

Attachment 2

(Easement Certification)

GREEN VALLEY SPECIAL UTILITY DISTRICT CERTIFICATE

This land development plat has been submitted to and approved by Green Valley Special Utility District for Easements. Upon request of the Customer and payment of the required fees, the District will provide domestic water service to each lot in this Subdivision, by Agreement with the Developer.

Agent
Green Valley Special Utility District

EASEMENT CERTIFICATE

The Owner of the land shown on this plat and whose name is subscribed hereto, in person or through a duly authorized agent, dedicates to the Green Valley Special Utility District of Marion, Texas, its successors and assigns, a perpetual Easement with the right to erect, construct, install and lay over and across those areas marked as "Waterline Easement" and in all streets and byways, such pipelines, service lines, water meters and other water system appurtenances as it requires, together with the right of ingress and egress, the right to remove from said lands all trees, shrubs, grasses, pavements, fences, structures, improvements, or other obstructions which may interfere with the facility or the access thereto. It is agreed and understood that no building, concrete slab or walls will be placed within said Easement areas. No other utility lines may be located within 36" parallel to water lines.

Any monetary loss to Green Valley SUD resulting from modifications required of utility equipment located within said Easements due to grade change or ground elevation alterations shall be charged to the person or persons deemed responsible for said grade changes or ground elevation alterations. Upon entering in and upon said Easement, the District will endeavor to restore the land surface to a useable condition but is not obligated to restore it to a pre-existing condition.

The Easement conveyed herein was obtained or improved through Federal financial assistance. This Easement is subject to the provision of Title VI of the Civil Rights Act of 1964, and the regulations issued pursuant thereto for so long as the Easement continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the Grantee owns it, whichever is longer.

Owner
(This Easement Certificate is to be executed and notarized by Owner of property and affixed to plat.)

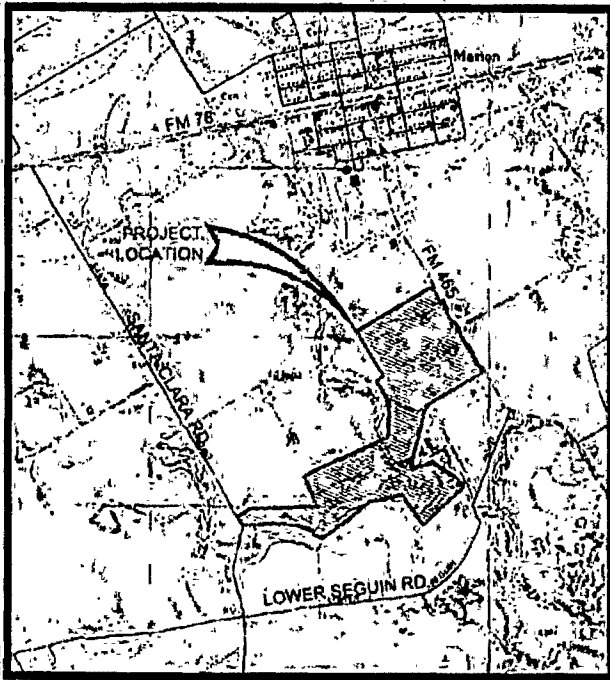


Green Valley Special Utility District

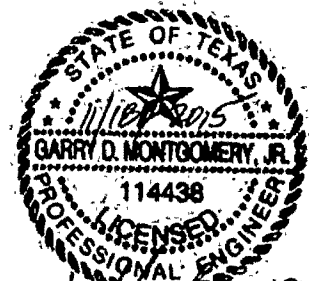
529 South Center Street
P.O. Box 99
Marion, Texas 78124
(830) 914-2332
www.gvsud.org

Woods of St. Claire Subdivision

WATER SERVICE FEASIBILITY STUDY



River City Engineering, PLLC
1011 W. County Line Road
New Braunfels, Texas 78130
(830) 626-3588
www.rcetx.com
RCE Project #6096-130



G. Montgomery
**RIVER CITY
ENGINEERING**
Civil, Environmental and Surveying
Texas Engineering Firm F-1546 Texas Survey Firm 10193948

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1.0 General Overview

Green Valley Special Utility District (GVSUD) authorized River City Engineering, PLLC. (RCE) to prepare this Water Service Feasibility Study for the proposed development named **Woods of St. Claire** by Verbal Authorization on July 31, 2015.

RCE reviewed the potential impact for GVSUD to provide domestic potable water service to the above referenced development. This study reviews the proposed land use assumptions (LUA) which defines the intended use of the proposed development. This LUA is used to determine the proposed developments requested domestic potable water usage or volume. RCE compares GVSUD's existing available water rights inventory to the proposed development's water demand request. This comparison insures the proposed development is aligned with GVSUD's long-term planning goals. RCE then assesses how the proposed development would impact GVSUD infrastructure and what improvements and associated costs would be required to deliver the proposed development their domestic potable water demand request. In addition to domestic potable water service, RCE reviews any infrastructure improvements necessary to provide the proposed development additional emergency water services, as requested by the applicant. The proposed infrastructure improvements are shown on Exhibit 1 - Proposed Development Vicinity Map. Finally, RCE recommends condition items for GVSUD management and Board of Directors consideration. The purpose of this Water Service Feasibility Study is to advise GVSUD management on the potential positive and negative impacts that this non-standard service request could have on GVSUD's current and future public water system. The Water Service Feasibility Study may be used as a toolbox of negotiation items that can be reviewed, discussed, and agreed between GVSUD and the proposed development. The final approval of any GVSUD domestic potable water service contract with any proposed development shall be through compliance with GVSUD tariff and by vote of the GVSUD Board of Directors.

2.0 Land Use Assumptions (LUA)

The proposed development is located along FM 465, approximately 0.59 miles south of the city of Marion. The intended Land Use Assumption (LUA) for this proposed development is zoned Residential. This 237 acre proposed phased development will contain 105 5/8 x 3/4 -inch water meters for Residential use, equating to **105 build-out Equivalent Dwelling Units (EDU)**. For planning purposes the GVSUD Board of Directors and management typically use 0.4 acre-feet/year as a conservative measure of annual water use to estimate future use of planned developments. Therefore, the proposed development is requesting a non-standard water service contract for GVSUD to supply **42 acre-feet** of domestic potable water per year.

Water Availability

Based on the computation of the annual projected water use divided by 357 gallons per EDU per day the developer has requested 105 - 5/8 x 3/4 -inch metered services for Residential at final build out of the proposed development. The annual water usage equates to approximately 14 million gallons. RCE and GVSUD use the conservative value of 0.4 acre-feet/connection for planning purposes in this report. GVSUD currently has an adequate supply of available water to provide the proposed development as stated in the non-standard water service application. To aid in GVSUD's long term plans, RCE recommends the proposed development take advantage of water conservation design responsibilities to reduce the proposed development's water demand. Such design responsibilities like reduction of irrigation demand, and conservation designs (example: drought hardy grass and efficient water fixtures) can further reduce the proposed development's water demand request and look more attractive for a GVSUD non-standard water service agreement.

To summarize GVSUD's water availability situation, currently GVSUD has sufficient domestic potable water to supply this proposed development. From RCE's analysis, it is reasonable to conclude that GVSUD can be assured it can provide long-term continuous and adequate retail public water utility service to this proposed non-standard service request.

3.0 Impact to Existing Domestic Potable Water Infrastructure

Impact to Wagner Booster Pump Station

The proposed development shall be serviced with available water from the District's Wholesale water provider from the Wagner Booster Pump Station. The proposed development would not require any modifications to the existing site infrastructure for adequate Domestic Potable Water Service.

