planning or original construction it became evident land would probably be needed. *Reynolds*, 397 U.S. at 21. *Miller*, 317 U.S. 369
   e. Some courts have framed inquiry in terms of reasonable expectations (i.e., whether, after announcement of the project, a reasonable buyer could reasonably anticipate being able to devote the subject property to its highest and best use without serious apprehension that it would soon be condemned)
   f. Objective is to:
      1) Distinguish value attributable to government demand from market value of government-conferred benefits
      2) Ensure the landowner is not awarded a premium for the former but, at the same time, is justly compensated for the latter
      3) The date government's project commences requires legal determination. In making this determination, courts typically consider three legal requirements of a "project"

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a) Public purpose for which property is to be acquired

b) Identification of the particular properties to be acquired for that public purpose

c) Imminent acquisition that is evident to the public

4) Once date has been legally determined, the appraiser "*must* disregard any . . . alterations in value [due to the project] which it finds to have occurred thereafter." *320 Acres*, 605 F.2d at 807; *cf. Bonner v. City of Prichard*, 661 F.2d 1206 (11th Cir. 1981) (en banc) (adopting as binding precedent all decisions rendered by the former Fifth Circuit prior to October 1, 1981); Fifth Circuit Court of Appeals Reorganization Act of 1980, Pub. L. No. 96- 452, 94 Stat. 1994 (1980) (codified as amended in scattered sections of 28 U.S.C.). (*Yellow Book*, pg. 148)

2. Legal instructions

   a. Appraiser **must** request legal instruction

   b. Appraiser may be asked to gather and/or analyze data to inform legal analysis

      1) Whether Scope of the Project Rule applies, and, if so,

      2) How the rule must be applied to the specific property under appraisal, and,

      3) When the Scope of the Project Rule applies, (i.e., date rule triggered)

      4) There are criteria an appraiser must follow in determining market value

      5) If outcome uncertain, counsel may direct appraiser to perform dual-premise appraisal

      6) See Appendix D

Proper application of the scope of the project rule requires careful legal and factual analysis. The appraiser should request <u>legal instructions</u> from counsel.

If the legal outcome is uncertain, the agency/client may find it prudent to direct the appraiser to perform a dual-premise appraisal.

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3. Impact on market value—see Section 4.2.1.2 Exposure on the Open, Competitive Market
    a. Even substantial decrease in marketability, decreasing the number of potential buyers, must be disregarded if the price property would be sold is not affected (i.e., market value assumes property has already had reasonable exposure time on the open market on the effective date of value)
    b. Substantial decrease in the *number of market sales* within announced project boundary would not be considered unless the project has affected the price at which the property could be sold
4. Limits on the Scope of Work of the Project Rule
    a. Designed to ensure landowner neither hurt nor helped
    b. Applies only to changes in value attributable to project (i.e., rule does not allow appraiser to disregard changes in value attributable to other factors; e.g., changes due to physical deterioration within the landowner's reasonable control must be considered)
    c. Similarly, Scope of Project Rule does not permit appraiser to ignore market realities beyond the government project

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Case Study #3

The Corps of Engineers (COE) denied the permit citing general environmental concerns, along with concerns that the proposed residential development would adversely impact the new national park.

Subsequently, as the local sponsor of a COE project, the local government condemned a portion of the owner's land for construction of a flood-control levee.

The local government argued the land was worth $1,000/acre because it could not be developed. The owner argued the land was worth $35,000/acre based on its development potential for residential use.

Congress authorized the creation of a national park and appropriated funds for the land acquisitions.

The authorizing legislation also created a 30,000-acre "protection zone" around the park. Authorization to acquire land in the "protection zone" was granted, but only if the local authorities failed to enact protective land use regulations for land within the protection zone.

An owner with lands in the "protection zone" applied for a Section 404 Permit from the COE to fill lands for residential development.

The State Court found for the landowner. The decision was affirmed by the State Appellate Court. The State Supreme Court reversed and remanded the case back to the lower court with instructions to recompute compensation based on $1,000/acre.

After the state condemnation action, the local government failed to adopt protective zoning of lands in the "protection zone." Due to this failure and in accordance with legislation, the National Park Service (NPS) decided to acquire the privately held land in the "protective zone."

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1. As the appraiser, how do you apply the Scope of the Project Rule or project influence in this case?

2. What analysis is necessary in making the determination?

3. Provide reasoning for your conclusion.

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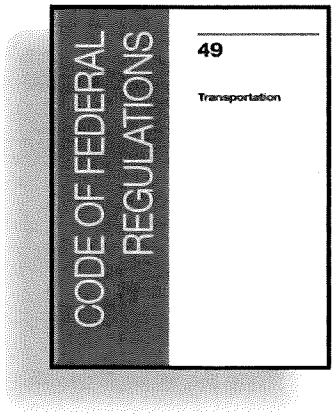
d. Required to consider the project's special (direct) benefits to remainder property in partial acquisitions does not conflict with rule. *320 Acres*, 605 F.2d at 781-89

F. Partial Acquisitions

- Just compensation must put a landowner "in the same position monetarily as he would have occupied if his property had not been taken." 246, 255 (1934); *United States v. New River Collieries Co.*, 262 U.S. 341, 343 (1923); *Seaboard Air Line Ry. Co. v. United States*, 261 U.S. 299, 304 (1923). (*Yellow Book*, pg. 151)
- Compensation for a partial acquisition must reflect the property interest acquired and any value change to remainder directly caused by acquisition or planned use of the part acquired
- Partial acquisition (under the Uniform Act)
  - Appraisers must apply the before and after method
  - Must analyze and consider compensable damages and benefits, and disregard non-compensable damages and benefits
  - While outside the appraiser's assignment, landowners are reimbursed for types of non-compensable damage (e.g., moving expenses, relocation costs) through the Uniform Act or other federal statutes
  - Administrative payments for *people* or *businesses* affected by federal acquisitions are separate from just compensation

In partial acquisitions the measure of compensation is the difference between the market value of the landowner's property before and after the government's acquisition.



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1. The Federal Rule: before and after methodology
   a. All partial acquisitions require two appraisals
   b. Accepted in all federal courts; also applies in many state jurisdictions.
   c. "Particularly advantageous" where remainder may have been damaged and/or benefitted
   d. "All of the elements of value entering into just compensation"—i.e., take and damages—"are contained in the federal formula." *United States ex rel. Tenn. Valley Auth. v. Indian Creek Marble Co.*, 40 F. Supp. 811, 820 (E.D. Tenn. 1941), cited with approval by *City of Van Buren v. United States*, 697 F.2d 1058, 1062 (Fed. Cir. 1983), and *United States v. 2,847.58 Acres of Land in Bath Ctys.*, 529 F.2d 682, 686 (6th Cir. 1976); see *United States v. 760.807 Acres of Land in Honolulu*, 731 F.2d 1443, 1445 (9th Cir. 1984) ("Using [the before and after] method, any diminution in value of the remainder resulting from the taking and use of part of the original parcel, sometimes termed 'severance damages,' would be included in the award.") (*Yellow Book*, pgs. 152-153)
   e. Larger parcel determination
      1) "The tract or tracts of land that possess a unity of ownership and have the same, or an integrated, highest and best use "
      2) Unitary holding, the "whole" property, comprising the part acquired and remainder
      3) Critical for proper consideration of compensable damages and offsetting benefits
      4) Key factors in determining larger parcel are:
         a) Unity of use (i.e., highest and best use)
         b) Unity of ownership
         c) Physical unity (proximity or contiguity)
      5) Availability of replacement property for the parcel acquired must be considered—as reasonable buyers and sellers would do. (May be contrary to some state law and practice)

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6) Residues and remainders

a) "'[D]istinction between a residue of a tract whose integrity is destroyed [or impaired] by the [acquisition] and what are merely other parcels or holdings of the same owner' that are not part of the remainder for compensation or valuation purposes" (*Yellow Book*, pg. 153)

2. Damages

a. Just compensation is measured by the owner's loss, not the government's gain

b. In partial acquisitions when only part of larger parcel is acquired, the value of the part acquired is not the sole measure of compensation

c. "(I)njury or benefit to the part not taken is also to be considered" (*Yellow Book*, pg. 154)

d. Decreases in market value of remainder property for which compensation must be paid are compensable damage and must be considered

e. Compensable damages may result from:

1) Government's planned use of the part acquired

2) Relation of the part acquired to the larger parcel

3) Direct loss reflected in the marketplace from the acquisition

f. Non-compensable damages may include:

1) Loss of profits

2) Frustration of plans

3) Damages found through conjecture and speculation

g. Compensable damages are not a distinct item added to compensation; they are already reflected and automatically included in a before and after valuation

h. Non-compensable damages cannot be considered

1) "[N]ot all losses suffered . . . are compensable under the Fifth Amendment" (*Yellow Book*, pg. 154)

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i. Distinction between compensable and non-compensable losses is rooted in market value standard as the measure of just compensation

j. Supreme Court: just compensation does not include "indirect or remote injuries" beyond market value "which would ensue the sale of the property to someone other than the sovereign" (*Yellow Book*, pg. 154)

k. Some losses are not compensable because they fluctuate with the needs of the owner, not the market

l. Federal law prohibits consideration of non-compensable damages that may be compensable under many state laws

m. Some types of damage (e.g., lost profits) are never compensable, even if proved

n. Some types of damage may be compensable (if proved) in specific types of acquisitions, but are never compensable in other types of acquisitions

o. Compensable damages

   1) In context of the Fifth Amendment, *damage* is simply "the equivalent for the injury done," just as *compensation*, "standing by itself, carries the idea of an equivalent." *Monongahela Nav. Co. v. United States*, 148 U.S. 312, 326 (1893) (distinguishing "damages by way of compensation . . . from punitive or exemplary damages"). 750 *United States v. 9.20 Acres of Land.* (*Yellow Book*, pg. 155)

   2) Compensable damages may reflect a decrease in the market value of the remainder arising from the

      a) Government's planned use of the part acquired, and/or

      b) Relation of the part acquired to the larger parcel

p. Necessary support

   1) Damage to the remainder can never be assumed but must always be fully supported by the facts

   2) Compensable damages must be proved, as with any element affecting value

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3) Damage is compensable only if a direct loss reflected in the marketplace from the acquisition
4) *Causation* must be proved (i.e., that the taking caused the damage)
5) Damage that is "vague and speculative" or premised on "possibilities more or less remote" cannot be considered
6) Conjecture and speculation
   a) Must be disregarded if based on speculation and conjecture
   b) Must be supported by actual market evidence
   c) Elements that have been excluded from consideration because they were not shown to be reasonably probable run the gamut from:
      i. Assertion that "'buyers would suddenly become fearful of explosive hazards' due to a safety buffer zone 'created to ease public fear of explosive hazards.'" (*Yellow Book*, pg. 157)
      ii. "[C]laimed damage due to the threat that 'marauding bears' would 'specifically foray from [a] newly created park' to attack young-growth trees on remainder property." (*Yellow Book*, pg. 157)
7) Anticipated physical invasion of the remainder
   a) Non-compensable in federal acquisitions (e.g., acquisition of flowage easement for construction of a reservoir, must disregard any damage to the remainder from anticipated wave action above the line of the acquisition during periods of high winds)
   b) Would expand the acquisition, which appraisers, landowners, and courts have no power to do
8) Use of others' lands
   a) Diminution in value of a remainder caused by the government's use of *other* lands is not compensable

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b) If the former private owner of adjacent property had devoted his/her lands to the identical uses for which they were acquired by government, he/she would not have become liable for the resulting diminution in value of the remainder property

9) Stigma, fear, and contamination

a) If stigma or fear of a "hazard would affect the price a knowledgeable and prudent buyer would pay to a similarly well-informed seller, diminution in value caused by that fear may be recoverable as part of just compensation." (*Yellow Book*, pg. 158)

b) The threshold question is not whether the fear or stigma is rational or well-founded, but rather whether and to what extent it affects the market

c) There must be evidence "connecting the safety issue to the real estate market"

d) It is improper to assume a hazard, or the fear of a hazard, has an effect on market value (e.g., EMFs)

e) Fear or stigma associated with anticipated damage may be recoverable if it would affect the market price a knowledgeable and prudent buyer would pay for the property on the date of value

f) Causation between the stigma or fear and the government's acquisition must be shown

g) Diminution in value resulting from fear or stigma due to the actions of a third party or to preexisting conditions cannot be considered

h) Appraisers must obtain clear written instructions regarding appropriate consideration of environmental contamination or other hazards

q. Non-compensable damages

1) Losses that are not reflected in sales prices in the private market cannot be considered in federal acquisitions

2) For example, the following are non-compensable:

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a) Loss of business value or going concern value

b) Loss of or damage to goodwill

c) Frustration of plans

d) Increased production or management costs

e) Loss or cancellation of revocable permits or licenses

3) Supreme Court has written: "When [the government] takes the property, that is, the fee, the lease, whatever he may own, terminating altogether his interest, under the established law it must pay him for what is taken, not more; and he must stand whatever indirect or remote injuries are properly comprehended within the meaning of 'consequential damage' as that conception has been defined in such cases." (*Yellow Book*, pg. 160)

4) While beyond the scope of the appraiser's assignment, Congress enacted remedies

   a) Administrative benefits (e.g., Uniform Act, other statutes) are separate from compensation under the Fifth Amendment

   b) People and businesses affected by federal acquisitions receive replacement housing, moving expenses, and relocation services

   c) Congress authorized administrative payments for losses due to the cancellation of federal grazing permits for war purposes

5) Temporary leasehold acquisitions

   a) Compensation for acquisitions that **acquire the full remaining lease term** is covered in the value of the leasehold

   b) As a result, the expenses of removal or relocation are not included as a compensable payment

   c) Relocation costs that are incidental to the value of an acquisition of the entire interest must be disregarded

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d) Compensation for **acquisitions that interrupt but do not terminate a longer lease** may need to reflect reasonable costs for tenant relocation, preparing the space for the new occupant, and storage of goods pending the displaced tenant's return

e) Exceptions: courts have recognized rare exceptions to the foregoing rules, allowing normally non-compensable damage to be reflected in unusual circumstances (e.g., temporary acquisition of a business property or a partial acquisition with the effect of a total taking). These exceptions always require legal instruction

3. Special (direct) benefits
   a. Benefits to the remainder as a result of the acquisition
   b. Acquisitions and projects can enhance properties' market value
   c. Existence of absence turns on the government project's impact in the market
   d. Examples include:
      1) New access to a waterway or highway
      2) Filling in of swampland
      3) Eligibility for special zoning
4. General (indirect) benefits
   a. Inure to the public as a whole
   b. Compensation is not offset by the benefit
   c. Examples include
      1) Installation of a municipal water line
      2) Construction of an interchange on a limited access highway (special and/or general)
      3) Installation of a flood control levee

> In contemporary federal acquisitions, appraisers are rarely asked to quantify *indirect* and *general benefits* in making valuations for just compensation purposes.

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d. To take into account any special benefits from the project, appraisers apply the Before and After Rule

Before Value:	$80,000[1]
(219.18 acres @ $365/acre)[2]	
After Value	$30,000[3]
(74.26 acres @ $404/acre)[2]	
Compensation Estimate	$50,000

[1]Without enhancement because of proximity to projected development of a dam and lake

[2] Accounting Tabulations

[3]Consideration that will accrue from its proximity to the lake and advantage of an unobstructed view

e. Do not violate the Scope of the Project Rule

1) General principle: the government "may not be required to compensate a [landowner] for elements of value the Government has created . . ." (*Yellow Book*, pg. 165)

2) This general principle does not prevent application of the Scope of the Project Rule to exclude increments in value due to the government's project when necessary for substantial justice

3) Application of the Scope of the Project Rule turns on the question: "Should the owner have the benefit of any increment of value added to the property taken by the action of the public authority[?]" (*Yellow Book*, pg. 165)

4) Answer depends on the precise facts of each acquisition, and "'requires discriminating judgment' and legal instructions." (*Yellow Book*, pg. 165)

f. **Benefit issues require a legal instruction**

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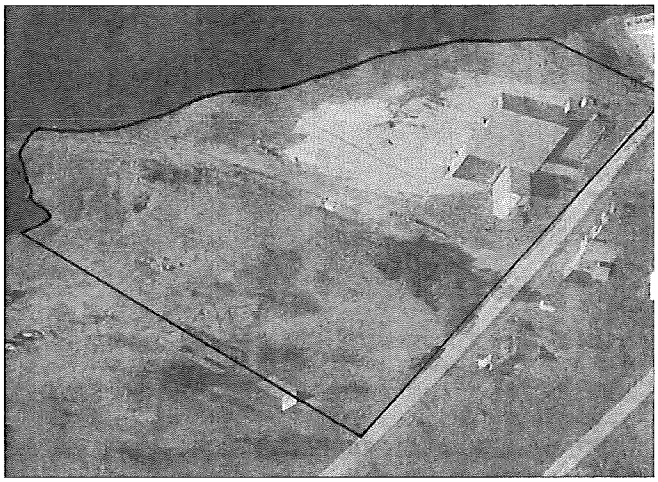
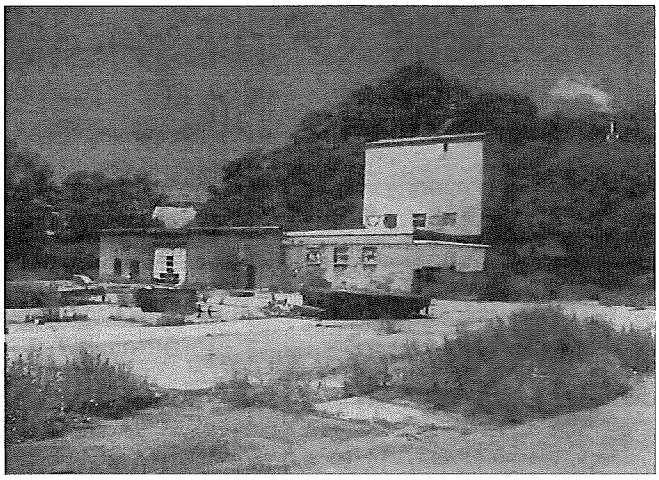
Case Study #4

Before: The subject property contains 20 acres. It has 950 feet of road frontage and approximately 1,300 feet of frontage on a recreational waterway.



On the date of taking the property was improved with a long-abandoned, 15,000 sq.ft. industrial building.

Independently, the agency and property owner have concluded the larger parcel is the entire 20-acre site with a highest and best use of residential (condominium) development. The abandoned industrial building is a detriment to the site and will need to be demolished to achieve this HABU.



The property sold two years ago for $4,000,000 ($200,000/acre). Prior to purchase, the buyer (current owner) obtained two estimates for the building's demolition. Based on the estimates, the buyer concluded that demolition costs would be, at the time of purchase, $50,000. Both estimators cautioned the buyer that they had not considered any monies in their estimates, should contamination be discovered.

Since the sale, at an expense of $175,000, the owner has prepared and submitted plans for the development of 100 condominium units. The review process, which is proceeding well, is nearing completion.

The appraiser located four sales in addition to the subject property sale, with varying degrees of comparability. The four sales sold over the past 18 months. The range of sale

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prices is $165,000/acre to $225,000/acre. All four sales were vacant. Two sales, at the higher end of the value range, had planning commission approval for development at the time of sale. No approval activity had occurred for the other two sales when they sold.

The agency appraiser developed a before value of $4,300,000.

Note: For this case study, the principal adjustments are marketing conditions, demolition, and stage of plan approval. All sales, including the subject, were adjusted upward for market conditions. Only the subject property sale was adjusted downward for demolition costs. The two sales at the lower end of the value range ($165,000/acre) were adjusted upward for stage of plan approval. The two sales at the higher end of the value range ($225,000/acre) were adjusted downward as planning commission approval was already in place.

The acquisition contains 2.75 acres in fee and includes a portion of the structure. In addition, a one-year temporary easement containing 1.5 acres will be acquired to demolish the remainder of the improvement that was not acquired.

The effects of the acquisition, in addition to the loss of 2.75 acres, is a reduction in the project size to 85 units. Finally, the cost to demolish the structure will no longer be borne by the developer, but by the government project.

After: The subject property contains 17.25 acres. It has 950 feet of road frontage and approximately 1,300 feet of frontage on a recreational waterway. The property is vacant.

The agency appraiser developed an after value of $3,600,000. Therefore,

Before Value: $4,300,000
After Value: $3,600,000
Difference: $ 700,000

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Note—for this case study:

- A professional engineer estimated the government's demolition cost at $115,000. The same engineer estimated the expense, should the owner have to incur demolition costs, at $75,000.
- The owner's architect estimated the added expense to revise the condominium project plans and to shepherd the revised project through the planning commission process at $90,000.
- An analysis of the five comparable sales demonstrates that when all other factors are equalized, the smaller the condominium development project, the lower the value per acre per condominium unit.

1. Regarding the demolition costs: which, if either amount is, the proper charge?
2. How should the appraiser treat the uncertainty of property contamination? Ignore it? Hypothetical condition? Extraordinary assumption? Do something else?
3. Is there a special benefit because the government will now bear the demolition costs rather than the property owner?
4. Are there damages to the remainder property? If so, are they compensable or non-compensable (e.g., loss of business, frustration of future plans)?
5. Has the appraiser "double paid"? Has he/she compensated for the increased expense to revise the condominium project plans and damaged the remainder property due to the smaller project?

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5. Exceptions to the Federal Rule
   a. Departure from the before and after method may be appropriate, if at all, only in "very unique and complex" circumstances
   b. In those unusual circumstances, the evaluation approach utilized in damage situations can increase the burden in persuading that speculation and conjecture are **not** the basis for the determination
6. Taking plus damages (the "State Rule")
   a. State Rule: taking plus damages
   b. May "arrive at either more or less, than compensation" under the Fifth Amendment
   c. Taking plus damages method lacks the "'effectiveness of the before and after method in clearly and simply dealing with . . . damages and benefits" (*Yellow Book*, pg. 166)
   d. Subject to error and apt to result in improper duplication or double damage
   e. Under federal law, compensation must reflect the effect of the appropriation of a part of a single parcel by considering both damages and benefits that accrue to the remainder
   f. **Generally taking plus damages is improper in valuations for federal acquisitions and cannot be used without legal instruction**
   g. Not a decision made by the appraiser

Some assignments may require *allocation* of the difference in the property's value before and after acquisition, between (1) the part acquired and (2) damage to the remainder, to meet agency obligations under the Uniform Act, 42 U.S.C. § 4561(3).

This accounting exercise is not an exception to the federal rule that partial acquisitions must be valued using the before and after method.

Any allocations must be clearly labeled as <u>accounting tabulations</u> that do not indicate the appraisal method(s) employed.

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h. May be appropriate or mandated in nonfederal acquisitions, as certain state laws offset benefits against damages to the remainder but not against the value of the part acquired

i. For example:

   1) Partial acquisitions affected by federal navigational servitude may require use of a taking plus damages method due to the unique constitutional and statutory requirements for compensation

   2) Partial acquisitions for some easements or other minor interests for flowage or road purposes from large or complex properties

j. Whether a partial acquisition is sufficiently "minor" depends on the acquisition's impact on the property

k. Generally, use of the taking plus damages method is limited to acquisitions that cause no damage to the remainder

Category	Acres		$/Acre		Total
Part Taken	**3.00**	**x**	**$ 2,500**	**=**	**$ 7,500**
Damages ***(cost-to-cure)*** **Fencing**				**=**	**$ 1,000**
Benefits				**-**	**$ -**
Total				**=**	**$ 8,500**

7. Easement valuation issues

   a. A limited right to use or control land owned by another for specified purposes

   b. A property interest less than the fee estate, with the owner of the underlying fee (i.e., servient estate) retaining full dominion over the realty, subject only to the easement (i.e., dominant estate)

   c. The fee owner may make any use of the realty that does not interfere with the easement holder's reasonable use of the easement and is not specifically excluded by the terms of the easement

   d. Appurtenant easement benefits another tract of land, and typically used in conjunction with other property but has no independent utility

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e. Easement in gross benefits a person or entity, and typically has utility in and of itself or in conjunction with other easements

f. Federal acquisitions involve a wide variety of easements including: road, pipeline, transmission line, levee, avigation, conservation, sewer line, flowage

g. Easement-related valuation problems arise in:

   1) Direct acquisition of an easement—dominant easement interest—and its resulting impact on value of the larger parcel

   2) Acquisition of a servient estate encumbered by an existing dominant easement

   3) Acquisition that affects or extinguishes an existing easement (appurtenant or in gross) benefitting another parcel

h. Effect of the easement must be analyzed to reach an opinion of value

i. The agency determines the nature and extent of the easement being acquired and what interest(s) will remain with the underlying owner

> **In easement acquisitions, the agency must provide the appraiser with a written description of the precise estate(s) being acquired. There is no "generic" road easement, conservation easement, or any other type of easement.**

8. Dominant easement interests

   a. If the easement is on less than the entire larger parcel, the remainder will include the portion of the parcel outside the easement

   b. If the easement is on the entire larger parcel, there is still a remainder estate (**all easement takings are partial acquisitions**)

   c. Where an easement is acquired, the full fee value of the land within the easement is **not** a proper measure of damages, as rights remain in the owners of the servient estate

   d. Valuing only the area subject to the easement fails to compare the market value of the entire tract affected by the acquisition before and after the taking

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e. In an acquisition of a dominant easement, the appraiser must understand the specific easement terms involved to analyze its burden on the servient estate and the impact on value

9. "Going rates" and nonmarket considerations
   a. For some types of easements, (e.g., electric, fiber optics, transmission line, pipeline) there may be a customary "going rate" (e.g., per line-mile, per rod)
   b. Tend to reflect non-compensable considerations
   c. Improperly assume easement acquired is a separate economic unit to be valued based on the government's planned use of the property
   d. **Federal easement acquisitions cannot be based on going rates but on before and after appraisals**
10. Temporary easements
   a. Compensation is measured by the market rental value for the term of the easement, adjusted as may be appropriate for the rights of use, if any, reserved to the owner
   b. Federal courts apply this measure even to acquisitions of temporary property interests that are seldom exchanged
11. Sale or disposal of easements
   a. Before and after method not required when the government sells or otherwise disposes of an easement interest
12. Lands encumbered by easements
   a. It is improper to disregard preexisting encumbrances and their impact on the property
   b. In a total acquisition of property encumbered by a preexisting easement, the measure of compensation is the market value of the property as encumbered

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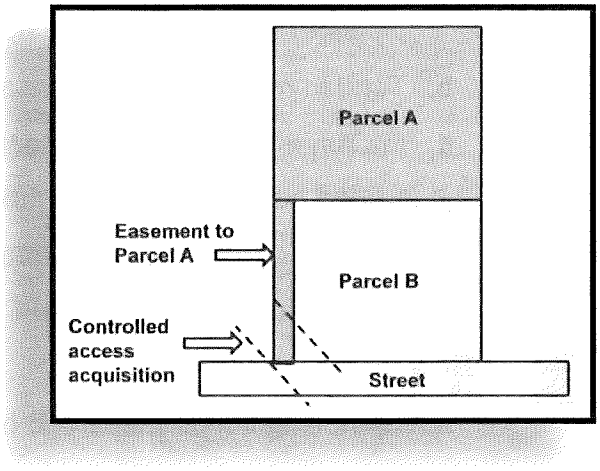
c. In a partial acquisition of property encumbered by a preexisting easement, the measure of compensation is the difference between the market value of the property as encumbered before the acquisition, and the market value of the remainder property—subject to the preexisting and newly acquired easements—after acquisition

13. Appurtenant easements to the servient estate



a. The acquisition involves two larger parcels and requires two appraisal assignments

b. For example, a proposed fee acquisition of Owner B's parcel through which Owner A has an access easement to connect Owner A's property to a highway

c. Owner A: Appraiser develops an opinion of the value of Parcel A as benefitted by the dominant estate

d. Owner B: Appraiser develops an opinion of the value of Parcel B as encumbered by the servient estate

e. In neither appraisal will the appraiser develop an opinion of the market value of the property as if unencumbered

f. The value of the undivided fee is simply not relevant to compensation for these acquisitions

G. Leaseholds and Other Temporary Acquisitions

1. Acquisition of a leasehold or other temporary interest in property; the measure of compensation is the market rental value of the premises acquired for the term acquired

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2. Definition of market rental value

> **Definition of Market Rental Value**
> The rental price in cash or its equivalent that the leasehold would have brought on the date of value on the open competitive market, at or near the location of the property acquired, assuming reasonable time to find a tenant.

3. As with market value, the federal definition of market rental value requires
   a. Willing and reasonably knowledgeable market participants
   b. Not compelled to buy or sell
   c. Giving due consideration to all available economic uses
4. Temporary acquisitions require a rigorous, well-supported analysis of highest and best use
5. Only direct evidence of market rental value, to the exclusion of remote, hypothetical conjecture, should be considered
6. In keeping with the Unit Rule, market rental value must be determined for the property as an unencumbered whole, regardless of subleases or other subsidiary interests into which it may have been divided
7. Temporary acquisitions present difficult problems in establishing just compensation
   a. Perhaps the most frequently encountered arise in federal leasehold acquisitions—particularly office space leaseholds
8. Leaseholds
   a. Best evidence of the market rental value of a leasehold estate is comparable leasehold transactions

> **A lease is a contract arrangement in which an owner (landlord or lessor) conveys to another (tenant or lessee) the rights to use and occupy property for a period of time in exchange for payment.**
>
> **During the lease, the tenant/lessee owns a possessory interest called the leasehold estate, and the landlord/lessor owns the remaining interest, called the leased fee estate.**

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b. Elements of comparability in leasehold valuations include:
   - Size
   - Time
   - Location
   - Period (term)
   - Number and terms of any renewal option(s)
   - Tenant build-out
   - Nature and extent of services provided by the lessor and/or the lessee
c. Several terms and services in government leases differ from market leases and require careful adjustment (See Table 1)
d. All terms must be evaluated in regard to market rental value of the space
e. Market rental value must not reflect the government's special need for the property or the risk that the government may exercise the power of eminent domain
f. Period of leasehold being acquired may require careful consideration

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Table 1. Common Differences Between Private and Government Leases

Adjustment Factors	Private Leases	Federal Leases
Measurements	Typical for market—often BOMA based	Generally inconsistent with local market and/or standards such as BOMA or IPMS
Term (duration)	Typical for market (e.g., five years)	Shorter or longer terms—often unusual (e.g., 33 months)
Base rent	Dollar per square foot monthly in advance	Lump sum in advance, or monthly in arrears
Rent adjustments	Index leases, graduated leases, percentage leases	Level payment over term (no adjustments) or adjustments built into lump sum
Expenses	Full service, gross, modified gross, net	Expense stops not included. May include excess janitorial, security services
Parking	x spaces per x square feet	More or less spaces than market norm
Tenant improvements (TIs)	Landlord provides dollar amount for tenant improvements (TIs)	No tenant improvements (TIs)
Rent concessions	Landlord provides free rent dependent on size and length of lease	No rent concessions
Renewal options	Established in lease	May condemn another term if needed
At lease end	Lessor retains TIs	May allow the government to destructively remove specialized equipment
At lease extension/renewal	Market rent for finished out space	Government won't pay twice for TIs already paid for

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g. If a short-term occupancy is being acquired, its market rental value may not be accurately reflected by the long-term market rental value of the same space. The market rental value of the short-term occupancy is to be ascertained

h. Temporary acquisitions may be partial or total. The acquisition of a leasehold estate over only a portion of a larger property may cause the diminution in the market rental value of the area not leased and must be considered

   1) For example, in an acquisition of a leasehold of a portion of a commercial office building, if the rental value of the remainder is diminished unless offered together with the space acquired by the government, then the diminution in rental value of the remainder would be compensable and must be considered

i. In both temporary and permanent acquisitions, lack of comparable transactions does not change the measure of compensation

j. It is improper to develop an opinion of the market rental value of a leasehold estate based on the value of the underlying fee (i.e., percentage-of-fee value)

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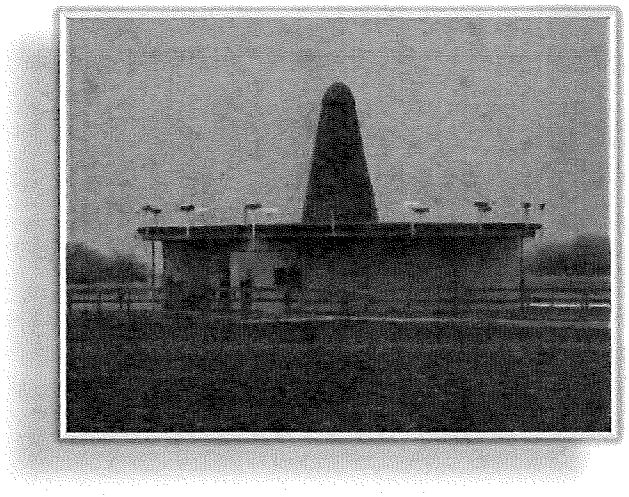
Case Study #5



BACKGROUND

You have been contacted by the Federal Aviation Administration (FAA) to perform an appraisal regarding the acquisition of a 0.42-acre fee acquisition, a 0.59-acre access easement, and a 57.40-acre height easement above a specific subject property containing 130.024 acres.

All airspace at and above 500 feet from the earth's surface is part of the National Airspace System and the federal government acquired rights to that space through various judiciary proceedings. Rights are not held by the federal government to the airspace below 500 feet above the earth's surface. Thus, to restrict development in areas in which structures create problems, fee purchases or easements must be acquired containing the right of restriction.

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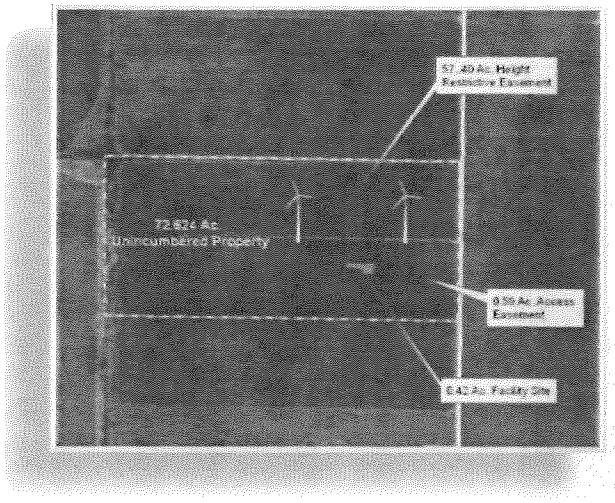

The FAA oversees the operation of numerous navigational aid facilities throughout the country. One such navigational aid is a VORTAC facility. These facilities transmit radio signals in a 360 degree pattern, which allows aircraft pilots to determine their directional location from the facility.

The height-restrictive easement seeks to remove the right to build any improvement (house, barn, shed, cellular tower, wind turbine, etc.) within a 1,000 foot radius of a specific VORTAC facility. The VORTAC facility sits on a 130.024-acre tract of land and the 0.42-acre site has historically been leased from the surface owner. A recent commercial wind power facility has been constructed in the area and includes two operational wind turbines within the physical boundaries of the subject site. Both of the wind turbines are located within the 1,000 foot radius from the VORTAC facility and would have to be removed due to the acquisition of the height restrictive easement.

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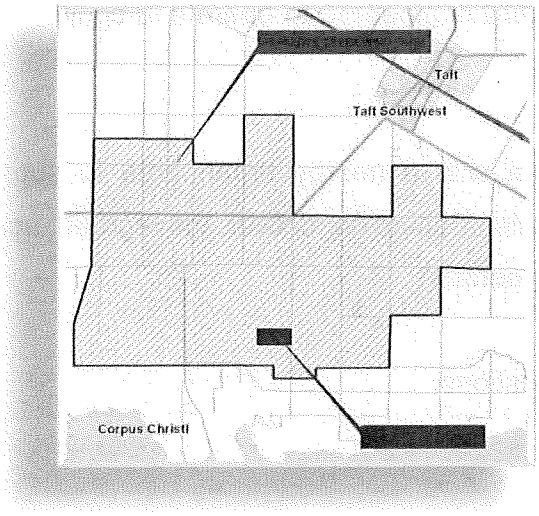

The owner and operator of the wind power facility is Big Sky Wind. Big Sky leases the wind rights from the fee owner. Additionally, the company holds leases on approximately 10,000 acres in the area surrounding the 130-acre tract of land. The leased area houses the remaining wind turbines in the power plant facility.

Commercial scale wind facility outlays are a result of extensive engineering, which systematically constructs "sticks" of turbines throughout an area. These "sticks" contain two or more turbines that are constructed in a symmetrical line. As wind passes over the blades of the turbine it becomes turbulent and cannot exert as much energy on an object without adequate time to reconfigure itself and continue moving across the earth's surface.

This wind phenomenon encourages developers to stagger the various "sticks" or groups of turbines so that turbines downwind are not receiving dirty air. Turbine placement is a result of numerous wind studies and area-specific data. Once placement decisions are made, the whole wind farm is engineered.

The engineering includes underground electrical lines carrying the power generated from each turbine to an onsite transformer, which then feeds the main power grid. Removing the two turbines from the subject property will cause a disruption in the facility to gather generated electricity not only from the two specific turbines, but also the six remaining

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turbines located off the subject property that were engineered to operate in conjunction with the developed "stick."

In addition, the power plant is under contract with a nearby urban area to supply renewable energy to the urban area's portfolio. Failure to deliver the agreed upon electricity results in penalties to the wind farm operator.

Given the above data, answer the following questions.

1. What rights are being acquired by the agency?

2. What parties are losing property rights due to the agency's proposed acquisition?

3. What is the consultation advice given to the agency based on what is known?

4. What is the larger parcel?

Follow Up Questions:

If the "stick" cannot be re-engineered due to density constraints in the remaining wind turbine locations, is it possible that the wind farm be worth $0 due to its inability to fulfill its contractual obligations to the urban area?

If the inability to supply the contractual obligation to the urban area causes the wind farm to go bankrupt, are the remaining property owners who have wind leases in place entitled to payment for the loss of an income stream?

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Summary

This case study exhibits how appraisal assignments may appear simple on the surface, but result in a complex acquisition after adequate research has been made. Acquiring agencies often are not educated on the complexities of rural leases, and the possibility that acquiring a right may extend to ownership outside the scope of the request. Ultimately, appraisers may have to rely on legal instruction in such complex assignments, but the ability of the appraiser to identify such issues and discuss them with the agency is an inherent responsibility. Simply having an agency say "this is the larger parcel" does not satisfy the requirements of the Yellow Book.

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k. Specific aspects of diminution in value may be legally compensable and must be considered in a partial leasehold acquisition while other aspects of diminution in value may be legally non-compensable and must be disregarded

l. Appraisers must take care to disregard non-compensable damage (e.g., frustration of plans, lost opportunities)

m. A taking may enhance the value of a residue, and benefits must be considered in the remainder's value after acquisition

9. Temporary inverse takings

a. Measure of compensation for temporary inverse takings is the same as other temporary acquisitions—the market rental value of the property acquired for the term of the acquisition

> **Whether an inverse taking occurred, and if so whether it is *temporary* or *permanent*, are legal questions that require <u>legal instruction</u>.**

b. Temporary inverse takings may be physical or regulatory

c. Whether a compensable temporary inverse taking occurred will be determined by the court, using a "more complex balancing process" than in other takings

d. Whether an alleged inverse taking is temporary or permanent is a legal question requiring legal instruction

e. In deciding this issue, the essential element of a temporary taking is a finite start and end to the taking

f. This determination can have a significant impact on valuation and on the amount of compensation awarded

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H. Natural Resources Acquisitions

1. Follow the same valuation standards/methodology
2. "The degree of speculation can and should be minimized" (*Yellow Book*, pg. 178)
3. Specialized expertise is typically required, either by the appraiser or through appropriate experts, subject to the requirements in Section 1.11. Special Considerations in Appraisals for Inverse Condemnations and Section 4.12. Appraisers' Use of Supporting Experts' Opinions
4. Unit Rule and natural resources
   a. Often misapplied
   b. Property must be valued as a whole—not by summation of its constituent parts
   c. Possible or actual existence of a resource in a property can only be considered to the extent it contributes to the value of the whole property
   d. Land that is underlaid with marketable minerals—those minerals are a factor of value to be considered
   e. Landowner is not entitled to have the surface value of the land and the value of underlying minerals aggregated (summation)
   f. It is possible the whole property is worth more than, the same as, or less than the mineral or other resource
5. Highest and best use and natural resources
   a. Presence of natural resources requires an analysis of highest and best use
   b. Adaptability of mineral deposit to a use does not establish a market
   c. Courts require a showing of a market for the commodity before the quantity and price of the commodity or substance may be used as a factor in expert's opinion
   d. Must distinguish between a highest and best use of mineral **extraction** and a highest and best use of mineral **exploration**
   e. Where a highest and best use is extraction, the appraiser must show:

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1) Presence of the mineral in commercially exploitable amounts
2) Market exists for the mineral that would justify its extraction in the reasonably foreseeable future

f. Where a highest and best use is exploration, the appraiser must show a reasonable probability that market participants would attempt to explore the property for such a use—and would pay more for a property on the date of value for that reason

g. With a proposed highest and best use of holding for future mineral extraction, the following are critical:
1) Timing of future use
2) Relation to current market value (i.e., as of the date of valuation)

h. Extraction of a mineral or other resource cannot be considered as a highest and best use unless it would be legally permissible

i. Market value cannot be premised on inconsistent or incompatible uses
1) While a parcel's surface might be suitable for subdivision purposes and the same parcel's subsurface oil and gas resources suitable for extraction, ". . . the surface could not be used for a residential subdivision if oil wells were drilled and producing. These are inconsistent uses." (*Yellow Book*, pg. 180)

j. Minerals, if any, located beneath the surface of the parcel cannot be ignored

k. This fact would not prevent a determination that different parts of a property have different highest and best uses—as long as those uses are compatible and consistent

l. To avoid duplication of value, a determination of multiple highest and best uses must not:
1) Attribute two highest and best uses to the same acres, or
2) Accept conflicting and incompatible uses

6. Valuation approaches for mineral resources
a. Sales comparison approach is the most reliable approach

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b. Appraiser cannot default to using income capitalization approach or other valuation method that may be acceptable for other intended users

c. Courts and industry professionals have criticized valuations that improperly disregard the sales comparison approach

d. An unsupported statement that comparable sales do not exist is insufficient

   1) "Elements of sales of quite distant properties, even those with different mineral content, may be comparable in an economic or market sense when due allowance is made for variables." (*Yellow Book*, pg. 181)

e. Elements of comparison for mineral properties may include:

   1) Location (relative to market demand, processing facilities, transportation options, etc.)
   2) Certainty (e.g., proven or unproven deposits), mineral content or type
   3) Mineral quality
   4) Mineral quantity
   5) Zoning or permitting status

f. Use of sales comparison approach requires the appraiser to determine the appropriate unit of comparison and should reflect that used by market participants

g. Arriving at a valuation by multiplying an assumed quantity of mineral reserves by a unit price is almost universally disapproved by the courts

h. It may be appropriate to apply the income capitalization approach to value mineral properties; cannot be used as a stand-alone approach to value if comparable sales are available

i. Even if comparable sales are lacking, courts have held the income capitalization approach can be used only with great caution for purposes of just compensation

j. Valuations of mineral property based on the income capitalization approach require impeccably objective and convincing evidence

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> "Failure to anchor assumptions to information corroborated by demonstrable facts renders the computations' mathematical exercises unrelated to reality"
>
> - *Foster*, 2 Cl. Ct. at 451

k. Requires a distinction between income generated by the property itself (i.e., royalty income in producing mining properties), which can be considered, and income generated by a business conducted on the property (i.e., a mining enterprise), which must be disregarded

l. Sometimes called the royalty income approach

m. When applicable, yield capitalization is generally appropriate and involves a discounted cash flow (DCF) analysis

n. Every factor considered must be properly supported

   1) One of the most critical factors is the selection of the discount rate, which should be derived from and supported by market data

o. Courts have rejected income capitalization without evidence that rates are in fact fixed in the marketplace by a process that parallels the expert's calculations

p. Necessary to take into consideration varied factors:

   1) Future supply and demand
   2) Economic conditions
   3) Estimates of mineral recoverability
   4) Value of currency
   5) Changes in the marketplace
   6) Technological advances

> **If comparable sales are not available, use of the <u>income capitalization approach</u> may be appropriate in valuing mineral property. When applying this approach to mineral properties, <u>yield capitalization</u> techniques (e.g. discounted cash-flow [DCF] analysis) are typically more appropriate than <u>direct capitalization</u> techniques.**

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7. Timber
    a. Sales comparison approach is the most reliable approach to value for properties involving timber
    b. Typically requires special expertise and analysis, including a:
        1) Timber cruise
        2) Evaluation of logging conditions
        3) Investigation of potential timber sales
    c. Never appropriate to simply add timber value to land value to determine market value of property as a whole
    d. Important considerations in valuing timber properties may include:
        1) Quantity and quality of
            a) Merchantable (i.e., demonstrated market) timber
            b) Operable (i.e., can be physically harvested) timber
        2) Land features (e.g., topography—slopes, wetlands), feasible logging methods
    e. Applicable local, state, and federal laws may significantly affect value of forested properties and must be considered
8. Water rights
    a. May have a substantial impact on market value and property uses
    b. Laws vary significantly by jurisdiction
    c. May be an important consideration in determining liability in inverse takings
    d. Generally allocated based on ownership of overlying land, prior appropriation, or state management
    e. Legal instructions may be required
    f. State laws on surface water rights generally follow one of three systems:
        1) In most Eastern states, based on the doctrine of riparian rights. Broadly,
            a) Allocated to owners of riparian land, land adjacent to a body of water
            b) Regulate reasonable use to protect other riparian owners
        2) In most Western states, based on a prior appropriation system

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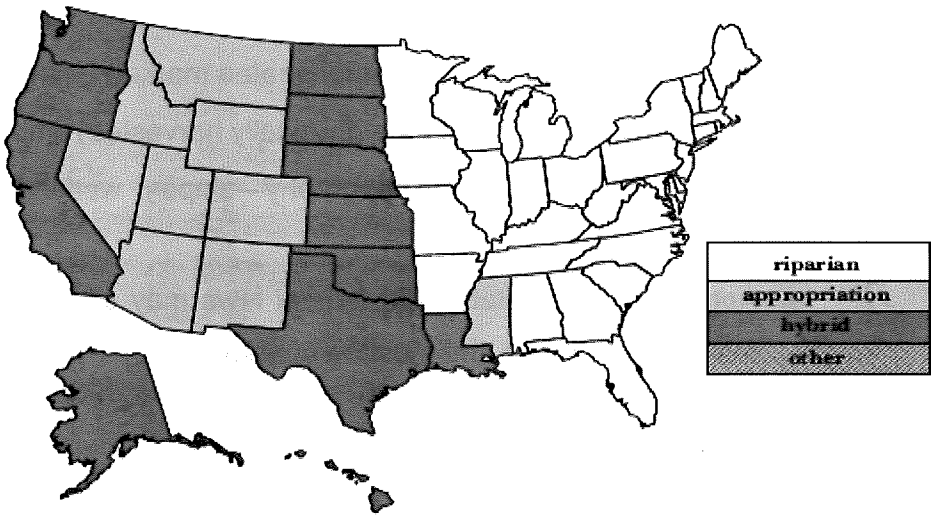
a) "First in time, first in right" concept

b) Allocated based on when a person puts a quantity of water to actual beneficial use, regardless of whether that person owns riparian land

3) In several Western states (including California, Texas, and Oklahoma): originally riparian rights, later incorporated an appropriation system, creating a hybrid system with both riparian and appropriation elements

g. Unique variations apply in Hawaii and Louisiana, and Pueblo water rights affect a few places in the Southwest

h. Special rules regarding riparian lands adjacent to navigable waters and the federal navigational servitude



I. Inverse Takings

1. Most valuation assignments under these Standards involve intentional acquisitions, however:

   a. May take property without intending to do so

   b. Landowner can sue for compensation

2. Claims involve important legal and practical differences

   a. In a direct condemnation, government acknowledges actual or proposed property acquisition and its obligation to pay compensation

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b. In an inverse taking, government may contest claim a taking occurred for which just compensation must be paid

3. Court must first determine whether a taking occurred for which just compensation must be paid
4. Liability inquiry will vary depending on nature of claim
   a. May be straightforward if action resulted in permanent physical occupation
   b. Numerous ways government actions or regulations can affect property interests
   c. Regulatory takings claims, tests to determine whether a taking has occurred include
      1) Character of government action
      2) Extent to which the regulation interferes with distinct, investment-backed expectations
      3) Economic impact of the regulation
      4) May impact the larger parcel for liability purposes
   d. If court finds compensable taking occurred, litigation will proceed to the compensation phase, standard valuation rules apply
   e. Appraisers may develop opinions in connection with the liability phase, the compensation phase, or both
   f. Generally, appraiser will develop opinions of market value before and after taking
   g. Date of value is typically the date of taking, which should be provided by legal counsel

J. Land Exchanges
   1. Are voluntary real property transactions between the United States and nonfederal landowner
   2. Exchanges can be initiated by any party
   3. Parties must agree on market value of properties being exchanged

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4. Land exchanges may result in litigation relating to valuation and/or appraisal adequacy
5. Most federal land exchanges are authorized under Federal Land Policy and Management Act of 1976 (FLPMA)
6. Some land exchanges are Congressionally legislated, sometimes with special provisions
7. Are subject to same valuation requirements as other types of federal acquisitions
8. Special rules commonly dictate larger parcel determination
9. Appraiser **must** obtain legal instructions (e.g., date of valuation)
10. For example, following the eruption at Mount St. Helens in 1980, Congress authorized the acquisition of lands by donation or exchange in what is now the Mount St. Helens National Volcanic Monument
11. Most acquisitions required appraisal of the properties' current market value, but the statute expressly provided for timber acquisitions to be valued as of July 1, 1982, in recognition of rapid deterioration of timber in the area
12. Analysis of highest and best use is critical
    a. Federal lands to be exchanged are not likely being put to their highest and best use on the date of value, while nonfederal party's proposed use may well be a feasible highest and best use and must be considered
    b. Neither an existing federal use nor a nonfederal party's proposed use can be considered unless there is competitive demand for that use in the market
    c. Any proposed use, no matter how probable or profitable, is considered only "to the full extent that the prospect of demand for the use affects market value" (*Yellow Book*, pg. 187)

K. Special Rules

1. Riparian lands and the federal navigational servitude
    a. Navigational servitude
        1) Dominant federal easement over the nation's navigable waters

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2) Preexisting limitation on ownership of flow of navigable waters and underlying streambeds
3) Inland waterways are national assets rather than the private property of riparian owners
4) Encompasses the exercise of federal power to the stream and the lands beneath and within its high-water mark
5) Applies to all holders of riparian and riverbed interests
6) When the United States exercises its navigational servitude, no property is taken within the meaning of the Fifth Amendment and no compensation is due
7) Elements of value under the navigational servitude
   a) Any market value that arises from access to or use of navigable waters is allocable to the public, not to private owners

b. Acquisitions under 33 U.S.C.§ 595a

Title 33—Navigation and Navigable Waters, 33 U.S.C.§ 595a—Compensation for taking or condemnation of property for public improvements; fair market value; partial taking; effective date

Values Due to Access to or Use of Navigable Water

In federal acquisitions related to navigation, the following elements are not compensable under the Fifth Amendment:

- Port site value
- Power site value
- Riparian rights of access to navigable waters
- Irrigation value
- Recreational value for boating, fishing, and hunting

These values must be disregarded in federal acquisitions of fast land, except as required by federal statute. *See* 33 U.S.C. § 595a.

