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EXHIBIT

CEL-106

Standards From

Uniform Standards of Professional Appraisal Practice (2016-2017 Edition)

STANDARD 1: REAL PROPERTY APPRAISAL, DEVELOPMENT

In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.

Comment: STANDARD 1 is directed toward the substantive aspects of developing a credible appraisal of real property. The requirements set forth in STANDARD 1 follow the appraisal development process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a convenient checklist.

Standards Rule 1-1

In developing a real property appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;**

Comment: This Standards Rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in the real estate field have a substantial impact on the appraisal profession. Important changes in the cost and manner of constructing and marketing commercial, industrial, and residential real estate as well as changes in the legal framework in which real property rights and interests are created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.

- (b) not commit a substantial error of omission or commission that significantly affects an appraisal; and**

Comment: An appraiser must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

- (c) not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results.**

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.

Standards Rule 1-2

In developing a real property appraisal, an appraiser must:

STANDARD 1

514 (a) identify the client and other intended users;¹⁶

515 (b) identify the intended use of the appraiser's opinions and conclusions;¹⁷

516 Comment: An appraiser must not allow the intended use of an assignment or a client's
517 objectives to cause the assignment results to be biased.¹⁸

518 (c) identify the type and definition of value, and, if the value opinion to be developed is market
519 value, ascertain whether the value is to be the most probable price:

520 (i) in terms of cash; or

521 (ii) in terms of financial arrangements equivalent to cash; or

522 (iii) in other precisely defined terms; and

523 (iv) if the opinion of value is to be based on non-market financing or financing with unusual
524 conditions or incentives, the terms of such financing must be clearly identified and the
525 appraiser's opinion of their contributions to or negative influence on value must be
526 developed by analysis of relevant market data;

527 Comment: When reasonable exposure time is a component of the definition for the
528 value opinion being developed, the appraiser must also develop an opinion of
529 reasonable exposure time linked to that value opinion.¹⁹

530 (d) identify the effective date of the appraiser's opinions and conclusions;²⁰

531 (e) identify the characteristics of the property that are relevant to the type and definition of value
532 and intended use of the appraisal,²¹ including:

533 (i) its location and physical, legal, and economic attributes;

534 (ii) the real property interest to be valued;

535 (iii) any personal property, trade fixtures, or intangible items that are not real property but
536 are included in the appraisal;

537 (iv) any known easements, restrictions, encumbrances, leases, reservations, covenants,
538 contracts, declarations, special assessments, ordinances, or other items of a similar
539 nature; and

540 (v) whether the subject property is a fractional interest, physical segment, or partial
541 holding;

¹⁶ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

¹⁷ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

¹⁸ See Advisory Opinion 19, *Unacceptable Assignment Conditions in Real Property Appraisal Assignments*.

¹⁹ See Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

²⁰ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

²¹ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

Comment on (i)–(v): The information used by an appraiser to identify the property characteristics must be from sources the appraiser reasonably believes are reliable.

An appraiser may use any combination of a property inspection and documents, such as a physical legal description, address, map reference, copy of a survey or map, property sketch, or photographs, to identify the relevant characteristics of the subject property.

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.²²

Identification of the real property interest appraised can be based on a review of copies or summaries of title descriptions or other documents that set forth any known encumbrances.

An appraiser is not required to value the whole when the subject of the appraisal is a fractional interest, a physical segment, or a partial holding.

(f) identify any extraordinary assumptions necessary in the assignment;

Comment: An 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.

(g) identify any hypothetical conditions necessary in the assignment; and

Comment: A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition 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.

(h) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.²³

Standards Rule 1-3

When necessary for credible assignment results in developing a market value opinion, an appraiser must:

(a) identify and analyze the effect on use and value of existing land use regulations, reasonably probable modifications of such land use regulations, economic supply and demand, the physical adaptability of the real estate, and market area trends; and

²² See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*.

²³ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

STANDARD 1

575 Comment: An appraiser must avoid making an unsupported assumption or premise about
576 market area trends, effective age, and remaining life.

577 (b) develop an opinion of the highest and best use of the real estate.

578 Comment: An appraiser must analyze the relevant legal, physical, and economic factors to the
579 extent necessary to support the appraiser's highest and best use conclusion(s).

580 Standards Rule 1-4

581 In developing a real property appraisal, an appraiser must collect, verify, and analyze all information
582 necessary for credible assignment results.

583 (a) When a sales comparison approach is necessary for credible assignment results, an appraiser
584 must analyze such comparable sales data as are available to indicate a value conclusion.

585 (b) When a cost approach is necessary for credible assignment results, an appraiser must:

586 (i) develop an opinion of site value by an appropriate appraisal method or technique;

587 (ii) analyze such comparable cost data as are available to estimate the cost new of the
588 improvements (if any); and

589 (iii) analyze such comparable data as are available to estimate the difference between the
590 cost new and the present worth of the improvements (accrued depreciation).

591 (c) When an income approach is necessary for credible assignment results, an appraiser must:

592 (i) analyze such comparable rental data as are available and/or the potential earnings
593 capacity of the property to estimate the gross income potential of the property;

594 (ii) analyze such comparable operating expense data as are available to estimate the
595 operating expenses of the property;

596 (iii) analyze such comparable data as are available to estimate rates of capitalization and/or
597 rates of discount; and

598 (iv) base projections of future rent and/or income potential and expenses on reasonably clear
599 and appropriate evidence.²⁴

600 Comment: In developing income and expense statements and cash flow projections,
601 an appraiser must weigh historical information and trends, current supply and
602 demand factors affecting such trends, and anticipated events such as competition
603 from developments under construction.

604 (d) When developing an opinion of the value of a leased fee estate or a leasehold estate, an appraiser
605 must analyze the effect on value, if any, of the terms and conditions of the lease(s).

²⁴ See Advisory Opinion 33, *Discounted Cash Flow Analysis*.

- (e) **When analyzing the assemblage of the various estates or component parts of a property, an appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the whole solely by adding together the individual values of the various estates or component parts.**

Comment: Although the value of the whole may be equal to the sum of the separate estates or parts, it also may be greater than or less than the sum of such estates or parts. Therefore, the value of the whole must be tested by reference to appropriate data and supported by an appropriate analysis of such data.

A similar procedure must be followed when the value of the whole has been established and the appraiser seeks to value a part. The value of any such part must be tested by reference to appropriate data and supported by an appropriate analysis of such data.

- (f) **When analyzing anticipated public or private improvements, located on or off the site, an appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.²⁵**

- (g) **When personal property, trade fixtures, or intangible items are included in the appraisal, the appraiser must analyze the effect on value of such non-real property items.**

Comment: When the scope of work includes an appraisal of personal property, trade fixtures or intangible items, competency in personal property appraisal (see STANDARD 7) or business appraisal (see STANDARD 9) is required.

Standards Rule 1-5

When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:²⁶

- (a) **analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal; and**

- (b) **analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.²⁷**

Comment: See the Comments to Standards Rules 2-2(a)(viii) and 2-2(b)(viii) for corresponding reporting requirements relating to the availability and relevance of information.

Standards Rule 1-6

In developing a real property appraisal, an appraiser must:

- (a) **reconcile the quality and quantity of data available and analyzed within the approaches used; and**

- (b) **reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s).**

²⁵ See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*.

²⁶ See Advisory Opinion 24, *Normal Course of Business*.

²⁷ See Advisory Opinion 1, *Sales History*.

STANDARD 2

STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Comment: STANDARD 2 addresses the content and level of information required in a report that communicates the results of a real property appraisal.

STANDARD 2 does not dictate the form, format, or style of real property appraisal reports. The form, format, and style of a report are functions of the needs of intended users and appraisers. The substantive content of a report determines its compliance.

Standards Rule 2-1

Each written or oral real property appraisal report must:

- (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;
- (b) contain sufficient information to enable the intended users of the appraisal to understand the report properly; and
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.

Standards Rule 2-2

Each written real property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.²⁸

Comment: When the intended users include parties other than the client, an Appraisal Report must be provided. When the intended users do not include parties other than the client, a Restricted Appraisal Report may be provided.

The essential difference between these two options is in the content and level of information provided. The appropriate reporting option and the level of information necessary in the report are dependent on the intended use and the intended users.

An appraiser must use care when characterizing the type of report and level of information communicated upon completion of an assignment. An appraiser may use any other label in addition to, but not in place of, the label set forth in this Standard for the type of report provided.

The report content and level of information requirements set forth in this Standard are minimums for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to satisfy disclosure requirements does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment.

²⁸ See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*.

(a) The content of an Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum:

(i) state the identity of the client, unless the client has specifically requested otherwise; state the identity of any intended users by name or type;²⁹

Comment: An appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be withheld from the report, the appraiser may comply with this request. In these instances, the appraiser must document the identity of the client in the workfile and must state in the report that the identity of the client has been withheld at the client's request.

Types of intended users of the report might include parties such as lenders, employees of government agencies, partners of a client, and a client's attorney and accountant.

(ii) state the intended use of the appraisal;³⁰

(iii) summarize information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment;³¹

Comment: The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch, and/or photographs or the like. The summarized information can include a property sketch and photographs in addition to written comments about the legal, physical, and economic attributes of the real estate relevant to the type and definition of value and intended use of the appraisal.

(iv) state the real property interest appraised;

Comment: The statement of the real property rights being appraised must be substantiated, as needed, by copies or summaries of title descriptions or other documents that set forth any known encumbrances.

