Federal Appraisal Standards
“Do’s, Don’ts & Watch-outs”

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Objectives

• Discuss “Do’s” for Forest Legacy Appraisals
• Discuss “Don’ts” for Forest Legacy Appraisals
• Discuss “Watch-outs” for Forest Legacy Appraisals
Do’s

• Appraisals must meet USPAP Standards (Uniform Standards of Professional Appraisal Practice)

• Appraisals must meet “Yellow Book” Standards (UASFLA – Uniform Appraisal Standards for Federal Land Acquisitions)
Do’s

• *Appraisal Reviews* must meet USPAP Standards

• *Appraisal Reviews* must meet Yellow Book Standards
Do’s

• Appraisals must be written to market value – Not Public Interest value
• Do get the Review Appraiser involved in early discussions
Do’s

• During early discussion, identify the existing estate (Bundle of Sticks) and discuss what a potential easement would do to “Larger Parcel” (More Larger Parcel discussion later)

• The Appraisal Request is after the first complete accounting of the property
Do’s

• Identification of the Correct Estate in the “Before” and “After” is **Extremely** important. (ie.- Title Report, Timber Cruise, Mineral Report, Access Summary, Inventory of Buildings, Water Rights, etc.)

• Leave the estate alone once the Appraisal is started!!!
Do’s

• Review Appraiser prepares written Appraisal Specifications.
• Conduct an Appraisal “Pre-work” meeting (Land owner, Appraiser, Review Appraiser, Forest Legacy Representative, State Rep., NGO’s, and Land owner attorney)
The Dreaded Larger Parcel

• The term “Larger Parcel” appears to many, initially as a misnomer

• It may help to think of it as the “economic unit”
The Dreaded Larger Parcel

• UASFLA – determination is required in every appraisal done under these standards

• Purely a FEDERAL APPRAISAL concept

• Not management, owner, or transaction based
Larger Parcel - Basics

• Does not matter that the deal is voluntary

• Can Make a big difference in the value

• Has nothing to do with the proposed transaction
Larger Parcel - Basics

• Not always a cookbook process with a clear, compelling conclusion
“The Larger Parcel” cont.

Who decides?

• The ultimate determination of highest and best use and larger parcel is the appraiser’s to make.....

• But, if the reviewer does not agree, then the appraisal won’t be approved.

• Take home message: It is important for the appraiser and reviewer to agree early in the appraisal process.
Who does NOT decide?

• Non-appraisers (including Forest Service Employees, State employees, NGO, and Forest Legacy Program folks).
Larger Parcel – Three Tests

• Title – Beneficial Control

• Use- Interdependent, integrated use

• Contiguity- to extent it bears on the other two
Larger Parcel – 3 Tests

• Unity of Title
  – Property title is under consolidated beneficial control
  – Title establishes the scope of consideration
Larger Parcel – 3 Tests

• Unity of Use
  – What is the economic unit that is affected/involved?
Larger Parcel – 3 Tests

• Contiguity
  – Only to the extent it bears on use
  
  – One contiguous tract under one ownership may be more than one larger parcel
  
  – Multiple tracts under one ownership may be one larger parcel
Don’ts

• Start the appraisal process prior to Defining the estate to be appraised

• “Appraisal shop”
Don’ts

• Wait to address appraisal issues in complex land deals, ask routine appraisal questions early
Watch Out

• For inexperienced Appraiser & Especially the Review Appraiser

• For Appraiser who tend to use the Development Appraisal
Watch Out

• For inadequate Highest & Best Use Analysis & Larger Parcel Analysis

• For appraisals written with inadequate Market Support.
Watch Out

• For appraisals relying on the Income Approach for timber properties
The Final Message

- Land Deals & Real Estate Deals are complicated
- Address Appraisal Issues Early
- Utilize prior costly & hard learned lessons
- Develop confidence in the appraisal function before launching into a deal.
• Thanks for having me.