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1) Total acquisitions—appraiser must consider water-dependent uses in determining the highest and best use
2) Partial acquisitions—require special valuation method (e.g., taking plus damages) **but only with legal instructions**

c. Navigational servitude and Inverse Taking Clause
   1) Navigational servitude does not create a blanket exception to the Takings Clause

d. Federal grazing permits
   1) Appraisers must disregard
      a) Any value added to privately owned lands as a result of its use in combination with federal lands
      b) The use or potential use of federal lands even if "this element of value would be considered by a potential buyer in the open market" (*Yellow Book*, pg. 195)
   2) Revocable and create no property rights in the holder
   3) Revert to the federal agency when the base property is sold and may or may not be granted to the new owner

e. Streets, rail corridors, infrastructure, and public facilities
   1) Federal acquisitions may involve property already being used to benefit the public that may be obligated to replace the facility acquired
   2) "Whether departure from the market value measure of just compensation is required, and if so, what alternative measure of compensation is appropriate, are **legal determinations** that cannot be made by the appraiser" (*Yellow Book*, pg. 195)
   3) Streets, roads, highways, and alleys typically have only nominal market value, and only nominal compensation is due for their acquisition

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4) Critical for the appraiser to understand the precise property interest(s) being acquired and the impact of any existing encumbrances. Encumbrances affecting streets could include dedication to highway use, prohibitions on non-road use, or reversionary rights, for example. Such legal encumbrances are a type of easement, that is, a limited right to use or control land owned by another for specified purposes
5) Existing legal encumbrances and preexisting physical conditions must be considered when developing opinions of market value
6) If the street does not require replacement by the owner, the owner—typically a city or other municipal entity—suffers no loss, and no compensation is due
7) Even strips of land that may have been intended for use as a street, but are not legally encumbered ("dedicated"), typically have limited market value. It is legally improper to simply assume these strips have the same market value as surrounding lands
8) It is permissible for the government to provide compensation in the form of a substitute facility
9) For example, in an inverse taking of a railway corridor with physical remnants of the abandoned railway that would require removal to put the property to its highest and best use, the court held that failing to consider the removal costs will result in an artificially inflated value
10) Legal instructions are typically required

f. Corridors and rights of way
   1) Involve many valuation problems similar to acquisitions of streets, highways, etc.
   2) Often involve preexisting encumbrances that may deprive them of value for other uses
   3) Appraiser must understand the precise property interest(s) being acquired and the impact of any existing encumbrances
   4) Typically, legal instructions are required

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5) Rails-to-Trails claims

a) Issues frequently arise

b) Numerous inverse takings claims regarding adjacent landowners' potential reversionary interests

i. Court must first determine liability proceeding to the compensation phase

ii. In the compensation phase, appraiser develops opinion value and standard valuation rules apply

c) Frequently include preexisting improvements or physical remnants of rail use

i. Failing to consider the removal costs is an improper appraisal methodology that "will result in an artificially inflated value . . ." (*Yellow Book*, pg. 198)

d) Takings may be permanent or temporary

e) Legal instructions may be necessary

g. Substitute-facility compensation

1) Permissible to provide compensation in the form of a substitute facility

2) May be the most practical and equitable in acquisitions of properties owned by a public entity, dedicated to public use, and for which a functional substitute is required and payment of market value would deviate significantly from making the owner whole

3) If compensation provided by substitute facility, market value is not relevant

4) Appraisers or other experts may prepare estimate costs, perform traffic studies, or conduct other analyses

5) Congress can authorize substitute-facility compensation or agencies be guided by fairness to the owner and the public and in making the owner whole

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6) The measure of compensation achieves a fair balance between the public's need and the owner's loss

L. Appraisers' Use of Supporting Experts' Opinions

> **Reliance on unsupported subsidiary expert opinions can undermine or even invalidate the appraiser's valuation analysis and conclusions.**

1. Some appraisal assignments may require the appraiser to rely on other experts' opinions on technical or other specialized issues
2. Expert opinion must be founded on substantial data, not conjecture, speculation, or unwarranted assumption
3. Appraiser cannot assume supporting experts' reports are accurate and reliable
4. Appraiser must carefully analyze subsidiary experts' reports to ensure a full understanding of the bases for their findings and the impact on the appraisal
5. Appraiser considerations include:
   a. Are experts' opinions confirmed by appropriate analyses?
   b. Did experts credibly reconcile data or other facts that may contradict their conclusions?
   c. Did experts gather relevant data in a methodical manner?
   d. Are the assumptions underlying experts' opinions reasonable and appropriate?
   e. Are experts' conclusions substantiated by other evidence?
6. With appropriate verification of reliability and support, appraiser relying on an expert's report is appropriate
7. Unit Rule considerations
   a. The results of subsidiary valuation reports cannot simply be added to the value of the land to arrive at a value of the property as a whole
   b. Violates the Unit Rule and appraisal standards
   c. Subsidiary valuation reports should be considered in the context of how they contribute to the market value of the property as a whole

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M. Common Purpose (Roles and Responsibilities)

1. The importance of sound appraisals cannot be overstated
2. It is the government's obligation to serve the general public and protect the common welfare by paying just compensation whenever property is needed for public purposes, and reliable, objective valuations are critical to achieving this end
3. Appraisers, landowners, attorneys, and government agency staff all play important roles in the federal acquisition process, whether or not litigation is anticipated
4. Appraisers and other experts
   a. Appraisers assist in the determination of just compensation by developing an opinion of market value often in consultation with experts in other fields
   b. Requires:
      1) Expertise, diligence, sound judgment, and objectivity
      2) Diligence in data collection and competently applying accepted methods and techniques of the appraisal profession and the special rules and requirements in these Standards
      3) Exercise of sound judgment and development of an unbiased opinion

> **It is inappropriate to "give the benefit of the doubt" to either a landowner or the United States.**

   c. Appraisers retained as expert witnesses by the US Department of Justice
      1) Expert witnesses for litigation have additional obligations
         a) Spend adequate time and effort to thoroughly prepare to testify in depositions and at trial
         b) Confer with the trial attorney
         c) Conform appraisal reports with Rule 26(a)(2)(b) of the Federal Rules of Civil Procedure
         d) Have familiarity with local rules regarding expert reports

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e) Personally verify all comparable sales prior to testifying in deposition or at trial

f) Distinguish between a rigorous exploration of methodologies, analysis, and factual support and improper pressure that undermines objectivity and reliability of the conclusions

g) Advise the attorney of any information that would be helpful in strengthening the report that was not available to the appraiser

h) Discuss the logistics of a site inspection and appropriate communication with the landowner

i) Develop and testify to an objective opinion of market value, following federal law, that is supported by factual data to warrant being accorded weight

5. Government agency staff

   a. Federal realty acquisitions require the contributions of a variety of government agency staff, including:

   - Realty specialists
   - Surveyors
   - Engineers
   - Title researchers
   - Negotiators
   - Project managers
   - Contract procurement specialists
   - Executives
   - Appraisers
   - Review appraisers
   - Attorneys

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b. Agency staff

1) Identify property for federal acquisition
2) Work with government and outside appraisers to develop appropriate scope of work for each valuation assignment
3) Provide necessary information to appraisers
4) Issue legal instructions
5) Explain government's offer of just compensation and its basis, which often involves explaining the appraisal process, the data considered by the appraiser, and the reasons improper considerations are disregarded
6) Rely on appraisals to determine just compensation for the purpose of making offers under the Uniform Act
7) Estimate project acquisition costs
8) Make judicious use of public funds

6. Landowners

a. Entitled to just compensation if their property is acquired for public purposes and to receive fair and equitable treatment no matter which agency is acquiring their land
b. Must be given an opportunity to accompany the appraiser on the property

7. Attorneys

a. Play a critical role in appraisals for federal acquisitions, whether or not litigation is involved
b. Provide legal instructions on a variety of valuation issues addressed throughout these standards
c. Often engage in nuanced discussions with appraisers to determine what legal instructions are necessary and appropriate
d. Consult (agency counsel) with the US Department of Justice for assistance on novel or complex issues

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Section VII Quiz: True or False?

1. When there are multiple value components to a property, the Unit Rule specifies that the appraiser can value the entire property by summing the legal interests and/or the physical component values.
2. With legal instructions, the appraiser often determines just compensation.
3. The terms "sale confirmation" and "sale verification" are synonymous.
4. Every appraisal prepared under the Yellow Book requires a larger parcel determination.
5. Some property transaction types (e.g., forced sales, to public interest organizations, to governments) are not defined as market value transactions and cannot be considered.
6. A scope of the project decision requires a legal instruction.
7. The scope of the project rule applies to government projects only, not all projects (i.e., public and private).
8. General (indirect) benefits are non-compensable.
9. All easement acquisitions are partial acquisitions.
10. Fear created by the project's "stigma," in and of itself, is adequate to allow compensation.
11. Highest and best use cannot be predicated on demand created solely by the government project for which the property is acquired.
12. The appraiser's opinion as to whether there is a reasonable probability of a zoning change must have a factual basis.
13. Tracts that lack unity of ownership cannot be treated as a single larger parcel if they do not share an integrated or actual use.
14. Examples of non-compensable damages are frustration of future plans, setback reduction, diversion of traffic.
15. Under the Yellow Book, federal grazing permits create property rights in the beholder (permittee).

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VIII. Appraisal Review

A. Introduction

1. Developed and reported in conformance with these Standards and with the 2016-2017 edition of USPAP
2. Types of review
   a. Technical review
      1) Desk
      2) Field
   b. Administrative review
3. Types of reviewers
   a. Government review appraisers
   b. Contract review appraisers
   c. Rebuttal appraisers
4. Government review appraisers
   a. Administrative or technical
      1) Often assigned administrative duties in addition to the technical reviews
   b. Administrative
      1) Vary from agency to agency
      2) May range from contract administration or counseling management for general valuation issues to assisting agency to meet its non-appraisal and appraisal obligations under the Uniform Act
      3) Fall outside the scope of these Standards
   c. A review appraiser is a separate specialty and not just an appraiser who reviews an appraisal. Appraisal review is a unique skill that builds on appraisal skills.
   d. At a minimum must
      1) Examine presentation and analysis of market information
      2) Ensure appraisal report meets applicable appraisal requirements (Standards)

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3) Ensure analysis and market information support appraiser's opinion of value

4) Understand the level of review is dependent on complexity of appraisal problem

e. As needed, prior to acceptance, must seek corrections or revisions

1) Must identify each report as

a) *Recommended* (as the basis for amount believed just compensation)

b) *Accepted* (meets all requirements, not selected as recommended or approved)

c) *Not accepted*

> "If authorized by the agency to do so, the staff review appraiser shall also *approve* the appraisal (as the basis for the establishment of the amount believed to be just compensation) and, if also authorized to do so, develop and report the amount believed to be just compensation." *Yellow Book*, pg. 80

d) *Unable to recommend* (*or approve*):

i. As just compensation basis and not practical for agency to obtain additional appraisal, may present and analyze information in conformance with Uniform Act to support a *recommended* (or *approved*) value

2) Must prepare a written report that identifies:

a) Appraisal reports reviewed

b) Documents findings and conclusions arrived at during review

c) Any damages or benefits to remaining property

d) Signed certification stating:

i. Parameters of review

ii. Approved value

iii. If authorized, amount believed to be just compensation

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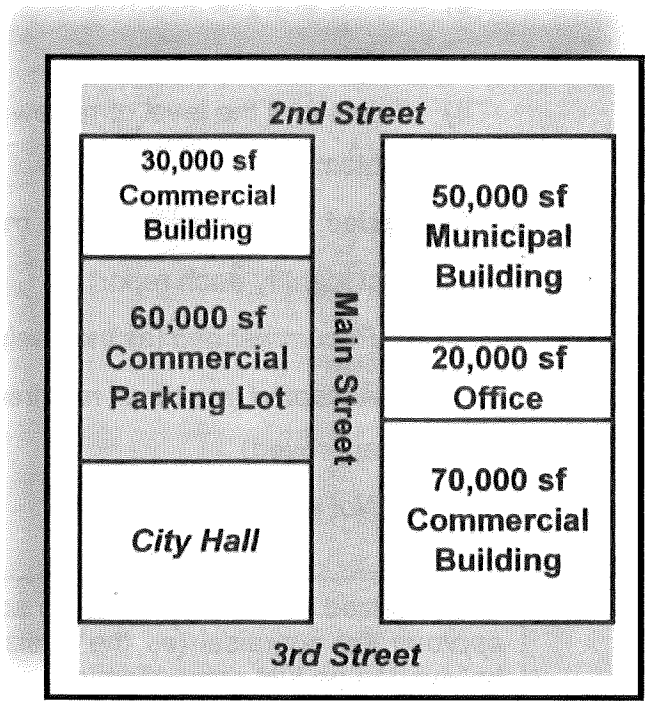
Problem #25:

The agency requests a Yellow Book appraisal for the 60,000 sq. ft. paved site owned by Big Auto. The agency plans to construct a courthouse.



The site is part of a single downtown redevelopment zone. Substantial renovation, development, and demolition has occurred during the past 4-5 years.

During inspection, the owner said the site was leased to C. Wilson, who relied on parking customers from City Hall and other nearby municipal buildings

Lease:

- 25-year term entered into 10 years ago
- Use limited to surface parking
- Tenant make all necessary improvements to convert to parking lot
- At lease termination, all improvements remain or removed at lessor's option but at lessee's expense
- Initial rent: $60,000/year, adjusted every five years based on CPI
- Last adjustment, one month ago to $81,000
- Lessee responsible for all property expenses (e.g., taxes, assessments, and insurance)

Investigation shows market rent from $1.25/sq. ft. to $1.50/sq. ft., triple net.

Most proximate sales purchased for speculation in anticipation of long-term appreciation. After adjusting sales for market conditions, demolition costs (if any), and cash equivalency, the sales indicate $25/sq. ft. to $35/sq. ft.

Some proximate interim uses include parking, used car lots, etc.

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1. What is the range of values?

_____

_____

_____

2. What is the range of capitalization rates?

_____

_____

_____

3. What does the capitalization rate indicate to you?

_____

_____

_____

4. What is the highest and best use of the property?

_____

_____

_____

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Discussion #5:

A long-tenured landowner continues to use a 20-acre property in a metropolitan area for parking and a weekly farmers' market. The surrounding area is developed for single-unit residential use.

According to the Yellow Book, what information should the appraiser consider in the highest and best use analysis?

_____

_____

_____

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f. Agencies have adopted implementation policies and rules regarding these Standards

g. Should refer to agency specific review standards

h. Set USPAP requirements as a minimum

i. Prior to approving an appraisal (more than nominal value) should prepare a written review report including:

   1) Scope of work

   2) Analysis and support for recommended action

j. Responsible for:

   1) Determining if adequately supported

   2) Complying with recognized appraisal principles and practices

   3) Complying with contract (or assignment letter)

   4) Conforming to legal premises in written legal instructions

   5) Conforming to these Standards

k. Agency appraisals provided to Department of Justice (DOJ) to request support to initiate condemnation must be reviewed by DOJ's Appraisal Unit

l. Responsibilities of DOJ's Appraisal Unit: ensure credible, reliable, accurate appraisals for litigation, including settlement negotiations and trials

   1) Must

      a) Confirm technical conformance with these Standards

      b) Confirm reasonableness of appraiser's opinion of value

      c) Determine the suitability for trial purposes

      d) Identify weaknesses and strengths and recommend corrective actions appraiser and/or trial counsel can take

   2) Appraisal reports may be unsuitable for trial purposes even if in technical conformance with these Standards and the opinion of value are reasonable

   3) Due to intended use and intended user reviewer must not develop own independent of opinions of value

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5. Contract review appraisers
    a. Some agencies have authority to engage contract review appraisers. Refer to specific agency, regulations, guidelines, and authorities
    b. Most cases bound by requirements of Section 3.1.1. Government Review Appraisers and Section 3.2. Types of Appraisal Reviews
    c. Different requirements may apply

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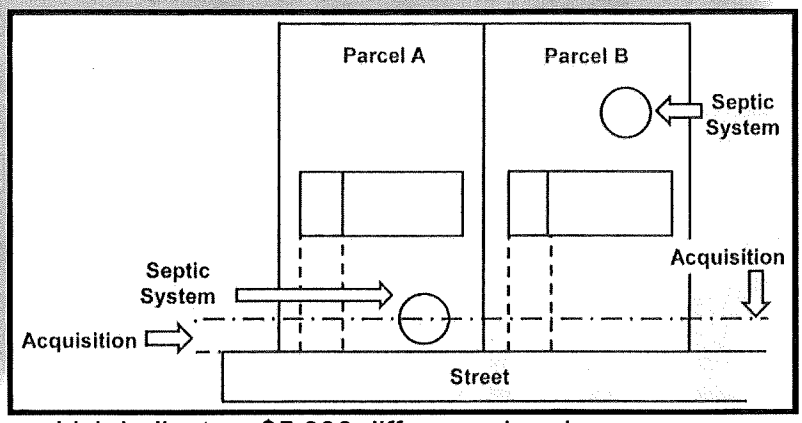
Discussion #6:

The before value of both Parcel A and Parcel B is $200,000.



An acquisition will be made from both parcels.

The appraiser locates several "before and after" sales, which indicate a $5,000 difference in prices.

The acquisition crossing Parcel A impacts the septic system, which will have to be located on the property

The appraiser obtains a bid from a local contractor to replace the septic system and repair lawn at $10,000 (including entrepreneurial profit). The new system will be installed within 30 days (cost-to-cure).

The appraiser reports the findings:

Parcel A

Before Value: $200,000

After Value: $185,000

Difference: $ 15,000

Parcel B

Before Value: $200,000

After Value: $195,000

Difference: $ 5,000

1. As the review appraiser, what are your thoughts?

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6. Rebuttal experts
    a. Contract appraisers may engage as rebuttal experts
    b. Typically, engaged by DOJ in condemnation trial proceedings to contradict or rebut analysis and conclusions of another appraiser
    c. May be asked to review an entire appraisal report, a specific element (e.g., highest and best use, specific approach to value)
    d. Must comply with USPAP and Federal Rules of Civil Procedure, particularly Rule 26(a)(2)
    e. Must not allow assignment conditions or client's objectives to either bias or render the assignment results noncredible

B. Types of Appraisal Reviews
    1. Technical review and administrative (compliance) review
    2. Technical review
        a. Developed and reported by appraisers only
        b. In accordance with:
            1) These Standards
            2) USPAP
            3) Agency policies, rules, regulations
        c. Renders opinions on
            1) Quality of an appraisal report
            2) Whether the opinion(s) of value are adequately supported
            3) Compliance with all appropriate standards, laws, regulations relating to federal acquisitions
            4) If appropriate, separate opinion of value
                a) Value must be developed and reported in accordance with appraisal development and content requirements for:
                i. These Standards
                ii. Agency policies, rules and/or regulations

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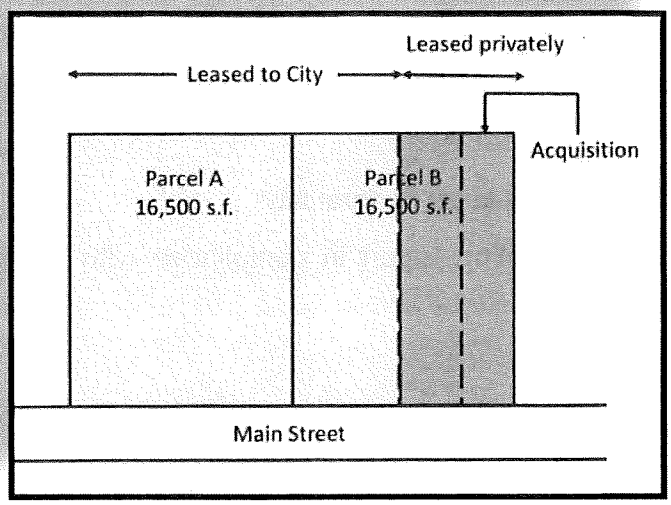
Problem #26:



Parcel A and Parcel B are owned by W.C. Corporation, a wholly owned subsidiary of Omega Corporation.

Parcel A and the western half of Parcel B are leased to the city for public parking.

The eastern half of Parcel B is leased to a private corporation for parking.

The acquisition is the eastern 35 feet of Parcel B.

What information should the appraiser provide to support the larger parcel decision?

What is the larger parcel?

Why?

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3. Administrative or compliance review
    a. May be performed by appraiser or non-appraiser
    b. Scope of work and content will vary with its intended use and intended user
    c. Some agencies have specific policies regarding development and use
    d. May include confirmation the appraisal report:
        1) Conforms to contract/assignment letter, federal law
        2) Includes signed certification stating report in compliance with these Standards
    e. May verify the appraisal report
        1) Identifies correct subject property
        2) Contains subject property and comparable market data properties photographs
        3) Analysis reflects most recent project plan
        4) Contains correct factual data and mathematics
    f. Must not
        1) Form an opinion on the quality of analysis, judgment, or opinion(s) of value in appraisal report
    g. Does not meet requirements of Uniform Act
    h. Often use a checklist in making determination (See Appendix A)
    i. Technical reviews
        1) Problem identification
            a) Research and analysis to develop credible assignment result, varies with scope of work
        2) Technical reviews may be desk reviews or field reviews
            a) Most significant difference is level of evaluation accorded the factual data presented
            b) Desk reviews
                i. Limits examination to information and analysis in appraisal report

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ii. Data verification may or may not occur

iii. Identification of additional comparative market data may or may not occur

c) Field reviews

i. Represent highest level of due diligence

ii. At least an exterior inspection of subject property and often comparable data properties

iii. Usually report data is independently confirmed

iv. May obtain additional market data or resolve differences

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Problem #27:

The appraiser hired a forester to conduct a timber cruise. He also hired a water rights expert to value 300 acre-feet of appurtenant water rights.

The forester's timber cruise recommends the timber be clear cut. The forester estimated the sale price of the timber at the mill and then deducted hauling and harvesting costs

The appraiser valued the "dry" surface without merchantable timber and used the water rights expert's estimate as part of the opinion of value.

The appraiser submitted the appraisal report to the agency with an estimated opinion of value at $1,700,000 to agency

Element/Category	*Independent Expert*	Opinion of Value
Timber Cruise:		$ 625,000
Dry Surface Rights:		$ 1,000,000
Water Rights:		$ 75,000
	Cumulative Total =	**$ 1,700,000**

1. As the review appraiser what are your thoughts?

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C. Problem Identification

1. Appropriate scope of work

   a. May be based on dollar amount and/or:

      1) Complexity of valuation problem, as dictated by agency regulatory and policy requirements

      2) Degree of controversy surrounding a particular acquisition may play a role

   b. Clearly identify precise scope of work and extent of review process

      1) Terms (e.g., administrative review, technical review, desk review, field review) require definition

      2) Mandatory scope of work elements

      3) May call for the review to include (combination of):

         a) Workfile

         b) Portion of appraisal report

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Discussion #7:

The Yellow Book states that (t)erms such as administrative or technical review, desk review, and field review may not be understood by all users . . . and require precise definition if used.

USPAP states "Appraisers sometimes use such terms as 'Desk Review,' 'Field Review,' 'Complete Review,' 'Limited Review,' 'Technical Review,' and 'Administrative Review.' However, without appropriate explanation, these terms and phrases can result in misunderstanding . . ." (USPAP 2016-17, pg. 147)

How do you define those terms?

_____

_____

_____

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c. Request for corrective actions

1) Should maintain complete file memorandum or preliminary review and requested corrective action

2) Practice of maintaining only the final corrective report and final review should be avoided

2. Client

a. Must identify, including all relevant contact information

3. Intended users

a. Must disclose understanding of who intends to use the appraisal review assignment results

4. Intended use

a. Must disclose understanding of intended use of the appraisal review assignment results by clients and intended users

5. Type of opinion

a. Must disclose type of opinion being rendered

1) Generally, opinion of quality of the work under review

2) If applicable, should discuss actions (e.g., accept, approve, not accept, etc.) to be taken with implementing the Uniform Act

6. Effective date

a. Normally reflects effective date of review appraiser's opinions and conclusions

b. Must clearly disclose date of report and effective date of the appraisal under review

7. Subject of the assignment

a. Must identify what is being reviewed, typically an appraisal report

b. Must provide identifying details relating to the report

1) Author(s)

2) Report subject

3) Etc.

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c. Should recognize specific scope of work (combination of the following):
    1) May include workfile
    2) Portion of appraisal report

8. Assignment conditions
    a. Clearly identify type and extent of research and analysis undertaken
    b. If significant assistance required to arrive at conclusions, should identify (with names and extent of assistance of those providing assistance) extent in:
        1) Scope of work
        2) Certification
    c. Other conditions discussed may be
        1) Assumptions
        2) Extraordinary assumptions
        3) Hypothetical conditions
        4) Laws and regulations
        5) Other conditions that affect scope of work
    d. Conditions applied to the appraisal review, not just those adopted in the report under review

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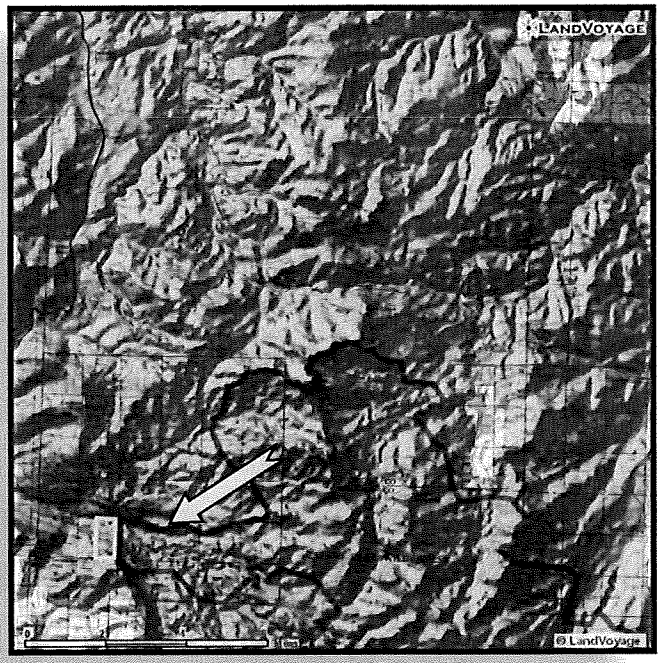
Problem #28:



The subject property is 320 acres of forested lands (*yellow*).

A marketability study and highest and best use analysis concludes the highest and best use is for recreation and low-density residential or executive estates, ranging from 5 acres to 20 acres in size.

The legal ownership is ~330,000 contiguous acres in this locale (*green*).

What do you think the appraiser's larger parcel determination was?

_____

_____

_____

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D. Responsibilities of the Review Appraiser

1. Must remain objective
2. Cannot allow agency goals or adversarial pressure influence opinions of appraisal report's appropriateness or value opinion it reports
3. Cannot allow personal opinions of agency's proposed acquisition to enter in
4. Should not substitute own judgment for appraiser's unless willing and able to develop opinions of value and become the appraiser of record

   Note: It is important that, when writing this section of the review, the appraisal reviewer distinguish between the assignment conditions that apply to the appraisal under review, those that apply to the review process being undertaken, and those that apply to both the report under review and the review process
5. **Must recognize technical deficiencies are present in most appraisal reports and should not be an excuse to not accept a report if the underlying reason for not accepting is differing opinions of market value**
6. Review appraiser must
   a. Identify scope of work performed
   b. Describe opinion of completeness of appraisal report within scope of work of the appraisal assignment, which must include these Standards
   c. Develop opinion as to adequacy and relevance of data and adequacy of market support for adjustments to data
   d. Develop opinion as to appropriateness of appraisal methods and techniques used and describe reasons for disagreements
   e. Develop opinion as to whether analysis, opinions, conclusions in appraisal report are appropriate, reasonable, adequately supported by market data and describe reasons for disagreement

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f. Prepare appraisal review report in compliance with

1) Agency policies, rules, regulations

2) These Standards

3) USPAP

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Problem #29:

The agency will acquire 10 acres in fee from a 40-acre larger parcel. The tract has a highest and best use as irrigated cropland. Land, mostly owned by speculators, has potential for future development. As a holding measure, the owners rent the property for irrigated cropland use.

The agency will also acquire a TCE for a four-year period on adjacent 10-acre portion. The TCE will not impact the remainder property or its operation.

Real estate investment returns (developed from published data) are 10%.

Several area land sales indicate before prices of $5,000/acre. Because of the irregular shape after the acquisition, other sales indicate a sale prices at $4,500/acre.

The appraiser reported the following:

Value Before *(40 acres @ $5,000)*		=	$ 200,000
Value After *(30 acres @ $4,500)*		-	$ 135,000
Difference		=	$ 65,000
Value TCE *(10 acres @ $5,000)*	$ 50,000		
Reasonable Return on Investment	10%		
Annual Return	$ 5,000		
Term of TE *(in years)*	x 4		
Value of Temporary Easement		=	$ 20,000
Just Compensation			$ 85,000

1. Do the valuation procedures meet Yellow Book requirements?
2. As a review appraiser, what questions do you have?
3. As a review appraiser what, if anything, will you do?

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E. Review Appraiser Expressing an Opinion of Value

1. If cannot accept or recommend approval for Uniform Act purpose and not practical to obtain an additional appraisal, may be authorized to develop an independent opinion of value. The appraisal review process should be developed and reported in conformity with these Standards, which are compatible . . . with the current edition of USPAP
2. Various agencies have policies, rules, procedures when review appraiser may develop independent opinion of value and become the appraiser of record
3. May recommend, accept, or not accept appraisal report based on compliance with these Standards and appropriateness of methods and analysis in appraisal report. These actions do not constitute opinion of value nor do they infer review appraiser has taken ownership of value opinion in appraisal report
4. When developing opinion of value and becoming appraiser of record, value opinion must be supported and documented to these Standards
5. May incorporate, by reference, credible data and analysis in compliance with these Standards using an extraordinary assumption
6. Portions not credible or inconsistent with these Standards must be replaced with additional data and analysis
7. May use additional information not available to original appraiser, under these circumstances, the reviewer's opinion of value generally will be at a later effective date than the appraiser's effective date

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Problem #30:

The US government filed a Petition for Condemnation and a Declaration of Taking for the acquisitions of timberland tracts containing approximately 9,500 from a 24,500 acre parcel. International Paper Company (IP) owned the property, located in Decatur County, Georgia.

In addition to these lands, IP owned 440,000 additional acres in the general area, several wood yards (one of which was located in Bainbridge, Decatur County, Georgia), and a large, modern paper mill located approximately 136 miles away in Panama City, Bay County, Florida.

IP contented there was an integrated unitary use among the land taken, the wood yard in Bainbridge, Georgia, and the paper mill in Panama City, Florida. They claimed to be entitled to receive, as just compensation, compensation for the lands actually taken and severance damage to the contiguous land not taken, and also severance damage resulting from the decrease in market value of the non-contiguous wood yard and paper mill caused by the taking.

The government claimed there was no integrated unitary use with respect to IP's lands, wood yard, and paper mill.

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F. Review Appraiser's Use of Information Not Available to Appraiser

1. Typically, scope of work involving federal acquisitions exceeds usual appraisal reviews because
   a. Uniform Act regulations require review appraisers to determine if appraisal report can be basis to establish just compensation
      1) May need to consider information not available to appraiser
      2) Must consider all available information in making a recommendation
2. USPAP allows use of information that should have been considered and information not available to appraiser. Not a jurisdictional exception
3. Must explain all pertinent findings to avoid impression appraisal report was not accepted because of quality or reasonableness. Some agencies allow reviewers to *accept* but not *approve*

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Problem #31:

The government acquired two adjacent tracts in fee simple. "A" owned Tract No. 1 in fee, which he leased to "B" under a 99-year lease. "B" owned Tract No. 2 in fee. On the date of value, "B" had built and was operating, as a tourist attraction, an observation tower on Tract No. 1. The tower overlooked a significant Civil War battlefield. "B" made lease payments to "A." The owner of Tract No. 2 (which "B" owned in fee) operated a gift shop, restaurant, and parking lot.

The court was presented with two valuation methodologies:

1. Appraiser One valued the fee, as a whole. The lease payments were not considered an expense but merely a transfer of funds between interest holders that would cancel out under a unit valuation and had no bearing on the land's inherent capacity to generate income. Appraiser One's task was neither to appraise "A's" interest nor "B's" interest, but rather the composite value of all interests.

OR

2. Appraiser Two added to the valuation described above a separate valuation of "A's" interest in the lease payments, which were substantial.

The court adopted Appraiser One's methodology.

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G. Review Reporting Requirements

1. Oral reports
   a. Contrary to Uniform Act and these Standards
   b. Not permitted as end-result or final conclusion
   c. May be reported if
      1) Scope of work requires it be conducted in advance of final written appraisal review report and
      2) Adequate support in review appraiser's workfile
2. Appraisal report
   a. No specific report format or structure
   b. For consistency and efficiency, many agencies require or recommend formats
3. Irrespective of format, all review reports must be in writing and contain, at a minimum:
   a. Identification of client and intended users, intended use, and purpose of the review
   b. Identification of appraisal report under review, date of review report, property and ownership interest appraised, date of report, and effective date of value opinion in report under appraiser's name
   c. Description of scope of work performed
   d. Statement of opinions, reasons, conclusions reached concerning appraisal report
   e. Signed certification stating report compliance with these Standards and USPAP (whatever is required in USPAP is required in the Yellow Book)
4. Scope of work must be adequately described so intended users will understand type and level of review completed

H. Certification

1. Signed and consistent with USPAP, STANDARD 3 requirements
2. These Standards

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I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of the work under review and no (or the specified) personal interest with respect to the parties involved.
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favor the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the subject of the work under review. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the subject of the work under review.) (For reviews of a business or

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intangible asset appraisal assignment, the inspection portion of the certification is not applicable.)

- No one provided significant appraisal or appraisal review assistance to the person signing this certification. (If there are exceptions, the name of each individual(s) providing appraisal or appraisal review assistance must be stated.)

- the appraisal was developed and the appraisal report was prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions;*
- the appraisal was developed and the appraisal report prepared in conformance with the Appraisal Standards Board's *Uniform Standards of Professional Appraisal Practice* and complies with USPAP's JURISDICTIONAL EXCEPTION RULE when invoked by Section 1.2.7.2 of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and
- the appraiser has made a physical inspection of the property appraised and that the property owner, or [his][her] designated representative, was given the opportunity to accompany the appraiser on the property inspection.

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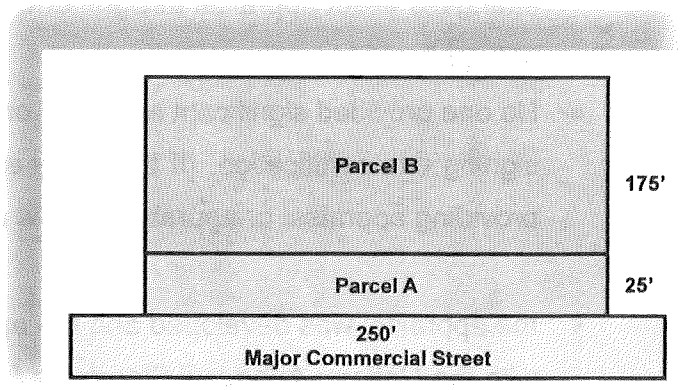
Discussion #8:

The area is in high demand for commercial development. Both parcels are zoned C-1, General Commercial.



Parcel A, with a depth of 25 feet, is too shallow for independent development. As a stand-alone property, its value is $12,500.

Parcel B is physically large enough for development, but is landlocked. As a stand-alone property, its value is $75,000.

If assembled, the value of the assembled property is $250,000.

In the determination of highest and best use, elements affecting value that depend on events or combinations of occurrences, while possible, must also be probable.

The fact that a parcel's highest and most profitable use can be made only in combination with other lands does not necessarily exclude that use from consideration.

There must be a reasonable probability of the lands being combined in the reasonably near future.

It is obvious to a disinterested third party that assemblage is the most profitable option.

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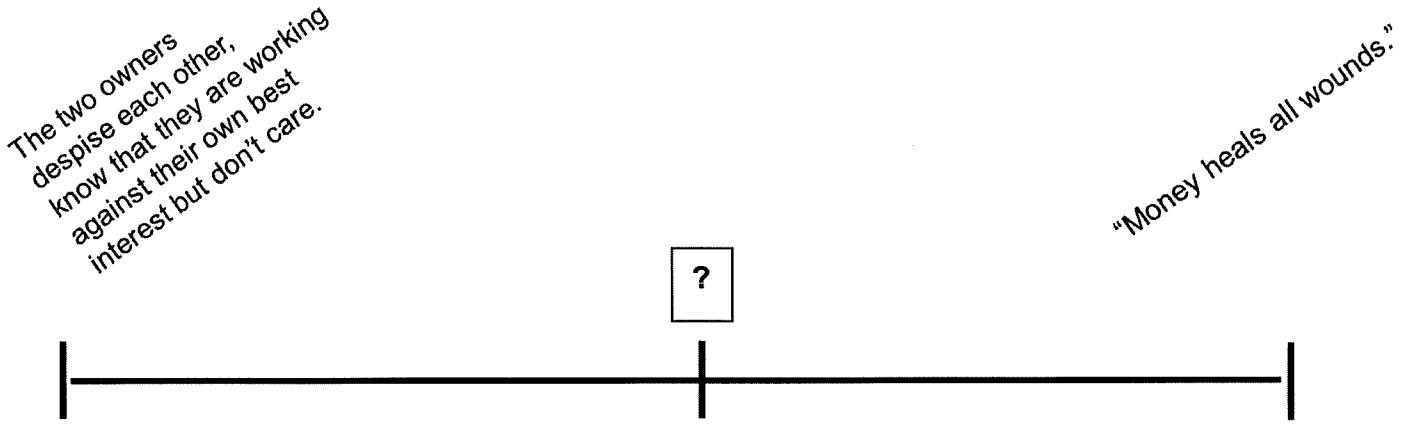
The question is, at what point in time and what events or combination of events need to occur to move the needle from impossible to possible to reasonably probable to support a highest and best use of assemblage?



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Section VIII Quiz: True or False?

1. Under the Yellow Book, appraisal reviews may be administrative or technical.
2. Government review appraisers must identify each report as accepted, recommended, or not accepted.
3. Technical reviews are developed and reported in conformance with Yellow Book Standards and USPAP.
4. Administrative reviews are developed and reported in conformance with Yellow Book Standards and USPAP.
5. If authorized, the staff review appraiser may approve the appraisal as the just compensation amount.
6. US Department of Justice reviews for litigation must develop an independent opinion of value.
7. Technical field reviews require at least an exterior inspection of the subject property.
8. In completing a technical field review, the appraiser must inspect the subject property and review both the workfile and the appraisal report.
9. The effective date of the review appraiser's report may vary, but is usually reflective of the effective date of the review appraiser's opinions and conclusions.
10. The review appraiser may incorporate into the review, by reference, credible data and analysis from the appraisal report through a hypothetical condition.
11. The subject of an appraisal review assignment is typically an appraisal report.
12. Appraisal review assignment conditions (e.g., extraordinary assumptions, hypothetical conditions) are adopted from the appraisal under review.
13. Only staff review appraisers can allow the agency's goals to influence opinions of an appraisal report's appropriateness or the value opinion it reports.
14. Technical deficiencies are present in most appraisal reports.
15. In the review process, the review appraiser may not use additional information not available to the appraiser.

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IX. Conclusion

A. Objectives

Right now, you should . . .

- Understand the development process for valuation assignments for federal land acquisitions
- Demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions
- Evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions
- Connect the legal foundation/rationale/guidance that governs recurring valuation problems and specialized appraisal issues unique to federal land acquisitions

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SUGGESTED ANSWERS

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Problem #1
There are two larger parcels

- Smith: 40 acres timber (*yellow*) enhanced by the dominant easement estate (*red*)
- Jones: 40 acres residential (*green*) encumbered by the servient easement estate (*red*)

This is the **only** Unit Rule exception.

Problem #2
There are two larger parcels.

- Parcel A (*gray*) enhanced by the dominant easement estate (*gray*)
- Parcel B (*white*) encumbered by the servient easement estate (*gray*)

Problem #3
The Scope of the Project Rule is not applicable.

The only possibility under which the Scope of the Project Rule might apply would be if the Air Force's sole motive in resisting the zoning change was to depress the market value of the property.

However, because the concern has been raised, the appraiser must request appropriate legal instruction.

The Air Force, like any other property owner in the neighborhood, had the right to object to the rezoning of nearby property.

Problem #4
Unless there is a unity of highest and best use, this 100-acre site is the larger parcel.

Problem #5
The appraiser needs to determine if any increase or decrease in the market value occurred prior to the date of valuation by the "proposed explosive storage area."

The appraiser also needs to determine if the Scope of the Project Rule applies. Because the Scope of the Project Rule involves interrelated factual and legal questions, the appraiser must request appropriate legal instruction.

The appraiser may be asked to gather and/or analyze data to inform the legal analysis. Counsel (or the Court) will instruct the appraiser as to

1. *Whether* the Scope of the Project Rule applies

2. *How* the rule must be applied to the specific property under appraisal; and, if applicable

3. *When* the Scope of the Project Rule applies (i.e., the date as of which the rule is triggered).

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Problem #6
"As if, vacant" assumes the building does not exist; thus, not grandfathered. Allowable uses are agriculture, low-density residential, recreational.

- It would be incorrect to conclude a vacant highest and best use for agricultural or residential, then use industrial sales for valuation
- It would be equally incorrect to conclude a vacant highest and best use for industrial use, as that use is not allowed under zoning
- In some circumstances (e.g., legal non-conforming), it may be necessary to value the land according to its current use, not its highest and best use

Problem #7
Physical contiguity is important in that it frequently has great bearing on unity of use. Tracts physically separated from one another frequently, but not always, are not and cannot be operated as a unit, and the greater the distance between them the less the possibility of a unitary operation.

The availability of replacement property for the part acquired must always be considered and can be particularly important in partial acquisitions involving noncontiguous parcels devoted to a unitary use (e.g., livestock ranch, timber and milling operation). However, even a demonstrated lack of available replacement property may not diminish the value of remainder property.

Problem #8
Thus: Acquisition plus cost-to-cure at $737,500 is due to the owner.

Problem #9
1. 1,000 sq. ft. x $2.50/sq. ft. = $2,500 (Value of fee underlying TCE) x 0.10 (Return) x 1 year (Term) = $250 (Calculated rent loss)

2. The problem lays out a rationale for using this shortcut approach. Do you think that is the correct method?

3. If the estimated rent loss is more than "nominal", then this shortcut method is not appropriate.

4. How do you or agencies you work with, define "nominal"?

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Problem #10
No.

The assignment remains unchanged. The appraiser must appraise the whole, the property in its entirety. (Unit Rule or Undivided Fee Rule). See 4.2.2. The Unit Rule.

The appraiser must avoid cumulative or summation appraisals.

If the agency thinks it appropriate, it can apportion the value.

Problem #11

1. There are two larger parcels:
   - 900-acre surface estate, before and a 550 acre surface estate (remainder estate), after
   - 2,000-acre mineral estate to 500 ft. depth, before and a 1,650-acre mineral estate (remainder estate), after

2. The answer to this lies in the intended use of the assignment. If it is for an agency and is to be used to support acquisition strategy, then only one report may be appropriate.

   However, if it is to be used by an agency for acquisition purposes or if it is for litigation, then two reports, each containing before and after appraisals, may be more appropriate.

Lesson: communication with the client is a must.

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Section V Quiz: True or False?

1. Yellow Book Standards modifications are not allowed. **F**
2. The Yellow Book is consistent with USPAP. **T**
3. The agency may recognize scope of work modification when the acquisition is not complex and meets the agency's requirements. **T**
4. The Yellow Book Standards require appraisers to provide an opinion of just compensation. **F**
5. Market value, prepared to Yellow Book Standards, is linked to a specific opinion of exposure time. **F**
6. A hypothetical condition may be used in an assignment if the appraiser complies with the disclosure requirements in USPAP. **T**
7. Any increase or decrease (i.e., project influence) in market value prior to effective date caused by the government project must be disregarded. **T**
8. The Before and After Rule results in an amount that includes the value of the part acquired, compensable damages, and/or general and special benefits. **F**
9. Compensable damages are separately appraised. **F**
10. A marketability study is the detailed analysis of the subject property and its economic environment. **T**
11. Acceptable highest and best use conclusions include public interest uses. **F**
12. A larger parcel determination is analyzed simultaneously with highest and best use. **T**
13. The State Rule (Taking Plus Damages) may be used when strict adherence to the Federal Rule will create costly and/or difficult burdens. **T**
14. Special considerations in appraisals for inverse condemnations include both liability (i.e., regulatory and physical) and compensation (i.e., regulatory and physical) phases. **T**
15. In utilizing supporting experts' opinions and reports, the appraiser may accept the secondary valuation report without analysis. **F**

Discussion #3

The appraiser should immediately contact the client to discuss the situation as the inclusion of a hypothetical condition or extraordinary assumption could affect the assignment results and render the appraisal inadequate for use by the Agency.

The uncovered information is an extraordinary assumption. (Extraordinary assumptions presume as fact otherwise uncertain information about . . . the integrity of data used in an analysis.)

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Problem #12
Errors include:

1. Incorrect: within the three-year period of the effective date. Correct: immediately preceding acceptance of this assignment.

2. Incorrect (not pertinent): *Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).* Correct: *the Uniform Appraisal Standards for Federal Land Acquisitions.*

3. Correct (add): *complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the Uniform Appraisal Standards for Federal Land Acquisitions.*

4. Incorrect: *I have not afforded the property owner. . .* Correct: *I have afforded the property owner . . .*

5. Incorrect: *A staff assistant provided significant real property appraisal assistance . . .* Correct: *The name of each individual providing significant real property appraisal assistance must be stated.*

6. Incorrect: *. . . that my opinion of the just compensation . . .* Correct: *. . . that my opinion of the market value . . .*

7. As this is a partial acquisition, correct: *"If the government's acquisition comprises only a portion of the whole property or property rights appraised, the certification shall include both the appraiser's opinion of the market value of the whole property as of the effective date of the appraisal and the appraiser's opinion of the remainder property's market value after the government's acquisition and the difference between them as of the effective date of the appraisal."* (*Yellow Book*, pg. 58)

Problem #13
While there is unity of title, in the before condition there is no unity of use as to highest and best use or contiguity. There are two larger parcels.

In the after condition, there is unity of title. If Parcel A could be developed to a greater density by using Parcel B (i.e., unity of use as to highest and best use) then the larger parcel could be Parcel A and B.

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Problem #14

1. The appraiser meets with the zoning officer to determine the feasibility to develop the property into 5-acre lots.

   The zoning officer reports that he/she favors such a rezoning and, in fact, the department is currently drafting a revision to the county plan that includes a higher-density zoning.

2. The appraiser needs to do more. The appraiser needs to undertake a more thorough investigation.

3. An investigation of the probability of rezoning should include:

   - Interviews of zoning administrators and members of the legislative body that make final zoning determinations;
   - Reviews of all rezoning activity of nearby property (both approvals and denials), land use patterns in the neighborhood (and any recent changes), physical characteristics of the subject and nearby properties, neighborhood growth patterns, and land use planning document provisions;
   - Investigation of neighborhood attitudes concerning rezones;
   - Determination of the age of the zoning ordinance; and
   - Analysis of sales of similar property to determine whether the sale prices reflect anticipated rezoning.

In addition to zoning, the appraiser must consider the impact of other land use regulations on the utility and value of the subject property.

After proper investigation and analysis, an appraiser can conclude that a probability of rezoning for the subject property exists, but it would be improper to assume such a probability.

The appraiser must also comply with USPAP requirements regarding disclosure and impact on the value conclusion.

Based on the manner in which the problem is stated, there is a possibility the appraiser may not have valued the property correctly.

- If the sales used were under the same zoning with the same potential for rezoning, the valuation may be acceptable

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- If the appraiser used sales that were already zoned as 5-acre tracts, the valuation would need to consider the cost, time, and risk of rezoning—and likely overstated the subject's value

Problem #15

1. The property enjoys the unities of title and contiguity, but unity of use, as it relates to HABU is tenuous. There is no zoning and the market doesn't seem especially dynamic. In any event, there would seem to be two larger parcels: commercial to a depth of 300 ft. from Business Street and agricultural for the balance.

2. The same reasoning and conclusion applies after the acquisition.

3. $6,000 (R) (1.72 acres x $3,500/acre)

Problem #16

A larger parcel analysis must be made in every appraisal under the Yellow Book. The determination must be made regardless if a total or partial acquisition.