(v) state the type and definition of value and cite the source of the definition;

Comment: Stating the definition of value also requires any comments needed to clearly indicate to the intended users how the definition is being applied.

When reporting an opinion of market value, state whether the opinion of value is:

- in terms of cash or of financing terms equivalent to cash, or
- based on non-market financing or financing with unusual conditions or incentives.

²⁹ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*, and Advisory Opinion 25, *Clarification of the Client in a Federally Related Transaction*.

³⁰ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

³¹ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

STANDARD 2

709 When an opinion of market value is not in terms of cash or based on financing terms
710 equivalent to cash, summarize the terms of such financing and explain their
711 contributions to or negative influence on value.

712 When an opinion of reasonable exposure time has been developed in compliance
713 with Standards Rule 1-2(c), the opinion must be stated in the report.³²

714 (vi) **state the effective date of the appraisal and the date of the report;**³³

715 Comment: The effective date of the appraisal establishes the context for the value
716 opinion, while the date of the report indicates whether the perspective of the
717 appraiser on the market and property as of the effective date of the appraisal was
718 prospective, current, or retrospective.

719 (vii) **summarize the scope of work used to develop the appraisal;**³⁴

720 Comment: Because intended users' reliance on an appraisal may be affected by the
721 scope of work, the report must enable them to be properly informed and not misled.
722 Sufficient information includes disclosure of research and analyses performed and
723 might also include disclosure of research and analyses not performed.

724 When any portion of the work involves significant real property appraisal assistance,
725 the appraiser must summarize the extent of that assistance. The name(s) of those
726 providing the significant real property appraisal assistance must be stated in the
727 certification, in accordance with Standards Rule 2-3.³⁵

728 (viii) **summarize the information analyzed, the appraisal methods and techniques employed,**
729 **and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the**
730 **sales comparison approach, cost approach, or income approach must be explained;**

731 Comment: An Appraisal Report must include sufficient information to indicate that
732 the appraiser complied with the requirements of STANDARD 1. The amount of
733 detail required will vary with the significance of the information to the appraisal.

734 The appraiser must provide sufficient information to enable the client and intended
735 users to understand the rationale for the opinions and conclusions, including
736 reconciliation of the data and approaches, in accordance with Standards Rule 1-6.

737 When reporting an opinion of market value, a summary of the results of analyzing
738 the subject sales, agreements of sale, options, and listings in accordance with
739 Standards Rule 1-5 is required.³⁶ If such information is unobtainable, a statement on
740 the efforts undertaken by the appraiser to obtain the information is required. If such
741 information is irrelevant, a statement acknowledging the existence of the information
742 and citing its lack of relevance is required.

³² See Advisory Opinion 7, *Marketing Time Opinions*, Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*, and Advisory Opinion 36, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

³³ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

³⁴ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

³⁵ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

³⁶ See Advisory Opinion 1, *Sales History*.

(ix) state the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal;

(x) when an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion;

(xi) clearly and conspicuously:

- state all extraordinary assumptions and hypothetical conditions; and
- state that their use might have affected the assignment results; and

(xii) include a signed certification in accordance with Standards Rule 2-3.

(b) The content of a Restricted Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum:

(i) state the identity of the client, unless the client has specifically requested otherwise;³⁷ and state a prominent use restriction that limits use of the report to the client and warns that the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile;

Comment: An appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be withheld from the report, the appraiser may comply with this request. In these instances, the appraiser must document the identity of the client in the workfile and must state in the report that the identity of the client has been withheld at the client's request.

The Restricted Appraisal Report is for client use only. Before entering into an agreement, the appraiser should establish with the client the situations where this type of report is to be used and should ensure that the client understands the restricted utility of the Restricted Appraisal Report.

(ii) state the intended use of the appraisal;³⁸

Comment: The intended use of the appraisal must be consistent with the limitation on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client use only).

(iii) state information sufficient to identify the real estate involved in the appraisal;³⁹

Comment: The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch, and/or photographs or the like.

(iv) state the real property interest appraised;

³⁷ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

³⁸ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

³⁹ See Advisory Opinion 2, *Inspection of Subject Property*.

STANDARD 2

777 (v) state the type of value and cite the source of its definition;⁴⁰

778 Comment: When an opinion of reasonable exposure time has been developed in
779 compliance with Standards Rule 1-2(c), the opinion must be stated in the report.

780 (vi) state the effective date of the appraisal and the date of the report;⁴¹

781 Comment: The effective date of the appraisal establishes the context for the value
782 opinion, while the date of the report indicates whether the perspective of the
783 appraiser on the market and property as of the effective date of the appraisal was
784 prospective, current, or retrospective.

785 (vii) state the scope of work used to develop the appraisal;⁴²

786 Comment: Because the client's reliance on an appraisal may be affected by the scope
787 of work, the report must enable them to be properly informed and not misled.
788 Sufficient information includes disclosure of research and analyses performed and
789 might also include disclosure of research and analyses not performed.

790 When any portion of the work involves significant real property appraisal assistance,
791 the appraiser must state the extent of that assistance. The name(s) of those providing
792 the significant real property appraisal assistance must be stated in the certification, in
793 accordance with Standards Rule 2-3.⁴³

794 (viii) state the appraisal methods and techniques employed, state the value opinion(s) and
795 conclusion(s) reached, and reference the workfile; exclusion of the sales comparison
796 approach, cost approach, or income approach must be explained;

797 Comment: An appraiser must maintain a specific, coherent workfile in support of a
798 Restricted Appraisal Report. The contents of the workfile must include sufficient
799 information to indicate that the appraiser complied with the requirements of
800 STANDARD 1 and for the appraiser to produce an Appraisal Report.

801 When reporting an opinion of market value, a summary of the results of analyzing
802 the subject sales, agreements of sale, options, and listings in accordance with
803 Standards Rule 1-5 is required. If such information is unobtainable, a statement on
804 the efforts undertaken by the appraiser to obtain the information is required. If such
805 information is irrelevant, a statement acknowledging the existence of the information
806 and citing its lack of relevance is required.

807 (ix) state the use of the real estate existing as of the date of value and the use of the real
808 estate reflected in the appraisal;

809 (x) when an opinion of highest and best use was developed by the appraiser, state that
810 opinion;

⁴⁰ See Advisory Opinion 7, *Marketing Time Opinions*, Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments*, *Real Property*, and Advisory Opinion 34, *Retrospective and Prospective Value*.

⁴¹ See Advisory Opinion 34, *Retrospective and Prospective Value*.

⁴² See Advisory Opinions 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁴³ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

(xi) clearly and conspicuously:

- state all extraordinary assumptions and hypothetical conditions; and
- state that their use might have affected the assignment results; and

(xii) include a signed certification in accordance with Standards Rule 2-3

Standards Rule 2-3

Each written real property appraisal report must contain a signed certification that is similar in content to the following form:

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 this report 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 this report 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 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.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the property that is the subject of this report. (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 appraised property.)⁴⁴
- no one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property appraisal assistance must be stated.)

Comment: A signed certification is an integral part of the appraisal report. An appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign this certification.

In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property, business or intangible asset

⁴⁴ See Advisory Opinion 2, *Inspection of Subject Property*.

STANDARD 2

854 assignment results not developed by the real property appraiser(s), any real property
855 appraiser(s) who signs a certification accepts full responsibility for the real property elements
856 of the certification, for the real property assignment results, and for the real property contents
857 of the appraisal report.

858 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign
859 the certification, the signing appraiser is responsible for the decision to rely on their work.
860 The signing appraiser(s) is required to have a reasonable basis for believing that those
861 individuals performing the work are competent. The signing appraiser(s) also must have no
862 reason to doubt that the work of those individuals is credible.

863 The names of individuals providing significant real property appraisal assistance who do not
864 sign a certification must be stated in the certification. It is not required that the description of
865 their assistance be contained in the certification, but disclosure of their assistance is required
866 in accordance with Standards Rule 2-2(a)(vii) or 2-2(b)(vii) as applicable.⁴⁵

867 **Standards Rule 2-4**

868 **To the extent that it is both possible and appropriate, an oral real property appraisal report must address**
869 **the substantive matters set forth in Standards Rule 2-2(a).**

870 Comment: See the RECORD KEEPING RULE for corresponding requirements.

⁴⁵ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT AND REPORTING

In developing an appraisal review assignment, an appraiser acting as a reviewer must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal review. In reporting the results of an appraisal review assignment, an appraiser acting as a reviewer must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Comment: STANDARD 3 is directed toward the substantive aspects of developing a credible opinion of the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

STANDARD 3 also addresses the content and level of information required in a report that communicates the results of an appraisal review assignment. STANDARD 3 does not dictate the form, format, or style of Appraisal Review Reports. The substantive content of a report determines its compliance.

In this Standard, the term "reviewer" is used to refer to an appraiser performing an appraisal review.

Standards Rule 3-1

In developing an appraisal review, the reviewer must:

- (a) be aware of, understand, and correctly employ those methods and techniques that are necessary to produce a credible appraisal review;

Comment: Changes and developments in economics, finance, law, technology, and society can have a substantial impact on the appraisal profession. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. Each appraiser must continuously improve his or her skills to remain proficient in appraisal review.

The reviewer must have the knowledge and experience needed to identify and perform the scope of work necessary to produce credible assignment results. Aspects of competency for an appraisal review, depending on the review assignment's scope of work, may include, without limitation, familiarity with the specific type of property or asset, market, geographic area, analytic method, and applicable laws, regulations and guidelines.