Impact to Existing Distribution System

There is an existing GVSUD water distribution pipe of 12-inch diameter in the vicinity of the proposed development. The 12-inch water main is located on the east side of Santa Clara Road adjacent to this development. This waterline currently provides Domestic Potable Water service to local connections. The developer will be required to construct a 12-inch water main from Santa Clara Road to supply the development. GVSUD shall be responsible for construction of subsequent 12-inch waterlines for future growth as shown in Exhibit 1.

The topography as provided by the Guadalupe County contours shows the highest area of the development at the 630 MSL contour. With Wagner Pump Station hydraulic pressure plane being at 880 feet, the District can serve the proposed 237 acre

development from the existing pressure available. Due to the approximate maximum 280 feet of head (121 psi) at the lowest point and minimum 250 feet of head (108 psi) at the highest point in the tract, the pressure within the development will be adequate for domestic use. The potable water service pressure requested typically is in the 35-70 psi range, therefore the developer may opt to install pressure reducing valves at their service to lower pressure.

Impact to Existing Water Storage

The water demand required for the proposed development shall be delivered from the ground storage tanks at the Wagner Booster Pump Station with the existing 4 million gallon volume tanks. The ground storage tank located at Wagner Booster Pump Station will not require any improvements to accommodate the domestic potable water demand request for the proposed development. The current pressure plane provides compliance with TCEQ minimums for pumping capacity, ground storage and elevated or hydro-pneumatic storage. GVSUD is planning elevated storage for this service area as part of the priority Capital Improvement Projects.

4.0 Additional Emergency Water Services

Additional emergency water services were requested at a rate of 500 gpm to meet fireflow demands for the site. With the proposed improvements discussed in Section 3.0 the District will be able to provide the required flow demands without reservation.

5.0 Estimated Costs

Table 6.1 summarizes the expected costs to the proposed development required for GVSUD to confidently provide **domestic potable water service** to the proposed development. The internal piping will be designed, modeled and constructed by the developer once approved by GVSUD. Once released for service all internal piping shall be dedicated to GVSUD for operation and maintenance. The water impact fees are shown in the table, these are due at time of meter request.

Table 6.1: Water Fees

| WATER ACQUISITION | CONNECTION FEE | IMPACT FEE | TOTAL EDUs | TOTAL COST |
|--------------------------|-----------------------|-------------------|-------------------|-------------------|
| \$1,500 | \$925 | \$2,600 | 105 | \$527,625 |

The Developer will be responsible for the cost associated with the installation of a 12-inch PVC water distribution main and associated appurtenances through the development. GVSUD shall be responsible for the cost associated with the installation of 12-inch lines to tie the development into the existing water system as shown in Exhibit 1. A cost estimate is available for review in Attachment 2.

6.0 Conclusion and Recommendations

In our engineering opinion, the GVSUD's domestic potable water system is capable of serving this proposed development with potable domestic water service provided that the conditions outlined in this report are met by the proposed development.

The following condition items are provided for GVSUD's consideration:

1. Infrastructure improvements associated with installation of 12-inch PVC distribution main and appurtenances to provide service to the proposed development. All waterline easements shall be 20 foot in width and dedicated to GVSUD in the plat for the property.
2. The proposed development complies with GVSUD's tariff requirements and pays all applicable fees.
3. Attachment 2 provides the required easement certification for platting and GVSUD water service, to be included on the plat documents.
4. GVSUD shall approve the location and material type for piping and all appurtenances prior to construction and final acceptance of the project in accordance with GVSUD standard waterline specifications at time of preliminary and final platting. Electrical, telephone and wastewater conflicts shall be minimized. A GVSUD inspector will be present during installation of waterline improvements.
5. Upon construction completion and GVSUD acceptance, all system improvements shall be dedicated to and maintained by GVSUD. The contractor must warranty all construction for a minimum of one year. All system improvements that are not prepared by GVSUD must be submitted to GVSUD for review and approval prior to construction.
6. A cost estimate of anticipated impact fees has been provided. Impact fees will be due at the time of service request, not at time of platting.

This water service feasibility study is subject to the approval and/or modification by the GVSUD Board of Directors after consideration of the information provided herein and the application of the policies of GVSUD. Thank you for the opportunity to prepare this water service feasibility study. If you have any questions, please do not hesitate to contact River City Engineering at (830) 626-3588.

Sincerely,

Garry D. Montgomery, P.E.
River City Engineering, PLLC.

Exhibit 1

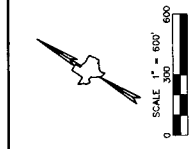
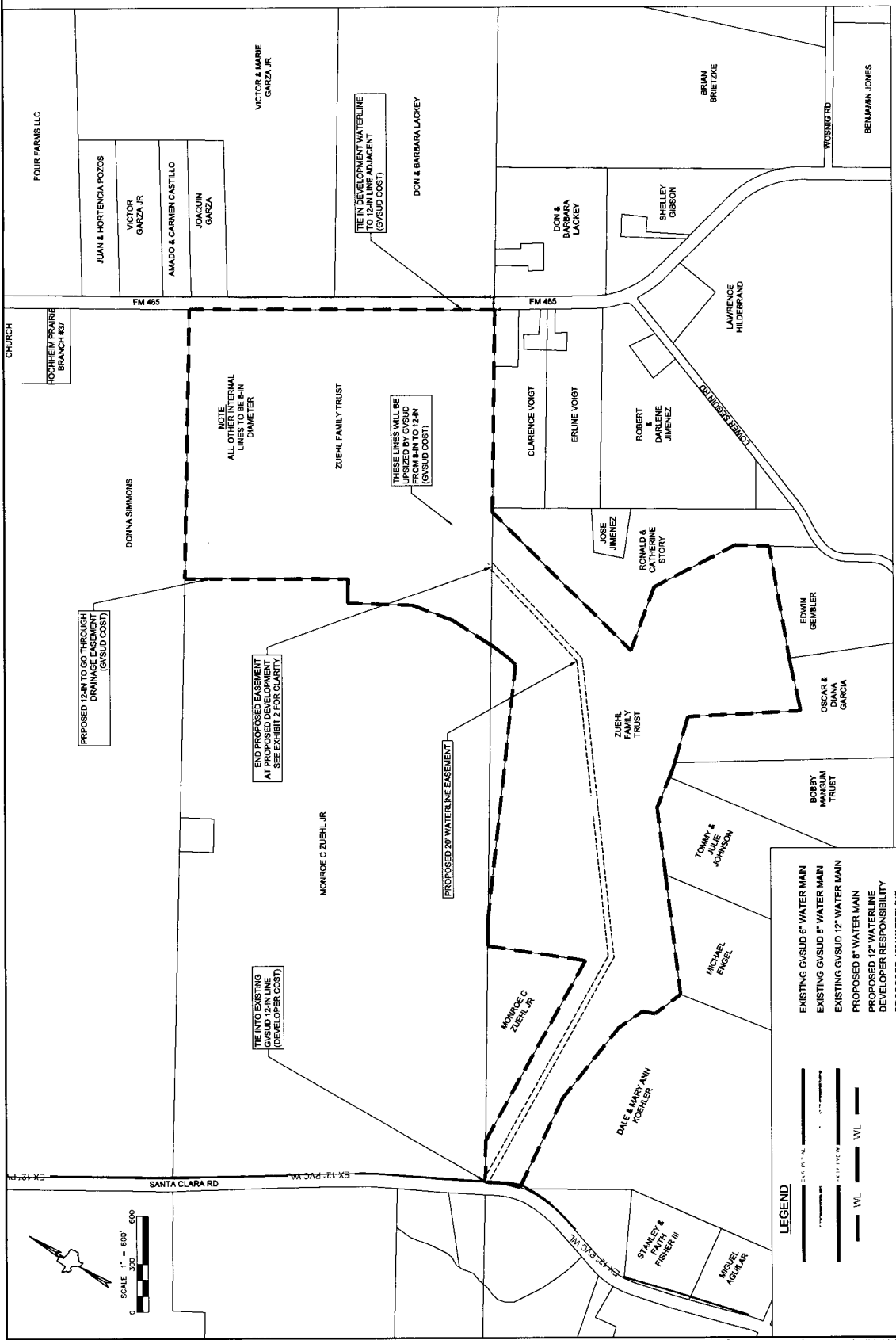
(Proposed Improvements)