In making a larger parcel determination, it is permissible to consider all lands under the beneficial control of a single individual or entity even though title is not identical in all areas of the tract(s). If the appraiser concludes that the larger parcel constitutes lands that are under the beneficial control of a single entity (but title is not identical), the appraiser's larger parcel determination, together with the facts upon which it is based, should be submitted to the client agency's legal counsel for review before the appraiser proceeds. Based on applicable case law and the facts of the case, legal counsel can then determine whether, as a matter of law, the unity of ownership test of the larger parcel is present, and provide written legal instructions to the appraiser.

Problem #17, Scenario #1
One.

Drawing lines (platting) does not solidify the larger parcel determination. There needs to be more done to conclude the property has eight larger parcels.

Problem #17, Scenario #2
A larger parcel analysis should be completed without consideration of the acquisition. The acquisition does not drive the larger parcel conclusion.

Problem #17, Scenario #3
More information is needed to determine the larger parcel.

If you agree with the previous sentence, what additional information would you like to have?

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Problem #17, Scenario #4
You are on your own, but go back to the three larger parcel tests.

- Unity of ownership
- Unity of highest and best use
- Contiguity (or proximity) as it bears on the highest and best use

Also, more market analysis could help drive a conclusion.

Problem #18
A description might include

- Height of the levee
- Width at the base and at the top of the levee
- Degree of side slopes of the levee
- Finish material (e.g., riprap, seeded soil) of the slopes
- Any provisions for access over the levee
- Treatment of any utilities and/or utility structures that may cross the levee, or the area of the levee (e.g., drainage and irrigation structures, electricity)
- Consideration of permanent takings to deal with preexisting structures and preserve access for repair, maintenance, and/or relocation
- Temporary construction easements (e.g., duration, use, condition at termination)
- Anticipated reduction in future flooding vs. historical flooding

Problem #19
The appraiser has the responsibility to determine the larger parcel, so the appraiser erred significantly when he/she agreed on the first assignment that the larger parcel was the 1,000 acquisition. The assignment should have been declined if the agency insisted on their course of action. By following the agency's direction(s) the result was that the appraiser valued the part taken, not the required before and after, which would have resulted in the contribution of the part taken to the whole.

It appears that in every instance, the appraiser allowed the agency to dictate the larger parcel determination. From what little information is provided, the larger parcel in the first scenario should be 6,000 acres, 5,000 acres in the second, and 4,000 acres in the third.

Problem #20

Before value:	40 ac @ $5,000/ac			= $200,000
After value:				
Unencumbered acreage:	20 ac @ $4,500/ac		= $90,000	
Encumbered with TCE:	10 ac @ $4,500/ac	= $45,000		
Less: Rent loss:	10 ac @ $180/ac	= ($ 1,800)		
Net encumbered			$43,200	
After value				= $133,200
Difference				= $ 66,800

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Problem #21

1. No.
2. If the land had been held privately, the highest and best use is commercial and/or possibly high-density residential compatible with recreational use.

Problem #22

1. Special (direct) benefit.
2. General (indirect) benefit.

Case Study #1

There is unity of ownership and continuity, but, unity of use becomes the question. Due to the boundary fence, there is no legal access to the southern 160-acre portion in the after condition; thus, isolating the tract with the irrigation well from the northern parcel.

There are two potential answers:

- Under the Yellow Book, a strict interpretation would suggest the northern 160 acres is the larger parcel due to transitional residential use. The only remedy for the landowner would be to bring a separate legal action and claim an "inverse taking" where the southern tract has been severely damaged by no access and diminishing the interim irrigated income as irrigated land.
- From a more reasonable and practical sense for the appraiser and in the current "as is" situation, the property has an integrated highest and best use as irrigated land with differing contributions for the north and south portions. Appraising the entire 320-acre ownership in the "before" more correctly allows for addressing the "taking" pertaining to the southern 160 acres in the "after" condition and damages.

With an integrated highest and best use, it is recommended the appraiser measure the contribution to each, and note the northern tract is currently irrigated but in transition to residential use, while the southern tract is also irrigated, but with a lower value since it is in the floodplain.

There may be a cost-to-cure situation where the (Corps of Engineers) would pay to move the irrigation system under the fence and allow some form exclusive access to the well-site to maintain the system.

The Yellow Book says the preponderance of the decision on unity of unit flows to its current use. While residential development is highly likely, it would be still viewed by the courts as somewhat speculative. From the appraiser's prospective, find similar transitional sales and allocate to the integrated use.

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Problem #23

Before Value:	$625,000
5 acres x $125,000/acre	
After Value:	$425,000
5 acres x $85,000/acre	
Difference:	$200,000

Problem #24

A single individual is involved in all four corporations, but does that individual, or another entity, have beneficial control of all four corporations?

Research into corporate ownership and any agreements between the corporations that bears on future utilization should be investigated.

Research into historical land acquisitions of the corporations should be undertaken.

If it can be determined with a reasonable degree of certainty that the lands are under the beneficial control of one entity, a preliminary determination may be made.

Appraiser must consult with agency legal counsel before final decision and obtain written instruction as to whether or not the form of ownership does or does not meet the unity of ownership test.

The Court found the four tracts could be viewed as a single parcel and stated, "a parcel of land which has been used and treated as an entity shall be so considered in assessing compensation for the taking of part or all of it. The fact that land thus treated is owned by different entities does not destroy the unity concept." (*Yellow Book*, pg. 110)

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Discussion #4

1. Draft reports must be signed and clearly labeled "draft" or "work in progress." **F**
2. Regardless of the intended use, all appraisal reports must comply with FIRREA's provisions. **F**
3. In developing and reporting an opinion of value by the income capitalization approach for a mineral property, the income that may be capitalized is the royalty income, and not the income or profit generated by the business of mining and selling the mineral. **T**
4. Some assignments (e.g., Uniform Act) may require allocation of the difference in the property's value before and after acquisition. Is the following acceptable? **No**
5. Before Value: $45,000 ($3,000/acre) ($3,000/acre)
   After Value: $35,000 ($3,500/acre) ($3,000/acre)
   Difference: $10,000

   Before Value: $45,000
   After Value: $30,000
   Difference: $15,000
6. The development and reporting of an appraisal of resource assets is an exception to the Unit Rule. **F**
7. The Yellow Book requires the appraiser to disregard changes in the neighborhood brought about by the government's project, prior to the acquisition, for which the subject property is being acquired. This is a jurisdictional exception and a hypothetical condition. **T**

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Section VI Quiz: True or False?

1. Under the Yellow Book, the principal reporting option is a written Restricted Appraisal Report. **F**
2. Draft reports must not be signed and must be labelled as draft. **T**
3. Except in situations where an inspection is not possible (e.g., inaccessibility) the subject property must be inspected. **T**
4. Under the Yellow Book, the appraiser's certification must state the appraisal report was prepared in conformity with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the *Uniform Appraisal Standards for Federal Land Acquisitions*. **F**
5. Under the Yellow Book, the appraisal report must state limiting conditions, marketing time, and specific exposure time. **F**
6. For the subject property, appraiser must report only a 10-year sales history. **F**
7. When reporting zoning, the appraiser may simply state the zoning code (e.g., C-2). **F**
8. Highest and best use analysis often requires a marketability study. **T**
9. When the appraiser concludes the highest and best use is different from the present use, the appraiser must provide evidence the property is physically and legally adaptable to that use. **T**
10. In the sales comparison approach, quantitative adjustments are generally preferred over qualitative adjustments. **T**
11. In reporting a final opinion of value, the appraiser must develop and utilize the "mean" of the approaches utilized. **F**
12. Project appraisal reports may be appropriate when the properties are similar (e.g., improvements, highest and best uses, land patterns). **T**
13. Allocation of the difference between the before and after values into its components is common in appraisal reports prepared for the US Department of Justice. **F**
14. A cost to cure is a proper measure of damage when the cost is less than the damages to the remainder, if not cured. **T**
15. The Statement of Assumptions and Limiting Conditions cannot alter the appraisal contract, assignment letter, or scope of work. **T**

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Quiz #1

1. In the development of an appraisal concerning properties containing resource assets, the property must be valued as a whole, with due consideration of all of the components that make up its value. Its constituent parts are considered only in light of how they enhance or diminish (contribute to) the value of the whole. **T**
2. It is proper to estimate the value of the surface of the property, add to it a valuation of the minerals or other resource (e.g., water or timber as estimated by a separate expert), and conclude an opinion of total market value for the property. **F**
   Under the Unit Rule, the property being appraised must be valued as a unitary whole and held in single ownership.
3. The Unit Rule relates only to the physical components of real estate (e.g., timber, mineral deposits, farmland, and buildings). **F**
   The Unit Rule also relates to ownership interests (estates) in real property (e.g., lessor/lessee, mortgagor/mortgagee).
4. A property with multiple ownership interests or estates (e.g., lessor/lessee, life tenant/remainderman, mortgagor/mortgagee) must be valued as a whole. The market value of the whole can be apportioned later among the respective interest holders. **T**
5. The determination as to the Unit Rule's applicability is made by a court, as a matter of law, rather than by an appraiser. **T**

Case Study #2

The correct answer is based on the support, facts, and analyses of the appraiser.

The case study takeaway is that whatever the appraiser's conclusion, it ***must be*** well documented, logical, and easily understood by all readers of the report.

Quiz #2

Which of the following, if any, are acceptable indicators of value and can generally be used as comparable sales?

1. Binding and unconditional contract of sale ■
2. Listing and other nonbinding offers to buy and sell □
3. Option to purchase ■
4. Unexercised options □
5. Exercised options ■

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Case Study #3
This is a complex case, but the overriding answer is the Scope of the Project Rule does not apply.

In determining the applicability of the Scope of the Project Rule, it is first necessary to define the *project*.

The creation of the national park was a project, but it failed to unconditionally authorize the acquisition of lands in the "protection zone." Only after the local government failed to adopt protective zoning was the acquisition authorized.

Therefore, the subject property was not within the scope of the original national park project.

Only if the COE's Section 404 Permit denial was for the sole purpose of driving values down to facilitate the NPS acquisition would the Scope of the Project Rule apply.

The NPS's activities constituted two projects:
- the acquisition of lands for the park itself; and,
- the acquisition of lands in the "protection zone" around the park

As such, any impact on value of the existence of the park in the vicinity of the subject would be considered in preparing the appraisal.

Factual situations will create complex issues regarding the Scope of the Project Rule.

Therefore, after conducting research, **the appraiser should refer the question of whether the Scope of the Project Rule is applicable to the property being appraised to the Agency's legal counsel for a written instruction**.

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Case Study #4

1. The proper demolition charge would be the expense the owner would incur, rather than what the government will pay.

2. As soon as the appraiser realized there was even the slightest possibility the subject property might be contaminated, he/she should have advised the client. The client will need to determine if there is an issue, if there is what it is, and what it might do about it. Should the agency determine the property is not contaminated, the appraiser should report that fact and include the agency's written conclusion in the report. If the agency determines there is contamination, the appraiser should follow the agency's or counsel's written instructions.

   Depending on what transpires, the appraiser may be faced with a hypothetical condition or an extraordinary assumption. Under no circumstances should the appraiser simple ignore the issue.

3. There appears to be a special benefit. The burden, uncertainty, risk, and expense have now fallen on the government agency.

4. The market indicates that there is a damage to the remainder property. Whether because of economies of scale or for other reasons, the market participants prefer larger condominium projects over smaller ones. Whether or not the damage to the remainder property is compensable or non-compensable should be addressed by legal counsel.

5. From what little the case study reports, the sales data seems to show that the stage of planning commission approvals and project size are distinct factors.

   The appraiser, during the sales verification process, should ask about motivations and why the buyers paid what they paid.

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Case Study #5

1. The agency seeks to acquire the following rights:
   0.42-acre fee acquisition out of a 130.024-acre tract of land
   0.59-acre access easement situated on a 130.024-acre tract of land
   57.40-acre height restrictive easement situated on a 130.024-acre tract of land

2. The fee simple owner of the 130.024-acre tract of land is losing the right to construct, or lease the right to construct any improvements within the 57.40-acre area. He/she is also losing access rights to a third party along a 0.59-acre corridor, and is losing ownership in a 0.42-acre portion of the property.

   Big Sky Wind is losing the right to produce wind-generated electricity on the property in the area of two existing turbines.

   Adjoining land owners with turbines in the same "stick" as the subject tract are losing the income generated by the contractual lease due to the engineering disruption, but are not losing the right to construct or lease the right to construct improvements. (Does this require compensation?)

3. The acquisition of the rights sought will require at least two appraisals. One appraisal must deal with the fee simple owner of the 130.024-acre tract of land (unity of title, contiguity, unity of use). The other appraisal must deal with the value of a leasehold estate that includes 10,000 acres of leased area due to an impact to a larger leasehold (unity of title, contiguity, unity of use).

4. The larger parcel for one appraisal will be the fee simple value of the 130.024-acre tract of land. The acquisition will be measured by appraising the 130.024-acre tract of land both before and after the acquisition has taken place, accounting for the rights lost by the fee owner.

   The larger parcel for a second appraisal will be the leasehold value of the Big Sky Wind Farm. The acquisition will be measured by appraising the leasehold interest of the 10,000-acre leasehold estate both before and after acquisition has taken place, accounting for the loss in rights to two turbine sites. The appraisal must explore cost-to-cure options regarding the re-engineering of the lost "stick" and compare that with the loss in value due to the rights taken.

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Section VII Quiz: True or False?

1. When there are multiple value components to a property, the Unit Rule specifies that the appraiser can value the entire property by summing the legal interests and/or the physical component values. **F**
2. With legal instructions, the appraiser often determines just compensation. **F**
3. The terms "sale confirmation" and "sale verification" are synonymous. **F**
4. Every appraisal prepared under the Yellow Book requires a larger parcel determination. **T**
5. Some property transaction types (e.g., forced sales, to public interest organizations, to governments) are not defined as market value transactions and cannot be considered. **F**
6. A scope of the project decision requires a legal instruction. **T**
7. The scope of the project rule applies to government projects only, not all projects (i.e., public and private). **T**
8. General (indirect) benefits are non-compensable. **T**
9. All easement acquisitions are partial acquisitions. **T**
10. Fear created by the project's "stigma," in and of itself, is adequate to allow compensation. **F**
11. Highest and best use cannot be predicated on demand created solely by the government project for which the property is acquired. **T**
12. The appraiser's opinion as to whether there is a reasonable probability of a zoning change must have a factual basis. **T**
13. Tracts that lack unity of ownership cannot be treated as a single larger parcel if they do not share an integrated or actual use. **T**
14. Examples of non-compensable damages are frustration of future plans, setback reduction, diversion of traffic. **F**
15. Under the Yellow Book, federal grazing permits create property rights in the beholder (permittee). **F**

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Problem #25
Investigation shows market rent from $1.25/sq. ft. to $1.50/sq. ft., triple net.

Most proximate sales purchased for speculation in anticipation of long-term appreciation. After adjusting sales for market conditions, demolition costs, if any, and cash equivalency, the sales indicate $25/sq. ft. to $35/sq. ft.

Some proximate interim uses include parking, used car lots, etc.

1. What is the range of values? **($4,500,000 - $5,400,000)**
2. What is the range of capitalization rates? **(1.5% - 1.8%)**
3. What does the capitalization rate indicate to you? **(current rent is a "billpayer")**
4. What is the highest and best use of the property? **(commercial development)**

Discussion #5
"A determination that the property has a different highest and best use than its existing use requires evidence that the property is physically and legally adaptable for that use and there is market demand for that use in the reasonably near future."

Interagency Land Acquisition Conference, *Uniform Appraisal Standards for Federal Land Acquisitions*, 2016. Page 23.

Problem #26
The court concluded there was no unity of use and limited damages to the western portion of Parcel B.

The court also stated "We can agree that the physical proximity and the possibility of an integrated use of the two separate tracts would give rise to an additional economic value to each, but it does not follow that the mere proximity or possibility of the integrated use will confer upon the owner a right to severance (sic) damages."

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Problem #27
The appraiser violated the Unit Rule. He cannot simply add secondary valuation reports (e.g., timber) to the land value without proper analysis. The appraiser cannot merely accept a consultant report as accurate, but must analyze the report and adopt it, if it is reasonable, adequately documented, and supported.

The appraiser must consider the components as they contribute to the market value of the whole.

This appraisal added independent "pieces" together to arrive at the value of the entirety. The property must be valued as a whole rather than as the sum of the physical components.

The way to avoid this problem is to utilize sales that include all the components.

The appraiser was responsible for valuing the timber and water rights as they contribute to the whole.

Discussion #7
The Yellow Book states "An administrative review may be performed by an appraiser or a non-appraiser and is sometimes referred to as a compliance review. The content and scope of an administrative review will vary with the intended use and intended user of the administrative review. Some federal agencies have specific policies regarding the development and use of administrative reviews."

"A technical review is developed and reported by an appraiser in accordance with these Standards, which require conformity with USPAP and with agency polices, rules, and regulations."

A desk review, "[i]n addition to confirmation that the report was prepared with these Standards, it involves a thorough review and analysis of the information and analysis contained in the appraisal report under review and a careful examination of the internal logic and consistency. In a desk review, the review appraiser limits the examination to the information and analysis presented within the appraisal report."

"A field review always requires at least an exterior field inspection of the subject property and often of the properties used as comparable data in the appraisal report. In addition, the data contained within the appraisal report is usually independently confirmed during the review process . . . The field review represents the highest level of due diligence within the appraisal review practice."

USPAP states the term "Appraisal Review" is used in USPAP to identify the activity of a reviewer in an appraisal review assignment. Appraisers sometimes use such terms as "Desk Review," "Field Review," "Complete Review," "Limited Review," "Technical Review," and "Administrative Review." However, without appropriate explanation, these terms and phrases can result in misunderstanding about the function being performed by

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a reviewer. While such terms may be convenient labels for use in a business setting, they do not necessarily impart the same meaning in every situation.

Rather than simply using labels, reviewers should also accurately define the scope of work - in fact, Standards Rule 3-2(g) requires the reviewer to ". . . determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE" and Standards Rule 3-5(g) requires the reviewer to "state the scope of work used to develop the appraisal review . . ." These requirements are designed to ensure that an intended user of appraisal review results is not misled as to the reviewer's scope of work and the basis for his or her opinions and conclusions. The terms "Review Appraisal" and "Review Appraiser" are also sometimes used in practice, primarily to refer to the marketing of services or to an appraiser's functional status in employment. These phrases are not used in STANDARD 3, in part to avoid giving confusing implications, such as, for example, the impression that an appraisal is always part of a review.

USPAP STANDARD 3 states that "The content of an Appraisal Review Report must be consistent with the intended use of the appraisal review and . . . state the reviewer's opinions and conclusions about the work under review, including the reasons for any disagreement."

Stated differently, an administrative review is generally done for compliance (to make sure that all elements are in place), while a technical review requires development of opinions as to whether the analyses contained in the report under review are appropriate; whether the opinions and conclusions in the report under review are appropriate; whether the opinions and conclusions in the report under review are credible; and the reasons for any disagreement between the appraisal under review and the reviewer's opinion.

2016-2017 Uniform Standards of Professional Appraisal Practice (Washington, DC: The Appraisal Foundation) AO-20, p. 134, lines 52-57.

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Problem #28
Of the three tests, the larger parcel seems to center on unity of highest and best use and contiguity as it bears on the highest and best use.

Problem #29
The appraiser's methodology and computations do not conform to Yellow Book requirements.

- The appraiser failed to consider market rent for irrigated cropland and substituted a return on investment
- Rental data was available and the appraiser should have utilized it, rather than resort to a less reliable methodology
- Even if the short-cut method of estimating rent was somehow justified, the computations are incorrect. Computations should have been made on the after value at $4,500/acre. (The time the government will occupy the TCE occurs after the date of taking. Therefore, the damage to the land due to irregular shape has already occurred)
- Findings are incorrect as the TCE was shown as an independent acquisition and added to the difference between the "before" and "after" permanent acquisition values

Assuming the "market rent" was 10%, the proper presentation is:

Value Before: *(40 acres @ $5,000)*					=	$ 200,000
Value After:						
Unencumbered *(30 acres @ $4,500)*			=	$ 135,000		
Encumbered with TCE:						
10 acres @ $4,500	=	$ 45,000				
Less: Value of Rent Loss	-	$ 18,000	*			
Net Value of Encumbered Property				$ 27,000		
Value 'After' Taking					-	$ 162,000
Just Compensation **					=	$ 38,000

*Computed: 10 acres X $4,500/acre X 10% X 4 years (*undiscounted per the appraiser's treatment of rent loss*)

**The appraiser reference to "just compensation" is beyond the scope of the appraiser's assignment, which is to form an opinion of market value

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Problem #30

The court "found no unitary use between woodland acres and the same landowner's paper mill in another state, as neither the existing operation nor any reasonable expectation in the foreseeable future showed any difference between the owner's small woodland tracts and 'the tracts of small owners whose products would be available on a competitive basis.'"

"Moreover, the landowner could 'turn right around and Unity of Ownership (Title) make its acreage whole by buying similarly located timber property to replace that taken with the proceeds of the condemnation award.'"

Int'l Paper, 227 F.2d at 206. The Fifth Circuit went on to state that regardless of whether a unitary tract existed (which it called "quite doubtful"), there was "no doubt whatever about the correctness" of the finding that the taking of woodland acreage did not diminish the value of the remainder property (the paper mill). *Id.* at 206-07.

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Section VIII Quiz: True or False?

1. Under the Yellow Book, appraisal reviews may be administrative or technical. **T**
2. Government review appraisers must identify each report as accepted, recommended, or not accepted. **T**
3. Technical reviews are developed and reported in conformance with Yellow Book Standards and USPAP. **T**
4. Administrative reviews are developed and reported in conformance with Yellow Book Standards and USPAP. **F**
5. If authorized, the staff review appraiser may approve the appraisal as the just compensation amount. **T**
6. US Department of Justice reviews for litigation must develop an independent opinion of value. **F**
7. Technical field reviews require at least an exterior inspection of the subject property. **T**
8. In completing a technical field review, the appraiser must inspect the subject property and review both the workfile and the appraisal report. **F**
9. The effective date of the review appraiser's report may vary, but is usually reflective of the effective date of the review appraiser's opinions and conclusions. **T**
10. The review appraiser may incorporate into the review, by reference, credible data and analysis from the appraisal report through a hypothetical condition. **F**
11. The subject of an appraisal review assignment is typically an appraisal report. **T**
12. Appraisal review assignment conditions (e.g., extraordinary assumptions, hypothetical conditions) are adopted from the appraisal under review. **F**
13. Only staff review appraisers can allow the agency's goals to influence opinions of an appraisal report's appropriateness or the value opinion it reports. **F**
14. Technical deficiencies are present in most appraisal reports. **T**
15. In the review process, the review appraiser may not use additional information not available to the appraiser. **F**

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Appendix

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APPENDIX A

Appraisal Report Documentation Checklist

INTRODUCTION

Title Page

	Agency name		Appraiser's name(s)
	Agency tract no.		Appraiser's address
	Property address		Effective date of value

Transmittal Letter

	Date of letter		Client and legal instructions
	Property identification		Opinion of value before acquisition
	Property rights appraised		Opinion of value after acquisition
	Effective date of value		Difference
	Extraordinary assumptions		Appraiser signature
	Table of Contents		

Appraiser's Certification

	Conforms to USPAP		Opinion of value after acquisition
	Conforms to Federal Standards		Difference
	Property inspection		Effective date of value
	Offered owner accompaniment		Appraiser signature
	Opinion of value before acquisition		

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Executive Summary

	Property identification		Highest and best use – after acquisition
	Effective date of value		Description before
	Highest and best use – before acquisition		Description after
Value before		Value after	
	Cost approach		Cost approach
	Sales comparison approach		Sales comparison approach
	Income capitalization approach		Income capitalization approach
	Final opinion of value		Final opinion of value
	Photos of subject		Assumptions and limiting conditions

Scope of Work Description

	Client		Property characteristics
	Intended users		Assignment conditions
	Intended use		Geographic area and timespan of market data research
	Definition of market value		Type of market data researched
	Definition of market rental value		Extent of market data confirmation
	Effective date		Data sources

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FACTUAL DATA AND ANALYSIS – BEFORE ACQUISITION

	Legal description		Area data

Site Data

	Existing use		Land Shape
	Access		Utilities
	Topography		Minerals
	Soils		Easements
	Vegetation		Hazards
	Land Area		

Improvement Data

	Type		Condition
	Size		Quality
	Actual age		Occupancy
	Effective age		On-site improvements
	Fixtures		Sales history
	Use history		Rental history

Tax/Assessments

	Assessed value		Tax load
	Zoning and land use regulations		

Highest and Best Use

	As vacant		Financial feasibility
	As improved		Degree of profitability
	Physical possibility		Larger parcel
	Legal permissibility		

Land Valuation

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	Describe comparables		Analysis of comparables
	Photos of comparables		Final value analysis/opinion of value

Cost Approach

	Included *or* [ ] omission explained		Market support
	Reproduction/replacement cost		Final value analysis/opinion of value
	Depreciation		

Sales Comparison Approach

	Included		Analysis of comparables
	Describe comparables		Final value analysis/opinion of value
	Photos of comparables		

Income Capitalization Approach

	Included *or* [ ] omission explained		Operating expenses
	Market rental comparables		Market support for capitalization rate
	Gross income estimate		Explain selection of capitalization rate
	Vacancy		Final value analysis/opinion of value
	Fixed expenses		

Reconciliation and Final Opinion of Value

	Provided		Avoid summation appraisal

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FACTUAL DATA AND ANALYSIS – AFTER ACQUISITION

Legal Description/Description of Acquisition

	Legal description of remainder *or* [ ] description of acquisition

Area Data

	Describe government project		Address project impact

Site Data

	Shape		Utilities
	Size		Access
	Easements		Relationship to project

Improvement Data

	Describe improvements		
	Fixtures		Rental history after acquisition
	Use after acquisition		

Tax/Assessments

	Est. assessed value		Est. tax load

Zoning and Land Use Regulations

	Re-zone considered

Highest and Best Use

	Change considered		Effects of TCEs *or* [ ] n/a
	Intensity considered		Zoning non-conformance addressed
	Restoration considered		

Land Valuation

	Same *or* different comparables		Analysis of comparables
	Describe comparables		Final value analysis/opinion of value

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	Photos of comparables		

Cost Approach

	Included *or* [ ] omission explained		Market support
	Reproduction cost		Final value analysis/opinion of value
	Depreciation		

Sales Comparison Approach

	Included		Photos of comparables
	Same *or* [ ] different comparables		Analysis of comparables
	Describe comparables		Final value analysis/opinion of value

Income Capitalization Approach

	Included *or* [ ] omission explained		Operating expenses
	Gross income estimate		Market support for capitalization rate
	Vacancy		Explain selection of capitalization rate
	Fixed expenses		Final value analysis/opinion of value

Reconciliation and Final Opinion of Value

	Provided		Avoided summation appraisal

Acquisition Analysis

	Recapitulation		Proper format

Damage (if applicable)

	Allocate part acquired vs. damage to remainder or [ ] n/a		Estimate cost to cure damage
	Note allocation is accounting exercise		

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Benefits (if applicable)

	Consider direct (special) benefits		Explain benefits analysis
	Disregard indirect (general) benefits		

ADDENDA AND EXHIBITS

	Location map		Comparable sales data maps

Comparable Sales Data Sheets

	Sales confirmed		Existing use
	Terms reported		Highest and best use
	Buyer and seller		Zoning
	Date of sale		Legal
	Recording information		Physical description
	Location		

Subject Property Plot Plan

	Property boundaries shown		Street frontage after acquisition
	Dimensions before acquisition		Photo locations
	Dimensions after acquisition		Improvement locations
	Street frontage before acquisition		
	Subject property floor plan		Other exhibits
	Title report		Appraiser qualifications

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APPENDIX B

Recommended Appraisal Report Format for Total Acquisitions

2.3.1 Introduction

(2.3.1.1) Title Page

(2.3.1.2) Transmittal Letter

(2.3.1.3) Table of Contents

(2.3.1.4) Appraiser's Certification

(2.3.1.5) Executive Summary

(2.3.1.6) Photographs

(2.3.1.7) Statement of Assumptions and Limiting Conditions

(2.3.1.8) Description of Scope of Work

2.3.2 Factual Data

(2.3.2.1) Legal Description

(2.3.2.2) Area, City, and Neighborhood Data

(2.3.2.3) Property Data

(2.3.2.3.1) Site

(2.3.2.3.2) Improvements

(2.3.2.3.3) Fixtures

(2.3.2.3.4) Use History

(2.3.2.3.5) Sales History

(2.3.2.3.6) Rental History

(2.3.2.3.7) Assessed Value and Annual Tax Load

(2.3.2.3.8) Zoning and Other Land Use Regulations

2.3.3 Data Analysis and Conclusions

(2.3.3.1) Highest and Best Use

(2.3.3.1.1) Four Tests

(2.3.3.1.2) Larger Parcel

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(2.3.3.2) Land Valuation

(2.3.3.2.1) Sales Comparison Approach

(2.3.3.2.2) Subdivision Development Method

(2.3.3.3) Cost Approach

(2.3.3.4) Sales Comparison Approach

(2.3.3.5) Income Capitalization Approach

(2.3.3.6) Reconciliation and Final Opinion of Market Value

2.3.7 Exhibits and Addenda

Location Map

Comparable Data Maps

Detail of Comparable Sales and Rental Data

Plot Plan

Floor Plan

Title Evidence Report

Other Pertinent Exhibits

Qualifications of the Appraiser

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APPENDIX C

Recommended Appraisal Report Format for Partial Acquisitions

2 3 1 Introduction

(2.3.1.1) Title Page

(2.3.1.2) Transmittal Letter

(2.3.1.3) Table of Contents

(2.3.1.4) Appraiser's Certification

(2.3.1.5) Executive Summary

(2.3.1.6) Photographs

(2.3.1.7) Statement of Assumptions and Limiting Conditions

(2.3.1.8) Description of Scope of Work

2 3 2 Factual Data – Before Acquisition

(2.3.2.1) Legal Description

(2.3.2.2) Area, City, and Neighborhood Data

(2.3.2.3) Property Data

(2.3.2.3.1) Site

(2.3.2.3.2) Improvements

(2.3.2.3.3) Fixtures

(2.3.2.3.4) Use History

(2.3.2.3.5) Sales History

(2.3.2.3.6) Rental History

(2.3.2.3.7) Assessed Value and Annual Tax Load

(2.3.2.3.8) Zoning and Other Land Use Regulations

2 3 3 Data Analysis and Conclusions – Before Acquisition

(2.3.3.1) Highest and Best Use

(2.3.3.1.1) Four Tests

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(2.3.3.1.2) Larger Parcel

(2.3.3.2) Land Valuation

(2.3.3.2.1) Sales Comparison Approach

(2.3.3.2.2) Subdivision Development Method

(2.3.3.3) Cost Approach

(2.3.3.4) Sales Comparison Approach

(2.3.3.5) Income Capitalization Approach

(2.3.3.6) Reconciliation and Final Opinion of Market Value – Before Acquisition

2 3 4 Factual Data – After Acquisition

(2.3.4.1) Legal Description

(2.3.4.2) Neighborhood Factors

(2.3.4.3) Property Data

(2.3.4.3.1) Site

(2.3.4.3.2) Improvements

(2.3.4.3.3) Fixtures

(2.3.4.3.4) History

(2.3.4.3.5) Assessed Value and Tax Load

(2.3.4.3.6) Zoning and Other Land Use Regulations

2 3 5 Data Analysis and Conclusions – After Acquisition

(2.3.5.1) Analysis of Highest and Best Use

(2.3.5.2) Land Valuation

(2.3.5.3) Cost Approach

(2.3.5.4) Sales Comparison Approach

(2.3.5.5) Income Capitalization Approach

(2.3.5.6) Reconciliation and Final Opinion of Value – After Acquisition

2 3 6 Acquisition Analysis

(2.3.6.1) Recapitulation

(2.3.6.2) Allocation and Damages

(2.3.6.3) Special Benefits

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2 3 7 Exhibits and Addenda

Location Map

Comparable Data Maps

Details of Comparable Sales and Rental Data

Plot Plan

Floor Plan

Title Evidence Report

Other Pertinent Exhibits

Qualifications of the Appraiser

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Appendix D
Legal Instructions

These Standards may need to be modified to meet specific requirements of agency programs, special legislation, or negotiated agreements between agencies and landowners. Any such modifications to these Standards require specific written instructions from the acquiring agency, as do modifications to comply with court rulings or stipulations between parties in litigation.

All page number references are taken from the Yellow Book document (not the course).

1. In **inverse takings**, the date of value is the date of taking, typically established by the court. When necessary, the client must provide the appraiser with a **legal instruction** regarding the appropriate effective date of value and the legal basis for the date to be used in the assignment. (Page 11)

2. The appraiser must fully understand the nature of the estate(s) to be acquired, and request **legal instructions** if clarification is needed, for each assignment. (Page 11)

3. If utilization of a hypothetical condition is required by the facts or nature of the acquisition, then written **legal instructions** must be provided to the appraiser and included within the appraisal report. (Page 13)

4. Circumstances arise in which a **legal instruction** is necessary to properly complete the appraisal assignment. Examples of situations in which a **legal instruction** may be required include: unity of title questions in a larger parcel analysis, scope of the government's project questions, compensability of damages questions, special benefits questions, and effective date of value questions. (Page 14)

5. Proper application of the scope of the project rule is complex, and virtually always requires a **legal instruction**. Simply directing appraisers to follow these Standards is not a sufficient legal instruction for purposes of the scope of the project rule. (Page 16)

6. Because the scope of the project rule involves interrelated factual and legal questions, the appraiser must request appropriate **legal instruction** if there is evidence the government's project affected the market value of the property being appraised. (Page 17)

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7. As with damages, whether a benefit is general or direct is a mixed fact/law question that requires a **legal instruction**. (Page 18)

8. If zoning is uncertain, **legal instruction** may be required. (Page 19)

9. Determining unity of ownership may require **legal instruction**. (Page 23)

10. Based on applicable case law and the facts of the case, legal counsel can then determine whether, as a matter of law, the unity of ownership test of the larger parcel is present, and provide written **legal instructions** to the appraiser accordingly. (Page 24)

11. Because inverse condemnation cases (either permanent or temporary) are very fact-specific, it is essential that the appraiser work very closely with the Department of Justice attorney assigned to the case. Both appraiser and attorney must understand the precise question that must be addressed by the appraiser and the acceptable methodology to be used to answer it. This will often involve substantial legal research by the attorney, concluding with written **legal instructions** to the appraiser. (Page 43)

12. When appraising the federal land portion of the exchange, the regulations require that the appraiser "estimate the value of the lands and interests as if in private ownership and available for sale in the open market." This is an assignment condition that requires a **legal instruction** and creates a hypothetical condition. (Page 53)

13. Any assumptions and limiting conditions that are necessary to the background of the appraisal shall be stated. Any agency or special **legal instructions** provided to the appraiser shall be referenced and a copy of such instructions shall be included in the addenda of the appraisal report. (Page 59)

14. In a partial acquisition, the appraiser should identify those hypothetical conditions, assumptions, and limiting conditions that apply to both the before and after acquisition appraisals, those that apply only to the appraisal of the larger parcel before the acquisition, and those that apply only to the appraisal of the remainder. Appraiser assumptions and limiting conditions, as well as client and **legal instructions**, are discussed in greater detail in Section 1.2 of these Standards. (Page 60)

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15. **Legal Instructions**. Any legal instructions must be presented. (Page 71)

16. Letter of Transmittal. This should include the date of the letter; identification of the government project; the number of parcels included in the appraisal report; statement of the range of effective dates of the appraisals; identification of any hypothetical conditions, extraordinary assumptions, limiting conditions or **legal instructions** relating to all parcels included in the report; and the appraiser's signature. (Page 73)

17. It is the review appraiser's responsibility to determine whether the appraisal is adequately supported, complies with recognized appraisal principles and practices, complies with the appraiser's contract (or assignment letter) and these Standards, and conforms to all governing legal premises prescribed by written **legal instruction**. (Page 81)

18. But some valuation problems require nuanced **legal instructions** to address complicated or undecided questions of law. If the correct legal standard is unclear, agencies may find it prudent to procure a dual-premise appraisal. (Page 90)

19. **Appraisers** must ensure they understand the precise property interest(s) involved and request **legal instruction** to clarify any uncertainty. (Page 92)

20. The date of value is generally determined by law (or a **legal instruction**, for the appraiser's purposes) based on the nature of the acquisition. (Page 93)

21. Therefore, appraisers should request **legal instructions** on how to treat government-constructed improvements that predate the date of value. (Page 98)

22. Any departure from the unit rule requires a **legal instruction**, as "the determination as to [the unit rule's] applicability is one made by a court as a matter of law rather than by an appraiser." (Page 99)

23. Appraisers estimate market value, not just compensation. Departure from the market value standard is rarely justified in federal acquisitions, and inevitably requires appropriate **legal instruction**. (Page 100)

24. Rarely, deviation from market value as the measure of just compensation may be required in federal acquisitions, but "only 'when market value has been too difficult to

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find, or when its application would result in manifest injustice to owner or public.'" Such situations are highly unusual, and moreover, inevitably require appropriate **legal instruction.** (Page 101)

25. Whether the scope of the project rule applies and if so, how to apply it, are complex questions that require **legal instruction**. See Section 4.5. (Page 109)

26. However, in limited circumstances—and only with appropriate **legal instructions**—application of the scope of the project rule may allow or require the appraiser to disregard the impact of a zoning restriction on a piece of property. (Page 109)

27. In determining the larger parcel, federal courts consider unity of use, unity of ownership (title), and physical unity (proximity or contiguity) as it relates to highest and best use—factors historically called the **three unities.** Because this analysis typically involves questions of law as well as fact, appropriate **legal instructions** are often required. (Page 111)

28. In federal acquisitions, whether under the Federal Rule or (with appropriate **legal instructions**) the State Rule, the ultimate goal is to fairly measure the owner's actual compensable the State Rule, the ultimate goal is to fairly measure the owner's actual compensable loss. (Page 113)

29. Because unity of ownership raises not only factual but legal questions, appraisers must obtain **legal instructions** if they conclude that a single larger parcel exists when the ownership interests in all parts of the whole are not identical. (Page 114)

30. While the larger parcel must ultimately be determined by the appraiser, **legal instructions** are often required to address questions of law that arise within the appraiser's analysis. For example, whether unity of ownership exists based on the quality of the property interests held in different tracts raises not only factual but legal questions. Thus, an appraiser must obtain **legal instructions** if the ownership interests in all parts of the whole are not identical in a potential larger parcel. (Page 116)

31. Different considerations may be required in determining the larger parcel in appraisals for federal land exchanges (see Section 1.12). In such situations, **legal instructions** for the appraiser to assume a specific larger parcel determination may be necessary to comply with statutes or other federal requirements, as discussed in Section 4.10. (Page 117)

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32. Of course, extraordinary verification alone would not allow an appraiser to rely on a sale that cannot be considered for other reasons, such as a sale involving a different property interest than the property under appraisal, or a sale excluded from consideration under a **legal instruction** applying the scope of the project rule. (Page 123)

33. As discussed in depth in Section 4.5, valuations must disregard any value attributable to the government project prompting the acquisition. Consideration of **project influence** on market value is prohibited under the **scope of the project rule**. Whether the rule applies and how to apply it in a particular valuation assignment will require **legal instructions.** (Page 128)

34. **Legal instruction** is required, as the scope of the project rule raises questions of law "which limit the factors necessary to the determination of 'just compensation'" and go beyond the appraiser's function of assessing the government project's influence, if any, on market value. (Page 146)

35. Because the scope of the project rule involves interrelated factual and legal questions, the appraiser must request appropriate **legal instruction** if there is evidence the government's project affected the market value of the property being appraised. (Page 149)

36. Proper application of the scope of the project rule requires careful legal and factual analysis. The appraiser should request **legal instructions** from counsel. (Page 149)

37. Federal courts have recognized rare exceptions to the foregoing rules, allowing normally non-compensable damage to be reflected in unusual circumstances, such as the temporary acquisition of a business property or a partial acquisition with the effect of a total taking. Such exceptions always require **legal instruction**. (Page 161)

38. Distinguishing special and direct benefits from general and indirect benefits can raise complicated factual and legal questions, and virtually always requires a **legal instruction**. (Page 162)

39. The *extent* of a special and direct benefit is a fact question to be determined by the appraiser. But correctly distinguishing special and direct benefits (to be considered)

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from general and indirect benefits (to be ignored) "can raise complicated questions" in practice, and virtually always requires a **legal instruction**. (Page 163)

40. Application of the scope of the project rule turns on the question: "Should the owner have the benefit of any increment of value added to the property taken by the action of the public authority [?]" As discussed in Section 4.5, the answer to this question depends on the precise facts of each acquisition, and "requires discriminating judgment" and **legal instructions**. (Page 165)

41. Because the taking plus damages method is apt to "arrive at something else, either more or less, than compensation" under the Fifth Amendment,852 it is generally improper in valuations for federal acquisition purposes, and cannot be used without **legal instruction** from the acquiring agency or the U.S. Department of Justice. (Page 166)

42. **Legal instruction** is required for any departure from the unit rule, as the rule's application is a matter of law that cannot be determined by an appraiser. (Page 172)

43. Similarly, whether an alleged inverse taking is *temporary* or *permanent* is a legal question requiring **legal instruction**. In deciding this issue, "[t]he essential element of a temporary taking is a finite start and end to the taking." (Page 177)

44. Whether an inverse taking occurred, and if so whether it is *temporary* or *permanent*, are legal questions that require **legal instruction. (Page 177)**

45. Accordingly, the appraiser must receive appropriate **legal instructions** regarding the precise terms of the property interest(s) to be valued in an alleged inverse taking. (Page 178)

46. Applicable water laws must be taken into account in determining market value for purposes of just compensation, and appropriate **legal instructions** may be required. (Page 183)

47. But special **legal instructions** may be necessary due to statutory or regulatory requirements for land exchanges. (Page 186)

48. Thus, whether the navigational servitude applies under federal law to a specific body of water that is navigable in fact must be determined on a case-by-case basis.

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Arising mainly (but not only) in inverse takings claims, this determination cannot be made by the appraiser; **legal instructions** are required. (Page 189)

49. As a result, valuing partial acquisitions under § 595a may require use of a taking plus damages method—but only with appropriate **legal instructions**. (Page 193)

50. As discussed in more detail in Section 4.6.5 (Easement Valuation Issues), it is critical for the appraiser to understand the precise property interest(s) being acquired and the impact of any existing encumbrances. **Legal instructions** are typically required. (Page 196)

51. Again, **legal instructions** are typically required regarding the precise property interest(s) to be appraised and the effects of any encumbrances. Existing legal encumbrances must be considered when developing opinions of market value. (Page 197)

52. Physical remnants of *improvements made by the United States* may require special treatment, and the appraiser must request appropriate **legal instruction**. (Page 198)

53. Such acquisitions often involve preexisting encumbrances, such as easements for rail or transmission line use that may deprive them of value for other uses. The appraiser must understand the precise property interest(s) being acquired and the impact of any existing encumbrances. Typically, **legal instructions** are required. (Page 198)

54. Critical to the valuation process, agency staff identify property for federal acquisition; work with government and outside appraisers to develop an appropriate scope of work for each valuation assignment; provide necessary information to appraisers, such as property descriptions, title information, maps, surveys and other data; and issue **legal instructions.** (Page 205)

55. **Legal instructions** are necessary on a variety of valuation issues addressed throughout these Standards, such as ownership and title questions affecting the larger parcel determination (Section 4.3.3) or the proper application of the scope of the project rule to exclude government project influence on market value (Section 4.5). (Page 206)

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Appendix E
USPAP/Yellow Book Comparisons

Issue	*USPAP*	*Yellow Book*
Larger Parcel	Not addressed.	Required. 1.2.7.3.1. May require different considerations in appraisals for federal land exchanges or in connection with inverse condemnation claims.
Partial Interest Acquisitions	Yes. SR 1-2(e) Fractional interest, a physical segment, or a partial holding.	Yes. 1.2.6.1. Property Interest(s) to be Appraised.
Subject Sales History	Yes. SR 1-5(b) All sales that occurred within the three years prior to the effective date.	Yes. 2.3.2.3.5. Include a 10-year record of all sales and, if the information is available, any offers to buy or sell the subject property. If no sale of the property has occurred in the past 10 years, the appraiser must report the last sale of the property, irrespective of date. Any offers to buy or sell the subject property should also be identified and evaluated if available. 1.5.2.2. Must be confirmed by buyer, seller, broker, or other person having knowledge of the price, terms, and conditions of sale.
Subject Rental History	Not addressed.	Yes. 1.3.1.6. Rental or lease history for at least the past three years, if this information can be ascertained.
Subject Inspection	Not Required. SR 1-2(e) Any combination of property inspection and documents.	Yes. 1.2.6.3. Personally inspect in every assignment.

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Issue	*USPAP*	*Yellow Book*
Sale Inspection	Not Specified.	Most Assignments. 1.2.6.3. Should conduct inspection of all properties used as sales or rental comparables.
Sale Verification	Not Specified. SR 1-4(a) Must analyze comparable sales data.	Yes. 1.5.2.2. All comparable sales used must be confirmed by the buyer, seller, broker, or other person having knowledge of the price, terms, and conditions of sale.
Reporting	SR 2-1 Written, Oral. SR 2-2 Appraisal Report, Restricted Appraisal Report.	2.2. Written. Appraisal Report.
Property Owner Contact	Not Required.	Yes. 1.2.6.4. Owner or owner's designated representative must be given an opportunity to accompany appraiser during inspection.
Exposure Time	Yes. SR 1-2(c) Must develop an opinion of reasonable exposure time linked to market value.	Not link. 1.2.4. Should not link value to a specific opinion of **exposure time.** **Jurisdictional exception.**
Unit Rule	Yes. SR 1-4(e) Must refrain from valuing the whole solely by adding together the individual values of the various estates or component parts.	Yes. 1.2.7.3.2. Requires valuing the whole rather than the sum of the values of the various interests into which it has been carved.

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Issue	***USPAP***	***Yellow Book***
Extraordinary Assumption	Yes. SR 1-2(f) Identify any extraordinary assumptions necessary in the assignment. SR 2-2(a)(xi) Conspicuously state all extraordinary assumptions.	Yes. 1.2.7.1. Clearly identify and explain the implications of any extraordinary assumption adopted. Must be included in appraisal report. Each extraordinary assumption must be labeled and any legal instructions must be included in the addenda. Before using, should get prior written authorization.
Hypothetical Condition	Yes. SR 1-2(g) Identify any hypothetical conditions necessary in the assignment. SR 2-2(a)(xi) Conspicuously state all hypothetical conditions.	Yes. 1.2.7.1. Must consult with client and/or counsel before employing a hypothetical condition, then written **legal instructions** must be provided.

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1. Yellow Book standards modifications
   A. are not allowed.
   B. are allowed based on the appraiser's scope of work determination.
   C. are USPAP jurisdictional exceptions.
   D. may be necessary to meet differing needs of various government agencies.

2. The Yellow Book
   A. does not include a specific definition of market value.
   B. is broadly consistent with USPAP and the Uniform Act regulations.
   C. allows for the use of Restricted Appraisal Reports.
   D. requires the reporting of marketing time.

3. The agency may recognize scope of work modification(s) when
   A. the subject improvements may be significantly impacted by the acquisition.
   B. the acquisition is noncomplex and/or to ensure the cost of the appraisal is consistent with the requirements of the client agency.
   C. the modification is contrary to law.
   D. appraisal report formatting requirements are necessary due to the complexity of the assignment.

4. The Yellow Book standards require appraisers to provide an opinion of _____.
   A. acquisition value
   B. condemnation value
   C. just compensation
   D. market value

5. Market value, as defined in the Yellow Book, _____ linked to a specific opinion of exposure time and marketing time estimates _____ appropriate.
   A. is, are not
   B. is not, are not
   C. is not, are
   D. is, are

6. The subject property
   A. must be inspected.
   B. should be inspected.
   C. must be inspected, except in cases of large or inaccessible properties where inspection may not be possible.
   D. does not need to be inspected and any combination of documents (e.g., legal description, survey map, property sketch, photographs, in lieu of a physical inspection, will suffice).

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7. A hypothetical condition may be used in an assignment if
   A. written authorization is received after its use.
   B. the appraiser alone concludes one is necessary.
   C. legal opinion is received after its use.
   D. the appraiser complies with the disclosure requirements in USPAP.

8. An extraordinary assumption may be used in an assignment if
   A. written authorization is not necessary.
   B. its use results in a credible analysis.
   C. legal opinion is received after its use.
   D. extraordinary assumptions are not allowed under Yellow Book Standards.

9. Any increase or decrease (i.e., project influence) in market value
   A. prior to effective date caused by the government project must be disregarded.
   B. after the effective date caused by the government project must be disregarded.
   C. prior and after the effective date caused by the government project must be disregarded.
   D. must be regarded.

10. The Before and After Rule results in an amount that includes the value of the
    A. part acquired.
    B. part acquired and compensable damages.
    C. part acquired, compensable damages, and/or special benefits.
    D. part acquired, compensable damages, and/or general and special benefits.

11. Compensable damages, the loss in value to remainder property,
    A. are separately appraised.
    B. are not separately appraised.
    C. are always compensable.
    D. none of the above.

12. In federal acquisitions, benefits, the increase in value to remainder property
    A. may be offset against the value of the part taken only.
    B. may be offset against the value of the part taken and the damages to the remainder.
    C. may be offset against the damages to the remainder only.
    D. cannot be offset.

13. Which of the following statements regarding zoning is <u>false</u>?
    A. appraiser might conclude the property could be put to a more profitable highest and best use and investigate the probability of rezoning.
    B. appraiser must identify applicable zoning restrictions and interpret their impact of the subject property.
    C. if zoning is uncertain, legal instruction may be required.
    D. appraiser must not consider the effect of zoning on the remainder property.