- (b) not commit a substantial error of omission or commission that significantly affects an appraisal review; and

Comment: A reviewer must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

- (c) not render appraisal review services in a careless or negligent manner, such as making a series of errors that, although individually might not significantly affect the results of an appraisal review, in the aggregate affects the credibility of those results.

STANDARD 3

910 Comment: Perfection is impossible to attain, and competence does not require perfection.
911 However, an appraiser must not render appraisal review services in a careless or negligent
912 manner. This Standards Rule requires a reviewer to use due diligence and due care.

913 **Standards Rule 3-2**

914 **In developing an appraisal review, the reviewer must:**

915 **(a) identify the client and other intended users;⁴⁶**

916 **(b) identify the intended use of the reviewer's opinions and conclusions;⁴⁷**

917 Comment: A reviewer must not allow the intended use of an assignment or a client's
918 objectives to cause the assignment results to be biased. A reviewer must not advocate for a
919 client's objectives.

920 The intended use refers to the use of the reviewer's opinions and conclusions by the client and
921 other intended users; examples include, without limitation, quality control, audit,
922 qualification, or confirmation.

923 **(c) identify the purpose of the appraisal review, including whether the assignment includes the**
924 **development of the reviewer's own opinion of value or review opinion related to the work under**
925 **review;⁴⁸**

926 Comment: The purpose of an appraisal review assignment relates to the reviewer's objective;
927 examples include, without limitation, to determine if the results of the work under review are
928 credible for the intended user's intended use, or to evaluate compliance with relevant USPAP
929 requirements, client requirements, or applicable regulations.

930 In the review of an appraisal assignment, the reviewer may provide an opinion of value for the
931 property that is the subject of the work under review.

932 In the review of an appraisal review assignment, the reviewer may provide an opinion of
933 quality of the work that is the subject of the appraisal review assignment.

934 **(d) identify the work under review and the characteristics of that work which are relevant to the**
935 **intended use and purpose of the appraisal review, including:**

936 **(i) any ownership interest in the property that is the subject of the work under review;**

937 **(ii) the date of the work under review and the effective date of the opinions or conclusions in**
938 **the work under review;**

939 **(iii) the appraiser(s) who completed the work under review, unless the identity is withheld by**
940 **the client; and**

941 **(iv) the physical, legal, and economic characteristics of the property, properties, property**
942 **type(s), or market area in the work under review.**

⁴⁶ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁴⁷ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁴⁸ See Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

Comment: The subject of an appraisal review assignment may be all or part of a report, a workfile, or a combination of these, and may be related to an appraisal or appraisal review assignment.

(e) identify any extraordinary assumptions necessary in the review assignment;

Comment: An extraordinary assumption may be used in a review assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the reviewer has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the reviewer complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(f) identify any hypothetical conditions necessary in the review assignment; and

Comment: A hypothetical condition may be used in a review assignment only if:

- use of the hypothetical condition 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 reviewer complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

(g) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.⁴⁹

Comment: Reviewers have broad flexibility and significant responsibility in determining the appropriate scope of work in an appraisal review assignment.

Information that should have been considered by the original appraiser can be used by the reviewer in developing an opinion as to the quality of the work under review.

Information that was not available to the original appraiser in the normal course of business may also be used by the reviewer; however, the reviewer must not use such information in the reviewer's development of an opinion as to the quality of the work under review.

Standards Rule 3-3

In developing an appraisal review, a reviewer must apply the appraisal review methods and techniques that are necessary for credible assignment results.

(a) When necessary for credible assignment results in the review of analyses, opinions, and conclusions, the reviewer must:

- (i) develop an opinion as to whether the analyses are appropriate within the context of the requirements applicable to that work;**
- (ii) develop an opinion as to whether the opinions and conclusions are credible within the context of the requirements applicable to that work; and**

⁴⁹ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

STANDARD 3

(iii) **develop the reasons for any disagreement.**

Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review, given law, regulations, or intended user requirements applicable to the work under review.

(b) **When necessary for credible assignment results in the review of a report, the reviewer must:**

(i) **develop an opinion as to whether the report is appropriate and not misleading within the context of the requirements applicable to that work; and**

(ii) **develop the reasons for any disagreement.**

Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the report, given law, regulations, or intended user requirements applicable to that work.

(c) **When the assignment includes the reviewer developing his or her own opinion of value or review opinion, the following apply:⁵⁰**

(i) **The requirements of STANDARDS 1, 6, 7, or 9 apply to the reviewer's opinion of value for the property that is the subject of the appraisal review assignment.**

(ii) **The requirements of STANDARD 3 apply to the reviewer's opinion of quality for the work that is the subject of the appraisal review assignment.**

Comment: These requirements apply to:

- The reviewer's own opinion of value when the subject of the review is the product of an appraisal assignment; or
- The reviewer's own opinion regarding the work reviewed by another when the subject of the review is the product of an appraisal review assignment.

These requirements apply whether the reviewer's own opinion:

- concurs with the opinions and conclusions in the work under review; or
- differs from the opinion and conclusions in the work under review.

When the assignment includes the reviewer developing his or her own opinion of value or review opinion, the following apply:

- The reviewer's scope of work in developing his or her own opinion of value or review opinion may be different from that of the work under review.
- The effective date of the reviewer's opinion of value may be the same or different from the effective date of the work under review.
- The reviewer is not required to replicate the steps completed by the original appraiser. Those items in the work under review that the reviewer concludes are credible can be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with STANDARD 1, 3, 6, 7, or 9, as applicable, to produce credible assignment results.

⁵⁰ See Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

Standards Rule 3-4

Each written or oral Appraisal Review Report must be separate from the work under review and must:

- (a) clearly and accurately set forth the appraisal review in a manner that will not be misleading;**
- (b) contain sufficient information to enable the intended users of the appraisal review to understand the report properly; and**
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, and hypothetical conditions used in the assignment.**

Comment: An Appraisal Review Report communicates the results of an appraisal review, which can have as its subject another appraiser's work in an appraisal or appraisal review assignment.

The report content and level of information in the Appraisal Review Report is specific to the needs of the client, other intended users, the intended use, and requirements applicable to the assignment. The reporting requirements set forth in this Standard are the minimum for an Appraisal Review Report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal review is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

Standards Rule 3-5

The content of an Appraisal Review Report must be consistent with the intended use of the appraisal review and, at a minimum:

- (a) state the identity of the client, unless the client has specifically requested otherwise; state the identity of any intended users by name or type;⁵¹**

Comment: An appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. If a client requests that their identity be withheld from the report, the appraiser may comply with this request. In these instances, the appraiser must document the identity of the client in the workfile and must state in the report that the identity of the client has been withheld at the client's request.

- (b) state the intended use of the appraisal review;**
- (c) state the purpose of the appraisal review;**
- (d) state information sufficient to identify:**
 - (i) the work under review, including any ownership interest in the property that is the subject of the work under review;**
 - (ii) the date of the work under review;**
 - (iii) the effective date of the opinions or conclusions in the work under review; and**
 - (iv) the appraiser(s) who completed the work under review, unless the identity is withheld by the client.**

⁵¹ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

STANDARD 3

1051 Comment: If the identity of the appraiser(s) in the work under review is withheld by the
1052 client, that fact must be stated in the appraisal review report.

1053 (e) state the date of the appraisal review report;

1054 (f) clearly and conspicuously:

- 1055 • state all extraordinary assumptions and hypothetical conditions; and
- 1056 • state that their use might have affected the assignment results.

1057 (g) state the scope of work used to develop the appraisal review;

1058 Comment: Because intended users' reliance on an appraisal review may be affected by the
1059 scope of work, the appraisal review report must enable them to be properly informed and not
1060 misled. Sufficient information includes disclosure of research and analyses performed and
1061 might also include disclosure of research and analyses not performed.

1062 When any portion of the work involves significant appraisal or appraisal review assistance,
1063 the reviewer must state the extent of that assistance. The name(s) of those providing the
1064 significant assistance must be stated in the certification, in accordance with Standards Rule 3-
1065 6.

1066 (h) state the reviewer's opinions and conclusions about the work under review, including the reasons
1067 for any disagreement;

1068 Comment: The report must provide sufficient information to enable the client and intended users to
1069 understand the rationale for the reviewer's opinions and conclusions.

1070 (i) when the scope of work includes the reviewer's development of an opinion of value or review
1071 opinion related to the work under review, the reviewer must:⁵²

1072 (i) state which information, analyses, opinions, and conclusions in the work under review
1073 that the reviewer accepted as credible and used in developing the reviewer's opinion and
1074 conclusions;

1075 (ii) at a minimum, summarize any additional information relied on and the reasoning for
1076 the reviewer's opinion of value or review opinion related to the work under review;

1077 (iii) clearly and conspicuously:

- 1078 • state all extraordinary assumptions and hypothetical conditions connected with
1079 the reviewer's opinion of value or review opinion related to the work under
1080 review; and
- 1081 • state that their use might have affected the assignment results.

1082 Comment: The reviewer may include his or her own opinion of value or review opinion
1083 related to the work under review within the appraisal review report itself without preparing a
1084 separate report. However, data and analyses provided by the reviewer to support a different
1085 opinion or conclusion must match, at a minimum, except for the certification requirements,
1086 the reporting requirements for an:

- 1087 • Appraisal Report for a real property appraisal (Standards Rule 2-2(a));

⁵² See Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

- 1088 • Appraisal Report for a personal property appraisal (Standards Rule 8-2(a));
- 1089 • Appraisal Review Report for an appraisal review (Standards Rule 3-5);
- 1090 • Mass Appraisal Report for mass appraisal (Standards Rule 6-8); and
- 1091 • Appraisal Report for business appraisal (Standards Rule 10-2(a)).