| | |
|------------------------|------------------|
| DESIGNED BY PAS | SCALE: 1" = 200' |
| DATE: 18 November 2015 | |
| PROJECT NO. GVSUD-130 | |
| CHECKED BY COM | |
| DESIGNED BY PAS | |
| DATE: | |
| SCALE: | |
| PROJECT NO.: | |

RIVER CITY ENGINEERING
 Civil, Environmental & Consulting
 1117 W. 12th St., Suite 100
 Fort Worth, TX 76102
 Phone: 817-332-2222
 Fax: 817-332-2222

Exhibit 1 - Proposed Development Utility Map
 Green Valley Special Utility District

SHEET NO. 7
 Page 6 of 6



LEGEND

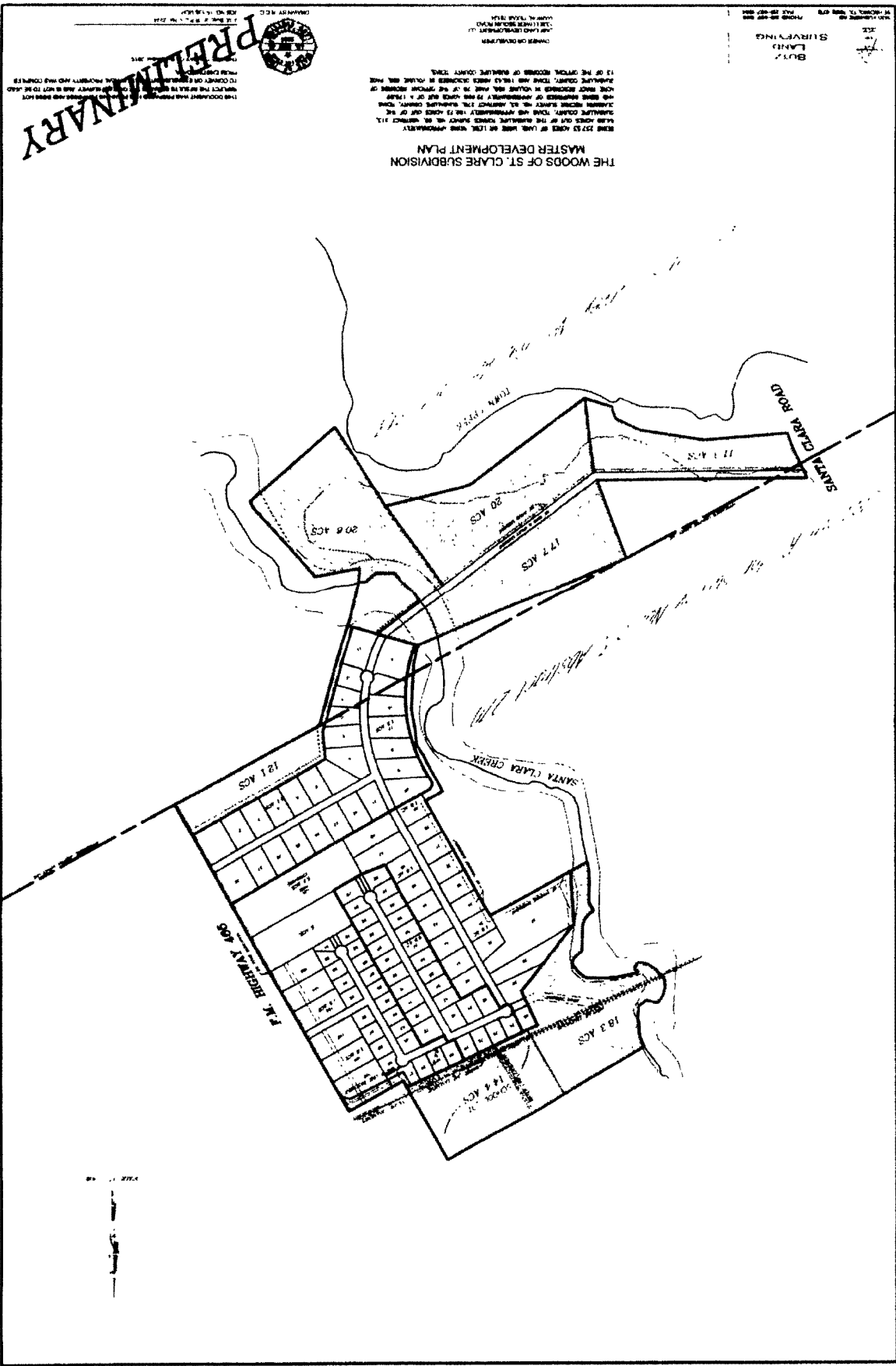
- 6\"/>
- 8\"/>
- 12\"/>
- 12\"/>
- 12\"/>
- 12\"/>
- UNIT LINE

NOTE: ALL OTHER WATERLINE INTERNAL TO THE DEVELOPMENT SHALL BE SIZED TO MEET LOCAL REQUIREMENTS AND ARE THE RESPONSIBILITY OF THE DEVELOPER

GVSUD 200669

Exhibit 2

(Development Detail)



Attachment 1 (Easement Certification)

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Owner
(This Easement Certificate is to be executed and notarized by Owner of property and affixed to plat.)

Attachment 2 (Cost Estimate)