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14. For the subject property, appraiser must include a
    A. 3-year record of all sales.
    B. 3-year record of all sales and if no sale of the property has occurred in the prior 3 years, must report the last sale of the property, irrespective of date.
    C. 10-year record of all sales.
    D. 10-year record of all sales and if no sale of the property has occurred in the prior 10 years, must report the last sale of the property, irrespective of date.

15. A marketability study is the
    A. segmentation of the larger market into submarkets.
    B. macroeconomic analysis of the general market conditions.
    C. area and neighborhood analysis.
    D. detailed analysis of the subject property and its economic environment.

16. Acceptable highest and best use conclusions include
    A. competitive economic uses.
    B. public interest uses.
    C. government's intended use.
    D. noneconomic uses.

17. When the highest and best use determination is different from the existing use, the appraiser must
    A. provide evidence that the property is physically and legally adaptable and there is a market demand.
    B. link the use trends in the area and neighborhood analysis.
    C. demonstrate how the degree of use or density impacts value.
    D. discuss potential zoning changes and interim uses.

18. A larger parcel determination is
    A. separate and distinct from the highest and best use analysis.
    B. determined after the highest and best use determination.
    C. determined prior to the highest and best use determination.
    D. analyzed simultaneously with highest and best use.

19. The larger parcel determination is primarily dependent on
    A. the acquisition itself.
    B. agency instructions.
    C. physical considerations (e.g., access, size, zoning).
    D. title and use.

20. The subdivision development method
    A. is rarely accepted.
    B. requires that sales be adjusted for location.
    C. involves overall capitalization (Ro) analysis.
    D. requires summation of adjustments in a grid.

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21. In the sales comparison approach, confirmation means _____ and verification means _____.
    A. substantiation that a transaction occurred, evidence that establishes the accuracy and motivations of a transaction.
    B. evidence that establishes the accuracy and motivations of a transaction, substantiation that a transaction occurred.
    C. the terms are synonymous.
    D. neither term applies to the sales comparison approach.

22. The Federal Rule
    A. requires the appraiser to determine just compensation.
    B. is the same as the State Rule.
    C. applies to all partial acquisitions.
    D. requires the allocation of value into its component parts.

23. The following are true statements about the Before and After Rule (Federal Rule) <u>except</u>:
    A. applies in all partial acquisition appraisals.
    B. allocation of the difference between the before and after values into its component is common for Department of Justice appraisals.
    C. allows for the calculation of a reasonable measure of compensation.
    D. includes two separate appraisals within the same assignment.

24. An example of a compensable damage is
    A. loss of business.
    B. downward change in highest and best use.
    C. loss of future profits.
    D. diversion of traffic.

25. A cost to cure
    A. may be based on speculation.
    B. may remediate damages to the remainder.
    C. is always less than the damages to the remainder.
    D. is a proper measure of damage when the cost is greater than the damages to the remainder, if not cured.

26. The State Rule (Taking Plus Damages) is
    A. commonly used in federal acquisitions.
    B. used for significant fee and/or easement acquisitions.
    C. applied when there are major damages to the remainder.
    D. used in rare situations (e.g., when strict adherence to the Federal Rule will create costly and/or difficult burdens on the appraiser).

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27. Based on the following information and using the taking plus damages procedure, develop a value opinion for the acquisition
    - Total property area: 100 acres
    - Acquisition: 2 acres plus some perimeter fencing
    - Location: Rear of property. Distant from any infrastructure (e.g., roads, utilities)
    - Comparable data: 100-acre tracts sell for $1,500/acre. 2-acre tracts sell for $7,500/acre
    - Fencing: Cost to cure: $1,250

    A. $3,000
    B. $4,250
    C. $15,000
    D. $16,250

28. In the acquisition of a leasehold estate, the appraiser
    A. must value the fee simple.
    B. should apply a market derived discount rate.
    C. must be mindful that government acquired leasehold estates are always treated the same as private market leaseholds.
    D. must not consider the possibility of damages to the remainder property.

29. While technically not correct but generally accepted, a shortcut method in the estimation of a temporary construction easement (TCE) is:
    A. unencumbered land's fee value x reasonable rate of return x easement term.
    B. unencumbered land's fee value x reasonable rate of return.
    C. encumbered land's fee value x reasonable rate of return x easement term.
    D. encumbered land's fee value x reasonable rate of return.

30. Based on the following information, calculate the rent loss for the TCE.
    - Total property area: 55,000 sq. ft.
    - TCE encumbered area: 1,250 sq. ft.
    - Underlying fee land value: $3.25/sq. ft.
    - TCE term: 18 months
    - Typical market return: 7.5%
    - There are no damages to the remaining 53,750 sq. ft.

    A. $305
    B. $457
    C. $5,484
    D. $6,094

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31. The Unit Rule states that
    A. property must be valued as a whole.
    B. value may be determined by the sum of the interests (e.g., leased fee, leasehold).
    C. value may include both the value of the real property and the value of the business.
    D. value may be determined by the sum of the physical components (e.g., land, improvements).

32. Normally the _____ approach is the most reliable for natural resource acquisition appraisals.
    A. cost
    B. income capitalization
    C. sales comparison
    D. all approaches have equal standing

33. When valuing mineral deposits by the income capitalization approach, the types of income discounted into value are
    A. business, profit.
    B. royalty, profit.
    C. business, wholesale.
    D. royalty, property.

34. Special considerations in appraisals for inverse condemnations include the following, <u>except</u>
    A. Liability Phase—Economic.
    B. Liability Phase—Regulatory.
    C. Compensation Phase—Physical.
    D. Compensation Phase—Regulatory.

35. Special considerations in appraisals for federal land exchanges include the following, <u>except</u>
    A. exchanges are discretionary and voluntary.
    B. appraiser need not confer with the agency.
    C. appraiser may need to complete a feasibility analysis.
    D. intended users are both the federal agency and the landowners.

36. In utilizing supporting experts' opinions and reports, the appraiser
    A. can simply accept the expert's report as submitted.
    B. can add the secondary valuation report to the land value without analysis.
    C. must analyze report and adopt the report, if reasonably and adequately documented.
    D. may add the supporting expert's value opinion to the market value of the whole.

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37. Under the Yellow Book, the reporting option is a(n)
    A. Restricted Appraisal Report, oral.
    B. Restricted Appraisal Report, written.
    C. Appraisal Report, oral.
    D. Appraisal Report, written.

38. Draft reports
    A. must be signed and labelled as a draft.
    B. must not be signed and do not need a draft label.
    C. must not be signed and must be labelled as a draft.
    D. are not allowed.

39. Under the Yellow Book, appraiser's certification must state the appraisal report was prepared in conformity with the following <u>except</u>
    A. Financial Institutions Reform, Recovery, and Enforcement Act of 1989.
    B. *Uniform Appraisal Standards for Federal Land Acquisitions.*
    C. *Uniform Standards of Professional Appraisal Practice.*
    D. USPAP's JURISDICTIONAL EXCEPTION RULE, when invoked.

40. Under the Yellow Book, the appraisal report must report
    A. extraordinary assumptions, limiting conditions, marketing time.
    B. hypothetical conditions, legal instructions, marketing time.
    C. legal instructions, marketing time, specific exposure time.
    D. extraordinary assumptions, hypothetical conditions, legal instructions.

41. When the highest and best use determination depends on obtaining rezoning or a permit, the appraiser
    A. may proceed after disclosure and an extraordinary assumption statement.
    B. must notify the agency that the highest and best use is not the current use.
    C. needs to account for the risks, time delays, and costs associated with obtaining rezoning or permit.
    D. may proceed based on the new zoning or permit.

42. When reporting zoning and other land use regulations, the appraiser
    A. may report by zoning codes (e.g., R-2) only.
    B. may simply assert there are other land use regulations.
    C. must report in descriptive terms.
    D. may simply assert there are environmental regulations.

43. Highest and best use analysis often requires
    A. marketability and/or feasibility studies.
    B. transportation surveys and/or equity studies.
    C. sensitivity analysis studies and/or media surveys.
    D. transportation surveys and/or media surveys.

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44. In the sales comparison approach, quantitative adjustments
    A. are made prior to qualitative adjustments.
    B. are secondary to qualitative adjustments.
    C. often require more extensive discussion than qualitative adjustments.
    D. may require a greater number of comparable sales than qualitative adjustments.

45. In the sales comparison approach, qualitative adjustments
    A. are made prior to quantitative adjustments.
    B. are secondary to quantitative adjustments.
    C. usually require less discussion than quantitative adjustments.
    D. require a fewer number of comparable sales than quantitative adjustments.

46. In developing a final opinion of value by the sales comparison approach, the appraiser must
    A. explain the weight given to only the comparable sales used to determine quantitative adjustments.
    B. explain the weight given to only the comparable sales used to determine qualitative adjustments.
    C. explain the weight given to every comparable sale.
    D. develop and utilize the mean of all the comparable sales.

47. In developing a market value for the subject property by the income capitalization approach, the appraiser capitalizes the
    A. real estate and business income into value.
    B. real estate's net income into value.
    C. effective gross income into value.
    D. before tax cash flow into value.

48. In developing an opinion of market value by the income capitalization approach, the preferred method to develop capitalization rates is from the
    A. market (comparable sales).
    B. band of investment.
    C. debt coverage ratio.
    D. published sources.

49. Project appraisal reports may be appropriate when the properties
    A. are complex.
    B. have different highest and best uses.
    C. have the same or similar highest and best uses.
    D. require different market data.

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50. When there are multiple value components to a property, the Unit Rule specifies that the appraiser value
    A. each major component (e.g., leased fee, leasehold) and then add the components together.
    B. the constituent parts separately, as they enhance or diminish the value of the whole and then add the constituent parts together.
    C. the property as a whole for federal land acquisitions.
    D. the property based on a cumulative or summation method.

51. Appraisers estimate market value, not just compensation. Departure from the market value standard is
    A. often justified.
    B. often justified and requires legal instruction.
    C. rarely justified.
    D. rarely justified and requires legal instruction.

52. A larger parcel determination is
    A. the same as the acquisition area boundaries.
    B. separate and distinct from the highest and best use analysis.
    C. seldom necessary.
    D. required in every appraisal prepared under the Yellow Book.

53. Sales to government entities
    A. should only be used if they were acquired for the same use as the current project's use.
    B. are inherently valid.
    C. require extraordinary verification.
    D. are usually true open-market transactions.

54. Under the Yellow Book, exercised options are generally
    A. not reliable indicators of value.
    B. given little or no weight.
    C. not indicative of market value.
    D. acceptable indicators of value when they result in a binding agreement between buyer and seller.

55. A scope of the project decision
    A. requires legal instruction.
    B. is determined by the appraiser.
    C. is determined by the market.
    D. is irrelevant to the appraisal assignment.

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56. The Scope of the Project Rule
    A. allows the appraiser to disregard changes in value attributable to the government's project and to other factors.
    B. applies only to changes in value attributable to the government's project.
    C. allows the appraiser to ignore changes due to physical deterioration within the landowner's reasonable control.
    D. permits the appraiser to ignore market realities beyond the government's project.

57. Which of the following statements is false?
    A. Compensable damages are not a distinct item added to compensation; they are already reflected in a before and after valuation.
    B. Non-compensable damages cannot be considered.
    C. Indirect and remote damages are usually compensable.
    D. Non-compensable losses are rooted in market value standard as the measure of just compensation.

58. Which of the following statements is false?
    A. Damage to the remainder can never be assumed but must be supported.
    B. Damage must be proved, as with any element affecting value.
    C. Damage is compensable only if the loss is reflected in the market place.
    D. Damage causation need not be proved.

59. As damages relate to hazards (e.g., stigma, fear, contamination), the following statements are correct, except
    A. If the fear of a hazard would affect the price a knowledgeable and prudent buyer would pay to a similarly well-informed seller, the diminution in value caused by that fear may be recoverable as part of just compensation.
    B. Fear of the hazard itself is adequate to recover compensation.
    C. Appraisers must obtain clear written instructions regarding appropriate consideration of hazards.
    D. Causation between the fear of the hazard and the government's acquisition must be shown.

60. Examples of non-compensable damages are
    A. loss of business, frustration of future plans.
    B. reduction in setback, change of grade.
    C. diminution in highest and best, creating an irregular shaped remainder.
    D. all the above.

61. An example of special benefits is
    A. circuity of access.
    B. new access to a highway.
    C. installation of a municipal waterline.
    D. diversion of travel away from a residential neighborhood.

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62. The following statements about the State Rule (Taking Plus Damages) are correct, <u>except</u>
    A. may arrive at more or less than just compensation.
    B. is subject to error.
    C may result in duplicate payments.
    D. decision made by appraiser.

63. All easement acquisitions are
    A. considered independent of the underlying fee.
    B. valued by adding the easement value to the underlying fee value.
    C. always based on a percentage of the fee simple value.
    D. partial acquisitions.

64. Under the Yellow Book, federal grazing rights
    A. reflect situations where the federal contract grazing rent is higher than market grazing rents.
    B. are included in most voluntary acquisitions.
    C. create property rights in the beholder.
    D. revert to the federal agency when the base property is sold.

65. Under the Yellow Book, appraisal reviews may be the following, <u>except</u>
    A. administrative.
    B. executive.
    C. technical—desk.
    D. technical—field.

66. Government review appraisers must identify each report as one of the following, <u>except</u>
    A. accepted.
    B. endorsed.
    C. recommended.
    D. not accepted.

67. Agency review appraisers' responsibilities include ensuring the appraisal under review complies with all the following, <u>except</u>
    A. determining if the opinions and conclusions are adequately supported.
    B. complying with contract or assignment letter.
    C. conforming to FIRREA.
    D. conforming to Yellow Book Standards.

68. To ensure credible, reliable, accurate appraisals for litigation, Department of Justice reviews must also undertake the following, <u>except</u>
    A. determining the suitability for trial purposes.
    B. identifying weaknesses and strengths in the appraisal report.
    C. developing an independent opinion of value.
    D. recommending corrective actions that should be taken.

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69. Technical desk reviews require
    A. confirmation the report was prepared in accordance with Yellow Book Standards.
    B. data verification.
    C. identification of additional comparative market data.
    D. an external inspection of the subject property only.

70. Technical field reviews require
    A. at least an exterior inspection of the subject property.
    B. no collection of independent market data.
    C. at least an exterior inspection of the comparable sales.
    D. no independent data verification.

71. An appropriate scope of work for an appraisal review includes the following, <u>except</u>
    A. identification of the problem to be solved.
    B. necessity to review both the workfile <u>and</u> the appraisal report.
    C. disclosure of the scope of work performed.
    D. precise definition of the review type (e.g., administrative, technical review desk review, technical review field review).

72. The effective date of the review appraiser's report will
    A. normally reflect the effective date of the review appraiser's opinions and conclusions.
    B. always be the same effective date as stated in the appraisal report.
    C. usually be the date the government enters into possession of the property.
    D. usually be the date the agency deposits the estimated compensation with the court.

73. Responsibilities of the review appraiser include
    A. allowing the agency goals to influence the opinion of the appraisal report's appropriateness.
    B. allowing own opinions of the proposed acquisition to enter in.
    C. remaining objective.
    D. substituting own judgment for the appraiser's without a willingness to become the appraiser of record.

74. The review appraiser may incorporate into the review, by reference, credible data and analysis from the appraisal report into the review through a(n)
    A. extraordinary assumption.
    B. hypothetical condition.
    C. jurisdictional exception.
    D. limiting condition.

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1. Yellow Book standards modifications (Slide 11)
   A. are not allowed.
   B. are allowed based on the appraiser's scope of work determination.
   C. are USPAP jurisdictional exceptions.
   D. may be necessary to meet differing needs of various government agencies.

2. The Yellow Book (Slide 14)
   A. does not include a specific definition of market value.
   B. is broadly consistent with USPAP and the Uniform Act regulations.
   C. allows for the use of Restricted Appraisal Reports.
   D. requires the reporting of marketing time.

3. The agency may recognize scope of work modification(s) when (Slide 23)
   A. the subject improvements may be significantly impacted by the acquisition.
   B. the acquisition is noncomplex and/or to ensure the cost of the appraisal is consistent with the requirements of the client agency.
   C. the modification is contrary to law.
   D. appraisal report formatting requirements are necessary due to the complexity of the assignment.

4. The Yellow Book standards require appraisers to provide an opinion of _____. (Slide 24)
   A. acquisition value
   B. condemnation value
   C. just compensation
   D. market value

5. Market value, as defined in the Yellow Book, _____ linked to a specific opinion of exposure time and marketing time estimates _____ appropriate. (Slide 25)
   A. is, are not
   B. is not, are not
   C. is not, are
   D. is, are

6. The subject property (Slide 29)
   A. must be inspected.
   B. should be inspected.
   C. must be inspected, except in cases of large or inaccessible properties where inspection may not be possible.
   D. does not need to be inspected and any combination of documents (e.g., legal description, survey map, property sketch, photographs, in lieu of a physical inspection, will suffice).

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7. A hypothetical condition may be used in an assignment if (Slide 32)
   A. written authorization is received after its use.
   B. the appraiser alone concludes one is necessary.
   C. legal opinion is received after its use.
   D. the appraiser complies with the disclosure requirements in USPAP.

8. An extraordinary assumption may be used in an assignment if (Slide 33)
   A. written authorization is not necessary.
   B. its use results in a credible analysis.
   C. legal opinion is received after its use.
   D. extraordinary assumptions are not allowed under Yellow Book Standards.

9. Any increase or decrease (i.e., project influence) in market value (Slide 39)
   A. prior to effective date caused by the government project must be disregarded.
   B. after the effective date caused by the government project must be disregarded.
   C. prior and after the effective date caused by the government project must be disregarded.
   D. must be regarded.

10. The Before and After Rule results in an amount that includes the value of the (Slide 40)
    A. part acquired.
    B. part acquired and compensable damages.
    C. part acquired, compensable damages, and/or special benefits.
    D. part acquired, compensable damages, and/or general and special benefits.

11. Compensable damages, the loss in value to remainder property, (Slide 41)
    A. are separately appraised.
    B. are not separately appraised.
    C. are always compensable.
    D. none of the above.

12. In federal acquisitions, benefits, the increase in value to remainder property (Slide 97)
    A. may be offset against the value of the part taken only.
    B. may be offset against the value of the part taken and the damages to the remainder.
    C. may be offset against the damages to the remainder only.
    D. cannot be offset.

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13. Which of the following statements regarding zoning is false? (Slides 47, 49, 50)
   A. appraiser might conclude the property could be put to a more profitable highest and best use and investigate the probability of rezoning.
   B. appraiser must identify applicable zoning restrictions and interpret their impact of the subject property.
   C. if zoning is uncertain, legal instruction may be required.
   D. appraiser must not consider the effect of zoning on the remainder property.

14. For the subject property, appraiser must include a (Slide 184)
   A. 3-year record of all sales.
   B. 3-year record of all sales and if no sale of the property has occurred in the prior 3 years, must report the last sale of the property, irrespective of date.
   C. 10-year record of all sales.
   D. 10-year record of all sales and if no sale of the property has occurred in the prior 10 years, must report the last sale of the property, irrespective of date.

15. A marketability study is the (Slide 62)
   A. segmentation of the larger market into submarkets.
   B. macroeconomic analysis of the general market conditions.
   C. area and neighborhood analysis.
   D. detailed analysis of the subject property and its economic environment.

16. Acceptable highest and best use conclusions include (Slide 66)
   A. competitive economic uses.
   B. public interest uses.
   C. government's intended use.
   D. noneconomic uses.

17. When the highest and best use determination is different from the existing use, the appraiser must (Slide 68)
   A. provide evidence that the property is physically and legally adaptable and there is a market demand.
   B. link the use trends in the area and neighborhood analysis.
   C. demonstrate how the degree of use or density impacts value.
   D. discuss potential zoning changes and interim uses.

18. A larger parcel determination is (Slide 71)
   A. separate and distinct from the highest and best use analysis.
   B. determined after the highest and best use determination.
   C. determined prior to the highest and best use determination.
   D. analyzed simultaneously with highest and best use.

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19. The larger parcel determination is primarily dependent on (Slide 361)
   A. the acquisition itself.
   B. agency instructions.
   C. physical considerations (e.g., access, size, zoning).
   D. title and use.

20. The subdivision development method (Slide 73)
   A. is rarely accepted.
   B. requires that sales be adjusted for location.
   C. involves overall capitalization (Ro) analysis.
   D. requires summation of adjustments in a grid.

21. In the sales comparison approach, confirmation means _____ and verification means _____. (Slide 75)
   A. substantiation that a transaction occurred, evidence that establishes the accuracy and motivations of a transaction.
   B. evidence that establishes the accuracy and motivations of a transaction, substantiation that a transaction occurred.
   C. the terms are synonymous.
   D. neither term applies to the sales comparison approach.

22. The Federal Rule (Slide 90)
   A. requires the appraiser to determine just compensation.
   B. is the same as the State Rule.
   C. applies to all partial acquisitions.
   D. requires the allocation of value into its component parts.

23. The following are true statements about the Before and After Rule (Federal Rule) <u>except</u>: (Slide 90)
   A. applies in all partial acquisition appraisals.
   B. allocation of the difference between the before and after values into its component is common for Department of Justice appraisals.
   C. allows for the calculation of a reasonable measure of compensation.
   D. includes two separate appraisals within the same assignment.

24. An example of a compensable damage is (Slide 92)
   A. loss of business.
   B. downward change in highest and best use.
   C. loss of future profits.
   D. diversion of traffic.

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25. A cost to cure (Slide 93)
   A. may be based on speculation.
   B. **may remediate damages to the remainder.**
   C. is always less than the damages to the remainder.
   D. is a proper measure of damage when the cost is greater than the damages to the remainder, if not cured.

26. The State Rule (Taking Plus Damages) is (Slide 98)
   A. commonly used in federal acquisitions.
   B. used for significant fee and/or easement acquisitions.
   C. applied when there are major damages to the remainder.
   D. used in rare situations (e.g., when strict adherence to the Federal Rule will create costly and/or difficult burdens on the appraiser).

27. Based on the following information and using the taking plus damages procedure, develop a value opinion for the acquisition (Slide 99)
   - Total property area: 100 acres
   - Acquisition: 2 acres plus some perimeter fencing
   - Location: Rear of property. Distant from any infrastructure (e.g., roads, utilities)
   - Comparable data: 100-acre tracts sell for $1,500/acre. 2-acre tracts sell for $7,500/acre
   - Fencing: Cost to cure: $1,250

   A. $3,000
   B. $4,250
   C. $15,000
   D. $16,250

28. In the acquisition of a leasehold estate, the appraiser (Slide 102)
   A. must value the fee simple.
   B. should apply a market derived discount rate.
   C. must be mindful that government acquired leasehold estates are always treated the same as private market leaseholds.
   D. must not consider the possibility of damages to the remainder property.

29. While technically not correct but generally accepted, a shortcut method in the estimation of a temporary construction easement (TCE) is: (Slide 107)
   A. unencumbered land's fee value x reasonable rate of return x easement term.
   B. unencumbered land's fee value x reasonable rate of return.
   C. encumbered land's fee value x reasonable rate of return x easement term.
   D. encumbered land's fee value x reasonable rate of return.

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30. Based on the following information, calculate the rent loss for the TCE. (Slide 108)
    - Total property area: 55,000 sq. ft.
    - TCE encumbered area: 1,250 sq. ft.
    - Underlying fee land value: $3.25/sq. ft.
    - TCE term: 18 months
    - Typical market return: 7.5%
    - There are no damages to the remaining 53,750 sq. ft.

    A. $305
    B. $457
    C. $5,484
    D. $6,094

31. The Unit Rule states that (Slide 116)
    A. property must be valued as a whole.
    B. value may be determined by the sum of the interests (e.g., leased fee, leasehold).
    C. value may include both the value of the real property and the value of the business.
    D. value may be determined by the sum of the physical components (e.g., land, improvements).

32. Normally the _____ approach is the most reliable for natural resource acquisition appraisals. (Slide 125)
    A. cost
    B. income capitalization
    C. sales comparison
    D. all approaches have equal standing

33. When valuing mineral deposits by the income capitalization approach, the types of income discounted into value are (Slide 127)
    A. business, profit.
    B. royalty, profit.
    C. business, wholesale.
    D. royalty, property.

34. Special considerations in appraisals for inverse condemnations include the following, <u>except</u> (Slide 132, 134)
    A. Liability Phase—Economic.
    B. Liability Phase—Regulatory.
    C. Compensation Phase—Physical.
    D. Compensation Phase—Regulatory.

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35. Special considerations in appraisals for federal land exchanges include the following, <u>except</u> (Slide 136)
   A. exchanges are discretionary and voluntary.
   B. appraiser need not confer with the agency.
   C. appraiser may need to complete a feasibility analysis.
   D. intended users are both the federal agency and the landowners.

36. In utilizing supporting experts' opinions and reports, the appraiser (Slide 141)
   A. can simply accept the expert's report as submitted.
   B. can add the secondary valuation report to the land value without analysis.
   C. must analyze report and adopt the report, if reasonably and adequately documented.
   D. may add the supporting expert's value opinion to the market value of the whole.

37. Under the Yellow Book, the reporting option is a(n) (Slide 150)
   A. Restricted Appraisal Report, oral.
   B. Restricted Appraisal Report, written.
   C. Appraisal Report, oral.
   D. Appraisal Report, written.

38. Draft reports (Slide 154)
   A. must be signed and labelled as a draft.
   B. must not be signed and do not need a draft label.
   C. must not be signed and must be labelled as a draft.
   D. are not allowed.

39. Under the Yellow Book, appraiser's certification must state the appraisal report was prepared in conformity with the following <u>except</u> (Slide 163)
   A. Financial Institutions Reform, Recovery, and Enforcement Act of 1989.
   B. *Uniform Appraisal Standards for Federal Land Acquisitions*.
   C. *Uniform Standards of Professional Appraisal Practice*.
   D. USPAP's JURISDICTIONAL EXCEPTION RULE, when invoked.

40. Under the Yellow Book, the appraisal report must report (Slide 169)
   A. extraordinary assumptions, limiting conditions, marketing time.
   B. hypothetical conditions, legal instructions, marketing time.
   C. legal instructions, marketing time, specific exposure time.
   D. extraordinary assumptions, hypothetical conditions, legal instructions.

41. When the highest and best use determination depends on obtaining rezoning or a permit, the appraiser (Slide 191)
   A. may proceed after disclosure and an extraordinary assumption statement.
   B. must notify the agency that the highest and best use is not the current use.
   C. needs to account for the risks, time delays, and costs associated with obtaining rezoning or permit.
   D. may proceed based on the new zoning or permit.

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42. When reporting zoning and other land use regulations, the appraiser (Slide 187)
   A. may report by zoning codes (e.g., R-2) only.
   B. may simply assert there are other land use regulations.
   C. must report in descriptive terms.
   D. may simply assert there are environmental regulations.

43. Highest and best use analysis often requires (Slide 195)
   A. marketability and/or feasibility studies.
   B. transportation surveys and/or equity studies.
   C. sensitivity analysis studies and/or media surveys.
   D. transportation surveys and/or media surveys.

44. In the sales comparison approach, quantitative adjustments (Slide 215)
   A. are made prior to qualitative adjustments.
   B. are secondary to qualitative adjustments.
   C. often require more extensive discussion than qualitative adjustments.
   D. may require a greater number of comparable sales than qualitative adjustments.

45. In the sales comparison approach, qualitative adjustments (Slide 215)
   A. are made prior to quantitative adjustments.
   B. are secondary to quantitative adjustments.
   C. usually require less discussion than quantitative adjustments.
   D. require a fewer number of comparable sales than quantitative adjustments.

46. In developing a final opinion of value by the sales comparison approach, the appraiser must (Slide 216)
   A. explain the weight given to only the comparable sales used to determine quantitative adjustments.
   B. explain the weight given to only the comparable sales used to determine qualitative adjustments.
   C. explain the weight given to every comparable sale.
   D. develop and utilize the mean of all the comparable sales.

47. In developing a market value for the subject property by the income capitalization approach, the appraiser capitalizes the (Slide 81)
   A. real estate and business income into value.
   B. real estate's net income into value.
   C. effective gross income into value.
   D. before tax cash flow into value.

48. In developing an opinion of market value by the income capitalization approach, the preferred method to develop capitalization rates is from the (Slide 81)
   A. market (comparable sales).
   B. band of investment.
   C. debt coverage ratio.
   D. published sources.

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49. Project appraisal reports may be appropriate when the properties (Slide 309)
   A. are complex.
   B. have different highest and best uses.
   C. **have the same or similar highest and best uses.**
   D. require different market data.

50. When there are multiple value components to a property, the Unit Rule specifies that the appraiser value (Slide 329, 330)
   A. each major component (e.g., leased fee, leasehold) and then add the components together.
   B. the constituent parts separately, as they enhance or diminish the value of the whole and then add the constituent parts together.
   C. the property as a whole for federal land acquisitions.
   D. the property based on a cumulative or summation method.

51. Appraisers estimate market value, not just compensation. Departure from the market value standard is (Slide 343)
   A. often justified.
   B. often justified and requires legal instruction.
   C. rarely justified.
   D. rarely justified and requires legal instruction.

52. A larger parcel determination is (Slide 548)
   A. the same as the acquisition area boundaries.
   B. separate and distinct from the highest and best use analysis.
   C. seldom necessary.
   D. required in every appraisal prepared under the Yellow Book.

53. Sales to government entities (Slide 395)
   A. should only be used if they were acquired for the same use as the current project's use.
   B. are inherently valid.
   C. require extraordinary verification.
   D. are usually true open-market transactions.

54. Under the Yellow Book, exercised options are generally (Slide 400)
   A. not reliable indicators of value.
   B. given little or no weight.
   C. not indicative of market value.
   D. acceptable indicators of value when they result in a binding agreement between buyer and seller.

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55. A scope of the project decision (Slide 549)
   A. requires legal instruction.
   B. is determined by the appraiser.
   C. is determined by the market.
   D. is irrelevant to the appraisal assignment.

56. The Scope of the Project Rule (Slide 549)
   A. allows the appraiser to disregard changes in value attributable to the government's project and to other factors.
   B. applies only to changes in value attributable to the government's project.
   C. allows the appraiser to ignore changes due to physical deterioration within the landowner's reasonable control.
   D. permits the appraiser to ignore market realities beyond the government's project.

57. Which of the following statements is false? (Slide 444)
   A. Compensable damages are not a distinct item added to compensation; they are already reflected in a before and after valuation.
   B. Non-compensable damages cannot be considered.
   C. Indirect and remote damages are usually compensable.
   D. Non-compensable losses are rooted in market value standard as the measure of just compensation.

58. Which of the following statements is false? (Slide 442)
   A. Damage to the remainder can never be assumed but must be supported.
   B. Damage must be proved, as with any element affecting value.
   C. Damage is compensable only if the loss is reflected in the market place.
   D. Damage causation need not be proved.

59. As damages relate to hazards (e.g., stigma, fear, contamination), the following statements are correct, except (Slides 441)
   A. If the fear of a hazard would affect the price a knowledgeable and prudent buyer would pay to a similarly well-informed seller, the diminution in value caused by that fear may be recoverable as part of just compensation.
   B. Fear of the hazard itself is adequate to recover compensation.
   C. Appraisers must obtain clear written instructions regarding appropriate consideration of hazards.
   D. Causation between the fear of the hazard and the government's acquisition must be shown.

60. Examples of non-compensable damages are (Slide 460)
   A. loss of business, frustration of future plans.
   B. reduction in setback, change of grade.
   C. diminution in highest and best, creating an irregular shaped remainder.
   D. all the above.

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61. An example of special benefits is (Slide 448)
   A. circuity of access.
   B. new access to a highway.
   C. installation of a municipal waterline.
   D. diversion of travel away from a residential neighborhood.

62. The following statements about the State Rule (Taking Plus Damages) are correct, <u>except</u> (Slide 465)
   A. may arrive at more or less than just compensation.
   B. is subject to error.
   C may result in duplicate payments.
   D. decision made by appraiser.

63. All easement acquisitions are (Slide 472)
   A. considered independent of the underlying fee.
   B. valued by adding the easement value to the underlying fee value.
   C. always based on a percentage of the fee simple value.
   D. partial acquisitions.

64. Under the Yellow Book, federal grazing rights (Slide 529)
   A. reflect situations where the federal contract grazing rent is higher than market grazing rents.
   B. are included in most voluntary acquisitions.
   C. create property rights in the beholder.
   D. revert to the federal agency when the base property is sold.

65. Under the Yellow Book, appraisal reviews may be the following, <u>except</u> (Slide 553)
   A. administrative.
   B. executive.
   C. technical—desk.
   D. technical—field.

66. Government review appraisers must identify each report as one of the following, <u>except</u> (Slide 557)
   A. accepted.
   B. endorsed.
   C. recommended.
   D. not accepted.

67. Agency review appraisers' responsibilities include ensuring the appraisal under review complies with all the following, <u>except</u> (Slide 566)
   A. determining if the opinions and conclusions are adequately supported.
   B. complying with contract or assignment letter.
   C. conforming to FIRREA.
   D. conforming to Yellow Book Standards.

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68. To ensure credible, reliable, accurate appraisals for litigation, Department of Justice reviews must also undertake the following, <u>except</u> (Slide 568)
   A. determining the suitability for trial purposes.
   B. identifying weaknesses and strengths in the appraisal report.
   C. developing an independent opinion of value.
   D. recommending corrective actions that should be taken.

69. Technical desk reviews require (Slide 573)
   A. confirmation the report was prepared in accordance with Yellow Book Standards.
   B. data verification.
   C. identification of additional comparative market data.
   D. an external inspection of the subject property only.

70. Technical field reviews require (Slide 580)
   A. at least an exterior inspection of the subject property.
   B. no collection of independent market data.
   C. at least an exterior inspection of the comparable sales.
   D. no independent data verification.

71. An appropriate scope of work for an appraisal review includes the following, <u>except</u> (Slide 593)
   A. identification of the problem to be solved.
   B. necessity to review both the workfile <u>and</u> the appraisal report.
   C. disclosure of the scope of work performed.
   D. precise definition of the review type (e.g., administrative, technical review desk review, technical review field review).

72. The effective date of the review appraiser's report will (Slide 623)
   A. normally reflect the effective date of the review appraiser's opinions and conclusions.
   B. always be the same effective date as stated in the appraisal report.
   C. usually be the date the government enters into possession of the property.
   D. usually be the date the agency deposits the estimated compensation with the court.

73. Responsibilities of the review appraiser include (Slide 598)
   A. allowing the agency goals to influence the opinion of the appraisal report's appropriateness.
   B. allowing own opinions of the proposed acquisition to enter in.
   C. remaining objective.
   D. substituting own judgment for the appraiser's without a willingness to become the appraiser of record.

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74. The review appraiser may incorporate into the review, by reference, credible data and analysis from the appraisal report into the review through a(n) (Slide 608)
   A. extraordinary assumption.
   B. hypothetical condition.
   C. jurisdictional exception.
   D. limiting condition.

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THE APPRAISAL FOUNDATION
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Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) Course

Instructor Notes

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Introductory Material

General Comments

The Instructor Notes provide general guidance. They are intended to aid in the presentation of the 23-hour (21-hour instruction plus 2-hour exam) *Uniform Appraisal Standards for Federal Land Acquisitions* (*Yellow* Book) Course.

As you prepare to teach this course for the first time, allow ample time for proper preparation. We suggest you give yourself 2-3 hours of preparation time for each 50-minute classroom hour. Additionally, you must be familiar with the content of the 2016 *Uniform Appraisal Standards for Federal Land Acquisitions* (Yellow Book).

The material is designed to be offered as a 3-day course. It may be adapted to other formats as long as the course is not less than 23-hour (21-hour instruction plus 2-hour exam) and the course material is covered.

As you teach the course, you may discover areas where more guidance would be useful. If you have any suggestions for augmenting the Instructor Notes, please email your suggestions to YBcourse@appraisalfoundation.org.

Intended Audience

It is assumed that students will have a basic knowledge of the appraisal process. While the process is presented in this course, you should not dwell too long on the basics, but move quickly through it to the more substantial and new material. On the other end of the continuum, many students will already be Yellow Book fluent. They will have completed a similar course (e.g., American Society of Farm Managers and Rural Appraisers/American Society of Appraisers course) based on the fifth (2000) edition, and are competent in preparing appraisals under these Standards. Some of the students may already teach a comparable course and are looking to prepare themselves to teach this new sixth edition (2016) course.

There is a considerable amount of material. Continually check for understanding and if you determine the students are well versed in one aspect, move to another section to enable them to gain new information.

Prerequisites

There are no prerequisites. However, some appraisal knowledge and/or experience is required for the student to understand the course content. Without some knowledge of appraisal principles and practices, a student may have a difficult time understanding the terminology and elements addressed in these Standards.

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Use of the *Uniform Appraisal Standards for Federal Land Acquisitions* (Yellow Book) Document

This course is based on the sixth edition of the Yellow Book, the first revision in sixteen years. In updating the Standards, the Interagency Land Acquisition Conference incorporated relevant new appraisal methodology and theory, integrated new case law, and ensured appropriate consistency with professional appraisal standards (USPAP). The content is restructured and revised for clarity and readability, resulting in practical and understandable guidance for appraisers, attorneys, and the public.

The first three Sections, Appraisal Development, Appraisal Reporting, and Appraisal Review parallel The Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice* (USPAP) STANDARD 1: Real Property Appraisal Development, STANDARD 2: Real Property Appraisal, Reporting, and STANDARD 3: Appraisal Review, Development and Reporting.

The Yellow Book builds, culminating in Section 4, Legal Foundations for Appraisal Standards. Section 4 explains the federal law that dictates these Standards. Appraisers who prepare market value appraisals for federal acquisitions must understand and apply federal law in the development, reporting, and review of appraisals. Section 4 also includes discussion of the legal standards that apply to many recurring valuation problems, as well as guidance on specialized appraisal issues that are unique to federal acquisitions.

Course Structure

On Day One, you will cover the Introductory Material, Section 1, Appraisal Development, and Section 2, Appraisal Reporting. Day Two is devoted to Section 4, Legal Foundations for Appraisal Standards. The course sequencing is intended to move from the "what" to the "how" and then the "why". Day Three concludes Section 4, moves to Section 3, Appraisal Review, and ends with a Conclusion. The optional exam concludes Day Three.

Over the three days, the course builds in two ways. First, the material – there is a degree of repetition. Topics raised in Section 1, may reappear in Sections 2 and 4. When they do, the content is developed from different angles, in more depth, and, with additional problems and case studies. Second, the perspective from which the material is discussed changes. One person characterized the course flow as follows: "Section 1 is definitional, Section 2, applications, and Section 4, legal. (Section 3, Appraisal Review is a stand-alone topic and hence the reasoning for the course material presentation.)

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Student Material

The student material includes the:

- Student Manual
- Interagency Land Acquisition Conference, *Uniform Appraisal Standards for Federal Land Acquisition*, 2016

The Uniform Appraisal Standards for Federal Land Acquisitions, 2016, printed and electronic, are available in the "Store" section of the Foundation's website (www.appraisalfoundation.org).

Recommended reading (not required for this course) is Eaton, J. D., MAI, SRA. *Real Estate Valuation in Litigation*. Chicago: Appraisal Institute, 1995.

To maximize learning, you should employ a mix of adult education practices. While some lecture is inevitable, you should utilize student engagement through discussion, problem and case studies solving, visual aids (i.e., PowerPoint—provided), and course materials (i.e., Yellow Book, and Student Manual) as much as possible. There are a considerable number of Problems, Questions, Discussions, and Case Studies to help increase student involvement.

Instructor Notes

There is no Instructor Manual. There are Instructor Notes. (It's in your hands, right now.) The Instructor Notes supplement the Student Manual. It covers course timing and activities, but primarily serves to provide guidance about each Section and contains specific PowerPoint slide comments. You should annotate your copy of the Student Manual with reminders about teaching techniques, personal examples, memory joggers, etc. that you will use in leading the course presentation.

Course Design

- **Preview**
  Each Section begins with a Purpose or Introduction. This topic states the learning objective and a brief overview (developed from the Yellow Book).

- **Review**
  Each Section includes quizzes. The quizzes serve as reviews of the material, measured against the Section's objective and as preparation for the exam, if required.

- **Learning Objectives**

  The learning objectives are few and focused. When done, the students will:
  - understand the development process for valuation assignments for federal land acquisitions; and be able to:
    - demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions,
    - evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions; and,
    - connect the legal foundation/rationale/guidance that govern recurring valuation problems and specialized appraisal issues unique to federal land acquisitions.

  With a limited number of objectives, the students will be in a better position to remember and concentrate on meeting them. Questions on the optional exam flow from the learning objectives. By reviewing the objectives before and after each Section, you help reinforce Yellow Book issues that students need to understand in their appraisal practice and for successful completion of the exam, if required.

- **PowerPoint**

  The PowerPoint presentation provides detailed coverage of the course material. It is very large and you must be careful and not get bogged down by referring to, or worse, reading, every bullet point. The PowerPoint is simply another tool that will help you remember specific points about the material and for the students to consider as the course moves forward.

  The PowerPoint files, as are all the materials, are copyrighted by The Appraisal Foundation. They are for the exclusive use by the Foundation and its License Agreement signees. The PowerPoint slides cannot be used in any other educational programs, in part or in whole, without the written permission of The Appraisal Foundation.

  As you prepare to instruct the course, allow practice time before your first scheduled presentation. Because of possible hardware and software incompatibilities, you should test the PowerPoint before a class offering.

- **"Homework"**
  After Day One, the students should be told to read and consider Case Study #1, Case Study #2, and Case Study #3 as they will be discussed the following day. The same recommendation, but for Case Study #4 and Case Study #5, should be made after Day Two's presentation.

  Also, the students should be encouraged to review, in total, the day's material and learning and to look at the following day's Section.

- **Calculator**
  While a financial calculator (e.g., HP 12c) is best, a four-function calculator will suffice. You may use a financial calculator app on your smart phones during the class, but not during the exam.

- **Exam**
  An optional exam is provided. The education provider will decide if it will be administered. The exam contains 75 multiple-choice questions and will be offered on the afternoon of Day Three. Examinees will have two hours to complete it.

  It is your responsibility to review the exam before instructing the course to be sure specific definitions, concepts, and examples are incorporated in the lecture, visual aids, and discussions.

- **Presentation Techniques**
  Lecture is an inevitable component of training, but you should resist teaching from the podium and telling the students the material. Put yourself in your students' shoes. When you are the student, do you like to be told or lectured, or do you prefer to be engaged with the instructor and other students? Much of the best learning will occur during the discussion of the problems, case studies, etc. You need to allow reasonable time for the class discussion to develop. Remember, many students will be knowledgeable about the content and have "war stories" that will enhance everyone's learning, including your own. There is an adult education adage that is worth remembering. "Everyone is a teacher and everyone is a student."

  Suggested answers to the Problems, Questions, Discussions, and Case Studies are included in the Student Manual. Some instructors find this approach unsettling and argue that the students "will just look at the answers." For some students, this will be true; however, for most, they will

resolve the issue and then look at the suggested answer for confirmation, correction, or further discussion. Remember, you are helping adults learn and they will each acquire information in the way that suits their individual needs.

Again, the PowerPoint is very large, so be guided by that fact. You should not slavishly dwell on every slide, but present those that are directly related to the learning objectives that you think are necessary to advance the learning and interest your students.

The students will have two resource documents: the Student Manual and the Yellow Book document. Whenever possible, you should have the students refer to them.

The course material needs to be covered in reasonable depth. You are not expected to cover all the content or every activity. You are the director/facilitator, and are responsible to keep the course on track, both for timing and content. Use the course objectives as your guide to identify the essential outline content that must be thoroughly explored and what content may be covered more lightly to meet both course and timing requirements.

Required Text

Two textbooks are required

- Student Manual
- Interagency Land Acquisition Conference, *Uniform Appraisal Standards for Federal Land Acquisitions*, 2016

Printed and electronic versions of the *Uniform Appraisal Standards for Federal Land Acquisitions*, 2016, are available in the "Store" section of the Foundation's website at www.appraisalfoundation.org.

Recommended reading (not required for this course) is Eaton, J. D., MAI, SRA. *Real Estate Valuation in Litigation*. Chicago: Appraisal Institute, 1995.

Evaluations and Other Comments

The education provider is responsible for any evaluation form or receipt of student comments. Should you have any questions or comments that are course material-related, please contact The Appraisal Foundation at comments@appraisalfoundation.org.

Course Schedule

The Course Schedule in the Instructor Notes contains more specific recommended timing than what is contained in the Student Manual. Because different classes will begin and end at different times, there is no "clock-based" (e.g., 8:15–9:30) breakdowns. The course schedule is divided into time increments, based on a 50-minute hour. There is some flexibility in course pacing and it may take several presentations before you develop your rhythm. Ten-minute breaks are included in the schedule.

Detailed Course Schedule

PART 1: Morning Day One	
0. Introductory Material	
Welcome, Introductions, Housekeeping, Schedule, Course Preview, Acknowledgements	15 Minutes
1. Appraisal Development	
Appraisal Development (Begin)	50 Minutes
Break	10 Minutes
Appraisal Development (Continue)	50 Minutes
Break	10 Minutes
Appraisal Development (Continue)	50 Minutes
Break	10 Minutes
Appraisal Development (Conclude)	30 Minutes
Lunch	60 Minutes
PART 2: Afternoon Day One	
2. Appraisal Reporting (Begin)	
Appraisal Reporting (Begin)	50 Minutes
Break	10 Minutes
Appraisal Reporting (Continue)	50 Minutes
Break	10 Minutes
Appraisal Reporting (Continue)	50 Minutes
Break	10 Minutes
Appraisal Reporting (Conclude)	30 Minutes
PART 3: Morning Day Two	
4. Legal Foundations for Appraisal Standards*	
Legal Foundations (Begin)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	30 Minutes
Lunch	60 Minutes
***Misnumbering is intentional**	

PART 4: Afternoon Day Two	
4. Legal Foundations for Appraisal Standards	
Legal Foundations (Begin)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Continue)	30 Minutes
PART 5: Morning Day Three	
4. Legal Foundations for Appraisal Standards	
Legal Foundations (Continue)	50 Minutes
Break	10 Minutes
Legal Foundations (Conclude)	50 Minutes
Break	10 Minutes
3. Appraisal Review	
Appraisal Review (Begin)	50 Minutes
Break	10 Minutes
Appraisal Review (Continue)	30 Minutes
Lunch	60 Minutes
PART 6: Afternoon Day Three	
3. Appraisal Review	
Appraisal Review (Continue)	50 Minutes
Break	10 Minutes
Appraisal Review (Conclude)	50 Minutes
Break	10 Minutes
5. Conclusion	
Conclusion (Begin)	50 Minutes
Break	10 Minutes
Conclusion (Conclude)	30 Minutes
6. Exam (Optional)	120 Minutes

Promptness

There is much material to cover so do not be lax at the beginning of each classroom day. Also, it is a simple matter of courtesy to accommodate the on-time students rather than those who are late.

General Instructor Comments about UASFLA

1. In federal acquisitions, the purpose of an appraisal—whether prepared for the government or a landowner—is to develop an opinion of market value that can be used to determine just compensation under federal law.

2. The trier of fact (e.g., judge, jury, commissioners) determines just compensation; appraisers estimate market value.

3. Federal case law holds that just compensation must reflect basic principles of fairness and justice for both the individual whose property is taken <u>and</u> the public who must pay for it.

4. The government compensates for what the landowner has lost, not what the government has gained.

5. There is little in the Yellow Book that is not contained in USPAP or in valuation technique and methodology texts. The major differences are:

   - Larger parcel analysis
   - Market value is not linked to exposure time
   - Scope of Project Rule, which requires that any increase or decrease in the market value of real property prior to the date of valuation caused by the government project for which the property is being acquired must be disregarded in developing the appraisal
   - The need to adhere to the requirements of specific Congressional legislation
   - The reporting of all sales of the subject property for the 10 years prior to the effective date of value. If no sale of the property has occurred in the prior 10 years, the appraiser must identify the most recent sale of the property, whenever it occurred
   - The appraiser's signed certification statement, while being consistent with the certification requirements of USPAP STANDARD 2, must also include the following:
     - the appraisal was developed and the appraisal report was prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*;
     - the appraisal was developed and the appraisal report prepared in conformance with the Appraisal Standards Board's *Uniform Standards of Professional Appraisal Practice* and complies with USPAP's JURISDICTIONAL EXCEPTION RULE when invoked by Section

1.2.7.2 of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and

  - the appraiser has made a physical inspection of the property appraised and that the property owner, or [his][her] designated representative, was given the opportunity to accompany the appraiser on the property inspection.

- Some appraisers posit that the Unit Rule is unique to the Yellow Book, but it is not. A variation is in USPAP Standards Rule 1-4(e). Valuation technique and methodology texts also reference the concept that the value of the whole should not be determined by summing the value of the parts.

0. Introductory Material

In addition to the typical "housekeeping' explanations, this Section introduces the Yellow Book.

These Standards cover the following areas:

1. Appraisal Development
2. Appraisal Reporting
4. Legal Foundations for Appraisal Standards*
3. Appraisal Review

* Misnumbering is intentional

Comment on Specific Slide:

Slide 6: Real estate is the land and the attachments to the land. Real property is/are the rights inherent in the ownership of real estate.

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1. Appraisal Development

Reflects the application of the appraisal process to valuation assignments for federal property acquisitions.

This Section is the "what" of the course. It links the Yellow Book to the appraisal process, which has been "customized" specifically to these Standards. At the end of the Section, other topics specific to the Yellow Book (e.g., partial acquisitions, leasehold acquisitions, larger parcel, temporary acquisitions, regulatory takings, etc.) are introduced.

Interspersed throughout the course material are Problems, Discussions, Case Studies, and Quizzes. They are included to highlight Yellow Book concepts, provide changes in the instructional delivery methods, and increase opportunities for the students to add another perspective, besides yours, to the material. There are too many activities to cover in the time allotted. In your course preparation, you should read and solve (when answers or suggested answers are presented) all the activities and decide which you think are most compelling. With each activity, you should be able to answer the question, "Why are we doing this?"