1091a **(j) include a signed certification in accordance with Standards Rule 3-6.**

1092 **Standards Rule 3-6**

1093 **Each written Appraisal Review Report must contain a signed certification that is similar in content to the**
 1094 **following form:**

1095 **I certify that, to the best of my knowledge and belief:**

- 1096 — **the statements of fact contained in this report are true and correct.**
- 1097 — **the reported analyses, opinions, and conclusions are limited only by the reported**
 1098 **assumptions and limiting conditions and are my personal, impartial, and unbiased**
 1099 **professional analyses, opinions, and conclusions.**
- 1100 — **I have no (or the specified) present or prospective interest in the property that is the**
 1101 **subject of the work under review and no (or the specified) personal interest with**
 1102 **respect to the parties involved.**
- 1103 — **I have performed no (or the specified) services, as an appraiser or in any other capacity,**
 1104 **regarding the property that is the subject of the work under review within the three-**
 1105 **year period immediately preceding acceptance of this assignment.**
- 1106 — **I have no bias with respect to the property that is the subject of the work under review**
 1107 **or to the parties involved with this assignment.**
- 1108 — **my engagement in this assignment was not contingent upon developing or reporting**
 1109 **predetermined results.**
- 1110 — **my compensation is not contingent on an action or event resulting from the analyses,**
 1111 **opinions, or conclusions in this review or from its use.**
- 1112 — **my compensation for completing this assignment is not contingent upon the**
 1113 **development or reporting of predetermined assignment results or assignment results**
 1114 **that favors the cause of the client, the attainment of a stipulated result, or the**
 1115 **occurrence of a subsequent event directly related to the intended use of this appraisal**
 1116 **review.**
- 1117 — **my analyses, opinions, and conclusions were developed and this review report was**
 1118 **prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.**
- 1119 — **I have (or have not) made a personal inspection of the subject of the work under**
 1120 **review. (If more than one person signs this certification, the certification must clearly**
 1121 **specify which individuals did and which individuals did not make a personal**
 1122 **inspection of the subject of the work under review.) (For reviews of a business or**
 1123 **intangible asset appraisal assignment, the inspection portion of the certification is not**
 1124 **applicable.)**
- 1125 — **no one provided significant appraisal or appraisal review assistance to the person**
 1126 **signing this certification. (If there are exceptions, the name of each individual(s)**
 1127 **providing appraisal or appraisal review assistance must be stated.)**

1128 **Comment: A signed certification is an integral part of the Appraisal Review Report. A**
 1129 **reviewer who signs any part of the appraisal review report, including a letter of transmittal,**
 1130 **must also sign the certification.**

1131 **Any reviewer who signs a certification accepts responsibility for all elements of the**
 1132 **certification, for the assignment results, and for the contents of the Appraisal Review Report.**

STANDARD 3

1133 Appraisal review is distinctly different from the cosigning activity addressed in Standards
1134 Rules 2-3, 6-9, 8-3, and 10-3. To avoid confusion between these activities, a reviewer
1135 performing an appraisal review must not sign the work under review unless he or she intends
1136 to accept responsibility as a cosigner of that work.

1137 When a signing appraiser has relied on work done by appraisers and others who do not sign
1138 the certification, the signing appraiser is responsible for the decision to rely on their work.
1139 The signing appraiser is required to have a reasonable basis for believing that those
1140 individuals performing the work are competent. The signing appraiser also must have no
1141 reason to doubt that the work of those individuals is credible.

1142 The names of individuals providing significant appraisal or appraisal review assistance who
1143 do not sign a certification must be stated in the certification. It is not required that the
1144 description of their assistance be contained in the certification, but disclosure of their
1145 assistance is required in accordance with Standards Rule 3-5(g).

1146 **Standards Rule 3-7**

1147 **To the extent that it is both possible and appropriate, an oral Appraisal Review Report must address the**
1148 **substantive matters set forth in Standards Rule 3-5.**

1149 Comment: See the RECORD KEEPING RULE for corresponding requirements.

1150 **STANDARD 4: REAL PROPERTY APPRAISAL CONSULTING, DEVELOPMENT**

1151 This STANDARD has been retired by action of the Appraisal Standards Board.

STANDARD 5

1152 **STANDARD 5: REAL PROPERTY APPRAISAL CONSULTING, REPORTING**

1153 This STANDARD has been retired by action of the Appraisal Standards Board.

STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals.

Comment: STANDARD 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals.⁵³ STANDARD 6 is directed toward the substantive aspects of developing and communicating credible analyses, opinions, and conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or without computer assistance. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- 1) identifying properties to be appraised;
- 2) defining market area of consistent behavior that applies to properties;
- 3) identifying characteristics (supply and demand) that affect the creation of value in that market area;
- 4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
- 5) calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- 6) applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and
- 7) reviewing the mass appraisal results.

The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

Standards Rule 6-1

In developing a mass appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal;**

Comment: Mass appraisal provides for a systematic approach and uniform application of appraisal methods and techniques to obtain estimates of value that allow for statistical review and analysis of results.

This requirement recognizes that the principle of change continues to affect the manner in which appraisers perform mass appraisals. Changes and developments in the real property and personal property fields have a substantial impact on the appraisal profession.

To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers.

⁵³ See Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

STANDARD 6

1193 Each appraiser must continuously improve his or her skills to remain proficient in mass
1194 appraisal.

1195 (b) not commit a substantial error of omission or commission that significantly affects a mass
1196 appraisal; and

1197 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect
1198 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,
1199 conditions, data, and other information that would have a significant effect on the credibility
1200 of the assignment results.

1201 (c) not render a mass appraisal in a careless or negligent manner.

1202 Comment: Perfection is impossible to attain, and competence does not require perfection.
1203 However, an appraiser must not render appraisal services in a careless or negligent manner.
1204 This Standards Rule requires an appraiser to use due diligence and due care.

1205 Standards Rule 6-2

1206 In developing a mass appraisal, an appraiser must:

1207 (a) identify the client and other intended users;⁵⁴

1208 (b) identify the intended use of the appraisal;⁵⁵

1209 Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to
1210 cause the assignment results to be biased.

1211 (c) identify the type and definition of value, and, if the value opinion to be developed is market
1212 value, ascertain whether the value is to be the most probable price:

1213 (i) in terms of cash; or

1214 (ii) in terms of financial arrangements equivalent to cash; or

1215 (iii) in such other terms as may be precisely defined; and

1216 (iv) if the opinion of value is based on non-market financing or financing with unusual
1217 conditions or incentives, the terms of such financing must be clearly identified and the
1218 appraiser's opinion of their contributions to or negative influence on value must be
1219 developed by analysis of relevant market data;

1220 Comment: For certain types of appraisal assignments in which a legal definition of market
1221 value has been established and takes precedence, the JURISDICTIONAL EXCEPTION
1222 RULE may apply.

1223 (d) identify the effective date of the appraisal;⁵⁶

⁵⁴ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁵⁵ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁵⁶ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

1224 (e) **identify the characteristics of the properties that are relevant to the type and definition of value**
 1225 **and intended use,⁵⁷ including:**

1226 (i) **the group with which a property is identified according to similar market influence;**

1227 (ii) **the appropriate market area and time frame relative to the property being valued; and**

1228 (iii) **their location and physical, legal, and economic characteristics;**

1229 Comment: The properties must be identified in general terms, and each individual property in
 1230 the universe must be identified, with the information on its identity stored or referenced in its
 1231 property record.

1232 When appraising proposed improvements, an appraiser must examine and have available for
 1233 future examination, plans, specifications, or other documentation sufficient to identify the
 1234 extent and character of the proposed improvements.⁵⁸

1235 Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers,
 1236 however, are sometimes asked to provide opinions of value of proposed improvements so that
 1237 developers can estimate future property tax burdens. Sometimes units in condominiums and
 1238 planned unit developments are sold with an interest in un-built community property, the pro
 1239 rata value of which, if any, must be considered in the analysis of sales data.

1240 (f) **identify the characteristics of the market that are relevant to the purpose and intended use of the**
 1241 **mass appraisal including:**

1242 (i) **location of the market area;**

1243 (ii) **physical, legal, and economic attributes;**

1244 (iii) **time frame of market activity; and**

1245 (iv) **property interests reflected in the market;**

1246 (g) **in appraising real property or personal property:**

1247 (i) **identify the appropriate market area and time frame relative to the property being**
 1248 **valued;**

1249 (ii) **when the subject is real property, identify and consider any personal property, trade**
 1250 **fixtures, or intangibles that are not real property but are included in the appraisal;**

1251 (iii) **when the subject is personal property, identify and consider any real property or**
 1252 **intangibles that are not personal property but are included in the appraisal;**

1253 (iv) **identify known easements, restrictions, encumbrances, leases, reservations, covenants,**
 1254 **contracts, declarations, special assessments, ordinances, or other items of similar nature;**
 1255 **and**

⁵⁷ See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.

⁵⁸ See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

STANDARD 6

- 1256 (v). identify and analyze whether an appraised fractional interest, physical segment or
1257 partial holding contributes pro rata to the value of the whole;

1258 Comment: The above requirements do not obligate the appraiser to value the whole
1259 when the subject of the appraisal is a fractional interest, physical segment, or a
1260 partial holding. However, if the value of the whole is not identified, the appraisal
1261 must clearly reflect that the value of the property being appraised cannot be used to
1262 develop the value opinion of the whole by mathematical extension.