| Green Valley SUD | | | | | |
|--|---|------|----------|------------|---------------------|
| Woods of St. Claire Development | | | | | |
| Engineer's Opinion of Probable Cost | | | | | |
| ITEM | DESCRIPTION | UNIT | QUANTITY | UNIT PRICE | TOTAL COST |
| 1 | Site Preparation | AC | 1.57 | \$2,500.00 | \$3,925.00 |
| 2 | Revegetation (Hydromulch) | AC | 1.57 | \$2,000.00 | \$3,140.00 |
| 3 | Erosion Control Measures (Silt Fence & Matting) | LS | 1 | \$2,000.00 | \$2,000.00 |
| 4 | Environmental Protection/Storm Water Pollution Prevention | LS | 1 | \$1,500.00 | \$1,500.00 |
| 5 | Traffic Control, Signs & Barricades | LS | 1 | \$1,500.00 | \$1,500.00 |
| 6 | Trench Excavation Safety Protection | LF | 3,416 | \$1.00 | \$3,416.00 |
| 7 | 12" C-909 PVC Waterline by Bore in 24" Steel Casing | LF | 90 | \$400.00 | \$36,000.00 |
| 8 | 12" C-909 PVC Waterline by Open Cut | LF | 3,416 | \$45.00 | \$153,720.00 |
| 9 | Fire Hydrant Assembly | EA | 5 | \$4,500.00 | \$22,500.00 |
| 10 | 2" Blow-off Temporary | EA | 2 | \$2,500.00 | \$5,000.00 |
| 11 | 12" Gate Valve | EA | 4 | \$3,500.00 | \$14,000.00 |
| 12 | Testing & Disinfection | LF | 3,416 | \$0.75 | \$2,562.00 |
| 14 | Pipe Fittings | TON | 1.00 | \$7,500.00 | \$7,500.00 |
| 15 | 8" to 12" Upsize | LF | 7,564 | \$5.00 | \$37,820.00 |
| TOTAL CONSTRUCTION ITEMS | | | | | \$294,583.00 |
| | Bonds & Insurance | 7% | | | \$20,621.00 |
| | Contingencies | 10% | | | \$29,458.00 |
| TOTAL CONSTRUCTION COSTS | | | | | \$344,662.00 |
| | Easement Acquisition | LS | | | \$ 4,500.00 |
| | Engineering/Survey/Construction Admin | 12% | | | \$41,359.00 |
| TOTAL COSTS | | | | | \$390,521.00 |

ORDINANCE # 11-2014

AN ORDINANCE OF THE CITY OF MARION, TEXAS AMENDING ORDINANCE 5-2013 TO ESTABLISH THE SEWER RATES FOR FISCAL YEAR 2015 FOR RESIDENTIAL AND COMMERCIAL CUSTOMERS IN THE CITY OF MARION, TEXAS; PROVIDING SEWER RATES FOR RESIDENTIAL AND COMMERCIAL CUSTOMERS OUTSIDE THE CITY LIMITS OF THE CITY OF MARION, TEXAS; PROVIDING FOR THE PUBLICATION OF THIS ORDINANCE; AND PROVIDING FOR THE EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MARION, GUADALUPE COUNTY, TEXAS:

SEWER RATES.

A. Residential Customers in and out of the City of Marion, Texas.

1. There is a fixed rate of \$31.00 per month for the residential customer in the City of Marion, Texas for 0 to 3,000 gallons of water as determined by averaging the monthly water consumption for the preceding December, January, and February; and
2. There is a fixed rate of \$18.00 per month for the residential customer in the City of Marion, Texas for 3,001 gallons and plus gallons, in addition to the fixed rate charge a \$4.85 (four dollars and eighty-five cents) charge per each 1,000 gallons, or portion thereof, of water consumed based upon the average monthly water consumption for the preceding December, January, and February. This additional charge will be a fixed additional monthly charge effective from the first day of March each year until the last day of February the following year, at which time a new fixed monthly rate will be implemented, determined by averaging the monthly consumption rate of gallons of water used the preceding December, January, and February.

B. Commercial Customers in and out of the City of Marion, Texas.

1. There is a fixed rate of \$31.00 per month for the commercial customer in the City of Marion, Texas for up to 0 to 3000 gallons of water used by the commercial customer in the City of Marion, Texas; and
2. There is a fixed rate of \$18.00 per month for the commercial customer in the City of Marion, Texas for 3,001 gallons and plus gallons, in addition to the fixed rate charge, a \$5.10 (five dollars and ten cents) charge per each 1000 gallons, or portion charge per each 1000 gallons, or portion thereof, of water over and above the 3,001 plus gallons used per month by the commercial customer in the City of Marion, Texas.

THIS ORDINANCE is to be an effective ordinance for the March sewer service, which will be billed October 1, 2014.

A COPY OF THIS ORDINANCE or an appropriate caption thereof, is to be published in the official newspaper of the City of Marion, Texas, as provided by the law of the State of Texas.

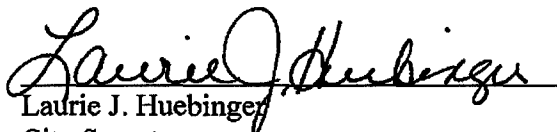
THIS ORDINANCE will be an effective ordinance ten days after its passage and approval by the City Council of the City of Marion, Texas.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF MARION, TEXAS, on the 15th day of September 2014, A.D.

A handwritten signature in black ink, appearing to read "Glenn A. Hild", written over a horizontal line.

GLENN A. HILD
MAYOR

ATTEST:

A handwritten signature in black ink, appearing to read "Laurie J. Huebinger", written over a horizontal line.

Laurie J. Huebinger
City Secretary

2015 SEWER FEES

RESIDENTIAL RATES

| GALLONS | 1,000 | 2,000 | 3,000 | 4,000 | 5,000 | 6,000 | 7,000 | 8,000 | 9,000 | 10,000 | 11,000 | 12,000 | 13,000 | 14,000 | 15,000 |
|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| BASE RATE | \$ 31.00 | \$ 31.00 | \$ 31.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 |
| \$ 4.85 | \$ - | \$ - | \$ - | \$ 19.40 | \$ 24.25 | \$ 29.10 | \$ 33.95 | \$ 38.80 | \$ 43.65 | \$ 48.50 | \$ 53.35 | \$ 58.20 | \$ 60.05 | \$ 67.90 | \$ 72.75 |
| \$ 31.00 | \$ 31.00 | \$ 31.00 | \$ 31.00 | \$ 37.40 | \$ 42.25 | \$ 47.10 | \$ 51.95 | \$ 56.80 | \$ 61.65 | \$ 66.50 | \$ 71.35 | \$ 76.20 | \$ 78.05 | \$ 85.90 | \$ 90.75 |

COMMERCIAL RATES

| GALLONS | 1,000 | 2,000 | 3,000 | 4,000 | 5,000 | 6,000 | 7,000 | 8,000 | 9,000 | 10,000 | 11,000 | 12,000 | 13,000 | 14,000 | 15,000 |
|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| BASE RATE | \$ 31.00 | \$ 31.00 | \$ 31.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 | \$ 18.00 |
| \$ 5.10 | \$ - | \$ - | \$ - | \$ 20.40 | \$ 25.50 | \$ 30.60 | \$ 35.70 | \$ 40.80 | \$ 45.90 | \$ 51.00 | \$ 56.10 | \$ 61.20 | \$ 66.30 | \$ 71.40 | \$ 76.50 |
| \$ 31.00 | \$ 31.00 | \$ 31.00 | \$ 31.00 | \$ 38.40 | \$ 43.50 | \$ 48.60 | \$ 53.70 | \$ 58.80 | \$ 63.90 | \$ 69.00 | \$ 74.10 | \$ 79.20 | \$ 84.30 | \$ 89.40 | \$ 94.50 |