Discussion activities pop-up throughout the course. Usually, there are no set answers. Your task is to present the issue and facilitate a brief conversation about the issue. Discussions allow the students to voice their knowledgeable views.

Problems have answers or more often, suggested answers. In Section 1, the Problems tend to be briefer than in later sections. They provide the students with the opportunity to apply the course narrative to specific issues.

At the end of each Section, there is a 15-question True/False Quiz. The material highlights some of the issues discussed in the specific section and sometimes covers issues raised in previous sections. The Section Quizzes <u>must</u> be completed by the students. The quizzes round out each section, provide a clear demarcation, and recap some of the issues that will resurface later in the course. If you fall behind schedule, you may do the review quiz as a whole-class exercise. Otherwise, let the students complete the quiz before discussing the answers.

In Section 1, there are:

- 2 Discussions
- 11 Problems
- 1 Section Quiz

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Comments on Specific Slides:

Slide 13: A change from the Fifth Edition (2000) to the Sixth Edition (2016) was the elimination of Section A-10, Summary of Appraisal Problems. Often misunderstood by clients and appraisers alike, Section A-10 was an opportunity for the appraiser to discuss the challenges encountered in developing the appraisal assignment. Section A-10, Summary of Appraisal Problems, is an appropriate scope of work consideration under the Sixth Edition.

Slide 24: The government compensates for what the landowner has lost, not what the Government has gained.

Slide 31: If utilization of a hypothetical condition is required by the facts or nature of the acquisition, then written legal instructions must be provided to the appraiser and included within the appraisal report. If utilization of an extraordinary assumption is required by the facts or nature of the acquisition, then written legal instructions should be provided to the appraiser and included within the appraisal report.

Slide 41: Damages are a loss in value to the remainder resulting from the project and the part taken. Consider a taking of a tract's road frontage for a highway that leaves the remainder without any usable access because of limitations (e.g., a limited access roadway, no curb cuts, etc.). Yes, damages are a result of the project and part taken, but it is the special way in which the part taken is to be used that can create damages (or benefits).

Slide 44: To reiterate, the appraiser must have a copy of the acquisition's legal description. While not to lessen its importance in other takings, legal descriptions for easements (e.g., conservation easements) are needed to determine the exact rights being acquired.

Slide 62: The Yellow Book is less emphatic than the course authors on the need for marketability studies. The Yellow Book indicates that a marketability study may be required. This course and basic appraisal methodology contend that a marketability study is required in all appraisals.

Slide 71: The larger parcel concept is unique to eminent domain and its importance cannot be overstressed. The Supreme Court established that "a parcel of land which has been used and treated as an entity shall be so considered in assessing compensation for the taking of part or all of it." The appraiser must determine the larger parcel in every appraisal for federal acquisition purposes. This determination

will distinguish whether a total or partial acquisition is involved, and therefore will dictate the valuation method to be used. The larger parcel determination is integral to the analysis of highest and best use. It is fact-specific and rarely simple, but it is necessary for purposes of just compensation. (Interagency Land Acquisition Conference, *Uniform Appraisal Standards for Federal Land Acquisition*, 2016, Pages 110-111).

Slide 73: The course discusses three methods to value land (i.e., sales comparison approach, ground rent capitalization, and subdivision development method—utilizing DCF). The Yellow Book and court cases stress that ground rent capitalization, even when a property is subject to a long-term lease, is better used as additional support for the sales comparison approach. Even when a property has a highest and best use for subdivision development, the subdivision development method is better used as additional support for the sales comparison approach. The method can be easily misused and manipulated and under federal law it can be used only in limited circumstances, and then only with rigorous evidentiary support

As a reminder, there are six methods to value land: the sales comparison approach, allocation method, extraction method, land residual technique, ground rent capitalization, and subdivision development method.

Slide 106: "Nominal value" is not defined in the course. The closest the course authors come to defining it is as a "...very low amount." Often, "nominal value" is significantly less that the cost of an appraisal and well below the administrative costs of acquisition. You should encourage the students to consult with the specific agency or regulations for a definition.

2. Appraisal Reporting

This Section is the "how" of the course. Section 2 addresses the content and level of information and analysis required to communicate the results of an appraisal prepared for federal property acquisitions. The Section is intended to establish requirements for appraisal report *content* and *documentation*; it is not intended to establish an absolute requirement for appraisal report *formatting*. You may want to refer students to Appendix B (Recommended Appraisal Report Format for Total Acquisitions) and Appendix C (Recommended Appraisal Report Format for Partial Acquisitions) in the Yellow Book.

In Section 2, there are:

- 2 Discussions
- 1 Case Study
- 16 Problems
- 1 Section Quiz

Again, the Section Quiz must be completed by the students.

General Comments on Section 2 Slides:

While first raised in Slides 85 and 86, all references to the layout when reporting the before value, after value, and difference is:

Before Value
<u>After Value</u>
Difference

When the appraisal is prepared for the Department of Justice, it will typically not include an allocation of the difference between the before and after values into the components of the contributory value of the property acquired and compensable damages to the remainder.

In assignments for other client agencies, the appraisal may include such an allocation to assist the agency in meeting its obligations under the Uniform Act. Allocations are not necessarily indicative of the appraisal method employed. Any allocations should be clearly labelled as accounting tabulations.

Comments on Specific Slides:

Slides 153 and 154: Allowing for draft reports in litigation under the Yellow Book flows from a change to the Rules of Civil Procedure, which makes them undiscoverable at trial. While Rule 26 protects draft reports from discovery, the appraiser must still produce the workfile if requested during discovery. It is the trial counsel's responsibility to identify what in the workfile is not discoverable and what might be rightfully protected under privilege. When drafts are retained in the workfile, the appraiser must ensure the draft is unsigned and labeled/identified as a draft. If it is signed, or if it is not marked as a draft, then it may be construed as discoverable.

Slide 155: The Yellow Book does not provide a specific report form (e.g., the Uniform Residential Appraisal Report, Fannie Mae Form 1004). The Yellow Book formats provide a logical progression in telling the appraisal story.

Slide 170: An appraiser may never take too many photographs during inspection. The photographs may very well be utilized at trial, should one occur. Nonetheless, the photographs placed in the report should be meaningful. For example, if the report states there is a large bluff that provides scenic views and increases value, then a photograph of the bluff and a view from the top is probably meaningful. The same holds true for buildings. If there are buildings suffering from extensive physical deterioration, a photograph in the report may be helpful. Simply stated, if "something" is relevant put it in the report, if it is not relevant (e.g., boilerplate), leave it out.

Also, photographs of sales are required, which is a higher level of reporting than required in USPAP.

Slide 182: Sometimes an appraiser minimizes the reporting and analysis of the Area, City, and Neighborhood Analysis. Even with avoiding boilerplate material, this section of the report discusses relevant area characteristics that directly relate to the value of the subject. When highest and best use is a major question, this section of the report can (and should) be a rather lengthy discussion.

Slides 186: A change from the Fifth Edition (2000) to the Sixth Edition (2016) was the elimination of Section A-13g, Assessed Value and Annual Tax Load *("If the property is not assessed or taxed, the appraiser should estimate the assessment, state the tax rate, and estimate the dollar amount of tax.")*

Slide 195: If an appraiser isn't asserting a highest and best use different from the existing zoning, this section should be brief. If the appraiser is asserting a change in highest and best use, then this section should be expanded to aid the reader in understanding the appraiser's position.

Slide 215: As a reminder, there are numerous techniques to support quantitative adjustments (e.g., paired sales [data] analysis, regression analysis, capitalization of income loss).

When using qualitative adjustments, more sales data may be required and the data must bracket the subject (i.e., superior to and inferior to). Also, more narrative in the report explaining the process and its rationale for the adjustment is necessary.

Slide 272: The application of the scope of work is heavily influenced by the intended use and the intended user. For example:

- for proposed acquisitions of complex, high-value, sensitive, controversial properties or acquisitions referred to the DOJ for litigation, a full scope of work development is required.
- in other assignments, when the acquisition is noncomplex and/or to ensure the cost of the appraisal is consistent with the requirements of the client agency, appropriate modifications to the scope of work are allowed.

Under no circumstances may the scope of work result in an appraisal that does not meet the minimum requirement under the Uniform Act, and, the course authors assert, meet the minimum requirements of USPAP.

USPAP states that the appraiser determines the Scope of Work. USPAP also states that the appraiser has "broad flexibility and significant responsibility in determining the appropriate scope of work . . . ."

4. Legal Foundations for Appraisal Standards

Section 4 explains the legal foundations for these Standards. It is written for both lawyers and non-lawyers—including appraisers, who must correctly apply federal law in the development, reporting, and review of market value appraisals in federal acquisitions. This Section discusses the legal standards that govern many recurring valuation problems, and provides guidance on specialized appraisal issues that are unique to federal acquisitions. The legal foundations discussed here hold significance even for those who are not bound to follow these Standards but must adhere to the federal law these Standards summarize and explain. This Section discusses the legal standards that govern many recurring valuation problems, and provides guidance on specialized appraisal issues that are unique to federal acquisitions.

Many instructors consider Section 4 to be the "meat of the course" and the "why" of these Standards.

A valuable resource to appraisers is the Table of Authorities in the Yellow Book. The Table lists over 500 Federal cases, as well as Statutes, Legislative Materials, Rules, Regulations, and Administrative Materials, and Professional Standards (USPAP).

In Section 4, there are:

- 3 Quizzes
- 4 Case Studies

General Comment on Section 4 Slides:

While the footnotes are important throughout the Yellow Book, they are especially helpful in Section 4.

Comments on Specific Slides:

Slides 315 and 316: The trier of fact (e.g., judge, jury, commissioners) determine just compensation; appraisers estimate market value. If the acquisition goes to trial, the appraiser does not determine just compensation; rather, the appraiser explains and illustrates this concept through the presentation of an oral appraisal report.

Slide 323: Quick-take is defined as: *The formal process of the exercise of eminent domain in which the government takes possession before the adjudication of compensation.*

Slide 329: The Unit Rule is not a new concept. See USPAP Standards Rule 1-4(c).

Slide 330: *In rem* means "against or about a thing," directed toward property, rather than toward a person. When title to property is the issue, the action is *in rem.* The action follows the property, not the person. *In personam* means "against a particular person."

Slide 337: When the appraisal is prepared for the Department of Justice, it will typically not include an allocation of the difference between the before and after values into the components of the contributory value of the property acquired and compensable damages to the remainder.

In assignments for other client agencies, the appraisal may include such an allocation to assist the agency in meeting its obligations under the Uniform Act. Allocations are not necessarily indicative of the appraisal method employed. Any allocations should be clearly labelled as accounting tabulations.

Allocation should be reported in a separate, supplemental report, rather than in the appraisal report of whole property.

Slide 343: Rarely is deviation from market value as the measure of just compensation required in federal acquisitions and only when market value has been too difficult to find or its application would result in manifest injustice to the owner or the public. Whether departure is appropriate is a legal question and requires legal instruction.

Slide 347: To reemphasize, ". . . in litigation . . . the party claiming a highest and best use is not the existing use bears the burden of proof."

Slides 347–349: You may want to encourage a discussion about the relationship between competitive private market demand that might make mitigation an economic use. Do the students have any examples? (In California, there is a relationship between the market for mitigation lands and mitigation credits.)

Slide 364: This slide relates to the concept of beneficial control. You or the students may have examples to share.

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Slide 389: Confirmation is defined as substantiation that a transaction occurred. Verification is evidence that establishes the accuracy and motivations for a transaction. See Slide 75.

Slides 398 and 401: Slide 398 is intended to be used prior to the presentation of the information on Slides 399 and 400. Slide 401 shows the correct answers.

Slide 411: As stated previously, the course authors and basic appraisal methodology contend that a marketability study is required in all appraisals. None more so than in the determination of highest and best use for subdivision development.

Slide 466: To reemphasize, generally (taking + damages) is improper in valuations for federal acquisitions, and cannot be used without legal instruction.

Slide 474: Going rates cannot be used as a proxy for market value, which cannot be based on going rates but rather based on the accepted before and after appraisal.

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3. Appraisal Review

Section 3 covers the development and reporting of the appraisal review process in federal acquisitions. It addresses the types of reviews completed by government appraisers (administrative and technical [desk and field]).

Administrative reviews may be performed by an appraiser or a non-appraiser. It is sometimes referred to as a compliance review. The administrative reviewer does not form an opinion regarding the quality of the analysis, judgment, or opinion of value contained in the appraisal report under review. Administrative reviews do not meet the requirements of the Uniform Act (49 C.F.R. § 24.104) or of USPAP, STANDARD 3.

Technical reviews are performed by qualified review appraisers. Review appraisers should refer to the agency-specific review standards for a detailed discussion of appraisal review requirements. Agency appraisal review standards generally set appraisal review requirements from USPAP as minimum appraisal review standards.

In Section 3, there are:

- 4 Discussions
- 7 Problems
- 1 Section Quiz

Comments on Specific Slides:

Slide 607: "When developing opinion of value and becoming appraiser of record, value opinion must be supported and documented to these Standards." See also USPAP, Standards Rule 3-3(c).

Slide 608: As an aside, it is sometimes difficult for appraisers to understand how information not available to them on the effective date is subsequently used by the review appraiser in the review as of that same effective date.

5. Conclusion

Often, especially with as much material as this course contains, the students can't get their arms around what they learned. The Conclusion is the opportune time to help them do that. It's the "Oh, yes, I understand now" part of the course. It is bringing all the puzzle pieces together.

Remind students of the objectives:

- understand the development process for valuation assignments for federal land acquisitions; and be able to:
    - demonstrate an increased knowledge about the application of these Standards to valuation assignments for federal land acquisitions,
    - evaluate the content and level of information and analysis required to communicate the results of an appraisal prepared for federal land acquisitions; and,
    - connect the legal foundation/rationale/guidance that govern recurring valuation problems and specialized appraisal issues unique to federal land acquisitions.

You will review, if only in the briefest of ways, the course topics discussed.

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Exam

The course allows two hours to complete the 75 multiple-choice question exam.

The exam administration may be governed by the education provider's policies. If no instructions are provided, you must use the following instructions.

1. The exam is closed book. Students may not utilize any reference material or communicate with anyone, except the proctor, during the time of the examination. A four-function calculator is needed. Use of a smart phone app is not allowed.

2. After completion, the exam and answer sheet (if provided) must be returned to the proctor. Students are not to keep a copy of the exam.

3. The proctor must return that exams, answer sheets (if provided) within 5 days to the education provider.

4. Unless instructed otherwise, the proctor should not grade the exam nor give any indication to the students as to their results.

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Education Policies

Airline Ticket Information

Please do not purchase nonrefundable airline tickets until you receive your official course confirmation from ASA.

Americans with Disabilities Act Compliance

ASA agrees to make a good-faith effort to ensure that its course sites comply with the requirements of the Americans with Disabilities Act and its regulations and guidelines. If you need special assistance at one of our course sites, please contact ASA's Education Department at least two weeks in advance of the course to allow us enough time to make any necessary arrangements. Your request will be held in confidence.

Attendance Policy

Class attendance is an essential part of the educational process. To successfully complete and receive course credit, you are expected to attend the educational event (on time) for which you are registered, and to remain in class for its complete duration.

Course absences are noted by Instructors via an attendance sheet.

Attendance for webinars and/or other internet-based courses is monitored through your login and your documentable participation (Interacting with the instructor, other enrolled students, and/or submitting course assignments).

Calculators

You are expected to use a calculator in class. Real Property courses require a six-function calculator (HP17BII recommended). Machinery and Equipment courses require a calculator capable of doing exponential calculations. Business Valuation courses require a financial calculator able to perform annuity, compound interest and present value calculations.

Cancellation and Refund Policy

Classroom Courses (taught in-person/ face-to-face):

- There is no charge for cancellations received more than 30 calendar days before the first day of a course.
- Cancellations within 30 days will be charged a $100 cancellation fee.
- If ASA is not notified in advance of the start date of the course, you will be considered a "NO SHOW" and will not be eligible for a refund.
- Once course materials have been provided, the course is no longer refundable.

eLearning (webinars, OnDemand, audio recording self study):

- Webinar registration is non-refundable.
- OnDemand courses are non-refundable once the course materials have been made available and the online course has been accessed.
- Audio Course Recordings are non-refundable once the course materials have been made available.
- If you are unable to attend the LIVE offering of a webinar, you may request further information on how you can access and view a recording of the webinar. If a recording is unavailable (due to an unforeseen technical issue or the presenter not permitting the webinar to be recorded) a refund will be authorized.
- In the event ASA must cancel a webinar (due to unforeseen circumstances) you will be notified and provided a full refund.

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Certificate of Completion

Upon successful completion (i.e. a passing score) of a course, you will receive an electronic Certificate of Completion.

Class Enrollments

Most classes are limited in size. Enrollees are registered on a first-come, first-served basis. If the number of registrants for a class reaches the limit, additional registrants will be placed on a wait list. Courses may be cancelled at the discretion of ASA.

Classroom Experience

The onsite course administrator will do their best to ensure that you enjoy ample lighting, space, ventilation and freedom from distractions. Prohibited activities include smoking, tape recording and using cellular telephones or personal pagers. Classroom use of laptop computers is at the instructor's discretion. Voice amplification for instructors is provided when necessary. Meals and refreshment breaks are provided; stretch breaks are encouraged.

NEW! ASA now offers "hybrid" courses. This blended format provides virtual attendees the opportunity to share the same educational experience with in-person classroom students. The virtual classroom is a little different than attending in-person, and this short video demonstrates how this alternative format works. We encourage you to explore this new opportunity.

Complaint Resolution

If you have any issues with a course please send an email to education@appraisers.org in order to generate a ticket. Your concerns will be examined by your Discipline Education Chair and the specific course lead. After a full review of the complaint, you will be notified of the result.

Continuing Education Credit

ASA is approved as a course provider on the National Registry of CPE Sponsors. All courses for which CPE credit is available are properly noted.

Course Update Policy

Courses are updated within various disciplines at regular intervals and as regulations and laws change.

Dress Code

Dress is business casual.

Enrollment Substitutions

Substitutions are permissible if ASA has been notified prior to the first day of class. It is your responsibility to transfer to the substitute registrant all course-related information, materials, schedules and pre-class assignments. Any prerequisite education and experience is applicable to the substitute registrant.

Exam Grading Policies

ASA course exams are multiple choice exams that contain 100 questions. You must answer a minimum of 75/100 questions correctly to pass an exam. If you do not pass an exam, you are allowed to retake an exam once within one calendar year of the original exam date. If a passing grade is still not received, you will need to retake the course.

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Examinations and Grading

The only authorized examination period at an ASA course site is on the scheduled exam day for that particular offering. A passing score is 75% and above. Grades are provided as "Pass/Fail" only and the course examinations are not returned to students after grading. The Discipline Education Chairs serving on ASA's International Education Committee (IEC) are the only individuals to whom student grades are released for review. ASA does not provide instructors with grades or pass rates. All "Pass/Fail" notifications are e-mailed to students within two weeks of the conclusion of the course or after the Discipline Education Chair has released the grades. Exam results are not provided by telephone. If you owe any course-related fees to ASA or you have not met the course prerequisites, you will have your results withheld until such accounts/prerequisites are settled in full. All requests for further exam information and/or guidance will be referred to the appropriate Discipline Education Chair.

Instructor Hiring Policy

Each ASA discipline works independently to vet and choose instructors for ASA (national) courses. If you are interested in teaching, please contact your discipline's Education Chair for more information.

Internet

At the instructors' request (and to allow you to concentrate on your learning objectives) ASA does not provide for wireless internet in the classrooms. Wireless internet is available in your sleeping room and often in the "common" or lobby areas of many of the course venues.

Lodging, Meals and Transportation

You are responsible for making your own lodging reservations and for costs associated with your lodging, meals and transportation. At most locations, special group lodging rates have been negotiated and a reserved block of rooms will be held for up to 21 days before the course start date. At the three-week point, hotels usually release the room block for sale to the general public. Hotel reservations generally may be cancelled without penalty up to 48 hours before your arrival date but check with each course site hotel as to their cancellation policy.

Pre-Course Preparation

Most courses require preparation prior to arrival at the course site and the first class meeting. Pre-reading assignments (if any) will be emailed to you upon registration.

Proctor Requirements

Individuals / locations qualified to proctor an ASA exam include:

- A designated ASA member
  - Unrelated to the examinee
  - Who does not work for the same organization as the examinee
- An official testing center
- A university – library or testing center
- A public library
- ASA national course site (must be prearranged)

Proctors are required to be present with the examinee throughout the exam.

Program Content

ASA course instructors are experienced members of ASA who are and have earned an ASA designation. Courses are developed by industry experts who have hands on experience in the areas they instruct.

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Record Retention Policy

Records for all students who attended and successfully complete ASA (national) courses are retained electronically in ASA's database for five years. The retained records include: proof of participation, date and location of course, instructor information; number of CE/CPE hours earned; and course evaluation feedback.

Retaking Examinations

If you do not pass a course examination, or have an "incomplete" status for a course, you have one year from the conclusion of the course to retake the relevant examination. Please see "Proctor Requirements" above for information on obtaining a proctor for a retake exam.

Schedule

ASA courses usually run from 8:00 a.m. to 5:30 p.m. on regular classroom days and from 8:00 a.m.to noon on exam days. Please see the individual course descriptions for information on which days are scheduled for classroom lecture and which are designated as exam administration days.

Security

Your classroom will be secured during the lunch break; however, please be aware that the venue staff will enter the room from the "back of the house" to bus tables, etc. If you have any personal valuables, you should make arrangements to store them during the time you'll be out of the room. When rooms are locked for lunch, they will not be unlocked until after lunch is over. At the end of the day, please take all your belongings, table tents, name badges, etc. with you. The venues frequently use the rooms in the evening for other events. ASA is not responsible for lost or stolen items.

Textbooks

Required textbooks and their prices are listed on the ASA website. Most textbooks can be ordered from ASA during the course registration process. Textbooks which are not available through ASA are generally available through online and retail bookstores.

Tuition Rates and Fees

Tuition rates and fees are listed with the course descriptions.

Unforeseen Circumstances

ASA reserves the right to limit enrollments, cancel courses, change faculty assignments or reschedule individual courses/groups of courses. Should changes or cancellations occur, registered students will be notified immediately.

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American Society of Appraisers

Hereby awards

Name

a certificate of completion for the following continuing education coursework
Completed in City, State,

ARM204 Appraisal Review & Management Overview

in accordance with the Society's bylaws and administrative rules

Obtaining this Certificate of Completion is not a substitute for having achieved a professional appraisal designation. It is a certificate of completion for an individual course, in contrast to the award of a distinct professional credential which would be based on the requisite certification process. Accordingly, this Certificate does not connote authority for an individual to hold themselves out to the public or a specific client as a qualified appraiser, without having first obtained the requisite education, experience and background to achieve a professional designation in the specific appraisal discipline required for the subject engagement.

Signed, Sealed and Attested

x/xx/2016

Bonny Price
ASA, Education Director

William M. Engel, ASA
ASA International Education Committee Chair

Sponsor Number: 0000
Course Contact Hours: 27
Course Approval Number: XXX
Student License Number: XXX

$25
2/22/18

February 19, 2018

Ms. Patty Morrow
Missouri Real Estate Appraisers Commission
3605 Missouri Blvd.
Jefferson City, MO 65102-1335

Dear Patty,

Please find the enclosed course application for the following class:

- Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) – 23 hours CE

Also enclosed is a check for the requisite fees.

If any further information is necessary, please contact me at 703-733-2127 or mmccann@appraisers.org.

Sincerely,

Meredith McCann
Real Property Education Manager

Enclosures

Recd #25 - 2.28.18

COURSE APPROVAL PROGRAM – MISSOURI REAL ESTATE APPRAISERS COMMISSION

APPLICATION FOR: X **INITIAL COURSE APPROVAL** _____ **RENEWAL**

There is a $25 fee per course for Continuing Education Course Approval. In addition, there is a $10 fee per course for Continuing Education Course Renewal.

INSTRUCTIONS: The course owner must use this application form when applying for course approval through the **State of Missouri**. *A SEPARATE APPLICATION FORM MUST BE FILED FOR EACH COURSE SUBMITTED FOR APPROVAL.* All items on the form must be completed (enter "N/A" for any item that is not applicable) and all required attachments must be submitted with the application.

1. Name of Applicant (School): Hondros College of Business
2. Mailing Address: 4140 Executive Parkway, Ste 222, Westerville, Ohio 43081
3. Contact Person: Emily Timblin
4. Phone: 614-508-7264 Fax: 614-508-6225
5. Website: www.hondros.com Email: etimblin@hondros.com
6. Course Title and Number: 2018-2019 7-Hour Equivalent USPAP Update Course
7. Number of Classroom Hours: 7 Number of Exam Hours: _____
8. Course Category: _____ Qualifying Education X Continuing Education _____ Both
9. Indicate the level of the licensure/certification this course would meet:

   X All _____ State License _____ Certified Residential _____ Certified General
10. Indicate the ~~pre-license~~ CE requirement for this course would meet:

    _____ Principles X USPAP _____ Income _____ Elective
11. Instructor(s): Timothy Detty
12. Method of Presentation: _____ Traditional Classroom _____ Correspondence X Internet

    _____ Video Tape _____ Remote TV _____ Computer
13. Owner of Course Materials: Hondros College of Business
14. Required Attachments:

    For Qualifying Education Only: Please submit a copy of the contract between the course owner and course provider.

    Fee: As Indicated Above

    Course Materials:
    - ✓ Course Description
    - ✓ Detailed Course Outline
    - ✓ Learning Objectives
    - Final Exam and Answer Key (This is not required for the Continuing Education Application)

    ✓ **Policies Covering:**
    - Instructor Qualifications
    - Attendance

    Miscellaneous:
    - Course Schedule
    - ✓ Copy of Completion Certificate
    - ✓ Instructor's Resume/Bio

AQB Approved Course

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Sent Via Email to: jwilson@hondros.com

QE	CE/E	CE
		7

Wednesday, February 14, 2018

Mr. John Wilson
Hondros Learning
4140 Executive Parkway
Westerville, OH 43081

Dear Mr. Wilson:

We are pleased to inform you that your course has been approved under the Course Approval Program of the Appraiser Qualifications Board (AQB) of The Appraisal Foundation.

Course Provider: Hondros Learning, LLC
Course Title: 2018-19 7-Hour Equivalent USPAP Update Course
Instructional Hours: 7.00
Exam Hours:
Total Hours: 7.00
Delivery Method: Asynchronous Internet (Distance)
Approval Start Date: 2/14/2018
Approval End Date: 12/31/2019

The overall content of this course has been determined to be in compliance with the education criteria established by the AQB. Approval does not mean that every statement or item within the course has been checked for accuracy. Opinions set forth in the course material or by instructors do not necessarily reflect the viewpoint of the AQB or The Appraisal Foundation. Neither the AQB nor The Appraisal Foundation is responsible for any errors, omissions, or misstatements in the course material or by instructors.

Prior to renewal of this course please review the AQB Course Approval Program Policies and Procedures Manual.

Please feel free to contact us if you have any questions or if we can be of further assistance.

Sincerely,

Appraiser Qualifications Board

Appraiser Qualifications Board

OFFICIAL CERTIFIED COURSE SUMMARY CERTIFICATE

The number one credential for quality instructional design and delivery of distance education courses offered for professional education.

Administrative Information

Course Title: 2018-2019 7-Hour Equivalent USPAP Course

Course Number: 7232

Certified: 12/21/2017

Expires: 12/31/2019

Status: Approved

Industry(ies): Appraisal

Provider: Hondros Learning

Address: 4141 Executive Parkway
Westerville, Ohio 43081

Phone: 614-508-7212; **Fax:** 614-508-7280

Contact: Nancy Johnson <njohnson@hondros.com>

Course Information

Provider Type: Primary Provider

Delivery Method: Internet

***Clock Hours:** 7

Final Exam: Yes

†Clock Hour Enforcement Mechanism: No

Proctored Exam: No

Difficulty Rating:

Description: The core of this course focuses on the 2018-2019 Uniform Standards of Professional Appraisal Practice updates as set forth by the Appraisal Standards Board of The Appraisal Foundation. Also included are issues that appraisers face in their daily appraisal assignments, as well as common USPAP violations.

Course Notes:

Instructors: *Use Secondary Provider*

**Course Approval Information

This course may not be approved in any jurisdiction or the provider has chosen not to include which jurisdictions the course is approved in.

Disclaimers

* Professional reviewers have determined that the amount of content to be presented in this course, as specified in the provider's timed outline, should take the stated time to complete. This certification does not suggest the course will take the hours listed if implemented into a distance education learning system that uses an inferior instructional design. In addition, IDECC does not guarantee or audit the performance of classroom instructors to ensure the appropriate clock hours of instruction are presented to students.

** Regarding course approval information, the course provider may list here the jurisdictions that have approved this course for professional credit. Information in regard to jurisdictional course approval is not maintained by IDECC but by course providers. If no jurisdictions appear in the course approval area, the provider may not yet be approved by a regulatory agency to offer the course. Please contact the provider if you have a question in regard to course approval information.

† A "Clock Hour Enforcement Mechanism" is course feature that mandates students spend X amount of time in the course. This mechanism is not required for certification but is required in certain jurisdictions. The absence of a clock hour enforcement mechanism does not compromise certification and the typical student taking the course can still be expected to take the appropriate amount of time to complete the course.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License X Continuing Education

_____ Renewal _____ Initial Submission

00024 FEB 28

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Timothy Detty

   Mailing Address: 4140 Executive Parkway, Ste 222, Westerville, Ohio 43081

   Business Phone: 888-HONDROS

   Business Fax: 614-508-6225

3. Name and address of school/organization for whom you will instruct:
   Hondros College of Business
   4140 Executive Parkway. Ste 222
   Westerville, Ohio 43081

   School/Organization: Hondros College of Business

4. Title of program/course or portion of program/course to be taught by the instructor:
   2018-2019 7-Hour Equivalent USPAP Update Course- Appraisal continuing education

5. Which portion(s) to be taught by the instructor?
   Online course-instructor available for questions as needed

   Total Hours: 7

   Pre License Hours: _____ Continuing Education Hours: 7

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes ( ) **No** (●) (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Real Estate Appraisers Commission within the last ten years?
   Yes ( ) **No** (●) (If "Yes", attach explanation)

8. Education:

School	From Month	From Year	To Month	To Year	Degree Earned	Subject Matter
Chillicothe High School				1972	Diploma	

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Hondros College of Business	06	1996		Present	Real Estate/Appraisal Pre-Licensing and CE

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
C. Patrick McAllister and Associates	Staff Appraiser	05	1997	12	2003

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

Emily Finklea

(Signature of Appraiser Education Administrator)

2/21/2018

(Date)

Timothy L. Detty, MAA, CDEI
tdetty@hondros.com

More than 18 years of experience as a professional educator.

Approved to teach courses in the following jurisdictions:
Ohio, South Carolina, Minnesota, and West Virginia

CDEI Certified Instructor.
AQB Certified USPAP Instructor

29 years as a real estate sales licensee – Ohio Sales Licensee
Numerous continuing education seminars and courses through the National Association of REALTORS®, Ohio Association of REALTORS®, Real Estate Educators Association, etc.

17 years as a real estate appraiser – Ohio Certified General Appraiser
Numerous continuing education seminars and courses through the Appraisal Institute, Ohio Association of REALTORS®, The Appraisal Foundation, etc.
Past Representative at Large to Education Council of Appraisal Foundation Sponsors (ECAFS)
Past Appointed member – Real Estate Education & Research Committee – Ohio Real Estate Commission

Professional Memberships
Designated Member – National Association of Appraisers
Member – Ohio Coalition of Appraisal Professionals

Senior Editor – Hondros Learning
Developer of numerous courses for classroom and online delivery

Textbooks authored: *Real Estate Appraisal Crammer Review*
Advanced Residential Applications and Case Studies
FHA/VA Appraisal – Thriving and Surviving
Mastering Unique and Complex Property Appraisal
Appraising Unique and Complex Properties
Basic Appraisal Procedures
Basic Appraisal Principles
Residential Sales and Income Approaches concepts and techniques
Residential Site Valuation and Cost Approach
Residential Report Writing & Case Studies

Residential Reporting – Hitting All of the Bases
Residential Appraisal Review
Defensible Appraisal Practices
Introduction to the HP-12C Calculator
Supervisory and Trainee Appraisers – Roles and Responsibilities

Textbook/course contributor: *Supervising the Beginning Appraiser*
Mortgage Fraud – A Dangerous Business
New York Real Estate Sales

Online developer: *2010-2011 USPAP 7-Hour Update*
2012-2013 USPAP 7-Hour Update
2014-2015 USPAP 7-Hour Update
2010-2011 USPAP 15-Hour National QE
2012-2013 USPAP 15-Hour National QE
2014-2015 USPAP 15-Hour National QE

Course developer: Hondros College
Courses authored: *What Keeps Sales People Awake at Night*
Industry Trends of the New Millennium
Finding and Understanding Today's Buyer
2005 Valuation Trends
Futuristic Real Estate Services
Real Estate in the Year 2010
Where Does Today's Seller Come From?
Ohio Fair Housing
Ohio Core Law Update
Ohio Agency Update
Ohio Real Estate Ethics

APPRAISER QUALIFICATIONS BOARD
THE APPRAISAL FOUNDATION
Sponsored by Congress as the Source of Appraisal Standards and Appraiser Qualifications

AQB Certified USPAP Instructor Certificate

Your AQB Certified USPAP Instructor Recertification has been successfully processed by The Appraisal Foundation. Please print this email and maintain this document as your official recertification notification. Document your Instructor ID number below. This receipt also includes your recertification effective and expiration dates as an AQB Certified USPAP Instructor.

Timothy Detty

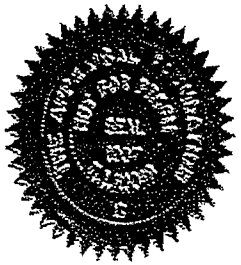
4140 Executive Parkway Westerville, OH 43081 UNITED STATES
tdetty@hondros.com
(740) 773-5500

Instructor ID #: 44951
Certification Effective Date[1]: 10/03/17
Expiration Date: 03/31/20

[1] Represents the official date the AQB Certified USPAP Instructor is authorized to teach the 2018-2019 USPAP Courses.

As a reminder, by completing the Instructor Recertification Course (IRC), the USPAP Instructor agrees to adhere to the terms and conditions contained within the Performance Agreement along with the Policies and Procedures.

Please visit www.appraisalfoundation.org and sign in to your Foundation Account to update your personal and professional information when necessary.



Certified Distance Education Instructor

The International Distance Education Certification Center®

Recognizes

Timothy Detty

as a Certified Distance Education Instructor

Verification ID: 67383
Valid on: December 30, 2008
Expires: December 30, 2020

idecc International Distance Education Certification Center

cdei Certified Distance Education Instructor

Susan L. Gilpin, JD
Chief Executive Officer
Association of Real Estate License Law Officials®

2018-2019 7-Hour Equivalent USPAP Update Course
Course Details

Course Description

The core of this course focuses on the *2018-2019 Uniform Standards of Professional Appraisal Practice* updates as set forth by the Appraisal Standards Board of The Appraisal Foundation.

Also included are issues that appraisers face in their daily appraisal assignments, as well as common USPAP violations.

Learning Objectives

Module 1: Introduction and the USPAP Change Process

After completing this module of the course, you will be able to:

- Explain how USPAP benefits appraisers and users of appraisal services.
- Describe the process for updating USPAP.

Module 2: Changes to USPAP – Part 1

After completing this module of the course, you will be able to:

- Recall the changes to USPAP DEFINITIONS.
- Explain the purpose of changes to the ETHICS RULE and RECORD KEEPING RULE.
- Evaluate discussion examples and apply appropriate actions that are compliant with USPAP.

Module 3: Changes to USPAP – Part 2

After completing this module of the course, you will be able to:

- Recall the division of STANDARDS 3 and 6 along with the associated changes.
- Evaluate examples that relate to STANDARD 3 - 6.
- Recognize the revisions to STANDARDS 5, 6, 7, and 8.
- Evaluate examples related to STANDARDS 5 - 8.
- Describe the changes to Advisory Opinion 32.

Module 4: Changes to USPAP – Part 3

After completing this module of the course, you will be able to:

- Recall the changes to Advisory Opinions 1, 21, and 31.
- Evaluate examples that relate to the revisions to Advisory Opinions 1, 21, and 31
- Describe the purpose of new Advisory Opinion 37.
- Evaluate examples that relate to the revisions to Advisory Opinion 37.

Module 5: USPAP in Review – Part 1

After completing this module of the course, you will be able to:

- Recall USPAP requirements regarding valuation services and appraisal practice.
- Recall USPAP requirements regarding the scope of work decision in appraisal assignments.
- Recall the appropriate use of restricted appraisal reports.
- Identify development obligations of STANDARD 1.

Module 6: USPAP in Review – Part 2

After completing this module of the course, you will be able to:

- Apply USPAP guidance to scenarios concerning the scope of work in appraisal assignments.
- Discuss USPAP requirements regarding appraisal report content.
- Identify five common recurring USPAP violations.
- Recall USPAP requirements regarding the confidentiality of assignment results.

Module 7: Analyze and Summarize – What is Expected?

After completing this module of the course, you will be able to:

- Describe an appraiser's obligation to analyze and summarize data for credible assignment results.

Timed Course Outline

Module 1: Introduction and the USPAP Change Process

1.0.0 Course Introduction
- 1.0.1 Welcome
- 1.0.2 Course Description
- 1.0.3 Course Learning Objectives
- 1.0.4 Course Structure
- 1.0.5 Tips for Taking the Online Course
- 1.0.6 Course Examples
- 1.0.7 Course Overview (Video)
- 1.0.8 Reference Materials (1 of 2)
- 1.0.9 Reference Materials (2 of 2)
- 1.0.10 Overview of 2018-2019 Changes (1 of 2)
- 1.0.11 Overview of 2018-2019 Changes (2 of 2)
- 1.0.12 Student Complaint Process
- 1.0.13 AQB Survey Program

1.1.0 Lesson 1: USPAP Benefits and the USPAP Change Process
- 1.1.1 Learning Objectives
- 1.1.2 Promoting and Maintaining Public Trust
- 1.1.3 Public Acceptance of USPAP
- 1.1.4 Benefits of USPAP
- 1.1.5 Icebreaker (1 of 4)
- 1.1.6 Icebreaker (2 of 4)
- 1.1.7 Icebreaker (3 of 4)
- 1.1.8 Icebreaker (4 of 4)
- 1.1.9 Question #1
- 1.1.10 Question #2
- 1.1.11 Question #3
- 1.1.12 Question #4
- 1.1.13 The 2018-2019 USPAP Document (Video)
- 1.1.14 USPAP in Review Example #1 (1 of 3)
- 1.1.15 USPAP in Review Example #1 (2 of 3)
- 1.1.16 USPAP in Review Example #1 (3 of 3)
- 1.1.17 Why Does USPAP Change?
- 1.1.18 Suggestions for Changes to USPAP
- 1.1.19 How Does USPAP Change?
- 1.1.20 USPAP Exposure Drafts
- 1.1.21 Comment Period and Deadlines for Exposure Drafts
- 1.1.22 Process for Analyzing Comments Received by the ASB
- 1.1.23 Additional Exposure Drafts
- 1.1.24 Finalizing Changes to USPAP
- 1.1.25 Question #5
- 1.1.26 Question #6
- 1.1.27 Question #7

30 minutes

Module 2: Changes to USPAP – Part 1

2.1.0 Lesson 1: Changes to USPAP Definitions and Rules – Part I

- 2.1.1 Learning Objectives
- 2.1.2 Purpose of Changes to USPAP
- 2.1.3 Overview of Changes to USPAP (1 of 2)
- 2.1.4 Overview of Changes to USPAP (2 of 2)
- 2.1.5 USPAP in Review Example #2 (1 of 4)
- 2.1.6 USPAP in Review Example #2 (2 of 4)
- 2.1.7 USPAP in Review Example #2 (3 of 4)
- 2.1.8 USPAP in Review Example #2 (4 of 4)
- 2.1.9 Assignment Results (Video)
- 2.1.10 Question #1
- 2.1.11 Question #2
- 2.1.12 Question #3
- 2.1.13 Definition of Report
- 2.1.14 Rationale for Revising the Definition of Report
- 2.1.15 Revised Definition of Report
- 2.1.16 Revised Definition of Report – Impact on Practice
- 2.1.17 The ETHICS RULE (1 of 3)
- 2.1.18 The ETHICS RULE (2 of 3)
- 2.1.19 The ETHICS RULE (3 of 3)
- 2.1.20 Rationale for Revising the ETHICS RULE
- 2.1.21 Revisions to the ETHICS RULE (1 of 2)
- 2.1.22 Revisions to the ETHICS RULE (2 of 2)
- 2.1.23 Revisions to the ETHICS RULE – Impact on Practice
- 2.1.24 Question #4
- 2.1.25 Question #5
- 2.1.26 Question #6
- 2.1.27 The RECORD KEEPING RULE (1 of 2)
- 2.1.28 The RECORD KEEPING RULE (2 of 2)
- 2.1.29 Rationale for Revising the RECORD KEEPING RULE
- 2.1.30 Revisions to the RECORD KEEPING RULE (1 of 2)
- 2.1.31 Revisions to the RECORD KEEPING RULE (2 of 2)
- 2.1.32 Revisions to the RECORD KEEPING RULE – Impact on Practice
- 2.1.33 Relationship Among Changes to the Definition of Report, ETHICS RULE, and RECORD KEEPING RULE
- 2.1.34 Discussion Example 2.1 (1 of 2)
- 2.1.35 Discussion Example 2.1 (2 of 2)
- 2.1.36 Question #7
- 2.1.37 Question #8
- 2.1.38 Question #9
- 2.1.39 Definition of Assignment
- 2.1.40 Rationale for Revising the Definition of Assignment
- 2.1.41 Revised Definition of Assignment
- 2.1.42 Definition of Assignment Conditions
- 2.1.43 Rationale for New Definition of Assignment Conditions
- 2.1.44 Changes Related to Adding the Definition of Assignment Conditions
- 2.1.45 Definitions of Intended Use and Intended User
- 2.1.46 Rationale for Revising the Definitions of Intended Use and Intended User
- 2.1.47 Revised Definitions of Intended Use and Intended User
- 2.1.48 Changes Related to the Revised Definitions (1 of 3)
- 2.1.49 Changes Related to the Revised Definitions (2 of 3)
- 2.1.50 Changes Related to the Revised Definitions (3 of 3)
- 2.1.51 Revised Definitions and Edits to COMPETENCY RULE – Impact on Practice
- 2.1.52 Discussion Example 2.2 (1 of 2)

2.1.53 Discussion Example 2.2 (2 of 2)
2.1.54 Discussion Example 2.3 (1 of 3)
2.1.55 Discussion Example 2.3 (2 of 3)
2.1.56 Discussion Example 2.3 (3 of 3)
2.1.57 Question #10
2.1.58 Question #11
2.1.59 Question #12

2.2.0 Lesson 2: Changes to USPAP Definitions and Rules – Part II
2.2.1 Learning Objectives
2.2.2 Definitions of Assumption and Extraordinary Assumption
2.2.3 Rationale for Deleting the Definition of Assumption
2.2.4 Rationale for Revising Definition of Extraordinary Assumption
2.2.5 Revised Definition of Extraordinary Assumption
2.2.6 Definition of Extraordinary Assumption – Impact on Practice
2.2.7 USPAP in Review Example #3 (1 of 5)
2.2.8 USPAP in Review Example #3 (2 of 5)
2.2.9 USPAP in Review Example #3 (3 of 5)
2.2.10 USPAP in Review Example #3 (4 of 5)
2.2.11 USPAP in Review Example #3 (5 of 5)
2.2.12 Hypothetical Condition and Extraordinary Assumption (Video)
2.2.13 Question #1
2.2.14 Question #2
2.2.15 Question #3
2.2.16 Discussion Example 2.4 (1 of 3)
2.2.17 Discussion Example 2.4 (2 of 3)
2.2.18 Discussion Example 2.4 (3 of 3)
2.2.19 Discussion Example 2.5 (1 of 6)
2.2.20 Discussion Example 2.5 (2 of 6)
2.2.21 Discussion Example 2.5 (3 of 6)
2.2.22 Discussion Example 2.5 (4 of 6)
2.2.23 Discussion Example 2.5 (5 of 6)
2.2.24 Discussion Example 2.5 (6 of 6)
2.2.25 Discussion Example 2.6 (1 of 2)
2.2.26 Discussion Example 2.6 (2 of 2)
2.2.27 Question #4
2.2.28 Question #5
2.2.29 Question #6

60 minutes

Module 3: Changes to USPAP – Part 2

3.1.0 Lesson 1: Standards 3 and 4
3.1.1 Learning Objectives
3.1.2 Definition of Appraisal Review
3.1.3 Rationale for Revising the Definition of Appraisal Review
3.1.4 Revised Definition of Appraisal Review
3.1.5 Division of STANDARD 3
3.1.6 Rationale for Division of STANDARD 3
3.1.7 Revisions to STANDARD 3
3.1.8 STANDARD 4 (1 of 2)
3.1.9 STANDARD 4 (2 of 2)
3.1.10 Division of STANDARD 3 – Impact on Practice
3.1.11 Question #1
3.1.12 Question #2

3.1.13 Question #3
3.1.14 USPAP in Review Example #4 (1 of 5)
3.1.15 USPAP in Review Example #4 (2 of 5)
3.1.16 USPAP in Review Example #4 (3 of 5)
3.1.17 USPAP in Review Example #4 (4 of 5)
3.1.18 USPAP in Review Example #4 (5 of 5)
3.1.19 Question #4
3.1.20 Question #5
3.1.21 Question #6
3.1.22 Discussion Example 3.1 (1 of 3)
3.1.23 Discussion Example 3.1 (2 of 3)
3.1.24 Discussion Example 3.1 (3 of 3)
3.1.25 Question #7
3.1.26 Question #8
3.2.0 Lesson 2: Standards 5, 6, 7, and 8
3.2.1 Learning Objectives
3.2.2 Division of STANDARD 6
3.2.3 Rationale for Division of STANDARD 6
3.2.4 STANDARD 5
3.2.5 Revisions to STANDARD 6
3.2.6 Question #1
3.2.7 Question #2
3.2.8 Question #3
3.2.9 Advisory Opinion 32
3.2.10 Revised Advisory Opinion 32 (1 of 2)
3.2.11 Revised Advisory Opinion 32 (2 of 2)
3.2.12 Division of STANDARD 6 and Revised Advisory Opinion 32 – Impact on Practice
3.2.13 Discussion Example 3.2 (1 of 2)
3.2.14 Discussion Example 3.2 (2 of 2)
3.2.15 Question #4
3.2.16 Question #5
3.2.17 Question #6
3.2.18 STANDARDS 7 and 8
3.2.19 Rationale for Revisions to STANDARDS 7 and 8
3.2.20 Revisions to STANDARD 7
3.2.21 Revisions to STANDARD 8
3.2.22 Changes to STANDARDS 7 and 8 – Impact on Practice
3.2.23 Question #9
3.2.24 Question #10
3.2.25 Question #11

60 minutes

Module 4: Changes to USPAP – Part 3

4.1.0 Lesson 1: Advisory Opinions 1, 21, and 31
4.1.1 Learning Objectives
4.1.2 Updated Advisory Opinions
4.1.3 Advisory Opinion 1
4.1.4 Rationale for Revisions to Advisory Opinion 1
4.1.5 Revised Advisory Opinion 1
4.1.6 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (1 of 5)
4.1.7 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (2 of 5)
4.1.8 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (3 of 5)
4.1.9 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (4 of 5)

4.1.10 Revised Advisory Opinion 1 – Analysis and Reporting Requirements (5 of 5)
4.1.11 Revised Advisory Opinion 1 – Illustration 1
4.1.12 Revised Advisory Opinion 1 – Illustration 2 (1 of 2)
4.1.13 Revised Advisory Opinion 1 – Illustration 2 (2 of 2)
4.1.14 Revised Advisory Opinion 1 – Illustration 3 (1 of 2)
4.1.15 Revised Advisory Opinion 1 – Illustration 3 (2 of 2)
4.1.16 Revised Advisory Opinion 1 – Illustration 4 (1 of 2)
4.1.17 Revised Advisory Opinion 1 – Illustration 4 (2 of 2)
4.1.18 Revised Advisory Opinion 1 – Special Circumstances
4.1.19 Revised Advisory Opinion 1 – Special Circumstances: Illustration 5
4.1.20 Revised Advisory Opinion 1 – Special Circumstances: Illustration 6
4.1.21 Revised AO-1 – Impact on Practice
4.1.22 Discussion Example 4.1 (1 of 2)
4.1.23 Discussion Example 4.1 (2 of 2)
4.1.24 Discussion Example 4.2 (1 of 3)
4.1.25 Discussion Example 4.2 (2 of 3)
4.1.26 Discussion Example 4.2 (3 of 3)
4.1.27 Discussion Example 4.3 (1 of 3)
4.1.28 Discussion Example 4.3 (2 of 3)
4.1.29 Discussion Example 4.3 (3 of 3)
4.1.30 Discussion Example 4.4 (1 of 3)
4.1.31 Discussion Example 4.4 (2 of 3)
4.1.32 Discussion Example 4.4 (3 of 3)
4.1.33 Question #1
4.1.34 Question #2
4.1.35 Question #3
4.1.36 Advisory Opinion 21
4.1.37 Rationale for the Change to Advisory Opinion 21
4.1.38 Revised AO-21 – Impact on Practice
4.1.39 Discussion Example 4.5 (1 of 2)
4.1.40 Discussion Example 4.5 (2 of 2)
4.1.41 Discussion Example 4.6 (1 of 2)
4.1.42 Discussion Example 4.6 (2 of 2)
4.1.43 Question #4
4.1.44 Question #5
4.1.45 Question #6
4.1.46 Advisory Opinion 31
4.1.47 Rationale for Revisions to Advisory Opinion 31
4.1.48 Revised Advisory Opinion 31
4.1.49 Revised Advisory Opinion 31 – Relevant References
4.1.50 Revised Advisory Opinion 31 – Record Keeping Requirements
4.1.51 Revised Advisory Opinion 31 – Certifications/Signatures
4.1.52 Revised Advisory Opinion 31 – Significant Professional Assistance (1 of 2)
4.1.53 Revised Advisory Opinion 31 – Significant Professional Assistance (2 of 2)
4.1.54 Revised Advisory Opinion 31 – Illustrations (1 of 2)
4.1.55 Revised Advisory Opinion 31 – Illustrations (2 of 2)
4.1.56 Revised AO-31 – Impact on Practice
4.1.57 Discussion Example 4.7 (1 of 2)
4.1.58 Discussion Example 4.7 (2 of 2)
4.1.59 Discussion Example 4.8 (1 of 2)
4.1.60 Discussion Example 4.8 (2 of 2)
4.1.61 Question #7
4.1.62 Question #8
4.1.63 Question #9
4.2.0 Lesson 2: Advisory Opinion 37
4.2.1 Learning Objectives

