

USPAP Update & The Difficult and Unusual RW Appraisal Assignments

Presented by

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USPAP Update

- ▶ On November 30th, 2012, the Appraisal Standards Board (ASB) released the Third Exposure Draft of Proposed Changes for the 2014-15 Edition of the Uniform Standards of Professional Appraisal Practice.
- ▶ The following is a summary of the major points included in this draft:



Proposed Changes

- ▶ Retirement of Standards 4 & 5
- ▶ Definition Revisions: Assignment Results, Report, and Scope of Work
- ▶ Report Options including revisions to AO 11 & AO 12
- ▶ Revision to Competency Rule
- ▶ Revisions to Preamble
- ▶ Revision to Standards Rule 3-5
- ▶ Certification Requirement re: Current or Prospective Interest and Prior Service



Retirement of Standards 4 & 5

- ▶ ASB felt there was a lack of clarity regarding these Standards relating to Appraisal Consulting
- ▶ Most current appraisal consulting assignments would become either appraisal or appraisal review assignments with additional components
- ▶ Additional components would remain a part of appraisal practice



Definitions of Assignment Results, Report and Scope of Work

- ▶ **Assignment Results:** Includes not only conclusions but other analysis leading to final conclusions
- ▶ **Report:** Explored making all signed drafts reports but tabled the idea
- ▶ **Scope of Work:** Clarifies intention to apply to appraisal and appraisal review



Report Options

- ▶ Eliminate the “Self-Contained” and “Summary” report options and replace them with “Appraisal Report”
- ▶ Rename “Restricted Use Appraisal Report” to “Restricted Appraisal Report” and emphasize that it can only be used when the client is the only intended user



Lesser Changes

- ▶ A0 11 and A0 12 revised to reflect report option changes
- ▶ Competence: Must be competent and perform competently
- ▶ Preamble: Expands “When USPAP Applies”
- ▶ Standard Rule 3-5 changed to include date of appraisal review report
- ▶ Certification Requirement re: Current or Prospective Interest and Prior Service – include in each certificate



“Difficult and Unusual”

- ▶ Partial Acquisitions present inherent problems
- ▶ Impacts unique to certain property types
- ▶ Complex or Special Use Properties
- ▶ What is required of the Appraiser?
- ▶ What is required of the Reviewer?



Appraisal Problems Inherent in Right of Way & other Partial Acquisitions

- ▶ Value elements neither commonly traded nor easily measured
 - ▶ Acquisition of a physical segment
 - ▶ Easements
 - ▶ Cumulative impact (both positive and negative) resulting from acquisition



Impacts of Acquisition Unique to Certain Property Types

- ▶ First question is Highest and Best Use
- ▶ What is the impact on that actual or potential use
- ▶ Misplaced improvements
- ▶ Adequate turn radius for large trucks
- ▶ Access and traffic flow to loading docks



Complex or Unique Property/Scenario

- ▶ Lodging Facilities
- ▶ Rail and other Corridor Valuations
- ▶ Auto Dealerships
- ▶ Houses of Worship



What is Required of Appraiser?

- ▶ **Competency**
 - ▶ Mastery of property type
 - ▶ Ability to interpret market and provide support
 - ▶ Analytical skill to accurately and realistically interpret the impact of the acquisition
- ▶ **Ethics**
 - ▶ Willingness to objectively apply analytic skills



What is Required of Reviewer

- ▶ Competency
 - ▶ Mastery of the property type
 - ▶ Ability to recognize obfuscation, inconsistency and/or misapplication of appraisal process



Conclusion

- ▶ The seasoned appraiser often finds the “difficult and unusual” assignment to be a stimulating challenge
- ▶ Conclusions derived can not be credible without essential competence and ethical objectivity
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