**City of Schertz
Schedule of Fees**

| Sewer Rates | 2015-16 |
|--|----------------|
| <u>Residential Rates (Single Family)</u> | |
| Base Rate-per month | \$ 9.22 |
| Per 1,000 gal Charge, Per Month | |
| City line Maintenance fee plus Franchise fee | \$ 0.36 |
| User Charge based on 100% of avg consumption mo. User avg. based on Nov, Dec, and Jan, min. 500 gals. | \$ 3.15 |
| Per 1,000 gal charge Total- 12,000 gallons or less | \$ 3.51 |
| greater than 12,000 gallons | \$ 6.95 |
| <u>Business and Multi-family Dwelling Units:</u> | |
| Base Rate per month | \$ 11.69 |
| The base rate shall be assessed in terms of connection equivalents which shall be as follows: the customer's previous 12 month water consumption as determined at the annual re-rating in February divided by 365, with the results of such division then divided by 245 gallons. The figure arrived at by the second division shall be the customer's "connection equivalent". Each business shall be assessed a base rate. | |
| Per 1,000 gal Charge, Per Month | |
| Line Maintenance-Commercial/Industrial users plus Franchise fee | \$ 0.45 |
| User Charge-based on 100% of water consumed | \$ 3.15 |
| Per 1,000 gal charge Total- 12,000 gallons or less | \$ 3.60 |
| greater than 12,000 gallons | \$ 7.02 |
| <u>Public Schools</u> | |
| Base Rate per month | \$ 11.69 |
| Base Rate-each public school shall be assessed a base rate per connection equivalent determined as in Business and Multi-family dwelling units above. (per month) | |
| Per 1,000 gal Charge, Per Month | |
| Line Maintenance-Commercial/Industrial users | \$ 0.45 |
| User Charge-based on 100% of all water consumed | \$ 3.15 |
| Per 1,000 gal charge Total- 12,000 gallons or less | \$ 3.60 |
| greater than 12,000 gallons | \$ 7.02 |
| <u>For Information Purposes Only:</u> | |
| Cibolo Creek Municipal Authority (CCMA), Per 1,000 gallons includes 5% franchise fee | \$ 3.15 |



Rates and Rate Structures

| WESTERN CANYON DIVISION (cont.) | 2014 Actual | 2015 Actual | 2016 Budget | Unit of Measure | % Change | Effective Date |
|---|-------------|-------------|-------------|-----------------|----------|----------------|
| Wastewater Treatment Plant - Common Rates: | | | | | | |
| Reconnection Fee: Wastewater | \$500.00 | \$500.00 | \$500.00 | connection | - | Sep 01 |
| Customer Re-Inspection Fee | \$100.00 | \$100.00 | \$100.00 | inspection | - | Sep 01 |
| Transfer Fee | \$40.00 | \$40.00 | \$40.00 | transfer | - | Sep 01 |
| Tampering Fee | \$70.00 | \$70.00 | \$70.00 | +damages | - | Sep 01 |
| NSF Fee | \$25.00 | \$25.00 | \$25.00 | occurrence | - | Sep 01 |
| Late Charge Penalty | 5% | 5% | 5% | monthly fee | - | Sep 01 |

Cordillera WWTP:

| | | | | | | |
|------------------------------|-------------|-------------|-------------|------------|---|--------|
| Wastewater – Connection Fees | \$1,550.00 | \$1,550.00 | \$1,550.00 | connection | - | Oct 01 |
| + Grinder Pump | pump @ cost | pump @ cost | pump @ cost | | | |
| Wastewater – Monthly Fees | \$61.00 | \$64.00 | \$64.00 | LUE | - | Oct 01 |

Johnson Ranch WWTP:

| | | | | | | |
|------------------------------|----------|----------|----------|------------|---|--------|
| Wastewater – Connection Fees | \$550.00 | \$550.00 | \$550.00 | connection | - | Oct 01 |
| Wastewater – Monthly Fees | \$45.00 | \$45.00 | \$45.00 | LUE | - | Oct 01 |

| CALHOUN COUNTY RWS DIVISION | 2014 Actual | 2015 Actual | 2016 Budget | Unit of Measure | % Change | Effective Date |
|---|-------------|-------------|-------------|-----------------|----------|----------------|
| Reconnect Fee/Trip Charge | \$70.00 | \$70.00 | \$70.00 | connection | - | Sep 01 |
| Call Out Trip Charge | \$180.00 | \$250.00 | \$250.00 | occurrence | - | Sep 01 |
| Transfer Fee | \$40.00 | \$40.00 | \$40.00 | transfer | - | Sep 01 |
| Tampering Fee | \$70.00 | \$70.00 | \$70.00 | +damages | - | Sep 01 |
| Private Hand Valve Installation | \$140.00 | \$200.00 | \$200.00 | minimum | - | Sep 01 |
| NSF Fee | \$25.00 | \$25.00 | \$25.00 | occurrence | - | Sep 01 |
| ACH Fee: individual bank draft at customers request | \$25.00 | \$25.00 | \$25.00 | occurrence | - | Sep 01 |
| Late Charge Penalty | 5% | 5% | 5% | monthly fee | - | Sep 01 |

Rural Water Distribution System:

1. 5/8" Meter:

| | | | | | | |
|---|------------|------------|------------|------------|-----|--------|
| Tap Fees - New Connection, plus membership fee | \$1,000.00 | \$1,000.00 | \$1,000.00 | connection | - | Oct 01 |
| Tap Fees - Existing Connection, plus membership fee | \$320.00 | \$355.00 | \$355.00 | connection | - | Oct 01 |
| Membership Fees | \$1,200.00 | \$1,200.00 | \$1,200.00 | connection | - | Oct 01 |
| Base Rate up to 2,000 gal. | \$36.00 | \$36.00 | \$40.00 | month | 11% | Oct 01 |
| Block Rate over 2,000 gal. (base rate+usage) | \$5.05 | \$5.05 | \$6.05 | 1,000 gal. | 20% | Oct 01 |
| Dry Tap Rate | \$35.00 | \$35.00 | \$39.00 | month | 11% | Oct 01 |

2. 3/4" Meter:

| | | | | | | |
|---|------------|------------|------------|------------|-----|--------|
| Tap Fees - New Connection, plus membership fee | \$1,000.00 | \$1,000.00 | \$1,000.00 | connection | - | Oct 01 |
| Tap Fees - Existing Connection, plus membership fee | \$345.00 | \$385.00 | \$385.00 | connection | - | Oct 01 |
| Membership Fees | \$2,300.00 | \$2,300.00 | \$2,300.00 | connection | - | Oct 01 |
| Base Rate up to 3,000 gal. | \$54.00 | \$54.00 | \$60.00 | month | 11% | Oct 01 |
| Block Rate over 3,000 gal. (base rate+usage) | \$5.05 | \$5.05 | \$6.05 | 1,000 gal. | 20% | Oct 01 |
| Dry Tap Rate | \$53.00 | \$53.00 | \$59.00 | month | 11% | Oct 01 |

2016-2017 EDITION

EXHIBIT

GVSUD-2

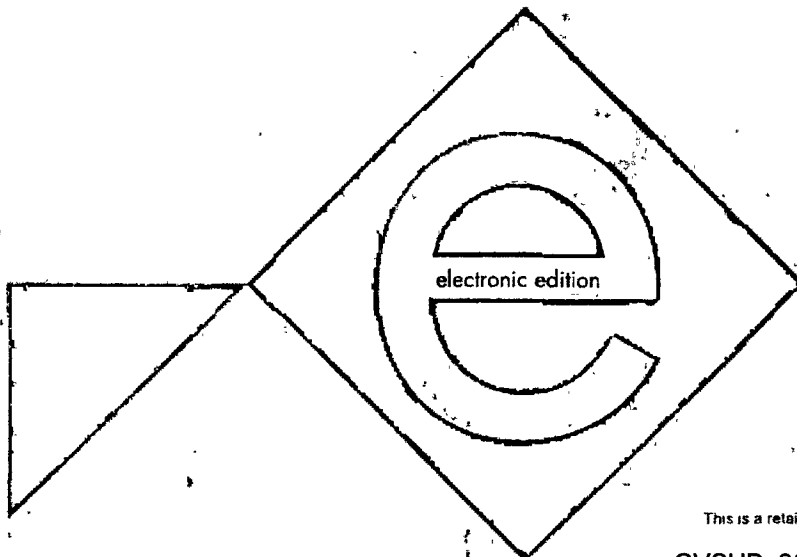
2016-2017

UNIFORM STANDARDS OF
PROFESSIONAL APPRAISAL PRACTICE

Effective January 1, 2016 through December 31, 2017

PLUS

Guidance from the Appraisal Standards Board
+ USPAP ADVISORY OPINIONS
+ USPAP FREQUENTLY ASKED QUESTIONS (FAQ)