- 1263 (h) analyze the relevant economic conditions at the time of the valuation, including market
1264 acceptability of the property and supply, demand, scarcity, or rarity;

- 1265 (i) identify any extraordinary assumptions and any hypothetical conditions necessary in the
1266 assignment; and

1267 Comment: An extraordinary assumption may be used in an assignment only if:

- 1268 • it is required to properly develop credible opinions and conclusions;
- 1269 • the appraiser has a reasonable basis for the extraordinary assumption;
- 1270 • use of the extraordinary assumption results in a credible analysis; and
- 1271 • the appraiser complies with the disclosure requirements set forth in USPAP for
1272 extraordinary assumptions.

1273 A hypothetical condition may be used in an assignment only if:

- 1274 • use of the hypothetical condition is clearly required for legal purposes, for purposes
1275 of reasonable analysis, or for purposes of comparison;
- 1276 • use of the hypothetical condition results in a credible analysis; and
- 1277 • the appraiser complies with the disclosure requirements set forth in USPAP for
1278 hypothetical conditions.

- 1279 (j) determine the scope of work necessary to produce credible assignment results in accordance with
1280 the SCOPE OF WORK RULE.⁵⁹

1281 Standards Rule 6-3

1282 When necessary for credible assignment results, an appraiser must:

- 1283 (a) in appraising real property, identify and analyze the effect on use and value of the following
1284 factors: existing land use regulations, reasonably probable modifications of such regulations,
1285 economic supply and demand, the physical adaptability of the real estate, neighborhood trends,
1286 and highest and best use of the real estate; and

1287 Comment: This requirement sets forth a list of factors that affect use and value. In considering
1288 neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to
1289 race, age, color, gender, or national origin or an assumption that race, ethnic, or religious
1290 homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must
1291 avoid making an unsupported assumption or premise about neighborhood decline, effective
1292 age, and remaining life. In considering highest and best use, an appraiser must develop the
1293 concept to the extent required for a proper solution to the appraisal problem.

⁵⁹ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

- (b) **in appraising personal property: identify and analyze the effects on use and value of industry trends, value-in-use, and trade level of personal property. Where applicable, analyze the current use and alternative uses to encompass what is profitable, legal, and physically possible, as relevant to the type and definition of value and intended use of the appraisal. Personal property has several measurable marketplaces; therefore, the appraiser must define and analyze the appropriate market consistent with the type and definition of value.**

Comment: The appraiser must recognize that there are distinct levels of trade and each may generate its own data. For example, a property may have a different value at a wholesale level of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser must analyze the subject property within the correct market context.

Standards Rule 6-4

In developing a mass appraisal, an appraiser must:

- (a) **identify the appropriate procedures and market information required to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal;**

Comment: Such efforts customarily include the development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration.

- (b) **employ recognized techniques for specifying property valuation models; and**

Comment: The formal development of a model in a statement or equation is called model specification. Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. The specification format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Appropriate approaches must be used in appraising a class of properties. The concept of recognized techniques applies to both real and personal property valuation models.

- (c) **employ recognized techniques for calibrating mass appraisal models.**

Comment: Calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model. The table entries in a cost manual are examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation.

Standards Rule 6-5

In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:

- (a) **collect, verify, and analyze such data as are necessary and appropriate to develop:**
- (i) **the cost new of the improvements;**
 - (ii) **accrued depreciation;**
 - (iii) **value of the land by sales of comparable properties;**

STANDARD 6

- 1333 (iv) value of the property by sales of comparable properties;
- 1334 (v) value by capitalization of income or potential earnings - i.e., rentals, expenses, interest
- 1335 rates, capitalization rates, and vacancy data;

1336 Comment: This Standards Rule requires appraisers engaged in mass appraisal to take

1337 reasonable steps to ensure that the quantity and quality of the factual data that are collected

1338 are sufficient to produce credible appraisals. For example, in real property, where applicable

1339 and feasible, systems for routinely collecting and maintaining ownership, geographic, sales,

1340 income and expense, cost, and property characteristics data must be established. Geographic

1341 data must be contained in as complete a set of cadastral maps as possible, compiled according

1342 to current standards of detail and accuracy. Sales data must be collected, confirmed, screened,

1343 adjusted, and filed according to current standards of practice. The sales file must contain, for

1344 each sale, property characteristics data that are contemporaneous with the date of sale.

1345 Property characteristics data must be appropriate and relevant to the mass appraisal models

1346 being used. The property characteristics data file must contain data contemporaneous with

1347 the date of appraisal including historical data on sales, where appropriate and available. The

1348 data collection program must incorporate a quality control program, including checks and

1349 audits of the data to ensure current and consistent records.

- 1350 (b) base estimates of capitalization rates and projections of future rental rates and/or potential
- 1351 earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate
- 1352 evidence;⁶⁰

1353 Comment: This requirement calls for an appraiser, in developing income and expense

1354 statements and cash flow projections, to weigh historical information and trends, current

1355 market factors affecting such trends, and reasonably anticipated events, such as competition

1356 from developments either planned or under construction.

- 1357 (c) identify and, as applicable, analyze terms and conditions of any available leases; and
- 1358 (d) identify the need for and extent of any physical inspection.⁶¹

1359 Standards Rule 6-6

1360 When necessary for credible assignment results in applying a calibrated mass appraisal model an

1361 appraiser must:

- 1362 (a) value improved parcels by recognized methods or techniques based on the cost approach, the
- 1363 sales comparison approach, and income approach;
- 1364 (b) value sites by recognized methods or techniques; such techniques include but are not limited to
- 1365 the sales comparison approach, allocation method, abstraction method, capitalization of ground
- 1366 rent, and land residual technique;
- 1367 (c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value,
- 1368 if any, of the terms and conditions of the lease;

1369 Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise

1370 the property as if in fee simple, as though unencumbered by existing leases. In such cases,

⁶⁰ See Advisory Opinion 33, *Discounted Cash Flow Analysis*.

⁶¹ See Advisory Opinion 2, *Inspection of Subject Property*.

1371 market rent would be used in the appraisal, ignoring the effect of the individual, actual
1372 contract rents.

1373 (d) **analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or**
1374 **component parts of a property; the value of the whole must not be developed by adding together**
1375 **the individual values of the various parcels, divided interests, or component parts; and**

1376 Comment: When the value of the whole has been established and the appraiser seeks to value
1377 a part, the value of any such part must be tested by reference to appropriate market data and
1378 supported by an appropriate analysis of such data.

1379 (e) **when analyzing anticipated public or private improvements, located on or off the site, analyze**
1380 **the effect on value, if any, of such anticipated improvements to the extent they are reflected in**
1381 **market actions.**

1382 **Standards Rule 6-7**

1383 **In reconciling a mass appraisal an appraiser must:**

1384 (a) **reconcile the quality and quantity of data available and analyzed within the approaches used and**
1385 **the applicability and relevance of the approaches, methods and techniques used; and**

1386 (b) **employ recognized mass appraisal testing procedures and techniques to ensure that standards of**
1387 **accuracy are maintained.**

1388 Comment: It is implicit in mass appraisal that, even when properly specified and calibrated
1389 mass appraisal models are used, some individual value conclusions will not meet standards of
1390 reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal
1391 have a professional responsibility to ensure that, on an overall basis, models produce value
1392 conclusions that meet attainable standards of accuracy. This responsibility requires appraisers
1393 to evaluate the performance of models, using techniques that may include but are not limited
1394 to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio
1395 studies, evaluation of hold-out samples, or analysis of residuals.

1396 **Standards Rule 6-8**

1397 **A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value**
1398 **conclusions of the appraisal.**

1399 **Each written report of a mass appraisal must:**

1400 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**

1401 (b) **contain sufficient information to enable the intended users of the appraisal to understand the**
1402 **report properly;**

1403 Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of
1404 (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and
1405 documentation, (4) market studies, (5) model building documentation, (6) regulations, (7)
1406 statutes, and (8) other acceptable forms.

1407 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**
1408 **conditions, and limiting conditions used in the assignment;**

STANDARD 6

1409 Comment: The report must clearly and conspicuously:

- 1410 • state all extraordinary assumptions and hypothetical conditions; and
- 1411 • state that their use might have affected the assignment results.

1412 **(d) state the identity of the client, unless the client has specifically requested otherwise; state the**
1413 **identity of any intended users by name or type;⁶²**

1414 Comment: An appraiser must use care when identifying the client to avoid violations of the
1415 Confidentiality section of the ETHICS RULE. If a client requests that their identity be
1416 withheld from the report, the appraiser may comply with this request. In these instances, the
1417 appraiser must document the identity of the client in the workfile and must state in the report
1418 that the identity of the client has been withheld at the client's request.

1419 **(e) state the intended use of the appraisal;⁶³**

1420 **(f) disclose any assumptions or limiting conditions that result in deviation from recognized methods**
1421 **and techniques or that affect analyses, opinions, and conclusions;**

1422 **(g) set forth the effective date of the appraisal and the date of the report;**

1423 Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law.
1424 If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is
1425 presumed to be contemporaneous with the data and appraisal conclusions.

