USPAP Update & The Difficult and Unusual RW Appraisal Assignments

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April 15, 2013
USPAP Update


- 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

- AO 11 and AO 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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