APPRAISAL STANDARDS BOARD



THE APPRAISAL FOUNDATION

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

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UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

2016-2017 EDITION

APPRAISAL STANDARDS BOARD



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EFFECTIVE:

**January 1, 2016 through
December 31, 2017**

1 **UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE**

2 **as promulgated by the**
 3 **Appraisal Standards Board of**
 4 **The Appraisal Foundation**

5 **DEFINITIONS**

6 For the purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP), the following
 7 definitions apply:

8 **APPRAISAL:** (noun) the act or process of developing an opinion of value; an opinion of value.
 9 (adjective) of or pertaining to appraising and related functions such as appraisal practice or
 10 appraisal services.

11 Comment: An appraisal must be numerically expressed as a specific amount, as a range of
 12 numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or
 13 numerical benchmark (e.g., assessed value, collateral value).

14 **APPRAISAL PRACTICE:** valuation services performed by an individual acting as an appraiser, including but
 15 not limited to appraisal and appraisal review.

16 Comment: *Appraisal practice* is provided only by appraisers, while *valuation services* are
 17 provided by a variety of professionals and others. The terms *appraisal* and *appraisal review*
 18 are intentionally generic and are not mutually exclusive. For example, an opinion of value
 19 may be required as part of an appraisal review assignment. The use of other nomenclature for
 20 an appraisal or appraisal review assignment (e.g., analysis, counseling, evaluation, study,
 21 submission, or valuation) does not exempt an appraiser from adherence to the *Uniform*
 22 *Standards of Professional Appraisal Practice*.¹

23 **APPRAISAL REVIEW:** the act or process of developing and communicating an opinion about the quality of
 24 another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

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

27 **APPRAISER:** one who is expected to perform valuation services competently and in a manner that is
 28 independent, impartial, and objective.

29 Comment: Such expectation occurs when individuals, either by choice or by requirement
 30 placed upon them or upon the service they provide by law, regulation, or agreement with the
 31 client or intended users, represent that they comply.²

32 **APPRAISER'S PEERS:** other appraisers who have expertise and competency in a similar type of assignment.

33 **ASSIGNMENT:** 1) An agreement between an appraiser and a client to provide a valuation service; 2) the
 34 valuation service that is provided as a consequence of such an agreement.

35 **ASSIGNMENT RESULTS:** An appraiser's opinions or conclusions developed specific to an assignment.³

¹ See Advisory Opinion 21, *USPAP Compliance*.

² See PREAMBLE and Advisory Opinion 21, *USPAP Compliance*.

³ See Confidentiality section of the ETHICS RULE.

PREAMBLE

141 **PREAMBLE**

142 The purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to promote and maintain
143 a high level of public trust in appraisal practice by establishing requirements for appraisers. It is essential that
144 appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their
145 services in a manner that is meaningful and not misleading.

146 The Appraisal Standards Board promulgates USPAP for both appraisers and users of appraisal services. The
147 appraiser's responsibility is to protect the overall public trust and it is the importance of the role of the appraiser
148 that places ethical obligations on those who serve in this capacity. USPAP reflects the current standards of the
149 appraisal profession.

150 USPAP addresses the ethical and performance obligations of appraisers through DEFINITIONS, Rules,
151 Standards, Standards Rules, and Statements.

- 152 • The DEFINITIONS establish the application of certain terminology in USPAP.
- 153 • The ETHICS RULE sets forth the requirements for integrity, impartiality, objectivity,
154 independent judgment, and ethical conduct.
- 155 • The RECORD KEEPING RULE establishes the workfile requirements for appraisal and
156 appraisal review assignments.
- 157 • The COMPETENCY RULE presents pre-assignment and assignment conditions for
158 knowledge and experience.
- 159 • The SCOPE OF WORK RULE presents obligations related to problem identification,
160 research, and analyses.
- 161 • The JURISDICTIONAL EXCEPTION RULE preserves the balance of USPAP if a portion is
162 contrary to law or public policy of a jurisdiction.
- 163 • The Standards establish the requirements for appraisal and appraisal review and the manner in
164 which each is communicated.
 - 165 - STANDARDS 1 and 2 establish requirements for the development and communication of
166 a real property appraisal.
 - 167 - STANDARD 3 establishes requirements for the development and communication of an
168 appraisal review.
 - 169 - (Note: STANDARDS 4 and 5 have been retired).
 - 170 - STANDARD 6 establishes requirements for the development and communication of a
171 mass appraisal.
 - 172 - STANDARDS 7 and 8 establish requirements for the development and communication of
173 a personal property appraisal.
 - 174 - STANDARDS 9 and 10 establish requirements for the development and communication
175 of a business or intangible asset appraisal.
- 176 • There are currently no active Statements on Appraisal Standards.
- 177 • Comments are an integral part of USPAP and have the same weight as the component they
178 address. These extensions of the DEFINITIONS, Rules, and Standards Rules provide
179 interpretation and establish the context and conditions for application.

180 **When Do USPAP Rules and Standards Apply?**

181 USPAP does not establish who or which assignments must comply. Neither The Appraisal Foundation nor its
182 Appraisal Standards Board is a government entity with the power to make, judge, or enforce law. An appraiser
183 must comply with USPAP when either the service or the appraiser is required by law, regulation, or agreement
184 with the client or intended user. Individuals may also choose to comply with USPAP any time that individual is
185 performing the service as an appraiser. In order to comply with USPAP, an appraiser must meet the following
186 obligations:

- 187 • An appraiser must act competently and in a manner that is independent, impartial, and
188 objective.
- 189 • An appraiser must comply with the ETHICS RULE in all aspects of appraisal practice.
- 190 • An appraiser must maintain the data, information and analysis necessary to support his or
191 her opinions for appraisal and appraisal review assignments in accordance with the
192 RECORD KEEPING RULE:
- 193 • An appraiser must comply with the COMPETENCY RULE and the JURISDICTIONAL
194 EXCEPTION RULE for all assignments.
- 195 • When an appraiser provides an opinion of value in an assignment, the appraiser must also
196 comply with the SCOPE OF WORK RULE, the RECORD KEEPING RULE, the
197 applicable development and reporting Standards and applicable Statements.
- 198 • When an appraiser provides an opinion about the quality of another appraiser's work that
199 was performed as part of an appraisal or appraisal review assignment, the appraiser must
200 also comply with the SCOPE OF WORK RULE, the RECORD KEEPING RULE,
201 applicable portions of STANDARD 3 and applicable Statements.
- 202 • When preparing an appraisal or appraisal review that is a component of a larger
203 assignment with additional opinions, conclusions, or recommendations, the appraisal or
204 appraisal review component must comply with the applicable development and reporting
205 Standards and applicable Statements, and the remaining component of the assignment
206 must comply with the ETHICS RULE, the COMPETENCY RULE, and the
207 JURISDICTIONAL EXCEPTION RULE.