1426 The effective date of the appraisal establishes the context for the value opinion, while the date
1427 of the report indicates whether the perspective of the appraiser on the market and property as
1428 of the effective date of the appraisal was prospective, current, or retrospective.⁶⁴

1429 **(h) state the type and definition of value and cite the source of the definition;**

1430 Comment: Stating the type and definition of value also requires any comments needed to
1431 clearly indicate to intended users how the definition is being applied.⁶⁵

1432 When reporting an opinion of market value, state whether the opinion of value is:

- 1433 • In terms of cash or of financing terms equivalent to cash; or
- 1434 • Based on non-market financing with unusual conditions or incentives.

1435 When an opinion of market value is not in terms of cash or based on financing terms
1436 equivalent to cash, summarize the terms of such financing and explain their contributions to
1437 or negative influence on value.

1438 **(i) identify the properties appraised including the property rights;**

1439 Comment: The report documents the sources for location, describing and listing the property.
1440 When applicable, include references to legal descriptions, addresses, parcel identifiers,
1441 photos, and building sketches. In mass appraisal this information is often included in property

⁶² See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁶³ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁶⁴ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

⁶⁵ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

- 1442 records. When the property rights to be appraised are specified in a statute or court ruling, the
1443 law must be referenced.
- 1444 **(j) describe the scope of work used to develop the appraisal;⁶⁶ exclusion of the sales comparison**
1445 **approach, cost approach, or income approach must be explained;**
- 1446 Comment: Because intended users' reliance on an appraisal may be affected by the scope of
1447 work, the report must enable them to be properly informed and not misled. Sufficient
1448 information includes disclosure of research and analyses performed and might also include
1449 disclosure of research and analyses not performed.
- 1450 When any portion of the work involves significant mass appraisal assistance, the appraiser
1451 must describe the extent of that assistance. The signing appraiser must also state the name(s)
1452 of those providing the significant mass appraisal assistance in the certification, in accordance
1453 with Standards Rule 6-9.⁶⁷
- 1454 **(k) describe and justify the model specification(s) considered, data requirements, and the model(s)**
1455 **chosen;**
- 1456 Comment: The appraiser must provide sufficient information to enable the client and
1457 intended users to have confidence that the process and procedures used conform to accepted
1458 methods and result in credible value conclusions. In the case of mass appraisal for ad valorem
1459 taxation, stability and accuracy are important to the credibility of value opinions. The report
1460 must include a discussion of the rationale for each model, the calibration techniques to be
1461 used, and the performance measures to be used.
- 1462 **(l) describe the procedure for collecting, validating, and reporting data;**
- 1463 Comment: The report must describe the sources of data and the data collection and validation
1464 processes. Reference to detailed data collection manuals must be made, as appropriate,
1465 including where they may be found for inspection.
- 1466 **(m) describe calibration methods considered and chosen, including the mathematical form of the**
1467 **final model(s); describe how value conclusions were reviewed; and, if necessary, describe the**
1468 **availability of individual value conclusions;**
- 1469 **(n) when an opinion of highest and best use, or the appropriate market or market level was**
1470 **developed, discuss how that opinion was determined;**
- 1471 Comment: The mass appraisal report must reference case law, statute, or public policy that
1472 describes highest and best use requirements. When actual use is the requirement, the report
1473 must discuss how use-value opinions were developed. The appraiser's reasoning in support of
1474 the highest and best use opinion must be provided in the depth and detail required by its
1475 significance to the appraisal.
- 1476 **(o) identify the appraisal performance tests used and set forth the performance measures attained;**
- 1477 **(p) describe the reconciliation performed, in accordance with Standards Rule 6-7; and**

⁶⁶ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁶⁷ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 6

1478 (q) include a signed certification in accordance with Standards Rule 6-9.

1479 Standards Rule 6-9

1480 Each written mass appraisal report must contain a signed certification that is similar in content to the
1481 following form:

1482 I certify that, to the best of my knowledge and belief:

- 1483 — the statements of fact contained in this report are true and correct.
- 1484 — the reported analyses, opinions, and conclusions are limited only by the reported
1485 assumptions and limiting conditions, and are my personal, impartial, and unbiased
1486 professional analyses, opinions, and conclusions.
- 1487 — I have no (or the specified) present or prospective interest in the property that is the
1488 subject of this report, and I have no (or the specified) personal interest with respect to
1489 the parties involved.
- 1490 — I have performed no (or the specified) services, as an appraiser or in any other capacity,
1491 regarding the property that is the subject of this report within the three-year period
1492 immediately preceding acceptance of this assignment.
- 1493 — I have no bias with respect to any property that is the subject of this report or to the
1494 parties involved with this assignment.
- 1495 — my engagement in this assignment was not contingent upon developing or reporting
1496 predetermined results.
- 1497 — my compensation for completing this assignment is not contingent upon the reporting
1498 of a predetermined value or direction in value that favors the cause of the client, the
1499 amount of the value opinion, the attainment of a stipulated result, or the occurrence of
1500 a subsequent event directly related to the intended use of this appraisal.
- 1501 — my analyses, opinions, and conclusions were developed, and this report has been
1502 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 1503 — I have (or have not) made a personal inspection of the properties that are the subject
1504 of this report. (If more than one person signs the report, this certification must clearly
1505 specify which individuals did and which individuals did not make a personal
1506 inspection of the appraised property.)⁶⁸
- 1507 — no one provided significant mass appraisal assistance to the person signing this
1508 certification. (If there are exceptions, the name of each individual providing
1509 significant mass appraisal assistance must be stated.)

1510 Comment: The above certification is not intended to disturb an elected or appointed assessor's
1511 work plans or oaths of office. A signed certification is an integral part of the appraisal report.
1512 An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal,
1513 must also sign this certification.

1514 In an assignment that includes only assignment results developed by the real property
1515 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
1516 elements of the certification, for the assignment results, and for the contents of the appraisal
1517 report. In an assignment that includes personal property assignment results not developed by
1518 the real property appraiser(s), any real property appraiser(s) who signs a certification accepts
1519 full responsibility for the real property elements of the certification, for the real property
1520 assignment results, and for the real property contents of the appraisal report.

1521 In an assignment that includes only assignment results developed by the personal property
1522 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all

⁶⁸ See Advisory Opinion 2, *Inspection of Subject Property*.

elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes real property assignment results not developed by the personal property appraiser(s), any personal property appraiser(s) who signs a certification accepts full responsibility for the personal property elements of the certification, for the personal property assignment results, and for the personal property contents of the appraisal report.

When a signing appraiser(s) has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent. The signing appraiser(s) also must have no reason to doubt that the work of those individuals is credible.

The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards Rule 6-8(j).⁶⁹

⁶⁹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 7

1538 STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT

1539 In developing a personal property appraisal, an appraiser must identify the problem to be solved,
1540 determine the scope of work necessary to solve the problem, and correctly complete research and
1541 analyses necessary to produce a credible appraisal.

1542 Comment: STANDARD 7 is directed toward the substantive aspects of developing a credible
1543 appraisal of personal property. The requirements set forth in STANDARD 7 follow the
1544 appraisal development process in the order of topics addressed and can be used by appraisers
1545 and the users of appraisal services as a convenient checklist.

1546 Standards Rule 7-1

1547 In developing a personal property appraisal, an appraiser must:

- 1548 (a) be aware of, understand, and correctly employ those recognized methods and techniques that are
1549 necessary to produce a credible appraisal;

1550 Comment: This Standards Rule recognizes that change continues to affect the manner in
1551 which appraisers perform appraisal services. Changes and developments in personal property
1552 practice have a substantial impact on the appraisal profession. Important changes in the cost
1553 and manner of acquiring, producing, and marketing personal property and changes in the legal
1554 framework in which appraisers perform their assignments result in the need for corresponding
1555 changes in personal property appraisal theory and practice. Social change has also had an
1556 effect on appraisal theory and practice. The appraisal profession responds to changing
1557 circumstances with revised and new appraisal methods and techniques. Therefore, it is not
1558 sufficient for appraisers to maintain the skills and the knowledge they possess when they
1559 become appraisers. Each appraiser must improve and update his or her skills and knowledge
1560 to remain proficient in the appraisal of personal property.

- 1561 (b) not commit a substantial error of omission or commission that significantly affects an
1562 appraisal; and

1563 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect
1564 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,
1565 conditions, data, and other information that would have a significant effect on the credibility
1566 of the assignment results.

- 1567 (c) not render appraisal services in a careless or negligent manner, such as by making a series of
1568 errors that, although individually might not significantly affect the results of an appraisal, in the
1569 aggregate affect the credibility of those results.

1570 Comment: Perfection is impossible to attain, and competence does not require perfection.
1571 However, an appraiser must not render appraisal services in a careless or negligent manner.
1572 This Standards Rule requires an appraiser to use due diligence and care.

1573 Standards Rule 7-2

1574 In developing a personal property appraisal, an appraiser must:

- 1575 (a) identify the client and other intended users;⁷⁰

⁷⁰ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(b) identify the intended use of the appraiser's opinions and conclusions;⁷¹

Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

(c) identify the type and definition of value. If the value opinion to be developed is market value, ascertain whether the value is to be the most probable price:

(i) in terms of cash; or

(ii) in terms of financial arrangements equivalent to cash; or

(iii) in other precisely defined terms; and

(iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser's opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;

Comment: When reasonable exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion.