4.2.2 Advisory Opinion 37
4.2.3 Rationale for New Advisory Opinion 37 (1 of 2)
4.2.4 Rationale for New Advisory Opinion 37 (2 of 2)
4.2.5 New Advisory Opinion 37
4.2.6 Advisory Opinion 37 – The Issue
4.2.7 Advisory Opinion 37 – Background (1 of 2)
4.2.8 Advisory Opinion 37 – Background (2 of 2)
4.2.9 Advisory Opinion 37 – Relevant References (1 of 5)
4.2.10 Advisory Opinion 37 – Relevant References (2 of 5)
4.2.11 Advisory Opinion 37 – Relevant References (3 of 5)
4.2.12 Advisory Opinion 37 – Relevant References (4 of 5)
4.2.13 Advisory Opinion 37 – Relevant References (5 of 5)
4.2.14 Advisory Opinion 37 – Competency (1 of 2)
4.2.15 Advisory Opinion 37 – Competency (2 of 2)
4.2.16 Advisory Opinion 37 – Data
4.2.17 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (1 of 4)
4.2.18 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (2 of 4)
4.2.19 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (3 of 4)
4.2.20 Advisory Opinion 37 – Use of Computer Assisted Valuation Tools (4 of 4)
4.2.21 Advisory Opinion 37 – Additional Considerations
4.2.22 Advisory Opinion 37 – Reporting Requirements (1 of 2)
4.2.23 Advisory Opinion 37 – Reporting Requirements (2 of 2)
4.2.24 Advisory Opinion 37 – Illustration 1
4.2.25 Advisory Opinion 37 – Illustration 2
4.2.26 Advisory Opinion 37 – Summary (1 of 2)
4.2.27 Advisory Opinion 37 – Summary (2 of 2)
4.2.28 New AO-37 – Impact on Practice
4.2.29 Question #1
4.2.30 Question #2
4.2.31 Question #3
4.2.32 Discussion Example 4.9 (1 of 2)
4.2.33 Discussion Example 4.9 (2 of 2)
4.2.34 Discussion Example 4.10 (1 of 2)
4.2.35 Discussion Example 4.10 (2 of 2)
4.2.36 USPAP in Review Example #5 (1 of 3)
4.2.37 USPAP in Review Example #5 (2 of 3)
4.2.38 USPAP in Review Example #5 (3 of 3)
4.2.39 Question #4
4.2.40 Question #5
4.2.41 Question #6

60 minutes

Module 5: USPAP in Review – Part 1

5.1.0 Lesson 1: Valuation Services, Appraisal Practice, and Scope of Work
5.1.1 Learning Objectives
5.1.2 USPAP in Review Example #6 (1 of 10)
5.1.3 USPAP in Review Example #6 (2 of 10)
5.1.4 USPAP in Review Example #6 (3 of 10)
5.1.5 USPAP in Review Example #6 (4 of 10)
5.1.6 USPAP in Review Example #6 (5 of 10)
5.1.7 USPAP in Review Example #6 (6 of 10)
5.1.8 USPAP in Review Example #6 (7 of 10)
5.1.9 USPAP in Review Example #6 (8 of 10)

5.1.10 USPAP in Review Example #6 (9 of 10)
5.1.11 USPAP in Review Example #6 (10 of 10)
5.1.12 Question #1
5.1.13 Question #2
5.1.14 Question #3
5.1.15 Case Example: Valuation Services vs. Appraisal Practice (1 of 2)
5.1.16 Case Example: Valuation Services vs. Appraisal Practice (2 of 2)
5.1.17 Question #4
5.1.18 Question #5
5.1.19 Case Example: Providing a Valuation Service as an Appraiser (1 of 2)
5.1.20 Case Example: Providing a Valuation Service as an Appraiser (2 of 2)
5.1.21 Question #6
5.1.22 Question #7
5.1.23 Question #8
5.1.24 USPAP in Review Example #7 (1 of 8)
5.1.25 USPAP in Review Example #7 (2 of 8)
5.1.26 USPAP in Review Example #7 (3 of 8)
5.1.27 USPAP in Review Example #7 (4 of 8)
5.1.28 USPAP in Review Example #7 (5 of 8)
5.1.29 USPAP in Review Example #7 (6 of 8)
5.1.30 USPAP in Review Example #7 (7 of 8)
5.1.31 USPAP in Review Example #7 (8 of 8)
5.1.32 Question #9
5.1.33 Question #10
5.1.34 Question #11

5.2.0 Lesson 2: Restricted Appraisal Reports and STANDARD 1 Obligations
5.2.1 Learning Objectives
5.2.2 USPAP in Review Example #8 (1 of 6)
5.2.3 USPAP in Review Example #8 (2 of 6)
5.2.4 USPAP in Review Example #8 (3 of 6)
5.2.5 USPAP in Review Example #8 (4 of 6)
5.2.6 USPAP in Review Example #8 (5 of 6)
5.2.7 USPAP in Review Example #8 (6 of 6)
5.2.8 Restricted Appraisal Report Samples
5.2.9 Question #1
5.2.10 Question #2
5.2.11 Question #3
5.2.12 Question #4
5.2.13 USPAP in Review Example #9 (1 of 6)
5.2.14 USPAP in Review Example #9 (2 of 6)
5.2.15 USPAP in Review Example #9 (3 of 6)
5.2.16 USPAP in Review Example #9 (4 of 6)
5.2.17 USPAP in Review Example #9 (5 of 6)
5.2.18 USPAP in Review Example #9 (6 of 6)
5.2.19 Question #5
5.2.20 Question #6

70 minutes

Module 6: USPAP in Review – Part 2

6.1.0 Lesson 2: Scope of Work and Appraisal Report Content
- 6.1.1 Learning Objectives
- 6.1.2 Discussion Example 6.1 (1 of 2)
- 6.1.3 Discussion Example 6.1 (2 of 2)
- 6.1.4 Discussion Example 6.2 (1 of 2)
- 6.1.5 Discussion Example 6.2 (2 of 2)
- 6.1.6 Discussion Example 6.3 (1 of 3)
- 6.1.7 Discussion Example 6.3 (2 of 3)
- 6.1.8 Discussion Example 6.3 (3 of 3)
- 6.1.9 Discussion Example 6.4 (1 of 3)
- 6.1.10 Discussion Example 6.4 (2 of 3)
- 6.1.11 Discussion Example 6.4 (3 of 3)
- 6.1.12 Discussion Example 6.5 (1 of 2)
- 6.1.13 Discussion Example 6.5 (2 of 2)
- 6.1.14 Question #1
- 6.1.15 Question #2
- 6.1.16 Question #3
- 6.1.17 Question #4
- 6.1.18 Question #5
- 6.1.19 Discussion Example 6.6 (1 of 4)
- 6.1.20 Discussion Example 6.6 (2 of 4)
- 6.1.21 Discussion Example 6.6 (3 of 4)
- 6.1.22 Discussion Example 6.6 (4 of 4)
- 6.1.23 Discussion Example 6.7 (1 of 2)
- 6.1.24 Discussion Example 6.7 (2 of 2)
- 6.1.25 Discussion Example 6.8 (1 of 2)
- 6.1.26 Discussion Example 6.8 (1 of 2)
- 6.1.27 Question #6
- 6.1.28 Question #7
- 6.1.29 Question #8

6.2.0 Lesson 2: Common USPAP Violations and Confidentiality of Results
- 6.2.1 Learning Objectives
- 6.2.2 Five Common Recurring USPAP Violations (Video)
- 6.2.3 Violation #1 – Not Reporting or Detailing Prior Sales (Video)
- 6.2.4 Violation #2 – Not Keeping a Clear Workfile (Video)
- 6.2.5 Question #1
- 6.2.6 Question #2
- 6.2.7 Violation #3 – Not Having Good Defensible Appraisals (Video)
- 6.2.8 Violation #4 – Not Explaining Adjustments (Video)
- 6.2.9 Violation #5 – Not Inspecting Property (Video)
- 6.2.10 Discussion Example 6.9 (1 of 2)
- 6.2.11 Discussion Example 6.9 (2 of 2)
- 6.2.12 Discussion Example 6.10 (1 of 3)
- 6.2.13 Discussion Example 6.10 (2 of 3)
- 6.2.14 Discussion Example 6.10 (3 of 3)
- 6.2.15 Discussion Example 6.11 (1 of 2)
- 6.2.16 Discussion Example 6.11 (2 of 2)
- 6.2.17 Question #3
- 6.2.18 Question #4
- 6.2.19 Question #5
- 6.2.20 USPAP in Review Example #10 (1 of 5)
- 6.2.21 USPAP in Review Example #10 (2 of 5)
- 6.2.22 USPAP in Review Example #10 (3 of 5)
- 6.2.23 USPAP in Review Example #10 (4 of 5)

6.2.24 USPAP in Review Example #10 (5 of 5)
6.2.25 Case Example: Disclosure of Prior Service (1 of 2)
6.2.26 Case Example: Disclosure of Prior Service (2 of 2)
6.2.27 Confidential Information (Video)
6.2.28 Question #6
6.2.29 Question #7
6.2.30 Question #8

80 minutes

Module 7: Analyze and Summarize – What is Expected?

7.1.0 Lesson 1: Analyze and Summarize – Part I
- 7.1.1 Learning Objectives
- 7.1.2 Analyze and Summarize – What is Expected (1 of 2)
- 7.1.3 Analyze and Summarize – What is Expected (2 of 2)
- 7.1.4 Obligation to Analyze (1 of 3)
- 7.1.5 Obligation to Analyze (2 of 3)
- 7.1.6 Obligation to Analyze (3 of 3)
- 7.1.7 Obligation to Summarize (1 of 2)
- 7.1.8 Obligation to Summarize (2 of 2)
- 7.1.9 Discussion Example 7.1 (1 of 3)
- 7.1.10 Discussion Example 7.1 (2 of 3)
- 7.1.11 Discussion Example 7.1 (3 of 3)
- 7.1.12 Discussion Example 7.2 (1 of 3)
- 7.1.13 Discussion Example 7.2 (2 of 3)
- 7.1.14 Discussion Example 7.2 (3 of 3)
- 7.1.15 Discussion Example 7.3 (1 of 4)
- 7.1.16 Discussion Example 7.3 (2 of 4)
- 7.1.17 Discussion Example 7.3 (3 of 4)
- 7.1.18 Discussion Example 7.3 (4 of 4)
- 7.1.19 Question #1
- 7.1.20 Question #2
- 7.1.21 Question #3
- 7.1.22 Discussion Example 7.4 (1 of 3)
- 7.1.23 Discussion Example 7.4 (2 of 3)
- 7.1.24 Discussion Example 7.4 (3 of 3)
- 7.1.25 Discussion Example 7.5 (1 of 3)
- 7.1.26 Discussion Example 7.5 (2 of 3)
- 7.1.27 Discussion Example 7.5 (3 of 3)
- 7.1.28 Discussion Example 7.6 (1 of 3)
- 7.1.29 Discussion Example 7.6 (2 of 3)
- 7.1.30 Discussion Example 7.6 (3 of 3)
- 7.1.31 Question #4
- 7.1.32 Question #5
- 7.1.33 Question #6

7.2.0 Lesson 2: Analyze and Summarize – Part II
- 7.2.1 Learning Objectives
- 7.2.2 Discussion Example 7.7 (1 of 3)
- 7.2.3 Discussion Example 7.7 (2 of 3)
- 7.2.4 Discussion Example 7.7 (3 of 3)
- 7.2.5 Discussion Example 7.8 (1 of 3)
- 7.2.6 Discussion Example 7.8 (2 of 3)
- 7.2.7 Discussion Example 7.8 (3 of 3)
- 7.2.8 Discussion Example 7.9 (1 of 2)
- 7.2.9 Discussion Example 7.9 (2 of 2)

7.2.10 Discussion Example 7.10 (1 of 3)
7.2.11 Discussion Example 7.10 (2 of 3)
7.2.12 Discussion Example 7.10 (3 of 3)
7.2.13 Discussion Example 7.11 (1 of 2)
7.2.14 Discussion Example 7.11 (2 of 2)
7.2.15 Question #1
7.2.16 Question #2
7.2.17 Question #3

60 minutes

Total: 420 minutes

(e) **Attach a copy of the attendance certificate, and a description of the methods utilized to provide reasonable assurance of the student's identity:**

Attendance Certificate
Once a student completes the course, they are able to print off 2 copies of their attendance certificate.

(f) **Attach a description of the methods of record maintenance.**

Student records are maintained by a compliance management system. This system manages the following information:

- Student Information:
  - Name
  - SSN
  - Real Estate File Number
  - Address
  - Phone
  - Fax
  - Email
- Course assigned to the student
- Registration and completion dates for courses
- Clock hours of participation for course

After completing the course, the student is provided a certificate verifying course completion (see attendance certificate). The student can print off the certificate or can request a hard copy to be mailed to them.

Verification Statement
The course must provide secure and accurate documentation of student identity. This is done through the verification statement that appears upon first launch of the course. The student must accept the verification statement before moving on in the course.

(g) **Attach copies of orientation materials.**

Please note that all the information for the student orientation is provided online. Below is a summary. Every course must have an orientation to acquaint the student with how the course works. Currently, this is provided in a PDF attachment that is part of the course introduction.

A complete syllabus and/or student manual for all courses or programs must be provided in written form. This includes accurate and clearly stated information about admissions, progression, completion criteria, dismissal, and any applicable licensing requirements, and is available in written form. This information is provided on the reseller website so is not required to be an actual part of the course itself.

When a student goes online to register for a course(s) the following information is provided to them:

Course subject matter and learning objective – When a student selects a class to take, the course description is displayed. Then, once inside the online class, the student goes through the tutorial that shows them how to navigate through the content and informs them how the course is laid out and how to proceed through the course.

Procedures and requirements for satisfactory course completion – To complete the course, the student has to go through the entire course and complete each unit quiz (mastery is not required).

Special requirements with regard to computer hardware/software or other equipment - On the website, there is a link for support where the following information is provided:

Online System Requirements:
While the student may use the minimal requirements shown below, we recommend using a faster system and faster Internet connection. Some courses may take time to download on a 56k modem. If the student's computer is not up to par, the local library should have on-site computers available and connected to the Intranet free of charge.

- Microsoft Intranet Explorer 6.0
- Macromedia Shockwave Player
- Windows Media Player
- Adobe Acrobat

Availability of instructor or technical support:

Hondros College has incorporated resources to provide instructional and technical support 7:20-7 PM EST, M-F, and Saturdays from 10AM-3PM. The communication mediums include email and telephone. If questions are received outside of business hours, they are responded to the following business day.

(h) Attach a summary of course design, including methods utilized to assure active student participation, a detailed course outline of topics covered, a time sequence for the hours requested, and an estimation of length of time it should take a student to complete the course.

Student Participation

The presentation of the curriculum provides more than primarily test-based readings in order to sufficiently engage a trainee and promote knowledge retention of subject

matter. The techniques such as audio, graphics, animations, and interactive games help reinforce the lesson and course objectives. Themed characters are used in real-world case studies, which foster a memorable learning experience with respect to each particular curriculum objective.

The courses are divided into a series of unit lessons and are presented in a fashion that prohibits the skipping over of content. Every trainee must view the entire course.

Each unit includes a quiz that reinforces that material covered in that lesson. If the student misses a question, the correct answer is presented and explained why it is correct. The student then can go back and review the lesson content again if they choose.

Course Navigation
Internet courses should control navigation through course content to ensure the student masters the material on a unit-by-unit basis.

Quick Checks
Students must be actively engaged throughout the course. Quick checks are utilized to provide interactivity and allow the student to self-assess periodically throughout the course.

Types of Quick Checks	Number of Tries
Multiple-choice (3 or more choices)	2
Multiple-choice (2 choices)	1
Yes/no	1
True/false	1
Matching	2
Fill-in-the-blank	2
What Do You Think	1

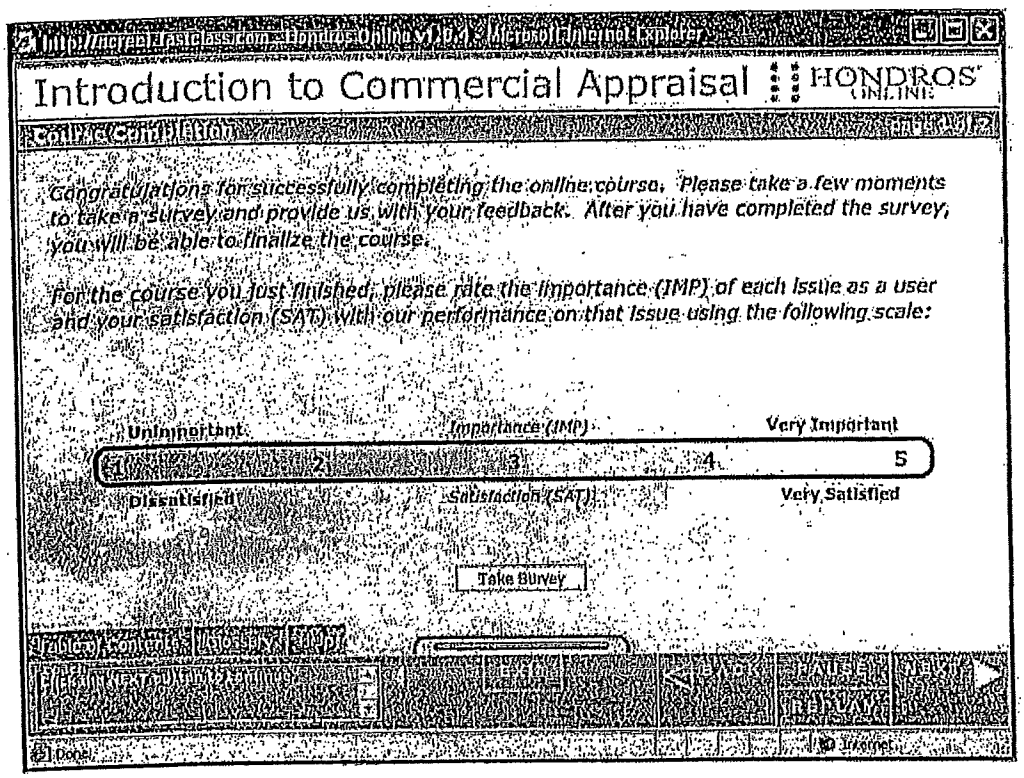
Incremental Assessments
All online CE courses require incremental assessments. For master courses, all incremental assessments should have a minimum passing score of 70%.

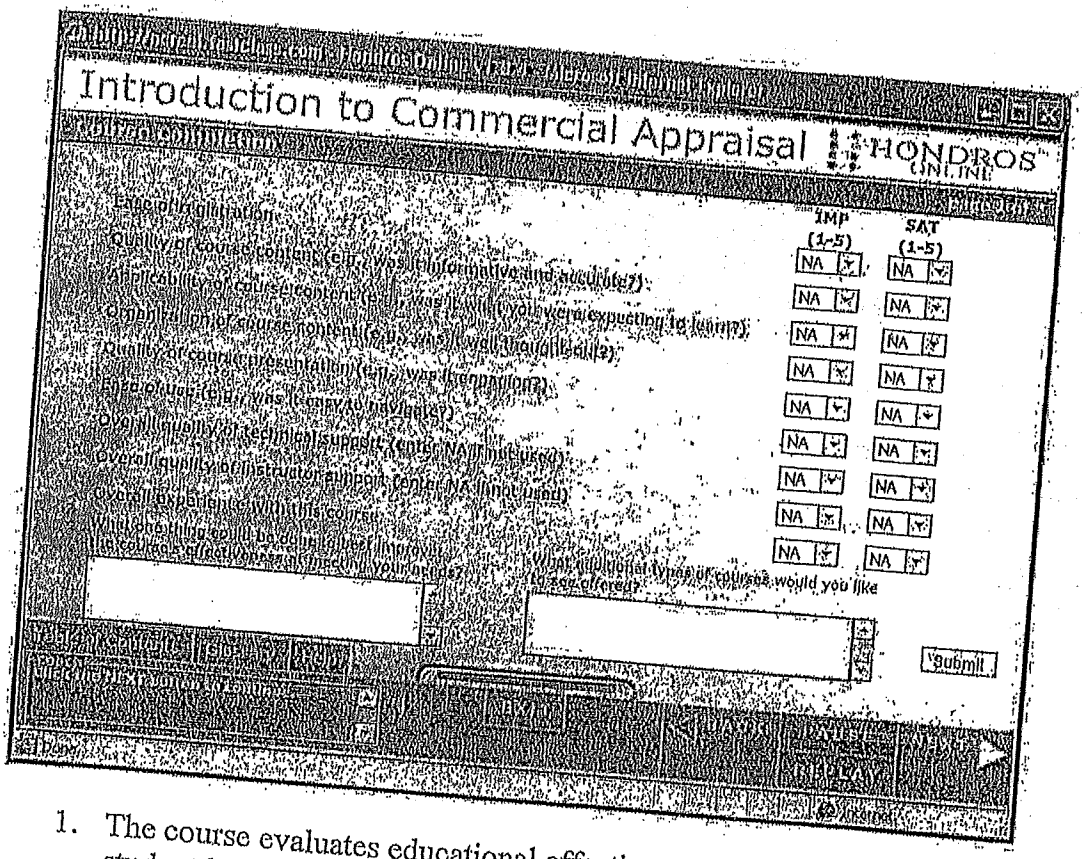
(i) **Fill in the time required to complete the course, without interruption.**

Without interruption, the course is designed to take the hours that the provider is seeking approval for to complete.

(j) Student Evaluation:

You are required to submit an online evaluation of this course. The evaluation will closely resemble the web pages below, with the course you just finished as the heading.





1. The course evaluates educational effectiveness, including the assessment of student learning outcomes, student retention, and both faculty and student satisfaction.
2. Evaluation data is made available to instructors and may be made available to students.
3. Objective criteria have been established for evaluating effectiveness in teachin distance learning courses.

School Policies Frequently Asked Questions

How long will I have access to my courses?
If my course has expired, how do I get an extension?
What is the refund policy?

How long will I have access to my courses?
Courses must be taken within 6 months of registration date. After 6 months, courses will automatically expire and will not be accessible.

If my course has expired, how do I get an extension?
You may purchase a 1 month extension (up to a total 2 extensions can be purchased in a

one year period) for $5 per course.

What is the refund policy?
Refunds requested for Online courses that have not been completed:
Refunds are available up to 30 calendar days after the date of enrollment.

To request a refund, contact Technical Support at support@fastclass.com or 1-866-455-3278.

Monday through Friday 9:00am - 7:00pm
Saturday 10:00am - 3:00pm
Closed Sundays and major holidays

HONDROS

COLLEGE OF BUSINESS

Certificate of Completion

_____ _____

Name of Licensee License Number

_____

Address

Awarded for the successful completion of ___ hours of Continuing Education in the following course.

_____

Course Title

_____ Linda Hondros

Date of Completion Linda Hondros, Authorized Signature

Hondros College of Business 4140 Executive Parkway Westerville, OH 43081

Rcvd #10 - 2.20.18

COURSE APPROVAL PROGRAM – MISSOURI REAL ESTATE APPRAISERS COMMISSION

APPLICATION FOR: _____ **INITIAL COURSE APPROVAL** ___X___ **RENEWAL**

There is a $25 fee per course for Continuing Education Course Approval. In addition, there is a $10 fee per course for Continuing Education Course Renewal.

INSTRUCTIONS: The course owner must use this application form when applying for course approval through the **State of Missouri**. *A SEPARATE APPLICATION FORM MUST BE FILED FOR EACH COURSE SUBMITTED FOR APPROVAL*. All items on the form must be completed (enter "N/A" for any item that is not applicable) and all required attachments must be submitted with the application.

1. Name of Applicant (School): McKissock, LP
2. Mailing Address: 218 Liberty Street Warren, PA 16365
3. Contact Person: Jackie Vincent
4. Phone: 800-328-2008 ext. 245 Fax: 814-723-3016
5. Website: www.mckissock.com Email: jackie.vincent@mckissock.com
6. Course Title and Number: The FHA Handbook 4000.1
7. Number of Classroom Hours: 7 hours ✓ Number of Exam Hours: N/A
8. Course Category: _____ Qualifying Education ___X___ ✓ Continuing Education _____ Both
9. Indicate the level of the licensure/certification this course would meet:

   x - CE Only All _____ State License _____ Certified Residential _____ Certified General

10. Indicate the pre license requirement for this course would meet: N/A

    _____ Principles _____ USPAP _____ Income _____ Elective

11. Instructor(s): Dan Bradely, Wally Czekalski, Chuck Huntoon, Larry McMillen, Steve Vehmeier, Steve Maher, Philicia Lloyd, Dale Shea
12. Method of Presentation: ___X___ Traditional Classroom _____ Correspondence _____ Internet

    _____ Video Tape _____ Remote TV _____ Computer

13. Owner of Course Materials: McKissock, LP
14. Required Attachments:

    For Qualifying Education Only: Please submit a copy of the contract between the course owner and course provider.

    Fee: As Indicated Above

    Course Materials:
    - Course Description
    - Detailed Course Outline
    - Learning Objectives
    - Final Exam and Answer Key (This is not required for the Continuing Education Application)

    Policies Covering:
    - Instructor Qualifications
    - Attendance

    Miscellaneous:
    - Course Schedule
    - Copy of Completion Certificate
    - Instructor's Resume/Bio

expires 4/22/18
add Philicia Lloyd as instructor
↳ previously approved.

AQB Approved Course

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Sent Via Email to: jackie.vincent@mckissock.com

QE	CE/E	CE
		7

Tuesday, February 13, 2018

Ms. Jackie Vincent
McKissock, LLC
218 Liberty Street
Warren, PA 16365

Dear Ms. Vincent:

We are pleased to inform you that your course has been approved under the Course Approval Program of the Appraiser Qualifications Board (AQB) of The Appraisal Foundation.

Course Provider: McKissock, LP
Course Title: The FHA Handbook 4000.1
Instructional Hours: 7.00
Exam Hours: 0.00
Total Hours: 7.00
Delivery Method: Classroom
Approval Start Date: 4/22/2018
Approval End Date: 4/22/2021

The overall content of this course has been determined to be in compliance with the education criteria established by the AQB. Approval does not mean that every statement or item within the course has been checked for accuracy. Opinions set forth in the course material or by instructors do not necessarily reflect the viewpoint of the AQB or The Appraisal Foundation. Neither the AQB nor The Appraisal Foundation is responsible for any errors, omissions, or misstatements in the course material or by instructors.

Prior to renewal of this course please review the AQB Course Approval Program Policies and Procedures Manual.

Please feel free to contact us if you have any questions or if we can be of further assistance.

Sincerely,

Appraiser Qualifications Board

Morrow, Patty

From: Jackie Vincent <jackie.vincent@mckissock.com>
Sent: Thursday, February 22, 2018 4:45 PM
To: Morrow, Patty
Subject: RE: The FHA Handbook

Good Afternoon Patty!

I hope all is well.

Aside from standard updates there have not been any significant changes to this course.

Please let me know if you need anything else or have any questions.

Thank you

Jackie Vincent
Senior Regulatory Compliance Specialist
McKissock | 800-328-2008

From: Morrow, Patty [mailto:patty.morrow@pr.mo.gov]
Sent: Thursday, February 22, 2018 4:50 PM
To: Jackie Vincent <jackie.vincent@mckissock.com>
Subject: The FHA Handbook

February 22, 2018

Jackie,
The MREAC has received the course renewal for The FHA Handbook 4000.1. Have there been any changes to the course content since previous approval?

Patty Morrow
Processing Technician III
Missouri Real Estate Appraisers Commission
Missouri Board of Occupational Therapy
Missouri Board for Respiratory Care
Office of Tattooing, Body Piercing and Branding
Missouri Department of Insurance, Financial Institutions & Professional Registration
573-751-0038 REAC
573-751-0877 OT
573-522-5864 RT
573-526-8288 Tattoo
573-526-3489 Fax
patty.morrow@pr.mo.gov

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Dan Bradley

   Mailing Address: 2725 Freeport Rd Natrona Heights, PA 15065

   Business Phone: 724-226-0960

   Business Fax: 724-226-0525

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 7 hours

   Pre License Hours: _____ Continuing Education Hours: 7 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

DANIEL A. BRADLEY, SRA, GAA

2725 Freeport Road
P.O. Box 25
Natrona Heights, PA 15065
(724) 226-0960 ext. 215
dbradley@crehomes.com

MEMBERSHIPS AND CURRENT LICENSES

Certified Real Estate Appraiser
Pennsylvania State Certified General Appraiser
Certification #: GA000640L

Real Estate Associate Broker
Licensed Pennsylvania Real Estate Associate Broker
License #: AB051270L

Real Estate Instructor
Certified National USPAP Instructor – The Appraisal Foundation
Licensed Real Estate Instructor- Pennsylvania, Virginia, Indiana

Pennsylvania State Board of Certified Real Estate Appraisers
Professional Member
Appointed November 15, 2004 by Governor Edward G. Rendell
Installed December 9, 2004
Currently serving as Vice Chairman

Professional Designations
Appraisal Institute – SRA Designation
National Association of Realtors Appraisal Section – GAA Designation

Realtor Member
National Association of Realtors
Pennsylvania Association of Realtors
Greater Allegheny Kiski Area Board of Realtors

Memberships
Appraisal Institute, Designated Member
National Assocation of Realtors Appraisal Section
Council of Pennsylvania Real Estate Appraisers
FHA Appraiser Roster
VA Appraisal Panel

GENERAL EDUCATION

Clarion University of Pennsylvania September 1983 – May 1987
Received Bachelor of Science degree in Communications, with a concentration in Real Estate.
Graduated Cum Laude. Cumulative GPA: 3.445/4.0.

APPRAISAL EDUCATION

Appraisal Institute/Society of Real Estate Appraisers

SRA Course 101 – Introduction to Appraising Real Property	1/88
Standards of Professional Appraisal Practice	3/91
FHA and the Appraisal Process	7/99
Serving the Client: Use of Streamlined Appraisal Process	10/00
Scope of Work Decisions in Residential Appraising	3/03
Business Practices and Ethics	4/04
Introduction to FNMA Guidelines and Requirements	3/04
Convincing Residential Appraisals	2/05
FHA and the New Residential Appraisal Report Forms	2/06
Advanced Residential Applications & Case Studies Part 1	7/07
Advanced Residential Report Writing Part 2	7/07
Real Estate Finance, Statistics, and Valuation Modeling	11/07

McKissock, LP

Appraising High Value Residential Properties	3/05
Environmental Pollution: Mold and Air Quality	4/05

Appraisal Foundation

Instructor Orientation for National USPAP Course	5/99
USPAP Update for Instructors and Regulators	3/00
AQB Instructor Certification Course	6/02
AQB Instructor Recertification Course	1/05, 1/07

Pennsylvania Realtors Institute

The Essentials – What Every Appraiser Should Know	12/05
Attacking and Defending an Appraisal in Litigation	12/05
Environmental Due Diligence	12/05
Marketing and Valuation of Antique and Historic Homes	12/05

National Association of Independent Fee Appraisers

Real Estate Fraud and the Appraiser's Role	5/00

Pennsylvania Department of Transportation

Trial Tactics in Condemnation Cases	9/05

Polley Associates

Appraisal of Income Producing Property	12/91
Narrative Appraisal Report Writing	11/91
Real Estate Contemporary Finance	5/92
Residential Construction	6/92
Real Estate Investment	8/92

Nelson-Hummel Seminars

The New URAR and FIRREA	10/93
Evaluations and Other Limited Scope Assignments	5/94

Lincoln Graduate Center

Manufactured Housing Appraisal	3/95

APPRAISAL/REVIEW EXPERIENCE

Czekalski Real Estate, Inc. Natrona Heights, PA	February 1987 - Present
Position:	Certified General Appraiser
Pennsylvania Dep't of State Harrisburg, PA	July 2001 – October 2004
Position:	Contracted Appraisal Reviewer

INSTRUCTIONAL EXPERIENCE

Polley Associates Newtown Square, PA	November 1992 - November 1999
Position:	Instructor
McKissock Appraisal School Warren, PA	December 2001 - Present
Position:	Instructor

I have also instructed real estate and appraisal courses for Penn State University's DuBois and Fayette County branches, and Butler County Community College. I am currently certified by the Appraisal Qualifications Board as a USPAP instructor. I have also participated in authoring and updating curricula for several course providers, including Polley Associates, McKissock Appraisal School and Penn State University, for the following courses:

- Appraisal of Residential Property
- Appraisal of Income Property
- Appraisal Standards of Practice and Ethics
- Appraising for the Secondary Market
- Limited Appraisals and the Scope of Work Decision
- Pennsylvania Laws and Regulations
- Relocation Appraisal
- Mortgage Fraud: Protect Yourself
- Appraising Complex and Difficult Residential Properties

BIOGRAPHY

I am a graduate of Clarion University of Pennsylvania, with a Bachelor of Science degree in Communications, and currently hold both a Pennsylvania general appraiser certification and an associate broker license. I have over 20 years' experience appraising various types of real estate, including residential, commercial/industrial, and special-purpose properties. Between 2001 and 2004 I also served as a contracted appraisal reviewer for the Pennsylvania Department of State. I completed reviews on residential and commercial property appraisals that were utilized in disciplinary proceedings against appraisal licensees.

I have been instructing and developing curricula for real estate appraisal courses since 1992. Currently, I am an instructor for McKissock Appraisal School, one of the largest appraisal education providers in the country, and have taught courses in appraisal theory and standards to students throughout the United States, for both qualifying and continuing education. I hold an SRA designation from the Appraisal Institute, a GAA designation from the National Association of Realtors Appraisal Section, and am currently serving as Vice Chairman of the Pennsylvania State Board of Certified Real Estate Appraisers.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Wally Czekalski

   Mailing Address: 2725 Freeport Rd Natrona Heights, PA 15065

   Business Phone: 724-226-0960

   Business Fax: 724-226-0525

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?

   All

   Total Hours: 7 hours

   Pre License Hours: _____ Continuing Education Hours: 7 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From Month	From Year	To Month	To Year	Degree Earned	Subject Matter
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

Wallace Czekalski
2725 Freeport Rd, PO Box 25
Natrona Heights, PA 15065
724-226-0960

MEMBERSHIPS, QUALIFICATIONS, AND LICENSES:

PA State-Certified General Real Estate Appraiser, License #GA-000527-L

PA State-Licensed Real Estate Broker of Record, License #RM-023366A

National Association of Independent Fee Appraisers, IFAS Designation

National Association of Realtors, Appraisal Section, GAA Designation

National Association of Real Estate Appraisers, CREA Designation

International Right of Way Association, Associate Member

Past Member of the Harrison Township Planning Commission

Realtor:

- National, State, and Local Real Estate Boards
- Past President of Allegheny Kiski Board of Realtors, 1984 and 1996
- State Director Pennsylvania Association of Realtors, 1985, 1986, 1996
- Realtor of the Year Award, 1986

Qualified Expert Witness:

- US Federal Court, Middle District of PA, Lewisburg PA and Williamsport PA
- Federal Bankruptcy Court, Pittsburgh PA
- Pennsylvania District Courts and County Board of Views for several PA counties:
  - Allegheny, Westmoreland, Armstrong, Butler, and Cambria

AQB Certified USPAP Instructor: 10329

PAST INSTRUCTION:

I have taught real estate appraisal courses/seminars for the following organizations:

- Pennsylvania State University
- Clarion University of Pennsylvania
- Westmoreland Community College
- West Penn Power Company (Real Estate Staff)

APPRAISAL AND REAL ESTATE EDUCATION:

I have successfully completed the following courses:

Pennsylvania State University

Real Estate Law

Right of Way Appraising

Real Estate Appraising

Real Estate Financing

Real Estate Theory and Practice

Real Estate Administration and Management

American Institute of Real Estate Appraiser Courses

Course 1-A	Real Estate Appraisal; Basic Principles, Methods, and Techniques
Course 1-B	Real Estate Appraisal; Income Approach to Value
Course II	Real Estate Appraisal; Advanced Appraisal, Urban Properties
Course IV	Condemnation; Condemnation Appraisal Procedures
Course VI	Investment Analysis; Real Estate Investment Procedures

Appraisal Institute

Course 102 Applied Residential Property Valuation; successfully challenged

National Association of Environmental Risk Auditors

Courses 101 and 102, Principles of Environmental Risk Screening

Lincoln Graduate Center

Standards of Professional Appraisal Practice

Manufactured Housing Appraisal

In addition to the above courses, I have also attended numerous continuing education courses and seminars on various real estate topics, and am active in all of my real estate associations.

APPRAISAL AND REAL ESTATE EXPERIENCE:

1976 to Present — Since 1976 I have been a full-time, independent Real Estate Appraiser, and presently head a staff of six appraisers. My daily assignments include appraisals on all types of real estate, such as residential, commercial, industrial, farms, apartments and special-purpose properties. Most appraisals were made for mortgage financing, such as VA, FHA, or conventional loans, but others were made for purposes such as foreclosures, condemnations, sales, consultations, employee transfers, investment analysis, and other. I am on the appraisal panel for the VA and FHA and do appraisals for them throughout a four-county area. In the past several years my staff and I have completed approximately 3,000 appraisals per year throughout the northern Pittsburgh metropolitan area. I personally complete about 500 appraisals per year as well as review the appraisals completed by my staff.

1973-1976 — Staff and Review Appraiser for the US Army Corps of Engineers Project Field Office in central and in western Pennsylvania. I did narrative appraisals on many types of properties; virtually all were involved in condemnation proceedings and land acquisitions for flood control projects. Assignments also included appraisals of partial and complete takes of unique tracts such as state gamelands, recreational lands, schools, cemeteries and temporary and permanent easements for highways, utilities, railroads, flowage and drainage areas. I also had review authority for the District Office and reviewed appraisals submitted by other independent and staff appraisers. In addition, I made gross appraisals and project feasibility studies for the District Office, ads well as appraisals of military and government facility offices. Further duties included being directly involved with the US Justice Department in all condemnation proceedings within my assigned project areas. In addition to testimony as an expert witness, I compiled Real Estate Data, assisted in strategy planning, and was active as a Government Real Estate Appraisal Representative for condemnation trial proceedings.

1969-1972 — Self-employed Real Estate Broker and Real Estate Appraiser, specializing in independent appraising. I did appraisals on various types of properties. I was involved in the daily operations of a real estate business and as well as appraising I was active in selling, buying, leasing, and development of properties, including construction techniques and cost data.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Chuck Huntoon

   Mailing Address: 905 Easton Rd. Willow Grove, PA 19090

   Business Phone: 215-659-5250

   Business Fax: 215-659-5550

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 7 hours

   Pre License Hours: _____ Continuing Education Hours: 7 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From Month	From Year	To Month	To Year	Degree Earned	Subject Matter
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

PROFESSIONAL QUALIFICATIONS
Charles W. Huntoon, SRA

Professional Education

Syracuse University
Bachelor of Science – June 1969

Syracuse University
Masters of Business Administration – August 1970

The Appraisal Institute (SRA)
Senior Residential Appraiser – 1984

Real Estate Brokerage Managers Council (CRB)
Certified Real Estate Broker Manager - 1997

The American College (CLU)
Chartered Life Underwriter – 1972

Teaching Experience

National Certified AQB Instructor (#10343) for The Appraisal Foundation – 2001

Associate National Instructor for The Appraisal Institute - 2006

Certified Distance Education Instructor (#67428) by International Distance Education Certification Center (IDECC) - 2009

Presently Instructing for:

Polley Associates - Continuing Education - 2003

McKissock, LLP – Continuing Education – 2000

Previously Instructed for:

Manor Junior College – 1993 to 1999

La Salle University – 1981 – 1991

Pennsylvania State University – 1980 - 1984

Professional Licenses

Pennsylvania Real Estate Associate Broker
Certificate Number: AB035045A

New Jersey Real Estate Broker
Certificate Number: 7911869

Pennsylvania Certified Residential Real Estate Appraiser
Certificate Number: RL000357L

Appraisal Institute
SRA Certificate Number: 28759

Pennsylvania Insurance Resident Producer
Certificate Number: 410920

Expert Witness Experience

Mr. Huntoon has been qualified to testify before the following authorities:

Board of Assessment Appeals
Montgomery County, Pennsylvania

United States Bankruptcy Court for the District of:
New Jersey
Pennsylvania

United Stated Federal Court for the District of:
New Jersey
Pennsylvania

Pennsylvania Court of Common Pleas of:
Montgomery County
Bucks County
Delaware County
Philadelphia County

New Jersey Superior Court

Connecticut Superior Court

Massachusetts Superior Court

Professional Experience

May 1978 to Present	Charles W. Huntoon Appraisal Service 905 Easton Road Willow Grove, Pa. 19090 President and Owner, consulting and appraisal firm, Providing appraisals, market studies, and real estate consulting assignments.
May 1978 to July 2005	Century 21 Huntoon 905 Easton Road Willow Grove, Pa. 19090 President and Owner, residential brokerage firm, responsible for marketing, sales, recruiting and training of sales agents. Annual Sales of $20,000,000 of Residential Real Estate. Business was sold July 1, 2005.
July 2005 to Present	Century 21 Associates 905 Easton Road Willow Grove, Pa. 19090 Associate Broker, residential sales.

Professional Memberships

1977 to Present	Montgomery County Association of Realtors President – 1990
1977 to Present	Pennsylvania Association of Realtors
1977 to Present	National Association of Realtors
1984 to Present	Appraisal Institute - SRA Designation

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Larry McMillen

   Mailing Address: 114 Varsity Ct. Crestview Hill, KY 41017

   Business Phone: 859-466-2491

   Business Fax: 800-360-6103

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?

   All

   Total Hours: 7 hours

   Pre License Hours: _____ Continuing Education Hours: 7 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
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7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
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Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

Larry McMillen

Appraisal Education Instructor

Objective

Experience 1986-1988 Fiehier & Associates Loveland, Ohio

Staff Appraiser

Staff appraiser within small Appraiser company

1988-1997 Norwest Mortgage Cincinnati, Ohio

Staff Appraiser

- Staff appraiser (primary residential) large mortgage lender
- Chief Appraiser (charge of 4 staff appraisers)
- In house trainer for staff appraisers.
- Implemented training course for new recruits-speeding profitability

1997-Present

Appraiser

- Operate small appraisal company and training
- Conducted workshops for regional appraisal associations
- Conducted workshops for FHA, HUD handbook 4150.2 compliance

80% residential appraisal work

1999-2001 Xavier University Cincinnati, Ohio

Part Time Faculty

Implemented training for undergraduate and adult learning.

Education 1971-1975 Northern KY University Highland Heights, KY

- Real Estate
- Graduated summa cum laude

Kentucky Residential Certified #000661

- Ohio License Residential #385552
- AQB certified USPAP Instructor #10173
- Certified FHA Reviewer

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Steve Vehmeier

   Mailing Address: 5943 Dunfries St. St. Petersburg, FL 33709

   Business Phone: 727-544-9350

   Business Fax: 727-544-9350

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 7 hours

   Pre License Hours: _____ Continuing Education Hours: 7 hours

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7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

Qualifications of Steven W. Vehmeier

Licenses and Certifications:
State Certified General Real Estate Appraiser RZ290
Real Estate School Permit ZH1000693 (Florida)
General Appraiser Instructor GA1000048 (Florida)
Licensed Real Estate Broker BK0310961 (Florida)
AQB Certified USPAP Instructor 10059

Formal Education:
Graduate of University of Missouri (Columbia) BS from College of Education
Sales and Broker licensing courses
General Appraiser Certification and continuing education courses

Affiliations:
Current or past affiliate or member of the following professional organizations:

- Appraisal Institute
- American Society of Appraisers
- American Society of Farm Managers and Rural Appraisers
- International Right of Way Association
- National Association of Independent Fee Appraisers
- National Association of Appraisers
- National Association of Master Appraisers
- National Association of Realtors Appraisal Section
- International Association of Assessing Officers
- National Association of Realtors

Additional past or current affiliations:

- HUD/FHA original Fee Panel member
- Fannie Mae Review Fee Panel
- Florida Association of Realtors
- Pinellas Association of Realtors
- Florida Gulfcoast Commercial Association of Realtors
- Expert Witness for Florida Real Estate Appraisal Board

Offices Held:

- National Director of the National Association of Appraisers
- National Director of the National Association of Master Appraisers
- Chapter Director of Tampa Bay Chapter of NAIFA

Background:
Real estate career began in 1972 in commercial construction and property management, then owned and operated a full service brokerage with residential and commercial sales, appraisal, construction, business development, and property management. After 1985 appraisal became the sole endeavor with appraising and teaching appraisal qualifying and continuing education courses. Teaching and authoring appraisal courses in recent years has averaged 130 to 150 days per year.

Appraisal Course Teaching Experience:
McKissock LP (teach appraisal Continuing Education courses in 23 different states)
St. Petersburg College (authored and teach their Qualifying and Continuing Education program)
Realtor Institute (GRI appraisal courses and USPAP)
Lincoln Graduate Center (Qualifying and Continuing Education courses)
Edison Community College (Continuing Education courses)
State College of Florida (Continuing Education courses)
Steven W. Vehmeier Real Estate School Permit ZH1000639 (Qualifying and Continuing Education courses)
Also approved and taught for NAIFA, ASFMRA, and IAAO Chapters in multiple states

Partial list of Authored Texts and/or Courses:
Principles of Real Estate Appraisal
Procedures in Real Estate Appraisal
7 and 15 hour courses on USPAP
75-hour Pre-License Course (Florida ABI)
Fannie Mae Guidelines Update
Appraisal Forms Update
Does My Report Comply With USPAP
Marshall & Swift Square Foot Method
Marshall & Swift Segregated Cost & Unit in Place
Residential Cost Analysis
Florida Appraisal Law Update
Florida ABII (Post License)
Land Valuation Methods
Advanced Land Value and Stigmatized Properties
Appraisal Compliance with FHA Guidelines
Appraiser Ethics
Appraisal Now
Appraisal Regulatory Update

(Authored the following Texts/Courses continued)
Appraisers and Blueprints
Appraiser's Property Inspection
Comparing Value Types
Condominium Appraisal
Deriving and Supporting Adjustments
Introduction of Environmental Issues
Environmental and Green Checklist
HP-12C for Appraisers
Residential Appraisal Review
Reviewer's Checklist
Sales Comparison Approach
Advanced Residential Applications
Roles and Rules of Supervisors and Trainees
Small Income Property Appraisal
Introduction to Regression Analysis
60-Hour General Appraiser Income Approach
Disciplinary Cases – What Not to Do
Psychology of Teaching Adult Continuing Education Courses
Additionally, was selected by the Secretary of HUD to co-author of the HUD national exam in 1999.

Courses Taken:

Continuing Education

- 30-hours of CE for Certification each renewal year since 1990 when first Certified including USPAP updates
- Florida required Instructor recertification course every two years
- AQB USPAP Instructor Re-certification Course every two years

Other Specific Courses Taken

- McKissock and Lincoln Graduate Center Instructor Seminars
- Business Valuation
- Right of Way and Easement Appraisal
- Subdivision Appraisal
- Real Estate Counseling
- The Appraiser as an Expert Witness
- Appraising Foreclosures and Distressed Properties
- Residential and Commercial Construction
- Farm and Land Appraisal
- Manufactured Housing Appraisal

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education
_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Steve Maher

   Mailing Address: 10612 Parlor Rd Charlotte, NC 28277

   Business Phone: 704-542-3012

   Business Fax: N/A

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

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6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

School	From		To		Degree Earned	Subject Matter
	Month	Year	Month	Year		
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

STEVEN L. MAHER,
BIC, GRI, ABR, CRREA, NC Appraiser Instructor
Appraiser Qualification Board USPAP Instructor

10612 PARLOR ROAD CHARLOTTE, NORTH CAROLINA 28277-1900
OFFICE : 704-542-3012 FAX: 704-541-5051 CELL: 704-607-1859 EMAIL: *Steve@SLMappraisals.com*
Web Page: www.SLMappraisals.com

North Carolina: Certified Residential Appraiser #A3525
North Carolina: Real Estate Broker #112694
South Carolina Certified Residential Appraiser #CR2814
Commonwealth of Virginia Certified Residential Appraiser #006561
Certified Distance Education Instructor #67522
North Carolina Real Estate Commission Instructor #1487
Appraisal Foundation USPAP Certified Instructor (Ethic Instructor) #10658

"Over 20 years in the Real Estate business with a primary emphasis on the appraisal of residential properties."