ETHICS RULE

208 **ETHICS RULE**

209 **An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the**
210 **highest standards of professional ethics.**

211 **An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the**
212 **client or intended users. In addition to these requirements, an individual should comply any time that**
213 **individual represents that he or she is performing the service as an appraiser.**

214 Comment: This Rule specifies the personal obligations and responsibilities of the individual
215 appraiser. An individual appraiser employed by a group or organization that conducts itself in a
216 manner that does not conform to USPAP should take steps that are appropriate under the
217 circumstances to ensure compliance with USPAP.

218 This ETHICS RULE is divided into three sections: Conduct, Management, and Confidentiality
219 which apply to all appraisal practice.

220 **Conduct:**

221 **An appraiser must perform assignments with impartiality, objectivity, and independence, and without**
222 **accommodation of personal interests.**

223 **An appraiser:**

- 224 • **must not perform an assignment with bias;**
- 225 • **must not advocate the cause or interest of any party or issue;**
- 226 • **must not accept an assignment that includes the reporting of predetermined opinions and**
227 **conclusions;**
- 228 • **must not misrepresent his or her role when providing valuation services that are outside of**
229 **appraisal practice;¹¹**
- 230 • **must not communicate assignment results with the intent to mislead or to defraud;**
- 231 • **must not use or communicate a report that is known by the appraiser to be misleading or**
232 **fraudulent;**
- 233 • **must not knowingly permit an employee or other person to communicate a misleading or**
234 **fraudulent report;**
- 235 • **must not use or rely on unsupported conclusions relating to characteristics such as race, color,**
236 **religion, national origin, gender, marital status, familial status, age, receipt of public assistance**
237 **income, handicap, or an unsupported conclusion that homogeneity of such characteristics is**
238 **necessary to maximize value;**
- 239 • **must not engage in criminal conduct;**
- 240 • **must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and**
- 241 • **must not perform an assignment in a grossly negligent manner.**

242 Comment: Development standards (1-1, 3-1, 6-1, 7-1 and 9-1) address the requirement that
243 “an appraiser must not render appraisal services in a careless or negligent manner.” The
244 above requirement deals with an appraiser being grossly negligent in performing an
245 assignment which would be a violation of the Conduct section of the ETHICS RULE.

¹¹ See Advisory Opinion 21, *USPAP Compliance*.

246 **If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an**
247 **appraiser must disclose to the client, and in each subsequent report certification:**

- 248 • **any current or prospective interest in the subject property or parties involved; and**
- 249 • **any services regarding the subject property performed by the appraiser within the three year**
250 **period immediately preceding acceptance of the assignment, as an appraiser or in any other**
251 **capacity.**

252 Comment: Disclosing the fact that the appraiser has previously appraised the property is permitted
253 except in the case when an appraiser has agreed with the client to keep the mere occurrence of a
254 prior assignment confidential. If an appraiser has agreed with a client not to disclose that he or she
255 has appraised a property, the appraiser must decline all subsequent assignments that fall within the
256 three year period.

257 In assignments in which there is no appraisal or appraisal review report, only the initial disclosure
258 to the client is required.

259 **Management:**

260 **An appraiser must disclose that he or she paid a fee or commission, or gave a thing of value in connection**
261 **with the procurement of an assignment.**

262 Comment: The disclosure must appear in the certification and in any transmittal letter in which
263 conclusions are stated; however, disclosure of the amount paid is not required. In groups or
264 organizations engaged in appraisal practice, intra-company payments to employees for business
265 development do not require disclosure.

266 **An appraiser must not accept an assignment, or have a compensation arrangement for an assignment,**
267 **that is contingent on any of the following:**

- 268 **1. the reporting of a predetermined result (e.g., opinion of value);**
- 269 **2. a direction in assignment results that favors the cause of the client;**
- 270 **3. the amount of a value opinion;**
- 271 **4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced); or**
- 272 **5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to**
273 **the assignment's purpose.**

274 **An appraiser must not advertise for or solicit assignments in a manner that is false, misleading, or**
275 **exaggerated.**

276 **An appraiser must affix, or authorize the use of, his or her signature to certify recognition and**
277 **acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment (see**
278 **Standards Rules 2-3, 3-6, 6-9, 8-3, and 10-3). An appraiser may authorize the use of his or her signature**
279 **only on an assignment-by-assignment basis.**

280 **An appraiser must not affix the signature of another appraiser without his or her consent.**

281 Comment: An appraiser must exercise due care to prevent unauthorized use of his or her signature.
282 An appraiser exercising such care is not responsible for unauthorized use of his or her signature.

ETHICS RULE

283 **Confidentiality:**

284 **An appraiser must protect the confidential nature of the appraiser-client relationship.¹²**

285 **An appraiser must act in good faith with regard to the legitimate interests of the client in the use of**
286 **confidential information and in the communication of assignment results.**

287 **An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations**
288 **applicable in an assignment.¹³**

289 **An appraiser must not disclose: (1) confidential information; or (2) assignment results to anyone other**
290 **than:**

- 291 • **the client;**
- 292 • **parties specifically authorized by the client;**
- 293 • **state appraiser regulatory agencies;**
- 294 • **third parties as may be authorized by due process of law; or**
- 295 • **a duly authorized professional peer review committee except when such disclosure to a**
296 **committee would violate applicable law or regulation.**

297 **An appraiser must take reasonable steps to safeguard access to confidential information and assignment**
298 **results by unauthorized individuals, whether such information or results are in physical or electronic**
299 **form.**

300 **An appraiser must ensure that employees, co-workers, sub-contractors, or others who may have access to**
301 **confidential information or assignment results, are aware of the prohibitions on disclosure of such**
302 **information or results.**

303 **A member of a duly authorized professional peer review committee must not disclose confidential**
304 **information presented to the committee.**

305 **Comment: When all confidential elements of confidential information and assignment results**
306 **are removed through redaction or the process of aggregation, client authorization is not**
307 **required for the disclosure of the remaining information, as modified.**

¹² See Advisory Opinion 27, *Appraising the Same Property for a New Client*.

¹³ For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." See GLB-Privacy. The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See GLB-Safeguards-Rule. Significant liability exists for appraisers should they fail to comply with these FTC rules.

JURISDICTIONAL EXCEPTION RULE

457 **JURISDICTIONAL EXCEPTION RULE**

458 **If any applicable law or regulation precludes compliance with any part of USPAP, only that part of**
459 **USPAP becomes void for that assignment.**

460 Comment: When compliance with USPAP is required by federal law or regulation, no part of
461 USPAP can be voided by a law or regulation of a state or local jurisdiction.

462 **In an assignment involving a jurisdictional exception, an appraiser must:**

- 463 **1. identify the law or regulation that precludes compliance with USPAP;**
- 464 **2. comply with that law or regulation;**
- 465 **3. clearly and conspicuously disclose in the report the part of USPAP that is voided by that law**
466 **or regulation; and**
- 467 **4. cite in the report the law or regulation requiring this exception to USPAP compliance.**

468 Comment: The JURISDICTIONAL EXCEPTION RULE provides a saving or severability
469 clause intended to preserve the balance of USPAP if compliance with one or more of its parts
470 is precluded by the law or regulation of a jurisdiction. When an appraiser properly follows
471 this Rule in disregarding a part of USPAP, there is no violation of USPAP.

472 Law includes constitutions, legislative and court-made law, and administrative rules and
473 ordinances. Regulations include rules or orders having legal force, issued by an
474 administrative agency. Instructions from a client or attorney do not establish a jurisdictional
475 exception.