(d) identify the effective date of the appraiser's opinions and conclusions;

(e) identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including:

(i) sufficient characteristics to establish the identity of the item including the method of identification;⁷²

(ii) sufficient characteristics to establish the relative quality of the item (and its component parts, where applicable) within its type;

(iii) all other physical and economic attributes with a material effect on value;

Comment: Some examples of physical and economic characteristics include condition, style, size, quality, manufacturer, author, materials, origin, age, provenance, alterations, restorations, and obsolescence. The type of property, the type and definition of value, and intended use of the appraisal determine which characteristics have a material effect on value.

(iv) the ownership interest to be valued;

(v) any known restrictions, encumbrances, leases, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature if relevant to the assignment; and

(vi) any real property or intangible items that are not personal property but which are included in the appraisal;

Comment on (i)–(vi): The information used by an appraiser to identify the property characteristics must be from sources the appraiser reasonably believes are reliable.

An appraiser may use any combination of a property inspection and documents or other resources to identify the relevant characteristics of the subject property.

⁷¹ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁷² See Advisory Opinion 2, *Inspection of Subject Property*.

STANDARD 7

1614 When appraising proposed modifications, an appraiser must examine and have
1615 available for future examination, documentation sufficient to identify the extent and
1616 character of the proposed modifications.

1617 An appraiser may not be required to value the whole when the subject of the
1618 appraisal is a fractional interest, a physical segment, or a partial holding.

1619 (f) **identify any extraordinary assumptions necessary in the assignment;**

1620 Comment: An extraordinary assumption may be used in an assignment only if:

- 1621 • it is required to properly develop credible opinions and conclusions;
- 1622 • the appraiser has a reasonable basis for the extraordinary assumption;
- 1623 • use of the extraordinary assumption results in a credible analysis; and
- 1624 • the appraiser complies with the disclosure requirements set forth in USPAP for
1625 extraordinary assumptions.

1626 (g) **identify any hypothetical conditions necessary in the assignment; and**

1627 Comment: A hypothetical condition may be used in an assignment only if:

- 1628 • use of the hypothetical condition is clearly required for legal purposes, for purposes
1629 of reasonable analysis, or for purposes of comparison;
- 1630 • use of the hypothetical condition results in a credible analysis; and
- 1631 • the appraiser complies with the disclosure requirements set forth in USPAP for
1632 hypothetical conditions.

1633 (h) **determine the scope of work necessary to produce credible assignment results in accordance with**
1634 **the SCOPE OF WORK RULE.⁷³**

1635 Standard Rule 7-3

1636 **In developing a personal property appraisal, when necessary for credible assignment results, an**
1637 **appraiser must:**

1638 (a) **analyze the property's current use and alternative uses as relevant to the type and definition of**
1639 **value and intended use of the appraisal;**

1640 Comment: In the context of personal property, value can be a function of the choice of the
1641 appropriate market or, in some cases, market level for the type of item, the type and definition
1642 of value, and the intended use of the appraisal.

1643 The appraiser must consider the various uses of the property when viable alternative uses
1644 exist and when those alternative uses may result in a different value.

1645 (b) **define and analyze the appropriate market consistent with the type and definition of value; and**

1646 Comment: The appraiser must recognize that there are distinct levels of trade (measurable
1647 marketplaces) and each may generate its own data. For example, a property may have a
1648 different value at a wholesale level of trade, retail level of trade, or under various auction
1649 conditions. Therefore, the appraiser must analyze the subject property within the correct
1650 market context.

⁷³ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

- 1651 (e) analyze the relevant economic conditions that exist on the effective date of the valuation,
1652 including market acceptability of the property and supply, demand, scarcity or rarity.

1653 **Standards Rule 7-4**

1654 **In developing a personal property appraisal, an appraiser must collect, verify, and analyze all**
1655 **information necessary for credible assignment results.**

- 1656 (a) **When a sales comparison approach is necessary for credible assignment results, an appraiser**
1657 **must analyze such comparable sales data as are available to indicate a value conclusion.**

- 1658 (b) **When a cost approach is necessary for credible assignment results, an appraiser must:**

1659 (i) **analyze such comparable cost data as are available to estimate the cost new of the**
1660 **property; and**

1661 (ii) **analyze such comparable data as are available to estimate the difference between cost**
1662 **new and the present worth of the property (accrued depreciation).**

- 1663 (c) **When an income approach is necessary for credible assignment results, an appraiser must:**

1664 (i) **analyze such comparable data as are available to estimate the market income of the**
1665 **property;**

1666 (ii) **analyze such comparable operating expense data as are available to estimate the**
1667 **operating expenses of the property;**

1668 (iii) **analyze such comparable data as are available to estimate rates of capitalization and/or**
1669 **rates of discount; and**

1670 (iv) **base projections of future income and expenses on reasonably clear and appropriate**
1671 **evidence.**

1672 Comment: An appraiser must, in developing income and expense statements and
1673 cash flow projections, weigh historical information and trends, current supply and
1674 demand factors affecting such trends, and competition.

- 1675 (d) **When developing an opinion of the value of a lease, leased, or encumbered property, an**
1676 **appraiser must analyze the effect on value, if any, of the terms and conditions of the lease(s) or**
1677 **encumbrances.**

- 1678 (e) **When appraising multiple objects, the appraiser must consider the significance of the value of**
1679 **the individual assets to the assignment results. Those objects which are more significant to the**
1680 **assignment results should be the focus of the analysis and analyzed in appropriate detail.**

1681 Comment: A group of objects may have a mix of high and low value items. Those objects
1682 that are more significant to the assignment results should be subject to a greater and
1683 appropriate depth of analysis.

- 1684 (f) **When analyzing the assemblage of the various component parts of a property, an appraiser must**
1685 **analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the**
1686 **whole solely by adding together the individual values of the various component parts.**

1687 Comment: Although the value of the whole may be equal to the sum of the separate parts, it
1688 also may be greater than or less than the sum of such parts. Therefore, the value of the whole
1689 must be tested by reference to appropriate data and supported by an appropriate analysis of
1690 such data.

STANDARD 7

1691 A similar procedure must be followed when the value of the whole has been established and
1692 the appraiser seeks to value a part. The value of any such part must be tested by reference to
1693 appropriate data and supported by an appropriate analysis of such data.

1694 (g) When analyzing anticipated modifications to the subject property, an appraiser must analyze the
1695 effect on value, if any, of such modifications to the extent they are reflected in market actions.

1696 (h) When real property or intangible items are included in the appraisal, the appraiser must analyze
1697 the effect on value of such non-personal property items.

1698 Comment: When the scope of work includes an appraisal of real property or intangible items,
1699 competency in real property appraisal (see STANDARD 1) or business appraisal (see
1700 STANDARD 9) is required. In addition, competency in other types of personal property
1701 outside of the appraiser's specialty area may be necessary (see STANDARD 7 and the
1702 COMPETENCY RULE).

1703 **Standards Rule 7-5**

1704 When developing an opinion of market value, an appraiser must, if such information is available to the
1705 appraiser in the normal course of business:⁷⁴

1706 (a) analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings
1707 of the subject property current as of the effective date of the appraisal if warranted by the
1708 intended use of the appraisal; and

1709 (b) analyze all prior sales of the subject property that occurred within a reasonable and applicable
1710 time period if relevant given the intended use of the appraisal and property type.

1711 Comment: The data needed for the required analyses in Standards Rule 7-5(a) and 7-5(b)
1712 may not be available or relevant in all assignments. See the Comments to Standards Rules 8-
1713 2(a)(viii) and 8-2(b)(viii) for corresponding reporting requirements.

1714 **Standards Rule 7-6**

1715 In developing a personal property appraisal, an appraiser must:

1716 (a) reconcile the quality and quantity of data available and analyzed within the approach or
1717 approaches used; and

1718 (b) reconcile the applicability and relevance of the approach or approaches, methods and techniques
1719 used to arrive at the value conclusion(s).

⁷⁴ See Advisory Opinion 24, *Normal Course of Business*.

STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING

In reporting the results of a personal property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Comment: STANDARD 8 addresses the content and level of information required in a report that communicates the results of a personal property appraisal.

STANDARD 8 does not dictate the form, format, or style of personal property appraisal reports, which are functions of the needs of intended users and appraisers. The substantive content of a report determines its compliance.

Standards Rule 8-1

Each written or oral personal property appraisal report must:

- (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;**
- (b) contain sufficient information to enable the intended users of the appraisal to understand the report properly; and**
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.**

Standards Rule 8-2

Each written personal property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.⁷⁵

Comment: When the intended users include parties other than the client, an Appraisal Report must be provided. When the intended users do not include parties other than the client, a Restricted Appraisal Report may be provided.

The essential difference between these two options is in the content and level of information provided. The appropriate reporting option and the level of information necessary in the report are dependent on the intended use and intended users.

An appraiser must use care when characterizing the type of report and level of information communicated upon completion of an assignment. An appraiser may use any other label in addition to, but not in place of, the label set forth in this Standard for the type of report provided.

The report content and level of information requirements set forth in this Standard are minimums for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to satisfy disclosure requirements does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment.

⁷⁵ See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*.

STANDARD 8

1755 (a) The content of an Appraisal Report must be consistent with the intended use of the appraisal
1756 and, at a minimum:

1757 (i) state the identity of the client, unless the client has specifically requested otherwise; state
1758 the identity of any intended users by name or type;⁷⁶

1759 Comment: An appraiser must use care when identifying the client to avoid violations of the
1760 Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be
1761 withheld from the report, the appraiser may comply with this request. In these instances, the
1762 appraiser must document the identity of the client in the workfile and must state in the report
1763 that the identity of the client has been withheld at the client's request.