REAL ESTATE APPRAISAL / BROKER EDUCATION COURSES:

2011	Relocation Appraising: New ERC Summary Appraisal Report
2009 ~2013	CDEI ~ Certified Distance Education Instructor (Online Ed. Instructor)
2007 ~ Cur.	North Carolina Real Estate Certified Instructor ~ Pre-license & Post License
2007	Graduate of NOVA a 44 hours of Realtor Renewal Course
2005	Homeowners' Association Agency Liabilities ~ Mingle RE
2005	Professional Guide to URAR Report 2005 Forms ~ AI
2005	US Dept. of Housing & Urban Development Fraud ~ HUD
2004	FHA appraiser/Underwriter Training
2004 ~ Cur.	AQB Certified USPAP Instructor ~ #10658 ~ The Appraisal Foundation
1998 ~ Pres.	North Carolina Appraisal Instructor-Instructor for R1, R2, & R3 Appraisal Courses at Mingle Institute (Board of Realtors) Charlotte, NC
2003 -	William H. Sharp & Assoc. ~ Home Inspection Techniques
2001- 2002	Real Estate Fraud & The Appraiser's Role
2001 – 2002	Appraising the Oddball: Non-conforming & Difficult Properties
2000 – 2001	Uniform Standards of Professional Appraisal Practice~14hrs
1999 -	Completion of ABR & ABRM Courses Accredited Buyer Representative & Manager. Member of REBAC Real Estate Buyer's Agent Council, Inc.
1999 -	U.S. Department of Housing and Urban Development admitted to Roster and Completed Test. HUD/FHA Roster
1999 -	New FHA Requirements, Fannie Mae and VA for 1999 -14Hrs Erick Little, FHA Official Instructor, Statesville, NC
1998 -	Principles of Business Appraisals -Lincoln Graduate Center, Indianapolis, IN
1998 -	*Graduate Real Estate Institute - 300 series*: Pricing Residential Properties; Residential Real Estate As An Investment; Property Management; Marketing and Business Planning. Designation GRI awarded.
1998 -	*Mingle School of Real Estate:* Income Valuation Fundamentals
1997 -	*Graduate Real Estate Institute - 200 series*: Residential Construction; Tax Planning for Real Estate; Legal issues in Real Estate.
1997 -	*Mingle School of Real Estate:* Analyzing/Marketing Investments Property

1997 - *Graduate Real Estate Institute - 100 series*: Residential Financing; Creative Listing Strategies; Contract to Closing: Real Estate Selling Skills
1996 - *Appraisal Institute:* Uniform Standards of Professional Appraisal Practice.
1995 - *Mingle School of Real Estate:* Analyzing & Marketing Investment Properties.
1993 - *William H. Sharp & Associates:* House Inspection Techniques.
1993 - *NC Department of Transportation:* Principles of Highway and Right of Way Acquisitions.
1992 - *Appraisal Institute:* Standards of Professional Practice & Procedures
1990 - *Mingle Institute:* R1 Introduction to Real Estate Appraisal
R2 Valuation Principles & Procedures
R3 Applied Residential Property Valuation
G1 Introduction to Income Property Appraisal

STEVEN L. MAHER, CREA *(cont.)*

1988 - *Century 21 Regional Office:*
Real Estate Law; Real Estate Brokerage Operations; Real Estate Finance

1987 - *Century 21 Regional Office:*
Fundamentals of Real Estate

Formal Education:

1973 - Ball State University Muncie, Indiana
Bachelor of Science, Marketing & Advertising

Professional Affiliations:

1988-Present National Association of Realtors

1988-Present Charlotte Regional Realtor Association

1994-Present National Federal Registry of Appraisers

Association Memberships:

2009-2012 NCPAC~ North Carolina Professional State Board Director
2009-2010 Charter President, NCPAC Metrolina Chapter, Charlotte
2008-Cur North Carolina Real Estate Educators Association ~ NCREEA
1997-1998 President, Kiwanis Cub of South Mecklenburg Club
1990-2000 Charter Member of Kiwanis Club of South Mecklenburg County.
1992 Kiwanian of the Year Award.
1993-94 Vice President of Parent-Teacher Organization :
South Charlotte Middle School.

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Philicia Lloyd

   Mailing Address: 411A Stuyvesant Avenue Brooklyn, NY

   Business Phone: 917-804-3007

   Business Fax: _____

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?
   All

   Total Hours: 7 hours

   Pre License Hours: _____ Continuing Education Hours: 7 hours

6. Has the instructor ever been refused approval or a denied a license to teach, or has such approval or license been suspended, revoked or subject to discipline?
   Yes **No** (If "Yes", attach explanation)

7. Has the instructor ever been subject to disciplinary action by the Real Estate Commission or the Commission of Appraisers?
   Yes **No** (If "Yes", attach explanation)

8. Education:

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	Month	Year	Month	Year		
Please see the attached resume.						

NOTE: If the Course of Instruction is USPAP, the Instructor must provide verification of completion of the USPAP Instructor Training Course from the Appraisal Foundation.

9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

10. Real Estate Appraisal Experience:

Employing Company	Job Description	From		To	
		Month	Year	Month	Year
Please see the attached resume.					

(Attach additional pages as necessary)

11. I hereby affirm and swear that the information submitted with this application is true and accurate and that no willful omissions have been made.

(Signature of Appraiser Education Administrator)

1-10-18

(Date)

PHILICIA LLOYD, CCIM, MRICS

Email: phil@lloydres.com
www.lloydres.com
Direct: (917) 804-3007
Fax: (888) 900-1169

Real Estate Consultant

QUALIFICATIONS

- Providing Real Estate Services in New York, Florida, Pennsylvania and Georgia

Valuation Services include:

- Properties Appraised include: Apartments, Retail, Office, Industrial, Mixed-Use, Residential Properties Appraised include: 1-4 Unit, Condominiums, Coops, Land
- Due Diligence on Performing and Non-Performing Notes
- Real Estate and Appraisal Instructor
- Commercial/Residential Appraisal Reviewer (Current and Retrospective)
- Proficient in Word, Excel and Argus

PROFESSIONAL EXPERIENCE

Real Estate Analyst/Appraiser /Reviewer 1988 – Present
State of Florida Special Magistrate 2010 – Present
Appointed by the Valuations Adjustment Board to conduct Tax Appeal Hearings
Kings County Small Claims Assessment Review Hearing Officer 2013 – Present
Appointed by the NYS Court to conduct Small Claims Tax Assessment Hearings
New York State Part 36 Real Estate Appraiser/Broker 2014-present

LICENSES AND CERTIFICATIONS

State of New York Certified General Real Estate Appraiser 46000043072
State of Florida Certified General Real Estate Appraiser RZ 2748
State of Georgia Certified General Real Estate Appraiser CG331747
Commonwealth of Pennsylvania Certified General Appraiser GA0004152
State of Florida Real Estate Broker SL3190401
State of New York Real Estate Broker 10491204049
State of Pennsylvania Real Estate Broker RMR002587
State of New York State Real Estate & Appraisal Instructor
National Uniform Standards of Professional Appraisal Practice (USPAP) Instructor #44862
Marshall and Swift Cost Approach Appraiser
Licensed Real Estate Agent Barbados, WI (Caribbean)

EDUCATION

Studied at Johns Hopkins University Major Engineer 1980 – 1982
Appraisal Institute Core Courses Completed 1988 – 2008

- Appraising Principles, Valuation Principles and Procedures, Basic Income Capitalization, Advanced Income Capitalization, Applied Income Property Appraising, Report Writing and Valuation Analysis

Certified Commercial Investment Member (CCIM) Courses 2003 - 2007

- CCIM Coursework: Intro. ,CI 101,CI102,CI103, CI104 and Negotiation Techniques

DESIGNATIONS

Designated Member of the CCIM Institute #20957
Royal Institute of Chartered Surveyors (Candidate #1239691)

New York Location:
411A Stuyvesant Avenue
Brooklyn, NY 11233

Florida Location:
1881 NE 26th Street, Suite 212
Wilton Manors, FL 33305

INSTRUCTOR APPLICATION

Instructor Approval Requested for: _____ Pre-License __X__ Continuing Education

_____ Renewal _____ Initial Submission

1. **PROOF OF QUALIFICATION *MUST* BE ATTACHED.**
   (All applications must be accompanied by a full resume/bio)

2. Name of instructor: Dale Shea

   Mailing Address: 11 N Genessee St Ste 500 Waukegan, IL 60085

   Business Phone: 847-625-1900

   Business Fax: N/A

3. Name and address of school/organization for whom you will instruct:
   McKissock, LP 218 Liberty Street Warren, PA 16365

   School/Organization: McKissock, LP

4. Title of program/course or portion of program/course to be taught by the instructor:
   The FHA Handbook 4000.1

5. Which portion(s) to be taught by the instructor?

   All

   Total Hours: 7 hours

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9. Teaching Experience:

School	From		To		Subjects Taught
	Month	Year	Month	Year	
Please see the attached resume.					

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Employing Company	Job Description	From		To	
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Please see the attached resume.					

(Attach additional pages as necessary)

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(Signature of Appraiser Education Administrator)

1-10-18

(Date)

APPRAISER'S QUALIFICATIONS

DALE R. SHEA, SRA
1341 W Fullerton Ave.
Suite 112
Chicago, IL 60614
847-625-1900
dshea@appraisalsolutionsgrp.com

EDUCATION:
B.S. Degree – Construction Management
Minor – Real Estate
Southern, Illinois University; Carbondale, Illinois

PROFESSIONAL MEMBERSHIP:
Appraisal Institute - SRA (Senior Residential Appraiser)
North Shore Barrington Association of Realtors Member (Former board of Directors member)
Lake County Chamber of Commerce (Former Board of Directors)

STATE LICENSEURE (all current)
State of Illinois - Certified General Real Estate Appraiser (Lic. #: 553.0000367)
State of Wisconsin – Certified General Real Estate Appraiser (Lic #: 510-010)

TEACHING EXPERIENCE: (present and past)
Instructor - Real Estate Appraisal – Community College of Lake County
Instructor - Real Estate Education Company, Chicago, IL (Real Estate Principals Course)
Education Committee Member – North Shore Barrington Association of Realtors
Education Committee Member – Lake County Board of Realtors

EXPERT WITNESS:
Representative Samples:
Venturi, VS Property Owner, (drainage/flooding issues with new construction)
Shirazi VS Melrose Park, (Zoning, Value issues with multifamily zoning)

PROFESSIONAL EXPERIENCE:
Appraisal Solutions Group – Chief Appraiser, 2000-present
Koenig & Strey Brokerage – Broker Associate 2002-2008
Private Residential/Commercial Developer – 1999-2002
Advanced Appraisal Services – President, 1991-1999

DEVELOPMENT EXPERIENCE:
Directly responsible for the development of the following subdivision projects:
Elaine Estates, Ingleside, IL
Shea/Rabine Estates, Spring Grove, IL

APPRAISAL ASSIGNMENTS:
Appraised most types of real property: vacant land, single-family residential, industrial, commercial and multi-family income producing properties, religious facilities, subdivision and feasibility studies.

Appraisals for the purpose of: condemnation, mortgages, inheritance, real estate taxes, proposed construction, buying and selling, construction progress, insurance, liquidation, forced liquidation and disputes.

GOVERNMENT ROSTERS:
HUD, VA (with special designations), 203K

CLIENTELE SERVED:
Commercial banks, credit Unions, S & L associations, finance companies, major corporations, charitable agencies, various law firms and attorneys, accounting firms, government bodies, and private investors.

REFERENCES

Paul Diamond, President
Diamond Residential Mortgage Company
3701 E. Grand Ave.
Gurnee, IL 60031
847-244-9301

Brian Jessen, Loan Officer
Guaranteed Rate
3940 North Ravenswood
Chicago, IL 60613
847-943-2169

Scott Pomerich, Executive Vice President
Diamond Residential Mortgage
6121 Green Bay Rd.
Suite 140
Kenosha, WI 53142
262-654-5440

The FHA Handbook 4000.1

Course Description:

As the culmination of a project that took over one year to complete, FHA has released the Single Family Housing Policy Handbook, also known as Handbook 4000.1. This Handbook is designed to consolidate FHA requirements into one single authoritative source, instead of having requirements scattered throughout several different handbooks and mortgagee letters. Handbook 4000.1 is now the "go-to" handbook for appraisers and lenders, and FHA appraisers need to become familiar with its requirements. After the mortgage meltdown of 2006-2009, FHA insured loans have made a comeback, and now have a significant share of the 1 to 4 family residential lending market. This seminar focuses on the new FHA Handbook 4000.1 with emphasis on revisions to FHA appraisal requirements and protocols. In addition, students will learn how to effectively stay up-to-date with FHA requirements.

For appraisers seeking placement on the FHA Appraiser Roster, this detailed seminar is essential. For the current FHA roster appraiser, it will provide useful insight and tips.

Course Learning Objectives:

- Summarize a basic understanding of the FHA Single Family Housing Policy Handbook project and how it affects appraisers
- Identify recent changes to FHA policy
- Recognize minimum property requirements and standards
- Recognize specific FHA property observation requirements, including those for the subject's site, exterior, mechanical systems, and interior
- Recognize FHA valuation and reporting protocols
- Identify and apply additional development and reporting requirements for the appraisal of single-family, manufactured home, condominium, and 2- to 4-family properties
- Identify requirements for HUD REO appraisals
- Identify sources for information on changes to FHA mortgage and appraisal requirements

Course Schedule

Introduction, Course objectives	5	Minutes
Single Family Handbook Project	15	Minutes
Doing Business with FHA - Appraisers	15	Minutes
Appraiser and Property Requirements	10	Minutes
Acceptable Appraisal Reporting Forms and Protocols	5	Minutes
Property Acceptability Criteria		
Property Acceptability Criteria, MPR and MPS, Defective Conditions, Inspections	15	Minutes
Legal and Land Use Considerations	10	Minutes
Externalities	10	Minutes
Break		
Site Conditions	25	Minutes
New Construction Site Analysis	10	Minutes
Characteristics of Property Improvements	10	Minutes
Gross Living Area	10	Minutes
Appliances, Swimming Pools, Mechanical Components, Attic Observations	25	Minutes
Break		
Foundation, Crawl Space Observations	10	Minutes
Environmental and Safety Hazards, Repair Requirements	15	Minutes
Utility Services	30	Minutes
Intended Use, As-Is Property Value,	5	Minutes
Final Reconciliation and Conclusion	25	Minutes
Criteria for Manufactured Housing	15	Minutes
Break		
Appraiser Requirements for Manufactured Housing	5	Minutes
Condominium Projects	5	Minutes
Valuation of Leasehold Interests	5	Minutes
Single Family Housing on Indian Lands	5	Minutes

Additional Requirements for Special Energy Related Building Components	10	Minutes
Additional Requirements for Valuation of HUD REO Properties	25	Minutes
Market Conditions Addendum (Fannie Mae Form 1004MC, Freddie Mac Form 71)	10	Minutes
Quality Control Oversight and Compliance	10	Minutes
Appraisal Report and Data Delivery Requirements	5	Minutes
Wrap up	5	Minutes
TOTAL	**350**	**Minutes**

** Break not included in total class time*

The FHA Handbook 4000.1

Written by: Daniel A. Bradley, SRA, CDEI

Version 2.17 and 11.17

Course Description

As the culmination of a project that took over one year to complete, FHA has released the Single Family Housing Policy Handbook, also known as Handbook 4000.1. This Handbook is designed to consolidate FHA requirements into one single authoritative source, instead of having requirements scattered throughout several different handbooks and mortgagee letters. Effective September 14, 2015, Handbook 4000.1 is the “go-to” handbook for appraisers and lenders, and FHA appraisers need to become familiar with its requirements. After the mortgage meltdown of 2006-2009, FHA-insured loans have made a comeback, and now have a significant share of the 1- to 4-family residential lending market. This seminar focuses on the new FHA Handbook 4000.1 with emphasis on revisions to FHA appraisal requirements and protocols. In addition, students will learn how to effectively stay up-to-date with FHA requirements.

For appraisers seeking placement on the FHA Appraiser Roster, this detailed seminar is essential. For the current FHA Roster appraiser, it will provide useful insight and tips.

Course Learning Objectives

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- Identify recent changes to FHA policy
- Recognize minimum property requirements and standards
- Recognize specific FHA property observation requirements, including those for the subject's site, exterior, mechanical systems, and interior
- Recognize FHA valuation and reporting protocols
- Identify and apply additional development and reporting requirements for the appraisal of single-family, manufactured home, condominium, and 2- to 4-family properties
- Identify requirements for HUD REO appraisals
- Identify sources for information on changes to FHA mortgage and appraisal requirements

Course Contents

- **Part 1:** Overview of Single Family Handbook Project and FHA Basics
- **Part 2:** Doing Business with FHA
- **Part 3:** Appraiser and Property Requirements
- **Part 4:** Quality Control, Oversight and Compliance
- **Part 5:** Appraisal Report and Data Delivery Guide
- **Part 6:** Final Thoughts

What we will NOT cover

- Current and future solvency of the FHA Mortgage Insurance Fund
- Actual or suggested FHA appraisal fees
- Line-by-line reading of the new Handbook 4000.1 and Data Delivery Guide (1,000+ pages total)
- The minutiae of UAD protocols and Fannie Mae form contents
- Non-appraisal related requirements, e.g., borrower qualification and underwriting standards

Part 1

- Overview of Single Family Handbook Project

Overview of Single Family Handbook Project and FHA Basics

Handbook project

Handbook goals

Handbook layout

Effective date

- According to HUD's website, the goals of developing this SF Handbook were:
  - Be a single, authoritative source of policy
  - Use clear, consistent, and more direct language
  - Align the flow of the Handbook to the mortgage process
  - Make it easier to understand and implement policy changes

Overview of Single Family Handbook Project and FHA Basics

Handbook project

Handbook goals

Handbook layout

Effective date

- The SF Handbook is divided into five sections:
  - Doing Business with FHA*
  - Origination Through Post-Closing/Endorsement *
  - Servicing and Loss Mitigation
  - Claims and Disposition
  - Quality Control, Oversight and Compliance*

*** Sections that are important to appraisers**

Overview of Single Family Handbook Project and FHA Basics

Handbook project

Handbook goals

Handbook layout

Effective Date

- Originally, the effective date was to be June 15, 2015 but it was extended
- The eventual effective date of the SF Handbook 4000.1 was September 14, 2015
- The Handbook is revised periodically and the effective date of the revisions is noted in the transmittal letter

Part 2

- I. Doing Business with FHA
- B. Other Participants
- 1. Appraisers

Doing Business with FHA - Appraisers

The SF Handbook contains a section titled “Doing Business with FHA – Other Participants in FHA Transactions – Appraisers”

- It includes information on:
- FHA Appraiser Roster
- Roster Eligibility Requirements
- Roster Application Process

Definition

"Appraiser refers to an FHA Roster Appraiser who observes, analyzes, and reports the physical and economic characteristics of a Property and provides an opinion of value to FHA. An Appraiser's observation is limited to readily observable conditions and is not as comprehensive an inspection as one performed by a licensed home inspector."

Doing Business with FHA - Appraisers

FHA Appraiser

In order to do appraisals for FHA loans (including reverse mortgages and REO properties) an appraiser must be listed on the FHA roster

Eligibility

- Must be a state-certified appraiser
- Must not be listed on HUD's Limited Denial of Participation (LDP) list, Credit Alert Verification Reporting System (CAIVRS), or be subject to current loss of standing or suspension as an appraiser in any state

Doing Business with FHA - Appraisers

New Applicant Procedure

FHA roster instructions for new applicants:

http://portal.hud.gov/hudportal/HUD?src=/groups/appraisers

Applicant must meet minimum eligibility requirements

Applications must be submitted online, following step-by-step directions

Applicant must also certify that he or she has "read and fully understands and will comply fully with FHA Single Family Housing Policy Handbook (SF Handbook) and FHA Single Family Housing Residential Appraisal Report and Data Delivery Guide."

Doing Business with FHA - Appraisers

Reinstatement

If you have ever been on the FHA roster, you are not required to go through the same application process as a new applicant

Former roster appraisers must apply for reinstatement

The FHA will reject applications of former roster appraisers who fill out the application as “new” applicants

On the FHA application site, there is a clickable link to access the instructions for reinstatement http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/appr/reinstatements

Doing Business with FHA - Appraisers

Appraiser Competency

- FHA requires the assigned appraiser to be able to complete the assignment for the property type, assignment type, and geographic location of the subject property
- Appraisers must comply with USPAP, including the COMPETENCY RULE, when conducting FHA appraisals
- Appraisers must avoid conflicts of interest, and the appearance of conflicts of interest

Pages 63-64

Confidentiality

"The Appraiser is bound by the confidentiality provisions of the USPAP and may not discuss the value or conclusions of the appraisal with anyone other than the Direct Endorsement (DE) underwriter or FHA staff or their representatives."

The appraiser is permitted to interact with real estate agents and others to provide property access, information, and other market data.

Part 3

- II. Origination Through Post-Closing/ Endorsement
- D. Appraiser and Property Requirements for Title II Forward and Reverse Mortgages

Appraiser and Property Requirements

This section of the SF Handbook is intended to replace Handbooks 4905.1 and 4150.2, as well as several Mortgagee Letters.

It is 70 pages long.

Many of the requirements are the same as previous HUD guidance, but some have changed.

For those new to FHA appraising, and for those who could benefit from a “refresher”, we will cover this section of Handbook 4000.1 in great detail.

Page 480

D. APPRAISER AND PROPERTY REQUIREMENTS FOR TITLE II FORWARD AND REVERSE MORTGAGES

This section has 12 subparts:

1. Commencement of the Appraisal
2. General Appraiser Requirements
3. Acceptable Appraisal Reporting Forms and Protocols
4. Valuation and Reporting Protocols
5. Property Acceptability Criteria for Manufactured Housing
6. Condominium Projects
7. Valuation of Leasehold Interests
8. Additional Appraisal Requirements for 223(e) Mortgages

D. APPRAISER AND PROPERTY REQUIREMENTS FOR TITLE II FORWARD AND REVERSE MORTGAGES, cont'd.

9. Unimproved Property Appraisal
10. Update of an Appraisal
11. Market Conditions Addendum, Fannie Mae Form 1004MC/Freddie Mac Form 71
12. Programs and Products
    a. Section 248 Indian Land Program
    b. Section 247 Hawaiian Homelands Program
    c. 203(k) Program
    d. Special Energy-Related Building Components
    e. HUD REO Properties

Eligibility Requirements

The appraisal process is the mortgagee's tool for determining if a property meets eligibility requirements and standards for an FHA insured mortgage

Mortgagees bear primary responsibility for determining eligibility and sufficiency of collateral

The appraiser provides:

- Preliminary verification that the Property Acceptability Criteria have been met, AND
- An appraised value for the property.

Page 480

Eligibility Requirements, continued

The criteria apply to

- residential properties containing one- to four-family housing units,
- individual condominiums
- manufactured housing units,
- related property improvements,
- the sites on which they are located, AND
- the immediate environment for the dwelling including streets and other services or facilities associated with the site

Page 480

Three operative words

Representatives from FHA have stated in training sessions that the appraiser's obligations in the new Handbook can be boiled down to three operative words:

- **OBSERVE**
- **ANALYZE**
- **REPORT**

The appraiser must:

observe the property and note property conditions

analyze the effect on value and marketability of the observed condition

report the observed condition and the appraiser's analysis of the condition's effect on value and marketability

Observe

You will note that the appraiser's obligations that appear in the new SF Handbook do not include the word "inspect"

FHA now uses the term "observe" in its place, e.g.

"The appraiser must observe the physical condition of the plumbing, heating and electrical systems."

The Handbook does not require the appraiser to

- "inspect"
- "test"
- "certify"

anything related to property condition.

On a side note:
Safe, Sound, Secure – The Three S's

The SF Handbook states:

"The appraiser must observe, analyze, and report that the Property meets HUD's MPR and MPS."

"Minimum Property Requirements (MPR) refer to the general requirements that all homes insured by FHA be safe, sound, and secure.

Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness, and security of New Construction."

Page 483

1. Commencement of the Appraisal

The effective date of the appraisal cannot be before the FHA case number assignment date, unless:

- the mortgagee certifies the appraisal was ordered for conventional or government guaranteed loan purposes, and
- was performed pursuant to FHA guidelines

This is a new assignment because intended users have changed

If a re-inspection of the property is not necessary, the prior effective date can be used

The appraiser must disclose the prior service at the time of the assignment and in the new report certification

1. Commencement of the Appraisal

The appraiser must obtain all of the following from the mortgagee before beginning the appraisal:

- A complete copy of the executed sales contract for the subject (if a purchase transaction)
- Land lease, if applicable
- Surveys or legal descriptions if available
- Any other legal documents contained in the loan file
- A point of contact and contact information for the mortgagee so the appraiser can communicate any noncompliance issues

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Part II D 3. ACCEPTABLE APPRAISAL REPORTING FORMS AND PROTOCOLS

3. Acceptable Appraisal Reporting Forms and Protocols

A table identifying the acceptable reporting for the property/assignment type is included in the Handbook.

Briefly, they are:

1004/70 – Single Family

- Detached, Attached, or semi-detached

1073/465 – Single Unit Condominium

1004C/70B – Manufactured (HUD Code) Housing

Page 482

3. Acceptable Appraisal Reporting Forms and Protocols, continued

1025/72 – Small Residential Income Property Appraisal Report

- Small residential income properties (Two to four units)

1004D/442 – Update of Appraisal

- All property types

HUD-92051 - Compliance or Final Inspection

- New construction or manufactured housing

1004D/442 – Compliance or Final Inspection

- Existing property

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Property Compliance

HUD requires every property to be safe, sound, and secure to be eligible for FHA insurance

The property must comply with HUD's MPR and MPS.

- existing construction must comply with MPR
- new construction must comply with MPR and MPS

These standards and requirements form the basis for

- identifying the deficiencies of the property that the appraiser must note within the appropriate appraisal form, and
- that must be addressed by the mortgagee before closing.

Page 483

Application of MPR and MPS by Construction Status

- **Existing construction** 100% complete for over one year or has been completed for less than one year but has been occupied
- **New construction** has three categories:
  - **Proposed Construction –** No concrete or permanent material has been placed
  - **Under Construction –** construction has begun to 100% complete, but no CO
  - **New Construction Existing Less than One Year –** property is 100% complete and has been completed for less than one year of issuance of the CO, but never occupied

Pages 483-484

Defective Conditions – Definition

Defective Conditions refer to

- defective construction,
- evidence of continuing settlement,
- excessive dampness,
- leakage, decay, termites
- environmental hazards, OR
- other conditions affecting health/safety of occupants, collateral security, or structural soundness of the dwelling.

Page 484

Defective Conditions

Appraiser Responsibility

The appraiser must:

- Identify defective conditions
- Identify defective conditions that are curable and provide an estimated cost to cure

If the appraiser cannot determine that a property meets MPR or MPS, an inspection by a qualified individual or entity is required

The appraiser must:

- identify defective conditions, AND
- provide photographic documentation in the report.

Pages 484-485

Conditions that Require Inspection

Examples of conditions that require an inspection include, but are not limited to:

- standing water against foundation;
- excessively damp basements;
- hazardous materials on the site or within the improvements;
- faulty or defective mechanical systems;
- evidence of structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation);
- evidence of possible pest infestation; OR
- leaking or worn-out roofs.

A **reason** must be given when requiring an inspection of **any** mechanical system, structural system, etc.

Pages 484-485

A. Real Estate Entity

- The subject must be
- a single, marketable real estate entity, and
- it may consist of a primary plot with a secondary plot contributing to use and marketability.

The secondary plot may not be capable of a separate use.

B. Property Rights

The appraiser must contact the mortgagee if the property rights to be appraised are not held in

- Fee Simple or
- Leasehold ownership that complies with HUD requirements

Page 485

ii. Legal and Land Use Considerations

A. Party or Lot Line Wall

A building constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof.

B. Non-Residential Use of Property

Any non-residential use of the property must be subordinate to its

- residential use,
- character, and
- appearance.

The non-residential portion may not exceed 49% of floor area

Page 487

C. Zoning

- FHA requires the property comply with all applicable zoning ordinances.

Illegal property uses are not eligible for FHA insurance.

The appraiser must determine whether the current use complies with zoning ordinances.

If the property does not comply with current zoning but is **accepted** by the zoning authority,

- the appraiser must report the property as “Legal Non-Conforming” and explain.

Page 488

C. **Zoning**, continued

If the use of the property is legal non-conforming, the appraiser must analyze AND report

- any adverse effect from the non-conforming status, AND
- whether the property may be <u>legally</u> rebuilt if destroyed.

Page 488

D. Encroachments

An encroachment **may** cause a property to be ineligible

The appraiser must identify any encroachments of:

- the subject's dwelling, garage, or other improvement onto an adjacent property, right-of-way, utility easement, or AND
- a neighboring dwelling, garage, or other physical structure or improvements on the subject property.

The appraiser must notify the mortgagee if it appears an encroachment affects the subject property, so that the mortgagee may determine eligibility

Page 488

iii. Externalities

Externalities refer to off-site conditions that affect a property's value.

The appraiser must

- consider how externalities affect marketability and value of the subject property,
- report the issue and the market's reaction, and
- address them within the approaches to value

1. Heavy Traffic

The appraiser must

- analyze, and
- report

whether close proximity to a heavily travelled roadway or railway has an effect on the marketability and value of the site because of excess noise and safety issues

2. Airport Noise and Hazards

Appraisers must identify properties affected by

- noise AND
- hazards of low flying aircraft
- because they are near an airport.

The appraiser must

- review airport contour maps, AND
- analyze accordingly

The acceptability of the property must be based on its marketability

Page 489

3. Special Airport Hazards

The appraiser must note if

- the property is located within a Clear Zone (a/k/a Runway Protection Zone) at a civil airport or military airfield, AND
- consider the effect of the airport hazards on the marketability when valuing the subject property.

Existing dwellings, the appraiser must condition the appraisal on the borrower's acknowledgement of the hazard.

Proposed, Under Construction, and Existing Less than One Year are ineligible; the appraiser must notify the mortgagee.

4. Proximity to High Pressure Gas Lines

No dwelling or related property improvements may be located less than 10 feet from the nearest boundary of the easement for an aboveground or subsurface

- high pressure gas pipeline
- liquid petroleum pipeline
- or other volatile and explosive products

The appraiser must notify the mortgagee of the deficiency

Page 490

5. Overhead Electric Power Transmission and Distribution Lines

The appraiser must indicate in the report if overhead power lines or local distribution lines pass directly over any dwelling, structure, or property improvement, including pools and spas

The appraiser must notify the mortgagee if dwelling or improvements are located within an easement or within an unsafe distance to a power line or tower

The appraiser is required to note and comment on the effect on marketability resulting from the proximity to such site hazards and/or nuisances

Pages 490-491

6. Smoke, Fumes and Offensive Odors

The appraiser must notify the mortgagee if

- excessive smoke
- chemical fumes
- noxious odors, stagnant ponds or marshes,
- poor surface drainage, AND/OR
- excessive dampness

threaten the

- health and safety of the occupants, OR
- the marketability of the property.

If these conditions do exist but do not threaten the occupants or marketability, the appraiser must consider their effect on value.

7. Stationary Storage Tanks

The appraiser must notify the mortgagee if the subject is located within 300 feet of

- an aboveground or subsurface stationary storage tank
- with a capacity of 1,000 gallons or more of flammable or explosive material

This includes

- domestic and
- commercial uses,
- including automotive service station tanks.

This generally means the property is ineligible, but remember, the mortgagee is responsible for determining eligibility

Page 491

A. Access to Property

The appraiser must

- note whether there is adequate access to the site, AND
- analyze any effect on value or marketability

Each property must have safe and adequate pedestrian or vehicular access from a public or private street

Adequate vehicular access is defined as

- all-weather road surface over which emergency <u>and</u> typical passenger vehicles can pass at all times.

Pages 491-492

A. Access to Property, continued

Streets must be either

- public or
- retained as private streets with permanent recorded easements, AND
- the appraiser must report evidence of a permanent easement.

A joint maintenance agreement for a private road is not required, however, the appraiser must

- **ask** if a maintenance agreement exists, and
- **comment** on the condition of the private road or lane.

Pages 491-492

iv. Site Conditions

B. On-Site Hazards and Nuisances

The appraiser must

- note
- comment on, AND
- provide photographic evidence, when possible

of all on-site or adjacent hazards and nuisances affecting the subject that may endanger

- the health and safety of the occupants, and/or
- structural integrity, OR
- marketability of the property.

The mortgagee determines eligibility.

Page 492

C. Topography

The appraiser must notify the mortgagee if surface and subsurface water is not diverted from the dwelling to ensure positive drainage away from the foundation

If the

- purchase contract,
- any other documentation,
- or the appraiser's observation

indicates there is dampness because of a foundation issue, then

> **"the appraiser must make the appraisal subject to an inspection by a qualified individual or Entity."**

Page 492

D. Grading and Drainage

The appraiser must check for readily observable evidence of grading and drainage problems and must note any readily observable evidence of standing water adjacent to the foundation

If grading does not provide positive drainage away from the improvements, the appraiser must make the appraisal "subject to repair"

G. Oil or Gas Wells

The appraiser must

- examine the site for readily observable evidence of an oil or gas well, AND
- report the distance from the dwelling

Distance is measured from the dwelling to the site boundary, not to the actual well site.

The appraiser must notify the mortgagee of the deficiency if the dwelling is located with 75 feet of an operating or proposed gas or oil well

If the appraiser notes an abandoned gas or oil well on the subject or adjacent property, the appraiser must stop work and notify the mortgagee

Page 494

I. Property Eligibility in Special Flood Hazard Areas

Appraisers are required to

- review the FEMA Flood Insurance Rate Map (FIRM), and
- make appropriate notations on the applicable appraisal reporting form, including the map panel number and date

If the property appears to be located within a Special Flood Hazard Area (Zones A and V), the appraiser must attach a copy of the flood map panel to the appraisal report

If the property is not shown on any map, enter “not mapped”

Page 495

L. Mineral, Oil and Gas Reservations

The appraiser must consider the **degree** to which

- the residential benefits may be impaired, or
- the property damaged by the exercise of the rights set forth in oil, gas and mineral reservations.

Consideration should be given to the following:

- the infringement on property rights of the fee owner caused by the rights granted by the reservation or lease; AND
- the hazards, nuisances, or damages that may arise or accrue to the subject property from the exercise of reservation or lease privileges on neighboring properties

Page 496

M. Soil Contamination

Appraiser must check for readily observable evidence of hazardous substances including:

- USTs used for heating oil,
- pools of liquid, pits, ponds, lagoons,
- stressed vegetation,
- stained soils or pavement, or
- drums or odors.

The appraiser must note the proximity to

- dumps,
- landfills,
- industrial sites, or
- other sites that could contain hazardous wastes

that may have a negative influence on the marketability and/or value of the subject property.

v. New Construction Site Analysis

For appraisals of

- proposed construction
- under construction, or
- properties less than one year old,

the appraiser must receive

- a fully executed form HUD-92541, *Builder's Certification of Plans, Specifications, and Site,*
- signed and dated no more than **30 days prior** to the date the appraisal was ordered,
- BEFORE performing the appraisal

The appraiser must review the form and analyze any discrepancies between the information provided by the builder and the appraiser's observations

Page 497

vi. Excess and Surplus Land

The appraiser must distinguish

- “Excess Land” from
- “Surplus Land.”

Excess land refers to land not needed to serve or support the existing improvement.

The highest and best use of **excess land** may or may not be the same as that of the improved parcel.

Excess land may have the potential to be sold separately

Page 497

vi. Excess and Surplus Land

Surplus Land refers to land that

- is not currently needed to support the existing improvement,
- **but** cannot be separated from the property and sold off.

Surplus land

- does not have an independent highest and best use, and
- may or may not contribute to the value of the improved parcels

Page 497

vi. Excess and Surplus Land

i. Excess and Surplus Land, continued

A highest and best use analysis must be included to support the appraiser's conclusion of **excess land**.

If the subject contains

- two or more legally conforming platted lots under one legal description and ownership, AND
- the second vacant lot is capable of being divided and/or developed as a separate parcel,

the second lot

- is treated as **excess land**, AND
- the value of the second lot must be **excluded** from the final value conclusion.

Page 497

A. Requirements for Living Unit

Each living unit must contain:

- a continuing and sufficient supply of safe and potable water under adequate pressure and of appropriate quality for all household uses
- sanitary facilities and a safe method of sewage disposal
- at least one bathroom which must include at a minimum, a water closet, lavatory, and a bathtub or shower
- adequate space for healthful and comfortable living conditions
- heating adequate for healthful and comfortable living conditions

Pages 497-498

A. Requirements for Living Unit, continued

Each living unit must contain:

- domestic hot water
- electricity adequate for lighting, cooking and for mechanical equipment used in the living unit.

FHA does not have a minimum size requirement for one- to four-family dwellings and condominium units.

Manufactured Housing units do have a minimum size requirement of 400 SF.

(Other Manufactured Housing requirements will be addressed later in this material.)

Pages 497-498

B. Access to Living Unit

Access to the living unit must be provided

- without passing through any other living unit.

Access to the rear yard must be provided

- for attached dwellings, access may be by means of alley, easement, common area, or passage through the dwelling

If access is deficient, the appraiser must notify the mortgagee

The appraiser must report when the subject property has security bars on bedroom windows or doors

Page 498

vii. Characteristics of Property Improvements

C. Non-Standard House Styles

For unique properties

- e.g., a log house, earth sheltered housing, dome houses, houses with lower-than-normal ceiling heights, etc.,

the appraiser must provide a comment that the property

- is structurally sound,
- readily marketable, AND
- the appraiser must apply appropriate techniques for analysis and evaluation

The appraiser may require

- additional education,
- experience, AND/OR
- assistance for these types of properties

D. Modular Housing

Modular Housing refers to dwellings constructed

- according to state and local codes
- off-site in a factory,
- transported to a building lot, and
- assembled by a contractor into a finished house.

Although quality can vary, all of the materials

- framing
- roofing and plumbing
- cabinetry,
- interior finish
- electrical

are identical to comparable quality conventional “stick-built” housing.

D. Modular Housing, continued

Modular Housing

- **IS NOT** considered Manufactured Housing for FHA insurance purposes,
- **IS** treated the same as stick-built housing
- **IS** reported on the same form as stick-built housing (not the 1004C).

Appropriate comparable sales must be

- selected AND
- analyzed.

Appropriate comparable sales may include:

- conventionally built housing,
- modular housing, or
- manufactured housing.

E. Identifying an Accessory Dwelling Unit

An ADU refers

- to a habitable living unit,
- added to, created within, or detached from a primary one-unit single family dwelling,
- constituting a single interest in the real estate.

An ADU is a

- separate additional living unit which includes
  - kitchen,
  - sleeping, and
  - bathroom facilities.

Page 499

E. Identifying an Accessory Dwelling Unit, continued

The appraiser will determine if the property classifies as a

- single-family dwelling with an ADU, OR
- a two-family dwelling.

The appraiser must notify the mortgagee if the property has more than one ADU

An ADU is usually

- subordinate in size, location and appearance to the primary house, and
- may or may not have separate means of ingress or ingress.

The living area of the ADU **must not** be included in the GLA of the primary dwelling.

Page 499

d. Gross Living Area (GLA)

GLA is the total area of

- finished,
- habitable,
- above-grade living space

The appraiser must:

- identify non-contiguous living area and analyze its effect on functional utility;
- ensure finished basements and unfinished attic areas are not included in total GLA;
- use the same measurement techniques for the subject and the comparable sales; AND
- report the building dimensions in a consistent manner.

Page 500

d. Gross Living Area (GLA)

When any part of a finished level is below grade, all of that level is reported as below grade finished area, AND considered on a different line in the appraisal report

UNLESS the market considers it to be partially below-grade **habitable** space. (definition coming up shortly)

In the case of non-standard properties and floor plans, the appraiser must

- observe,
- consider,
- analyze, AND
- report the market expectations and reactions to the unique property.

Page 500

iii. Additions and Converted Space

Room additions and garage conversions are to be treated as part of the GLA provided that the addition/conversion space:

- is accessible from the interior of the main dwelling in a functional manner,
- has a permanent and sufficient heat source, AND
- was built in keeping with the design, appeal, and quality of construction of the main dwelling.

Room additions and garage conversions which do NOT meet this criteria are to be addressed as a separate line item in the sales grid, <u>not in GLA</u>.

Pages 500-501

iii. **Additions and Converted Space,** continued

Appraisers must analyze and report differences in functional utility when selecting comparable properties of similar total GLA that do not include converted living space.

If the appraiser chooses to include converted living space as GLA, the appraiser must include an explanation of:

- the composition of the GLA reported for the comparable sales,
- the functional utility of the subject and comparable properties, AND
- the market's reaction

Page 501

d. Gross Living Area (GLA)

iv. Partially Below-Grade Habitable Space

This is defined as “living area constructed partially below grade, but has the full utility of GLA.”

This space may have the full utility of GLA, but does **not** meet its strict definition.

The appraiser must report:

- the design and measurements of the subject,
- the market acceptance or preference,
- how the levels and areas of the dwelling are being calculated and compared, AND
- the effect this has on the analysis.

v. Bedrooms

The acceptability of a bedroom requires

- windows or
- a door

that can accommodate ingress/egress in an emergency, **regardless of location above or below grade**.

If a room does not have ingress/egress, the appraiser must not identify the room as a bedroom.

Page 501

e. Appliances

Appliances are:

- Refrigerators
- Ranges/ovens
- Dishwashers
- Disposals
- Microwaves
- Washers/dryers

Note: this section of the Handbook was revised effective 9/30/2016.

"Appliances that are to remain and that contribute to the market value opinion must be operational."

"The Appraiser must note all appliances that remain and contribute to the Market Value."

It does not state who must operate the appliances, but since this is in the appraisers' section of the Handbook…you can draw your own conclusions.

Pages 501-502

f. Swimming Pools

Swimming pools must be operational to provide contributory value

The appraiser must report readily observable defects in a non-covered pool that would render the pool inoperable or unusable

Appraiser must require that pools with <u>unstable sides or structural issues</u> be

- repaired, OR
- permanently filled in accordance with local guidelines, AND the surrounding land re-graded if necessary

Page 502

f. Swimming Pools, continued

If the swimming pool has been

- winterized, OR
- the appraiser cannot determine if the pool is in working order,

the appraiser is to complete the appraisal

- with the **extraordinary assumption** that the pool and its equipment can be restored to full operating condition at normal costs.

Page 502

g. Mechanical Components and Utilities

Mechanical systems must be:

- safe to operate
- protected from destructive elements
- have reasonable future utility, durability and economy, AND
- have adequate capacity.

If they are not, the appraiser must notify the mortgagee

The appraiser must observe the physical condition of the

- plumbing,
- heating, AND
- electrical systems.

The appraiser must

- operate applicable systems, AND
- observe their performance.

g. Mechanical Components, continued

If the systems are

- damaged, OR
- do not function properly,

the appraiser must condition the appraisal on

- repair, OR
- further inspection.

For vacant properties, the appraiser must note in the report whether the utilities were on or off at the time of the appraisal.

Page 502

g. Mechanical Components, continued

If utilities are <u>not</u> on, and the systems could not be operated, the appraiser must:

- render the appraisal as subject to re-observation;
- condition the appraisal upon further observation to determine if the systems are in proper working order once the utilities are restored; AND
- complete the appraisal under the extraordinary assumption that utilities and mechanical systems, appliances, etc., are in working order.

Pages 502-503

g. Mechanical Components, continued

The appraiser must note that

- re-observation may result in additional repair requirements once all the utilities are on and fully functional

If systems could not be operated due to weather conditions, appraiser must clearly note this in the report

Appraiser should not operate the systems if

- doing so may damage equipment, OR
- outside temperatures will not allow the system to operate

Electrical, plumbing, and/or heating/cooling **certifications** may be required <u>if</u> appraiser cannot determine if the systems are working properly

Page 503

i. Heating and Cooling Systems

The appraiser must examine the heating system to determine if the heating system is adequate for healthful and comfortable living conditions, regardless of

- design
- fuel, OR
- heat source

The appraiser must notify the mortgagee if the heating system does not:

- automatically heat the living areas of the house to a minimum of 50 degrees F in all GLAs, AND
- in non-GLAs containing building or system components subject to failure or damage due to freezing;

Page 503

g. Mechanical Components

The appraiser must notify the mortgagee if the heating system does not: (continued from previous page)

- provide healthful and comfortable heat or is not safe to operate;
- rely upon a fuel source that is readily obtainable within the subject's geographic area;
- have market acceptance within the subject's marketplace; AND
- operate without human intervention for extended periods of time.

Page 503

i. **Heating and Cooling Systems,** continued

Central air conditioning is not required, but, <u>if installed</u>, must be operational.

If the AC system is not operational, the appraiser must

- indicate the level of deferred maintenance,
- consider the effect on marketability, AND
- include the cost to cure.

Page 503

ii. Electrical System

The appraiser must notify the mortgagee of a deficiency if the electrical system is not adequate to support the typical functions performed in the dwelling without disruption, including appliances adequate for the type and size of the dwelling.

The appraiser must examine the electrical system to ensure that there is

- no visible frayed wiring, or
- exposed wires in the dwelling, including garage and basement areas, AND
- note if the amperage and panel size appears inadequate for the property.

Page 503

g. Mechanical Components

ii. Electrical System, continued

The appraiser must operate a sample of

- switches,
- lighting fixtures, AND
- receptacles

inside the house, garage and on the exterior walls, and note any deficiencies.

The appraiser is not required

- to insert any tool, probe or testing device inside the electrical panel, OR
- to dismantle any electrical device or control.

iii. Plumbing System

The plumbing system must function to supply

- water pressure,
- flow, AND
- waste removal.

The appraiser must

- flush toilets, AND
- operate a sample of faucets

to determine that the system

- is intact,
- does not emit foul odors,
- faucets function appropriately,
- that both cold and hot water run, AND
- there is no readily observable evidence of leaks or structural damage under fixtures.

g. Mechanical Components

iii. Plumbing, continued

The appraiser must examine the **water heater** to ensure that

- it has a temperature and pressure-relief valve with piping to safely divert escaping steam or hot water.

If the property has a septic system, the appraiser must examine it for any signs of

- failure OR
- surface evidence of malfunction

If there are deficiencies, the appraiser must require

- repair, OR
- further inspection.

Page 504

h. Roof Covering

The appraiser must notify the mortgagee if the roof covering does not:

- prevent entrance of moisture,
- provide reasonable future utility, durability and economy of maintenance, AND
- have a remaining physical life of at least two years

The appraiser must observe the roof to determine if there are deficiencies that

- present a health and safety hazard, or
- do not allow for reasonable future utility

The appraiser must identify the roof material type <u>and</u> observed condition in the Improvements section of the report

Page 504

h. Roof Covering, continued

The appraiser must

- report if the roof has less than two years remaining life, AND
- make the appraisal subject to inspection by a professional roofer.

If unable to view the roof, the appraiser must explain why the roof is unobservable, and report the results of the assessment of

- the underside of the roof,
- the attic,
- and the ceilings.

Page 504

i. Structural Conditions

The foundation and structure of the property must be serviceable for the life of the mortgage.

The appraiser must

- perform a visual observation of the foundation and structure of the improvements, AND
- report the results.

If any structural issues are noted, the appraiser must

- address the nature of the deficiency in the appraisal where physical deficiencies or adverse conditions are reported, AND
- require inspection, if appropriate.

Page 504

j. Defective Paint

If the dwelling and/or related improvements were built **after** 1978, the appraiser must

- report all defective paint surfaces on the exterior, AND
- require repair of any defective paint that exposes the subsurface to the elements.

Lead based paint is addressed in a different section “n. Environmental and Safety Hazards” of the new Handbook.

For purposes of this course, lead-based paint requirements will be presented out of order on the following slides.

Page 505

n(i). Lead-Based Paint

For improvements built BEFORE 1978, the appraiser must

- note the condition and location of all defective paint on the property, AND
- require repair in compliance with 24 CFR 200.810 (c) and applicable EPA requirements.

The appraiser must observe all interior and exterior surfaces e.g., stairs, deck, porch, railings, windows, doors

for defective paint

- Defective paint is cracking, scaling, chipping, peeling, or loose

Page 507

n(i). Lead-Based Paint, Improvements Built on or Before 1978, continued

Exterior surfaces include

- fences
- detached garages
- storage sheds, AND
- other outbuildings and appurtenant structures

For condos built before 1978, the appraiser must

- observe the interior of the unit, exterior surfaces and appurtenant structures of the specific unit being appraised ,
- address the overall condition, maintenance and appearance of the Condo Project;
- note the condition <u>and</u> location of all defective paint in the unit; AND
- require repair.

k. Attic Observation Requirements

The appraiser is required to observe the interior of all attic spaces.

The appraiser is not required to

- disturb insulation
- move personal items, furniture, equipment or debris

If unable to view the area safely in its entirety, the appraiser must

- contact the mortgagee AND reschedule a time when a complete visual observation can be performed, OR
- complete the appraisal subject to inspection by a qualified third party.

Page 505

k. Attic Observation Requirements, continued

If access through a scuttle is limited and the appraiser cannot fully enter the attic:

- the insertion of at least the head and shoulders of the appraiser will suffice.

If there is evidence of a deficient condition

- e.g., water-stained ceiling or smell of mold

the appraiser must

- report this condition, AND
- render the appraisal as subject to inspection <u>and</u> repairs, if necessary.

If there is no access or scuttle, the appraiser must report the lack of accessibility to the area in the appraisal report.

There is no requirement to cut open walls, ceilings or floors.

Page 505

I. Foundation

The appraiser must examine the foundation for readily observable evidence of safety or structural deficiencies that may require repair.

If a deficiency is noted, the appraiser must:

- describe the nature of the deficiency, AND
- note necessary repairs, alterations or required inspections in the appraisal report where physical deficiencies or adverse conditions are reported.

Page 505

I. Foundation, continued

For Manufactured Housing, the appraisal must be conditioned upon

- the certification of an engineer or architect that the foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH).

i. Basements

The appraiser must notify the mortgagee of the deficiency if the basement is not free of:

- dampness or wetness, or
- any obvious structural problems that would affect health and safety or structural soundness.