1764 Types of intended users of the report might include parties such as lenders,
1765 employees of government agencies, partners of a client, and a client's attorney and
1766 accountant.

1767 (ii) state the intended use of the appraisal;⁷⁷

1768 (iii) summarize information sufficient to identify the property involved in the appraisal,
1769 including the physical and economic property characteristics relevant to the assignment;

1770 (iv) state the property interest appraised;

1771 (v) state the type and definition of value and cite the source of the definition;

1772 Comment: Stating the definition of value also requires any comments needed to
1773 clearly indicate to the intended users how the definition is being applied.

1774 When reporting an opinion of market value, state whether the opinion of value is:

- 1775 • in terms of cash or of financing terms equivalent to cash, or
- 1776 • based on non-market financing or financing with unusual conditions or
- 1777 incentives.

1778 When an opinion of market value is not in terms of cash or based on financing terms
1779 equivalent to cash, summarize the terms of such financing and explain their
1780 contributions to or negative influence on value.

1781 When an opinion of reasonable exposure time has been developed in compliance
1782 with Standards Rule 7-2(c), the opinion must be stated in the report.⁷⁸

1783 (vi) state the effective date of the appraisal and the date of the report;⁷⁹

1784 Comment: The effective date of the appraisal establishes the context for the value
1785 opinion, while the date of the report indicates whether the perspective of the
1786 appraiser on the market and property as of the effective date of the appraisal was
1787 prospective, current, or retrospective.

⁷⁶ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁷⁷ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁷⁸ See Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

⁷⁹ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

(vii) summarize the scope of work used to develop the appraisal;⁸⁰

Comment: Because intended users' reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant personal property appraisal assistance, the appraiser must summarize the extent of that assistance. The name(s) of those providing the significant personal property appraisal assistance must be stated in the certification, in accordance with Standards Rule 8-3.⁸¹

(viii) summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;⁸²

Comment: An Appraisal Report must include sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7. The amount of detail required will vary with the significance of the information to the appraisal and with the significance of a particular object or group of objects to the overall assignment results.

The appraiser must provide sufficient information to enable the client and intended users to understand the rationale for the opinion and conclusions, including reconciliation of the data and approaches, in accordance with Standards Rule 7-6.

When reporting an opinion of market value, a summary of the results of the analysis of the subject sales, offers, options, and listings in accordance with Standards Rule 7-5 is necessary. If such information was unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

(ix) state, as appropriate to the class of personal property involved, the use of the property existing as of the date of value and the use of the property reflected in the appraisal;

Comment: In the context of personal property, value can be a function of the current and alternative use of the subject property, the choice of the appropriate market or market level for the type of item, the type and definition of value, and intended use of the report.

(x) when an opinion of the appropriate market or market level was developed by the appraiser, summarize the support and rationale for that opinion;**(xi) clearly and conspicuously:**

- state all extraordinary assumptions and hypothetical conditions; and
- state that their use might have affected the assignment results; and

⁸⁰ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁸¹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁸² See Advisory Opinion 2, *Inspection of Subject Property*.

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- 1825 (xii) include a signed certification in accordance with Standards Rule 8-3.
- 1826 (b) The content of a Restricted Appraisal Report must be consistent with the intended use of the
1827 appraisal and, at a minimum:
- 1828 (i) state the identity of the client, unless the client has specifically requested otherwise;⁸³
1829 and state a prominent use restriction that limits use of the report to the client and warns
1830 that the rationale for how the appraiser arrived at the opinions and conclusions set forth
1831 in the report may not be understood properly without additional information in the
1832 appraiser's workfile;
- 1833 Comment: An appraiser must use care when identifying the client to avoid violations
1834 of the Confidentiality section of the ETHICS RULE. If a client requests that the
1835 client's identity be withheld from the report, the appraiser may comply with this
1836 request. In these instances, the appraiser must document the identity of the client in
1837 the workfile and must state in the report that the identity of the client has been
1838 withheld at the client's request.
- 1839 The Restricted Appraisal Report is for client use only. Before entering into an
1840 agreement, the appraiser should establish with the client the situations where this
1841 type of report is to be used and should ensure that the client understands the
1842 restricted utility of the Restricted Appraisal Report.
- 1843 (ii) state the intended use of the appraisal;⁸⁴
- 1844 Comment: The intended use of the appraisal must be consistent with the limitation
1845 on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client
1846 use only).
- 1847 (iii) state information sufficient to identify the property involved in the appraisal;
- 1848 (iv) state the property interest appraised;
- 1849 (v) state the type of value and cite the source of its definition;⁸⁵
- 1850 Comment: When an opinion of reasonable exposure time has been developed in
1851 compliance with Standards Rule 7-2(c), the opinion must be stated in the report.
- 1852 (vi) state the effective date of the appraisal and the date of the report;⁸⁶
- 1853 Comment: The effective date of the appraisal establishes the context for the value
1854 opinion, while the date of the report indicates whether the perspective of the
1855 appraiser on the market and property as of the effective date of the appraisal was
1856 prospective, current, or retrospective.
- 1857 (vii) state the scope of work used to develop the appraisal;⁸⁷

⁸³ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁸⁴ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁸⁵ See Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

⁸⁶ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

Comment: Because the client's reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant personal property appraisal assistance, the appraiser must state the extent of that assistance. The name(s) of those providing the significant personal property appraisal assistance must be stated in the certification, in accordance with Standards Rule 8-3.⁸⁸

- (viii) **state the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained;**⁸⁹

Comment: An appraiser must maintain a specific, coherent workfile in support of a Restricted Appraisal Report. The contents of the workfile must include sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 and for the appraiser to produce an Appraisal Report.

When reporting an opinion of market value, information analyzed in compliance with Standards Rule 7-5 is significant information that must be disclosed in a Restricted Appraisal Report. If such information was unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

- (ix) **state, as appropriate to the class of personal property involved, the use of the property existing as of the date of value and the use of the property reflected in the appraisal;**

Comment: In the context of personal property, value can be a function of the current and alternative use of the subject property, the choice of the appropriate market or market level for the type of item, the type and definition of value, and intended use of the report.

- (x) **when an opinion of the appropriate market or market level was developed by the appraiser, state that opinion;**

- (xi) **clearly and conspicuously:**

- **state all extraordinary assumptions and hypothetical conditions; and**
- **state that their use might have affected the assignment results; and**

- (xii) **include a signed certification in accordance with Standards Rule 8-3.**

Standards Rule 8-3

Each written personal property appraisal report must contain a signed certification that is similar in content to the following form:

⁸⁷ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁸⁸ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁸⁹ See Advisory Opinion 2, *Inspection of Subject Property*

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1895 I certify that, to the best of my knowledge and belief:

- 1896 — the statements of fact contained in this report are true and correct.
- 1897 — the reported analyses, opinions, and conclusions are limited only by the reported
- 1898 assumptions and limiting conditions and are my personal, impartial, and unbiased
- 1899 professional analyses, opinions, and conclusions.
- 1900 — I have no (or the specified) present or prospective interest in the property that is the
- 1901 subject of this report and no (or the specified) personal interest with respect to the
- 1902 parties involved.
- 1903 — I have performed no (or the specified) services, as an appraiser or in any other
- 1904 capacity, regarding the property that is the subject of this report within the three-year
- 1905 period immediately preceding acceptance of this assignment.
- 1906 — I have no bias with respect to the property that is the subject of this report or to the
- 1907 parties involved with this assignment.
- 1908 — my engagement in this assignment was not contingent upon developing or reporting
- 1909 predetermined results.
- 1910 — my compensation for completing this assignment is not contingent upon the
- 1911 development or reporting of a predetermined value or direction in value that favors
- 1912 the cause of the client, the amount of the value opinion, the attainment of a stipulated
- 1913 result, or the occurrence of a subsequent event directly related to the intended use of
- 1914 this appraisal.
- 1915 — my analyses, opinions, and conclusions were developed, and this report has been
- 1916 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 1917 — I have (or have not) made a personal inspection of the property that is the subject of
- 1918 this report. (If more than one person signs this certification, the certification must
- 1919 clearly specify which individuals did and which individuals did not make a personal
- 1920 inspection of the appraised property.)⁹⁰
- 1921 — no one provided significant personal property appraisal assistance to the person
- 1922 signing this certification. (If there are exceptions, the name of each individual
- 1923 providing significant personal property appraisal assistance must be stated.)

1924 Comment: A signed certification is an integral part of the appraisal report. An appraiser who
1925 signs any part of the appraisal report, including a letter of transmittal, must also sign this
1926 certification.

1927 In an assignment that includes only assignment results developed by the personal property
1928 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
1929 elements of the certification, for the assignment results, and for the contents of the appraisal
1930 report. In an assignment that includes real property, business or intangible asset assignment
1931 results not developed by the personal property appraiser(s), any personal property appraiser(s)
1932 who signs a certification accepts full responsibility for the personal property elements of the
1933 certification, for the personal property assignment results, and for the personal property
1934 contents of the appraisal report.

1935 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign
1936 the certification, the signing appraiser is responsible for the decision to rely on their work.
1937 The signing appraiser(s) is required to have a reasonable basis for believing that those
1938 individuals performing the work are competent. The signing appraiser(s) also must have no
1939 reason to doubt that the work of those individuals is credible.⁹¹

⁹⁰ See Advisory Opinion 2, *Inspection of Subject Property*.

⁹¹ See Advisory Opinion 5, *Assistance in the Preparation of an Appraisal*.