Page 505

m. Crawl Space Observation Requirements

The appraiser must **visually observe all areas of the crawl space**, and must notify the mortgagee of the deficiency when the crawl space does not satisfy any of the following criteria:

- the floor joists must be sufficiently above ground level to provide access for maintaining and repairing ductwork and plumbing;
- if the crawl space contains any system components, the minimum required vertical clearance is 18 inches between grade and the bottom of the floor joists;
- the crawl space must be properly vented unless mechanically conditioned;
- the crawl space must be free of trash, debris, and vermin;

Page 506

m. Crawl Space Observation Requirements

The appraiser must notify the mortgagee if the crawl space does not satisfy the following criteria:

- the crawl space must not be excessively damp and must not have any water pooling.

if moisture problems are evident, a vapor barrier and/or prevention of water infiltration <u>must</u> be required.

If access through a scuttle is limited and the appraiser cannot fully enter the crawl space,

- the insertion of <u>at least</u> the head and shoulders of the appraiser will suffice.

Page 506

m. Crawl Space Observation Requirements, continued

If there is no access to the crawl space, but there is evidence of a deficient condition, e.g., water stained sub-flooring or smell of mold, the appraiser must

- report this condition, and
- the mortgagee must have a qualified third party perform an inspection.

If there is no access, the appraiser must report the lack of accessibility.

Not all houses (especially historic houses) with a vacant area beneath the floor are considered to have a crawl space; it may be an intentional void, with no mechanical systems and no intention or reason for access.

Page 506

n. Environmental and Safety Hazards

The appraiser must report known

- environmental and safety hazards , AND
- adverse conditions

that may affect the

- health and safety of the occupants,
- the property's ability to serve as collateral, AND
- The structural soundness of the improvements

Examples include

- defective lead-based paint,
- mold,
- toxic chemicals,
- radioactive materials,
- other pollution,
- hazardous activities, AND
- potential damage from soil or ground movements, subsidence, flood and other hazards

Pages 506-507

n. Environmental and Safety Hazards

ii. Methamphetamine Contaminated Property

If the mortgagee or the appraiser identifies a property as contaminated by the presence of “meth,” either by its manufacture or by consumption, the appraiser must render the appraisal subject to the property being **certified safe for habitation**.

If the effective date of the appraisal is

- AFTER certification that the property (site and dwelling) is safe for habitation, AND
- the lender has provided a copy of the certification by the certified hygienist,

the appraiser must include a copy of the certification in the appraisal report.

The appraiser must address issues of stigma and impact on value and marketability.

Page 507

iii. Wood Destroying Insects/ Organisms/Termites

The property must be free of wood destroying insects and organisms.

The appraiser must observe the **foundation** and **perimeter of the buildings** for evidence of wood destroying pests.

Page 508

iii. Wood Destroying Insects/ Organisms/Termites, continued

The appraiser's observation is <u>not required to be at the same level as a qualified pest control technician.</u>

If there is evidence of infestation, including prior treatment, the appraiser must

- mark the evidence of infestation box in the "Improvements" section of the report, AND
- make the appraisal subject to inspection by a <u>qualified pest control specialist.</u>

Page 508

o. Repair Requirements

When examination of new or existing construction reveals non-compliance with MPR and MPS, the appraiser must

- note the repairs necessary to make the property comply
- provide an estimated cost to cure,
- provide descriptive photographs, AND
- condition the appraisal for the required repairs

“Regardless of the appraiser’s suggested repairs, the Mortgagee will determine which repairs are required.”

Page 508

i. Limited Required Repairs

The appraiser must limit required repairs to those repairs necessary to:

- maintain safety, security, and soundness,
- preserve the continued marketability of the property, AND
- protect the health and safety of the occupants.

If an element is functioning well but has not reached the end of its useful life, the appraiser should not recommend replacement simply because of age.

Page 508

o. Repair Requirements

ii. As-Is Condition and Cosmetic Repair

The appraiser may complete an as-is appraisal for existing property when

- minor property deficiencies (which general result from deferred maintenance and normal wear and tear) do not affect the
- health and safety of the occupants, OR
- the security and soundness of the property.

Cosmetic/minor repairs are not required; however,

- they must be reported by the appraiser, AND
- considered in the overall condition when rating and valuing the property.

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ii. As-Is Condition and Cosmetic Repair, continued

Examples of cosmetic repairs include:

- missing handrails that do not pose a threat to safety,
- holes in window screens,
- cracked window glass,
- defective interior paint surfaces in housing built after 1978,
- minor plumbing leaks that do not cause damage (e.g., dripping faucet, etc.), AND
- other inoperable or damaged components that in the appraiser's professional judgment do not pose a heath or safety issue

Page 508

iii. Individual Water Supply Systems

When an individual water supply system is present:

- water quality must meet the requirements of the health authority with jurisdiction.

If there here are no local (state) water quality standards, the water must be potable, which may be demonstrated by compliance with the current EPA Manual of Individual and Non-Public Water Supply Systems.

Page 510

iii. Individual Water Supply Systems, continued

Soil poisoning is an unacceptable method for treating termites UNLESS satisfactory assurance is provided that the treatment will not endanger the quality of the water supply.

Requirements for the location of wells for FHA-insured properties are found in a different section of the Handbook (II A 3 O 2)

The following slides are excerpts from the Handbook, pages 167 and 168

Page 510

MPR Water Supply Distances

Existing Construction:

- Property line: 10 feet
- Septic tank: 50 feet
- Drain field: 100 feet
- Septic tank drain field reduced to 75 feet if allowed by local authority

If subject property line is adjacent to **residential property,** local well distance requirements prevail.

If subject property is adjacent to **nonresidential property or roadway**, a separation distance of at least 10 feet from the property line is required.

p. Utility Services

Water Wells

The complete table is presented in a different section of the Handbook.

The following slides are excerpts from the Handbook, pages 167-168.

New Construction MPS

- lead free piping
- if no local chemical and bacteriological water standards, state standards apply
- connection of public water whenever feasible
- wells must deliver water flow of five gallons per minute over at least a four-hour period

Water Wells

Existing Construction MPR

- existing wells must deliver water flow of three to five gallons per minute
- no exposure to environmental contamination
- continuing supply of safe and potable water
- domestic hot water
- water quality must meet requirements of local jurisdiction or the EPA if no local standard

iii (C) (1) Conditions for Individual Water Supplies

A well located within the foundation walls of

- an existing dwelling is acceptable only if there is evidence that the local jurisdiction recognizes and permits such a location;
- new construction dwelling is acceptable only in arctic and sub-artic regions.

If water supply is a dug wells cistern or holding tank used in conjunction with water purchased and hauled to the site

- The appraiser must report whether such systems are readily accepted by local market participants and that the water supply system may violate MPR or MPS

Pages 510-511

Conditions for Individual Water Supplies, continued

The appraiser must notify the mortgagee of a deficiency if the subject property has a water source that includes:

- A mechanical chlorinator;
- Spring, lake, or river;
- Sandpoint well or Artesian well

A pressure tank with a minimum capacity of 42 gallons must be provided

Pre-pressurized tanks and other pressurizing devices are acceptable, if delivery meets or exceeds that of a 42-gallon tank

Page 511

2. Required Analysis and Reporting

The appraiser must note any readily observable deficiencies regarding the well and require test or inspection if any of the following apply:

- The water supply relies on a water purification system due to the presence of contaminants
- corrosion of pipes (plumbing)
- areas of intensive agricultural uses within one quarter (¼) mile;
- coal mining or gas drilling operations within ¼ mile
- dump, junkyard, landfill, gas station, dry cleaner within ¼ mile
- unusually objectionable smell, taste, or appearance of water

Page 511

Required Analysis and Reporting, continued

The appraiser must also

- be familiar with the minimum distance requirements between private wells and sources of pollution, AND
- comment on them, if discernible.

The appraiser is <u>not required</u> to sketch or note distances between well, property lines, septic tanks, drain fields, or building structures, but may provide estimated distances when they are comfortable doing so.

Page 511

p. Utility Services

iv. Shared Wells

A shared well that services 2-4 homes where there is a shared well agreement between the property owners is acceptable if it meets FHA requirements

v. Community Water Systems

This is a system owned, operated, and maintained by a private corporation or HOA

If a property is on a community system, the appraiser must note the name of the water company in the report

Appraiser must report the availability of public and/or community water and sewer systems

Pages 511-512

vi. Individual Residential Water Purification Systems

If a property is served by an individual residential water purification system, the appraiser must indicate which type of system is installed on the property, either:

- Point-of entry, or
- Point-of-use

The appraiser must report the conditions requiring connection to the individual residential water purification system.

This section was added to the Handbook effective 9/30/16

Page 512

q. Onsite Sewage Disposal Systems

"An Onsite Sewage Disposal System refers to wastewater systems designed to treat and dispose of effluent of the same Property that produces the wastewater."

If not served by an off-site sewer system, each living unit must be provided with a sewage disposal system adequate to dispose of all domestic wastes.

The appraiser must visually inspect

- the on site system, and
- its surrounding area.

If there are readily observable signs of a system failure, the appraiser must require an inspection to ensure that the system is in proper working order.

Pages 512-513

Onsite Sewage Disposal Systems, continued

The appraiser must report on the availability of public sewer to the site

The appraiser must note the deficiency if the appraiser has evidence that the onsite sewage disposal system is not sufficient

Page 513

Part II D 4. VALUATION AND REPORTING PROTOCOLS

a. Photograph, Exhibits and Map Requirements

The report must contain

- a legible street map showing
  - the location of the subject AND
  - each of the comparable sales, rentals, listings, etc. presented in the report.
- additional legible street maps
  - IF there are substantial distances between the subject and the comparables.

The appraiser must include a building sketch which shows

- GLA
- all exterior dimensions of the house, patios, porches, decks, garages, breezeways, outbuildings contributing value
- “covered” or “uncovered” to indicate a roof or no roof (such as over a patio).

a. Photograph, Exhibits and Map Requirements, continued

The calculations used to arrive at the estimated GLA must be shown in the appraisal report.

- An interior sketch or floor plan is only required for properties exhibiting functional obsolescence <u>attributable to the floor plan design</u>.

The Handbook contains a table identifying FHA minimum photograph requirements.

They appear on the next several slides.

Page 513

a. Photograph, Exhibits and Map Requirements, continued

Subject exterior

- front and rear at opposite angles showing all sides of the dwelling
- improvements with contributory value not captured in the front or rear photo
- street scene to include a portion of the subject site

For new construction

- Photographs that depict the subject's grade and drainage

For proposed construction

- a photo showing the grade of the vacant lot

Page 513

a. Photograph, Exhibits and Map Requirements, continued

Subject interior

- kitchen, main living area, bathroom, bedrooms
- any other room representing overall condition
- basement, attic, and/or crawl space
- recent updates such as restoration, remodeling and renovation

For 2- to 4-unit properties, also include

- photos of common areas, hallways, etc.

Page 514

a. Photograph, Exhibits and Map Requirements, continued

Comparable Sales, Listings, Pending Sales, Rentals, etc.

- photos depicting the front view of each comparable used by the appraiser
- photo should be taken at an angle to depict both the front and the side
- use of MLS photos to exhibit comparable condition at the time of sale is acceptable

<u>HOWEVER,</u> appraisers <u>must include their own photographs</u> to document compliance [with the required scope of work]

Page 514

a. Photograph, Exhibits and Map Requirements, continued

Subject Property Deficiencies

- photos of the deficiency or condition requiring inspection or repair

Condominium Projects

- additional photos of the common areas and shared amenities of the project

Although these satisfy FHA's minimum requirements, the appraiser should include any

- additional exterior and/or interior photos,
- reports, studies, analysis, or copies of prior listings

in support of the appraiser's observation and analysis.

Page 514

b. Intended Use and Intended Users of Appraisal

The intended use of the appraisal is “solely to assist in FHA in assessing the risk of the property securing the FHA-insured Mortgage.”

FHA and the Mortgagee are the intended users of the report.

FHA appraisals are <u>not</u> a guarantee that the property is free from defects

The appraisal establishes the value of the property for mortgage insurance purposes only.

Page 514

c. Development of the Market Value

The appraiser must determine the market value of the property.

The appraiser must analyze all data researched and collected prior to reporting the value.

- Conditions of the property, mortgage type and/or the market will determine if the appraisal is to be performed:
  - As-is, or
  - Subject to an additional inspection, or completion of construction, repairs, or alterations
    - extraordinary assumption
    - hypothetical condition

ii. Appraisal Conditions

The appraisal report must state whether

- repairs, alterations or inspections

are necessary to eliminate conditions threatening

- the continued use,
- security, AND
- marketability of the property.

The Handbook contains a table of the appropriate appraisal conditions based upon the appraiser's assignment conclusions.

Page 516

iii. Valuation Development

Three valuation approaches apply to 1- to 4-unit properties

- Sales comparison approach
- Cost approach
- Income approach

The application of each of these approaches requires the appraiser to obtain

- credible AND
- verifiable data.

The appraiser must perform a highest and best use of the property, using all four tests, and report the results of that analysis.

Pages 516-517

c. Development of the Market Value

iii. Valuation Development, continued

The appraiser must verify the

- characteristics of the transaction
  - sale, price, date, seller concessions, conditions of sale, AND
- characteristics of the comparable property at the time of sale

through reliable data sources.

The appraiser must verify

- Transactional data via parties to the transaction
  - Agents, buyers, sellers, mortgagees, etc.

If the sale cannot be verified by a party to the transaction, the appraiser may rely on public records or another verifiable impartial source

iii. Valuation Development, continued

MLS records and property site visits alone **ARE NOT ACCEPTABLE VERIFICATION SOURCES.** [Emphasis added.]

D. Effective Age and Remaining Economic Life

The effective age reflects the condition of the property relative to similar competitive properties.

The effective age may be

- greater than,
- less than, OR
- equal to

the actual age.

D. Effective Age and Remaining Economic Life

Any significant difference between the actual and the effective ages requires an explanation.

The appraiser must provide an explanation if the remaining economic life is less than 30 years.

The remaining economic life must be stated as a

- single number OR
- as a range

for all property types, including condominiums.

Page 517

E. Approaches to Value

"The appraiser must consider and attempt all approaches to value and must develop and reconcile each approach that is relevant."

(1) Cost Approach

- The appraiser may use any credible and recognized methods to complete the cost approach
- If the cost approach is applicable the appraiser must estimate the site value
- The site value is not required <u>if</u> the appraiser does not complete the cost approach

Pages 517-518

iii (E) (3) Sales Comparison Approach

The sales comparison approach is **REQUIRED** for all appraisals completed for FHA-insured financing.

The appraisal report must present the

- data,
- points of comparison and analysis,
- support for the appraiser's choices of comparable properties,
- support for the adjustments for dissimilarities to the subject, AND
- include sufficient description and explanation to support the facts, the analyses, and the conclusions of the appraiser.

Page 519

c. Development of the Market Value

Sales Comparison Approach, continued

If data from the market area is insufficient to support some of these requirements,

- the appraiser must provide the best information available, AND

include an explanation of

- the issue,
- the data available,
- the conclusions reached, AND
- the steps taken by the appraiser to attempt to meet the guidelines.

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iii (E) (3) (c) Comparable Sale Selection

- An appraiser must use arm's length transactions as comparables
- Unless there is evidence that REO or short sales are so prevalent that normal arm's length transactions are not present or supported by market trend

An arm's length transaction refers to a transaction

- between unrelated parties
- and meets the requirements of market value

A foreclosure transfer to a mortgagee is not evidence of market value, and is not a valid comparable sale

Page 520

Comparable Sale Selection, continued

The following common types of property transfers require investigation and analysis to ensure they meet the definition of an arm's length transaction.

- REO sale – transfer from mortgagee to new owner
- short sale/PFS
- estate sale
- court ordered sale
- relocation sale
- flip transactions

Pages 520-521

Comparable Sale Selection, continued

The appraisal report must include as many comparable properties as are

- necessary to support the appraiser's analysis and conclusions.

At a minimum, the appraiser is required to include

- the most recent, AND
- relevant sales,
- preferably within the last six months [of the effective date].

The appraiser MUST include

- **at least 3 sales that settled no longer than 12 months prior to the effective date of the appraisal.**

Page 521

iii (E) (3) (d) Adjusting Comparable Properties

Calculation of the contributory value includes methods based on the

- direct sales comparison approach;
- cost approach; AND
- income approach.

Appraisers are required to

- apply all appropriate techniques and methods,
- analyze,
- and report the results.

The appraiser must include the reasoning that supports the analyses, opinions, and conclusions in the report.

Page 521

iii (E) (3) (e) Comparable Selection in Diverse Real Estate Markets

Comparable sales should be selected based on similar

- locational and
- physical characteristics;
- NOT sales price.

Subdivisions, Condominium or Planned Unit Development Projects

The best indicator of value is

- arm's length resale activity
- from within the established subdivision, condo, or PUD project.

Subdivisions, Condo, PUD Projects, continued

If the appraiser uses sales of comparable properties located outside the subject's subdivision/project

- the analysis must include an explanation to reflect typical borrower expectations and behavior.

For properties in new subdivisions or units in new (or recently converted) condo projects,

- the appraiser must include properties within the subject market area, AND
- properties within the subject subdivision or project.

Page 522

Subdivisions, Condo, PUD Projects, continued

When possible, the comparable selection must include

- at least one sale from a competing subdivision or project, AND
- one sale from within the subject subdivision or project.

If the new project is mature enough to have experienced arm's length resales

- those properties must also be analyzed AND reported.

Page 522

iii (E) (3) (f) Comparable Sale Selection in Rural and Slow Growth Markets

If insufficient comparable sales exist within the previous six months,

- the appraisal report must include at least 3 sales that occurred in less than 12 months prior to the date of appraisal.

In markets with a scarcity of recent comparable sales, sales older than 12 months may be included as additional sales.

The appraiser must provide a thorough explanation of market conditions and supply and demand, and the reason for a lack of recent sales data.

Page 522

iii (E) (3) (g) Sales Concessions

Sales concessions refer to

- non-realty items,
- upgraded features in newly constructed homes, AND
- special financing incentives.

Adjustments for sales concessions are **not** calculated on the dollar for dollar cost of the concession

The amount of the adjustment should approximate the market's reaction to the concession based on the appraiser's analysis

The adjustment should reflect the difference between the sales price **with** the concession, and that the property would have sold for **without** the concession

Pages 522-523

Sales Concessions, continued

The appraiser must

- verify ALL comparable sales transactions for seller concessions, AND
- report those finding in the appraisal.

The appraiser must clearly state how and to what extent the sale was verified.

If the sale cannot be verified with someone who has first-hand knowledge of the transaction (i.e., buyers, sellers, or one of their representatives), the appraiser must <u>report the lack of verification</u>

Page 523

iii (E) (3) (h) Bracketing

Bracketing refers to selecting comparable properties with features that are superior to and inferior to the subject features

The appraiser **must** use bracketing techniques when possible and appropriate

Comparable properties are selected based on the principle of substitution

Comparable properties should **not** be chosen only because their prices bracket a desired or estimated value

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iii (E) (3) (i) Market Conditions (Time) Adjustments

Reflect the value changes in the market between the date of contract of the comparable sale and the effective date of the appraisal

If a “market-to-market” (time) adjustment is warranted, it must be applied to the date of the contract rather than the date of closing or deed recordation

The appraiser must provide a summary comment and support for all conclusions related to the trend of the current market

Page 524

iii (F) FHA Requirements in Changing Markets

An analysis of market trends for at least the past 12 to 24 months is necessary to establish a benchmark for reporting present market conditions

A declining market refers to any neighborhood, market area, or region that demonstrates

- a decline in prices or
- deterioration in other market conditions

as evidenced by an oversupply of existing inventory and extended marketing times

Page 524

iii (F) FHA Requirements in Changing Markets, cont'd

A trend in the housing market is identifiable when it extends

- at least six months, or
- two quarters

prior to the effective date of the appraisal

In a declining market, negative market conditions adjustments should be applied if there is sufficient proof of the trend from a credible source based on a thorough analysis of specific market trends as evidenced by a sale and resale comparison

Pages 524-525

iii (F) FHA Requirements in Changing Markets, continued

The appraiser must:

- report conditions and determine when trends are increasing, stable, or declining
- provide a comment as to the continuance of the current trend or if the trend appears to be changing

If the appraiser bases the adjustment on a published source, the appraiser must include a copy of this source in the addendum

Page 525

iii (F) FHA Requirements in Changing Markets, continued

The appraiser must include:

- an absorption rate analysis
- at least 2 comparable sales that closed within 90 days of the effective date

If the appraiser cannot comply with this requirement, a detailed explanation is required

The appraiser must also include a minimum of two active listings or pending sales on the appraisal grid, in addition to at least three recently settled sales

iii (F) FHA Requirements in Changing Markets, continued

The appraiser must:

- provide an explanation for a DOM that does not approximate periods reported in the “Neighborhood” section of the appraisal reporting form;
- reconcile the adjusted values of active listings or pending sales with the adjusted values of the settled sales provided; AND
- if the adjusted values of the settled comps are higher than the adjusted values of the active listings or pending sales, the appraiser must determine if a market conditions adjustment is appropriate.

Page 525

c. Development of the Market Value

If the appraiser must conclude the report under

- hypothetical condition OR
- extraordinary assumption

the issues and requirements must be reported as one of the following:

- "subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed;"
- "subject to the following repairs or alterations (list them) on the basis of a hypothetical condition that the repairs or alterations have been completed;" or
- "subject to a required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair."

Page 526

iii (H) Signatures

The FHA Roster appraiser must

- sign the certification of the appraisal, AND
- perform all parts of the analysis AND reconciliation.

A trainee or licensee may assist in any part of the appraisal BUT

- the opinions and analysis must be performed by the FHA Roster appraiser.

The FHA Roster appraiser is required to

- select the comparable properties, AND
- perform all critical analyses contained in the appraisal report, INCLUDING
- the Market Conditions Addendum.

Pages 526-527

iii (H) Signatures, continued

The FHA Roster appraiser must also

- inspect the subject property, AND
- at least the exterior of the comparable properties.

<u>Appraiser trainees or licensees may NOT sign the appraisal report.</u>

If a trainee or licensee provided assistance or participated in the preparation of the appraisal, the FHA Roster Appraiser must

- disclose the name of the trainee appraiser in the report, AND
- their role in developing the appraisal

Page 527

II. D. 5. PROPERTY ACCEPTABILITY CRITERIA FOR MANUFACTURED HOUSING FOR TITLE II INSURED MORTGAGES

5. Manufactured Housing Acceptability Criteria

a. Definitions

Manufactured housing is

- transportable in one or more sections,
- designed to be used as a dwelling when connected to the require utilities
  - plumbing, heating, air-conditioning an electrical systems contained therein;
- designed and constructed to the federal Manufactured Home Construction and Safety Standards (MHCSS)
  - as evidenced by the affixed certification label;
- also referred to as
  - mobile homes, sectionals, multi-sectionals, doublewide, triple-wide or singlewide.

Page 527

Manufactured Housing

The appraiser must notify the mortgagee and report a deficiency if the manufactured home does not comply with:

- have a floor area of not less than **400 SF**.
- was constructed on or after June 15, 1976, in conformance with the federal MHCSS, evidenced by the certification label.
- The manufactured house and site exist together as a real estate entity in accordance with state law
  - but need not be treated as real estate for taxation purposes.

5. Manufactured Housing Acceptability Criteria

General Requirements for Mfg Housing, continued

The manufactured house must comply with:

- was moved from the factory or dealer directly to the site
- was designed to be used as a dwelling with a permanent foundation built to comply with the PFGMH (engineer or architect to certify)
- The finished grade elevation beneath the mfg. home or, if a basement is used, the grade beneath the basement floor, is at or above the 100-year return frequency flood elevation
- The structure must be designed for occupancy as a principal residence by a single family or
- The lease meets HUD requirements

Page 527

c. **Foundation Systems,** continued

Existing Construction

- if the perimeter enclosure is non-load-bearing skirting comprised of lightweight material,
- the entire area of the skirting must
  - be permanently attached to backing made of concrete, masonry, treated wood, or a product with similar strength and durability.

Page 528

f. HUD Certification Label

The mfg. home must have an

- affixed HUD certification label (HUD seal/HUD tag)
  - which is a 2 inch by 4 inch aluminum plate
- permanently attached to the housing and located at one end of each section of the house, approximately one foot up from the floor and one foot in from the road,
- or as near that location on a permanent part of the exterior of the house as practicable.

Etched on the certification label is the

- certification label number, also referred to as
  - the HUD label number.

Label numbers are not required to be sequential on a multi-section house.

g. Data Plate

Mfg. homes have a data plate affixed in a permanent manner

- typically adjacent to the electric service panel, the utility room, or within a cabinet in the kitchen.

The data plate provides

- Information required to be reported within the appraisal, such as
  - manufacturer name,
  - serial number,
  - model and date of manufacture, AND
  - wind, roof load and thermal zone maps.

Page 530

5. Manufactured Housing Acceptability Criteria

If the HUD Certification label is missing, the appraiser must report that it is missing

This may affect the property's eligibility for an FHA-insured mortgage

If the data plate is missing, the appraiser must report that it is missing

This does not affect the property's eligibility

The appraiser is not required to secure the data plate information from another source

Page 530

k. Sales Comparison Approach for Manufactured Housing

The appraiser must include

- a sufficient number of sales to produce a credible value;
- at least two manufactured homes must be included in the comparable sales grid.

l. Estimate of Cost New for Manufactured Housing

The cost approach is **REQUIRED** for new construction manufactured homes

Specific requirements for the cost approach as applied to mfg. houses are addressed in the Appraisal Report and Data Delivery Guide.

Page 531

6. CONDOMINIUM PROJECTS

6. Condominium Projects

A Condominium Project refers to a multi-unit property in which

- persons hold title to individual units AND
- an undivided interest in common elements.

Examples of common elements (areas) include:

- underlying land and building structures,
- driveways, parking areas
- elevators,
- outside hallways, AND
- recreation and landscaped areas.

Common areas are typically managed by a condominium association.

To be eligible, the project must be on the list of FHA-approved condominiums, unless it meets the definition of a site condominium.

7. VALUATION OF LEASEHOLD INTERESTS

7. Valuation of Leasehold Interests

Leasehold interest refers to real estate where residential improvements are located on land that is subject to a long-term lease from the underlying fee owner, creating a divided interest in the property.

Ground rent refers to the rent paid for the right to use and occupy the land.

Improvements made by the ground lessee typically revert to the lessor at the end of the lease term.

Page 532

7. Valuation of Leasehold Interests

The appraiser must obtain a copy of the lease from the mortgagee

The appraiser must analyze and report the terms of the lease, including

- the amount of the ground rent
- the term of the lease
- if the lease is renewable
- if the lessee has the right of redemption
- if the ground rent can increase or decrease over the life of the lease term

Page 533

8. ADDITIONAL APPRAISAL REQUIREMENTS FOR 223(e) MORTGAGES

8. Additional Requirements for 223(e) Mortgages

Section 223(e) program is a mortgage insurance program for properties located in older, declining urban areas

It can be used for

- acquisition
- repair and/or renovation
- construction

of a residential property

For an appraisal prepared for the 223(e) program, the appraiser must report the remaining physical life, in addition to the remaining economic life.

Page 534

9. UNIMPROVED PROPERTY APPRAISAL

9. Unimproved Property Appraisal

An appraisal of unimproved property (land appraisal) may be warranted when:

- the subject property does not include building improvements;
- the prior improvements on the subject property we demolished;
- the improvements are in such deteriorated conditions as to provide no contributory value to the property; or
- condemnation proceedings by the local authority have acquired the improvements in part or in their entirety.

Page 534

Unimproved Property Appraisal, continued

The appraiser must provide

- a written narrative format OR
- a commercially available reporting form.

Any costs to be incurred in

- Razing the existing improvements and/or
- Cleanup of the site

must be

- calculated AND
- extracted from the value of the land

to arrive at a final conclusion of the value of the site as if vacant and ready to be put to its highest and best use.

10. UPDATE OF APPRAISAL

10. Update of Appraisal

Appraisers may perform an update of a previously completed appraisal when requested by a mortgagee using Form 1004D/442

The appraiser must adhere to the Scope of Work and Certification listed on the form, including:

- An exterior inspection of the subject from at least the street and
- Research, analyze, and verify current market data to determine whether or not the subject property has declined in value since the original appraisal date

Page 535

10. Update of Appraisal

If the appraiser determines the value has not declined, the appraiser must

- Indicate this on the form
- Provide necessary comments, and
- Provide a front photo of the subject property

If the appraiser does not concur with the original data or the property value has declined, the appraiser must indicate this on the form.

In this case, a photo is not required.

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11. MARKET CONDITIONS ADDENDUM, FANNIE MAE FORM 1004MC/FREDDIE MAC FORM 71 INSTRUCTIONS APPLICABLE TO FHA APPRAISALS

11. 1004MC Instructions Applicable to FHA Appraisals

The following instruction is found on the Fannie Mae Form 1004MC/Freddie Mac Form 71, *Market Conditions Addendum to the Appraisal Report:*

"Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property."

This instruction seems to require that the appraiser

- only analyze and report properties that are potential comparables and not include any non-competitive properties that might be in the subject's market area.

Pages 535-536

11. 1004MC Instructions Applicable to FHA Appraisals, continued

The appraiser's study of the market affecting the subject property must

- include data sufficient for a statistical analysis to be relevant.

If data sources provide information as an average instead of the median, the appraiser should

- report the available figure AND
- identify it as an average.

Page 536

12. PROGRAMS AND PRODUCTS

12. e. HUD Real Estate Owned Properties

A HUD REO property, also known as a HUD home or HUD-owned home

- is a 1 to 4-unit residential property
- acquired by HUD as a result of a foreclosure on an FHA-insured mortgage,
- whereby the Secretary of HUD becomes the property owner, AND
- offers it for sale to recover the mortgage insurance claim that HUD paid to the mortgagee

An appraisal may be ordered on a HUD REO property as one of one or more evaluation tools to establish list price or subsequent price adjustments.

12. e. HUD Real Estate Owned Properties

Requirements for providing appraisal for REO properties and related purposes

- are the same as for any other assignment type,
- except as noted in this section, which supersedes other instructions.

Under “Assignment Type” in the “Subject” section of the appraisal reporting from, the appraiser must mark the box labeled “Other” and indicate that the property is a HUD REO property.

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B. Intended Use

- As per the Handbook: “The intended use of the appraisal for a HUD REO Property is as one of one or more evaluation tools to establish list price or subsequent price adjustments.”

C. Intended User

- The intended user of an appraisal of a HUD REO property is HUD/FHA or its contractors.

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(B) Utilities – Mechanical Components

If the utilities are off at the time of inspection, the appraiser must ask to have them turned on so the systems can be operated

HOWEVER, if it is not feasible to have the utilities turned on,

- the appraisal must be completed without the utilities turned on or the mechanical systems functioning.

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12. e. HUD Real Estate Owned Properties, cont.

The assignment is to estimate market value, so

- REO sales
- short sales and
- other non arm's length transactions

MUST NOT AUTOMATICALLY BE CHOSEN AS COMPARABLES.

If there is compelling evidence in the market to warrant their use, the appraiser must

- provide additional explanation AND
- support in the "Analysis" section of the sales comparison approach.

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D. Appraisal Conditions

The appraiser must provide an analysis and report the value of a HUD property "as is."

For manufactured housing, the appraiser must NOT require a certification that the foundation complies with the PFGMH.

The appraisal report must include

- the applicable property-specific reporting form,
- all required exhibits, AND
- a copy of the PCR.

F. Statement of Insurability

The appraiser must

- include a Statement of Insurability
- in the “Comments” section of the appraisal report.

This statement provides preliminary verification that an REO property is eligible to be sold with FHA-insured mortgage financing according to one of the following three conditions:

- Insurable
- Insurable with repair escrow
- Uninsurable

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12. e. HUD Real Estate Owned Properties, cont.

1. Insurable

The appraiser must state that the property is insurable if, at the time of the appraisal

- property meets MPR or MPS
- in its as-is condition without any necessary repairs.

2. Insurable with repair escrow

The appraiser must state that the property is insurable with repair escrow if, at the time of the appraisal

- the property needs no more than $5,000 in repairs to meet MPR or MPS.

3. Uninsurable

The appraiser must state that the property is uninsurable if, at the time of the appraisal

- the estimated cost of repairs is greater than $5,000.

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Part 4

- Quality Control, Oversight and Compliance

VI. Quality Control, Oversight and Compliance

This section of the Handbook covers a broad spectrum of quality control, oversight, and compliance issues.

For purposes of this material, the focus will be on those issues that apply to appraisers, which can be found in Section V E 5.

Some parts of this section of the Handbook have not yet been published in the Federal Register, but the part that applies to appraisers (5 e) has been published.

Part 5

- Appraisal Report and Data Delivery Guide

The “FHA Single Family Housing Appraisal Report and Data Delivery Guide” document is not part of the *Single Family Housing Policy Handbook*

- It is a separate document
- It provides guidance to appraisers who are preparing appraisal reports using industry standard forms
- It is somewhat akin to Fannie Mae’s *Appendix D: Field Specific Standardization Requirements document*

Appraisal Reports

Many of the requirements in the Appraisal Report and Data Delivery Guide document are the same as the UAD specs

This is not surprising because the FHA adopted UAD for appraisal reporting

In this section of the course, we will not go through the URAR or reporting protocols line-by-line

Comparable Sales History

- Originally, when the ARDDG was published, it stated on page 35 “FHA requires the appraiser to report the date(s) and prices of prior sale(s) that occurred within three years of the effective date of the appraisal. (FHA Specific Requirement).”
- Effective November 5, 2015, the wording was changed to “FHA requires the appraiser to report the date(s) and prices of prior sale(s) that occurred within one year of the effective date of the appraisal.”
- This page also states “Enter an ‘X’ in the applicable box indicating whether the appraiser’s research ‘did’ or ‘did not’ reveal any prior sales or transfers of the comparable sales <u>for the one year prior to the date of sale</u> of the comparable sale per the requirements of the form.” [Emphasis added.]

Sales History

On page 42 of the Appraisal Report and Data Delivery Guide, it provides additional guidance for prior sales history of the subject and comparables

- “If the prior transfer or offering is not relevant to the current transfer or offering, explain why.”
- “The appraiser must evaluate the relevancy of prior transfers to the current sale or offering of the comparable.”
- “The appraiser must describe the difference between recent transfers versus the current sale or offering, and the effect on the appraisal problem.”
- “The appraiser must provide an analysis of the prior sale or transfer history of the subject property and comparable properties in the report. Simply reporting a transaction is not a sufficient analysis or explanation to the reader.”

Non-disclosure States

Page 34 of the Appraisal Report and Data Delivery Guide states:

“A property’s location in a ‘non-disclosure state’ does not remove the appraiser from the requirement to research, report, and analyze the prior sale history of the subject and comparable properties.”

The Guide also states on page 42, “If the properties are located in a ‘non-disclosure state,’ the appraiser is responsible for reporting the information that is reasonably obtainable.”

Part 6

- Wrap up

What else is there to cover?

This has been as comprehensive a review of the FHA Handbook 4000.1 as time would permit.

However, appraisers are advised to read the Handbook themselves to come to a more complete understanding of its requirements.

An important link for all appraisers is the FHA Roster Appraisers' home page:

http://portal.hud.gov/hudportal/HUD?src=/groups/appraisers

Almost everything you need or want can be accessed through this link, including the training events, FAQs, archived newsletters, Mortgagee Letters, and other types of related information.

The End

Thanks for participating. We appreciate your business!

We hope you enjoyed the course, and if you have any questions, please don’t hesitate to call McKissock at

1-800-328-2008

McKISSOCK
P.O. BOX 1673, WARREN, PA 16365

General Information

Continuing Education Approval

McKissock has been approved to teach appraisal continuing education in all 50 states, as well as the US Virgin Islands. Additionally, McKissock has been approved to teach real estate continuing education and Pre-Licensing/Upgrading education courses in many of those states. A detailed list of which courses are approved in which states is available upon request.

Seminar Facilities

McKissock does not have a central location for instruction, but instead teaches throughout the country in various hotel facilities and convention centers. The location of the main office in which all records are kept (for at least 5 years) is in Warren, PA. The sites chosen for instruction are selected on the basis of their accessibility and convenience, and the overall quality of the facility.

Equipment Used

The instructors use LCD projectors and laptops, as well as a PowerPoint slide presentation designed specifically for each course, to facilitate teaching. Or, overhead projectors may be used with a slide presentation (instead of LCD projection units). Certain courses may also use computer equipment or other audio/visual equipment.

Entry Criteria/Prerequisites, Examinations (Continuing Education)

There are no restrictions as to who may attend any course given by McKissock. There are no prerequisites to any courses. The student must have an appraisal certification (or real estate certification, if applicable) if he or she wishes to receive continuing education credits. For all of McKissock's appraisal continuing education courses, there will be no formal graded exam at the conclusion of the course unless mandated by the particular requirements of a given state.

Entry Criteria/Prerequisites, Examinations (Pre-Licensing/Basic Education)

There are no restrictions as to who may attend any course given by McKissock. For all of McKissock's pre-licensing and upgrade education courses, there will be a closed book final exam at the conclusion of the course. The exam must be passed by a minimum of 70%, unless state law requires a higher passing score (75% for Nevada Real Estate, 85% in Maine, 90% in Iowa). If a person fails to pass the final exam, they may opt to retake an alternate exam. Upon the second failed attempt, they may opt to take the entire course again, at no additional charge.

Certificates of Completion

For On-Line Classes: Upon receiving the completed survey, a course completion certificate will be issued to the student indicating that the student has successfully completed the distance-learning course. Certificates of completion will be posted directly to the "My McKissock" account after the student has submitted the Course Evaluation form. As a back up to ensure the student receives the certificate, our database will recognize if a student has printed their certificate from the on-line account. If that has not happened, a certificate will be sent via email within 2-5 days. However, if the state the customer has requested credit in requires an original signature then the certificate will be mailed to them within 2-5 business days.

For Classroom Classes: All certificates will be sent via Email within 5-7 business days EXCEPT for the following states which require an original signature: New York (Appraisal & Real Estate), North Carolina (Appraisal & Real Estate), and West Virginia (Real Estate Only). If the customer is requesting credit for one of these states then their certificate will be sent via standard mail delivery within 5-7 business days.

Textbooks/Handouts

The textbooks used for each course have been designed specifically for these courses. Course handouts include various materials that might interest the student (each handout is related to the course topic) or information, which the student will need in order to implement course instruction. Course textbooks and handouts are included in the registration fee for all appraisal and real estate continuing education classes. All students must possess a current copy of the Official USPAP Book for the National USPAP Update course, the National USPAP Update Equivalent course, or the National USPAP course.

Attendance Policy

McKissock adheres to the Appraiser Qualifications Board's policy, which is attendance of each full classroom hour. A classroom hour is defined by the Appraiser Qualifications Board as 50 minutes out of every 60 minute hour. The states of AZ, CT, KS, MS, DC, VT, TN, ME, SC, MN, MI, IA, OR, KS, NY, MA, NH, GA & TX require 100% attendance in order for the student to receive continuing and pre-licensing education credits. Attendance is monitored throughout the day with attendance sheets passed out after every break. Students will not receive certificates of completion for the course if the attendance requirements are not met to McKissock's satisfaction.

Refund Policy

Students may receive a full refund from McKissock if not completely satisfied. Students must request refund within 24 hours of attending the course. If a student cancels at least one day before the course, he or she may receive a full refund, or may choose to make up the course in another location or on another date at no charge. If a student does not show up for a course, he or she may make up the course in another location or on another date at no charge.

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Distance Education Course Policies and Procedures

Registration:
A student may register for a free user account on our Virtual Classroom system to preview any of our online courses. At this time, they are required to create a username and password for the system, which will be used for all future online course transactions.

They may sample a predetermined number of chapters in each course prior to subscribing to the course, and the system is designed to keep track of their progress. To enroll in a course, the student may choose to pay by credit card; or they may opt to enroll by phone during normal business hours.

Examinations:
Continuing Education Courses:
Each course is divided into Chapters. Within each Chapter there are mini-quizzes which require a passing score to proceed through the Chapter. Additionally, there are end of Chapter quizzes which require a passing score. The combination of the mini-quizzes and end of Chapter quizzes ensures the student's comprehension of the material. The quiz questions (in all cases) are randomly chosen from a database for that section of the course, so if a user does not pass the quiz, the program lets them go back to review the section and then generates another random sample of questions with the same completion requirement. This process helps to ensure that the student understands all of the concepts covered in each section before continuing on to new material. At the end of the course, the student will be required to pass a cumulative final examination. They may review the course again and make a second attempt, but they will not get credit for the course until they successfully pass the exam. The same question bank methodology applies to the final examination.

Qualifying (Pre-License) Education Courses:
Each qualifying (pre-license) education course is set up exactly the same as a standard continuing education course. However, if required by state (or federal) regulation, a live, proctored final examination may also be required for successful course completion. The proctored final examination must be passed with minimum score of 70% in most states (72% for the National USPAP Course in all states). Since this is a proctored examination, the passing score will be determined by each individual state regulatory agency's requirements, but will never be less than 70%.

Support:
Questions regarding course content or technical issues may be submitted via email to McKissock or the course instructor using the conveniently located link on the left-hand Help Tab of each course or via the "Contact Us" tab at the top of each page of our website. Students may also call our 800-number during our regular business hours, as follows, to speak with a customer service representative.

Weekdays: 7:00am - 12:00pm (Eastern Time)
Weekends: 12:00 noon - 3:30pm (Eastern Time)

Interactivity:
Discussion boards, active links, interactive quizzes, exercises, case studies, and emails are established for each individual Virtual Classroom course. Students may use these resources for help or additional information. Additional Courses Resources are also established for our online courses and can be found on the individual state webpage on www.mckissock.com.

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Completion:
Once the course has been completed, a survey page will be displayed. The final survey page must be completed and submitted to us to indicate that the student has finished the course successfully. (We may also login and view the status of all quizzes and final exams completed through our administration panel.)

This survey helps us to monitor the quality of our course and allows us to make any changes we feel are necessary to ensure that we are offering education that is consistent with the on-site classroom courses we present. Completion results are kept both in an online database and in our office at 218 Liberty Street, Warren, PA 16365 for a minimum of five (5) years. Our database records are logged to show all relevant information for each student and are backed up nightly, weekly, and monthly to ensure that we never lose information regarding students' certificates, etc.

Upon receiving the completed survey and proctored exam results (if required), a course completion certificate will be issued to the student indicating that the student has successfully completed the distance-learning course. Certificates of completion will be posted directly to the "My McKissock" account after the student has submitted the Course Evaluation form. However, if the state the student has requested credit in requires an original signature then the certificate will be mailed to them within 2-5 business days.

Electronic rosters may also be submitted to the individual state regulatory boards as mandated.

Attendance Policy:
Attendance is measured by successful completion of the online course. In order to successfully complete the course, an individual must progress through the material and acquire a passing score on all assessments.

Course Review:
All courses will be reviewed on an annual basis. Information will be compiled from student evaluation forms and changes will be made accordingly. All students are requested to give their feedback on the overall quality of our educational offering, addressing among other issues, the knowledge and abilities of the instructor. A course-instructor evaluation is distributed to all students via the course completion form. All responses are collected via web database and email and consolidated for the permanent file for that course. Prior to filing the responses away, they are reviewed and signed off by the product team to identify and address any issues that require additional attention.

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INSTRUCTOR QUALIFICATION PROCEDURES

10/4/06 REVISION

PURPOSE

The purpose of this document is to outline all formal and informal minimum and desirable professional standards for instructors of appraisal, real estate and other topics, and to summarize the procedures used by McKissock to verify these qualifications for prospective instructors. It is hoped that these written procedures will assist interested state professional regulatory bodies in their efforts to review and approve McKissock applications, while at the same time offering a basic overview of the process for the benefit of prospective instructors.

This document is intended to reflect only the minimum procedures and standards used by McKissock in all situations, when there is otherwise no conflict with the rules and regulations of regulatory agencies with whose approval and under whose jurisdiction a given McKissock function is held. Integral to these procedures is an explicit acknowledgement that when these general procedures either conflict with or fall short of the rules and regulations of a relevant governing regulatory agency under whose jurisdiction a function is held, the rules and regulations of that agency shall supercede this document on all items that are otherwise inconsistent or lacking in this document.

MINIMUM INSTRUCTOR QUALIFICATIONS

As a bare formal minimum, all McKissock instructors must meet the following three requirements:

1. Either a minimum of five years of full-time professional experience directly related to the topic being taught, <u>or</u> a four-year college degree.
2. Professional proficiency with the topics(s) being taught, demonstrated to the satisfaction of McKissock
3. Professional public speaking and teaching ability, demonstrated to the satisfaction of McKissock.

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DESIRABLE INSTRUCTOR QUALIFICATIONS

The following qualifications, though not mandatory in all cases, reflect the philosophy used, above and beyond our formal minimum qualifications to select exceptional individuals in the field to act as instructors. Though these guidelines are informal, they summarize the qualities that are most heavily weighted in our potential instructor interview and selection process:

1. Nationally acknowledged relevant professional designations.
2. Academic contributions to the field, above and beyond direct professional experience; for example, published articles, authored text books, course design.
3. Extensive past history of teaching experience in the industry
4. Expert-level mastery of at least one topic to be taught. In other words, though all McKissock instructors teach several different course topics at a level of full professional proficiency, the selection process strongly favors potential instructors who also demonstrate total expertise in one core subject on which they can speak with authority.
5. Current state professional license or certification in the field being taught.
6. Exceptional professional communication skills and public speaking ability.

It is important to emphasize that though these six qualifications are the most heavily weighted issues in the instructor approval process, this list is simply an attempt to objectively describe a fundamentally subjective process. This having been said, and acknowledging that some of these items are somewhat subjective, the vast majority of McKissock instructors have in fact demonstrated all six of these qualifications. Ultimately however, within the restrictions of the "Minimum Instructor Qualifications" summarized on page 1, it is the subjective judgment of McKissock that determines whether a given instructor candidate is qualified.

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INSTRUCTOR QUALIFICATION PROCEDURES

QUALIFICATION PROCESS

As a highly visible national-level education provider, McKissock is contacted by over 100 interested potential instructors annually. This section outlines the steps typically taken to identify favorable candidates and verify their qualifications and abilities prior to the offering of a teaching position.

1. All candidates are requested to submit a current resume, along with a letter of intent to apply for a teaching position.
2. An informal telephone screening interview is conducted between the candidate and at least one of the owners of McKissock to determine if the candidate's stated qualifications and circumstances warrant additional consideration.
3. Favorable candidates are invited to a face-to-face interview with at least one of the owners of McKissock.
4. All reasonable efforts are made by McKissock to directly observe the candidate in a live teaching setting, prior to the offering of a teaching position. In the event that this is simply not feasible, this phase may be handled after the offering of a temporary position, as described in item 6, below.
5. Once all of the above steps have been taken, and McKissock is satisfied with the professional qualifications and abilities of the instructor, a teaching position offer may be made.
6. If the candidate has otherwise demonstrated his or her qualifications to the satisfaction of McKissock but has not yet demonstrated teaching abilities in a live setting, directly observed by McKissock, a temporary teaching position offer may be made to give the candidate the opportunity to demonstrate teaching ability in a controlled setting.

Comments on a temporary offer: A temporary offer means that the instructor candidate has not yet demonstrated his or her teaching abilities in a live setting to the satisfaction of McKissock, but has otherwise demonstrated the necessary qualifications. For a temporary offer, arrangements are made for the new instructor to attend and instruct classes in conjunction with another experienced McKissock instructor. At the judgment of both instructors in attendance, the new temporary instructor will play the most aggressive role that both instructors are comfortable with, in teaching the class and administrating the overall seminar. Once the temporary instructor has used this intermediate opportunity to demonstrate teaching abilities to the satisfaction of McKissock, the temporary offer may be upgraded to a final offer, and the new instructor may then act autonomously in the on-site teaching of classes and logistical execution of other seminar details

FEEDBACK PROCESS

All students are requested to give their feedback on the overall quality of our educational offering, addressing among other issues, the knowledge and abilities of the instructor. A one-page course-instructor evaluation is distributed to all students. Students may respond anonymously. All responses are collected via email and consolidated for the permanent file for that course. Prior to filing the responses away, they are reviewed and signed off by the following individuals to identify and address any issues that require additional attention:

- The instructor of the course in question
- All shareholders of McKissock.
- McKissock's Education Manager

It is important to note that certain state regulatory agencies have a prescribed form and procedure for this feedback process. When the educational function falls under the jurisdiction of such an agency, McKissock may opt to follow the procedures of that agency rather than the standard procedure described above.

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LOG-IN INSTRUCTIONS FOR ON-LINE COURSE

1. Go to http://admin.mckissock.com

2. Log In using the following User Name and Password:

Username: Appraisal
Password: Reviewers

3. Click on the course name under the course search tab to begin the review process.

For ease of use for the reviewer, we have disabled the passing score for the quizzes.

If you have any questions, please contact us at 1-800-328-2008 or via email at regulatorycompliance@mckissock.com.

Thank you!

Certificate of Completion

This is to certify that

Sample Name #0000

has successfully completed the course:

Sample Class

for

_#_ hours of appraisal continuing education for the state of (sample state)

The course was given following location:

Sample Hotel/Facility
Sample Address
Sample City/State/Zip

Date: Completion Date

Richard D. McKissock

Richard D. McKissock
Education Director, McKissock

McKISSOCK, LP.

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January 10, 2018

000005 FEB 20

Missouri Real Estate Appraisers Commission
3605 Missouri Blvd.
Jefferson City, MO 65102
Attn: Patty Morrow

Subject: Instructor Applications & Course Renewal Application

Dear Ms. Morrow:

Enclosed is a renewal application for our traditional classroom course titled,

- The FHA Handbook 4000.1 – 7 hours

With these applications are detailed course descriptions, copy of the student textbook and instructor applications and resumes for our AQB approved instructors.

The following materials are enclosed for your review:

- McKissock General Information Sheet
- Instructor Qualifications Procedures
- Sample advertising flier
- Sample Certificate of Completion

A check in the amount of $10.00 is enclosed to cover the cost of the application fees.

If you have any questions or require additional information, please do not hesitate to contact me at jackie.vincent@mckissock.com or at 1-800-328-2008.

Sincerely,

Jackie Vincent
Senior Regulatory Compliance Specialist
McKissock, LP