476 **STANDARD 1: REAL PROPERTY APPRAISAL, DEVELOPMENT**

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

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

484 **Standards Rule 1-1**

485 **In developing a real property appraisal, an appraiser must:**

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

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

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

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

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

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

512 **Standards Rule 1-2**

513 **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*.

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

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

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

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

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

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

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

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

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

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

- 563 • use of the hypothetical condition is clearly required for legal purposes, for purposes
564 of reasonable analysis, or for purposes of comparison;
- 565 • use of the hypothetical condition results in a credible analysis; and
- 566 • the appraiser complies with the disclosure requirements set forth in USPAP for
567 hypothetical conditions.

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

570 **Standards Rule 1-3**

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

- 572 **(a) identify and analyze the effect on use and value of existing land use regulations, reasonably
573 probable modifications of such land use regulations, economic supply and demand, the physical
574 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*.

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

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

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

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

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

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

625 **Standards Rule 1-5**

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

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

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

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

634 **Standards Rule 1-6**

635 **In developing a real property appraisal, an appraiser must:**

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

638 (b) **reconcile the applicability and relevance of the approaches, methods and techniques used to**
 639 **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

640 STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

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

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

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

648 Standards Rule 2-1

649 **Each written or oral real property appraisal report must:**

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

655 Standards Rule 2-2

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

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

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

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

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

672 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to
673 satisfy disclosure requirements does not become an intended user of the appraisal unless the
674 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*.

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

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

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

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

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

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

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

698 (iv) **state the real property interest appraised;**

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

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

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

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

- 706 • in terms of cash or of financing terms equivalent to cash, or
- 707 • based on non-market financing or financing with unusual conditions or
- 708 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*.

- 743 (ix) state the use of the real estate existing as of the date of value and the use of the real
744 estate reflected in the appraisal;
- 745 (x) when an opinion of highest and best use was developed by the appraiser, summarize the
746 support and rationale for that opinion;
- 747 (xi) clearly and conspicuously:
- 748 • state all extraordinary assumptions and hypothetical conditions; and
 - 749 • state that their use might have affected the assignment results; and
- 750 (xii) include a signed certification in accordance with Standards Rule 2-3.
- 751 (b) The content of a Restricted Appraisal Report must be consistent with the intended use of the
752 appraisal and, at a minimum:
- 753 (i) state the identity of the client, unless the client has specifically requested otherwise;³⁷
754 and state a prominent use restriction that limits use of the report to the client and warns
755 that the rationale for how the appraiser arrived at the opinions and conclusions set forth
756 in the report may not be understood properly without additional information in the
757 appraiser's workfile;
- 758 Comment: An appraiser must use care when identifying the client to avoid violations
759 of the Confidentiality section of the ETHICS RULE. If a client requests that the
760 client's identity be withheld from the report, the appraiser may comply with this
761 request. In these instances, the appraiser must document the identity of the client in
762 the workfile and must state in the report that the identity of the client has been
763 withheld at the client's request.
- 764 The Restricted Appraisal Report is for client use only. Before entering into an
765 agreement, the appraiser should establish with the client the situations where this
766 type of report is to be used and should ensure that the client understands the
767 restricted utility of the Restricted Appraisal Report.
- 768 (ii) state the intended use of the appraisal;³⁸
- 769 Comment: The intended use of the appraisal must be consistent with the limitation
770 on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client
771 use only).
- 772 (iii) state information sufficient to identify the real estate involved in the appraisal;³⁹
- 773 Comment: The real estate involved in the appraisal can be specified, for example, by
774 a legal description, address, map reference, copy of a survey or map, property sketch,
775 and/or photographs or the like.
- 776 (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*.

- 811 (xi) clearly and conspicuously:
- 812 • state all extraordinary assumptions and hypothetical conditions; and
 - 813 • state that their use might have affected the assignment results; and
- 814 (xii) include a signed certification in accordance with Standards Rule 2-3

815 **Standards Rule 2-3**

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

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

- 819 — the statements of fact contained in this report are true and correct.
- 820 — the reported analyses, opinions, and conclusions are limited only by the reported
- 821 assumptions and limiting conditions and are my personal, impartial, and unbiased
- 822 professional analyses, opinions, and conclusions.
- 823 --- I have no (or the specified) present or prospective interest in the property that is the
- 824 subject of this report and no (or the specified) personal interest with respect to the
- 825 parties involved.
- 826 — I have performed no (or the specified) services, as an appraiser or in any other capacity,
- 827 regarding the property that is the subject of this report within the three-year period
- 828 immediately preceding acceptance of this assignment.
- 829 — I have no bias with respect to the property that is the subject of this report or to the
- 830 parties involved with this assignment.
- 831 — my engagement in this assignment was not contingent upon developing or reporting
- 832 predetermined results.
- 833 — my compensation for completing this assignment is not contingent upon the
- 834 development or reporting of a predetermined value or direction in value that favors
- 835 the cause of the client, the amount of the value opinion, the attainment of a stipulated
- 836 result, or the occurrence of a subsequent event directly related to the intended use of
- 837 this appraisal.
- 838 — my analyses, opinions, and conclusions were developed, and this report has been
- 839 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 840 — I have (or have not) made a personal inspection of the property that is the subject of
- 841 this report. (If more than one person signs this certification, the certification must
- 842 clearly specify which individuals did and which individuals did not make a personal
- 843 inspection of the appraised property.)⁴⁴
- 844 — no one provided significant real property appraisal assistance to the person signing
- 845 this certification. (If there are exceptions, the name of each individual providing
- 846 significant real property appraisal assistance must be stated.)

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

850 In an assignment that includes only assignment results developed by the real property
 851 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
 852 elements of the certification, for the assignment results, and for the contents of the appraisal
 853 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

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*.

871 **STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT AND REPORTING**

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

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

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

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

886 **Standards Rule 3-1**

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

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

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

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

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

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

907 **(c) not render appraisal review services in a careless or negligent manner, such as making a series of**
 908 **errors that, although individually might not significantly affect the results of an appraisal review,**
 909 **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*

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

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

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

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

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

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

- 955 • use of the hypothetical condition is clearly required for legal purposes, for purposes
 956 of reasonable analysis, or for purposes of comparison;
- 957 • use of the hypothetical condition results in a credible analysis; and
- 958 • the reviewer complies with the disclosure requirements set forth in USPAP for
 959 hypothetical conditions.

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

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

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

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

969 **Standards Rule 3-3**

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

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

- 974 **(i) develop an opinion as to whether the analyses are appropriate within the context of the
 975 requirements applicable to that work;**
- 976 **(ii) develop an opinion as to whether the opinions and conclusions are credible within the
 977 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

978 (iii) develop the reasons for any disagreement.

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

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

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

986 (ii) develop the reasons for any disagreement.

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

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

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

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

996 Comment: These requirements apply to:

- 997 • The reviewer's own opinion of value when the subject of the review is the product of
998 an appraisal assignment; or
- 999 • The reviewer's own opinion regarding the work reviewed by another when the
1000 subject of the review is the product of an appraisal review assignment.

1001 These requirements apply whether the reviewer's own opinion:

- 1002 • concurs with the opinions and conclusions in the work under review; or
- 1003 • differs from the opinion and conclusions in the work under review.

1004 When the assignment includes the reviewer developing his or her own opinion of value or
1005 review opinion, the following apply:

- 1006 • The reviewer's scope of work in developing his or her own opinion of value or
1007 review opinion may be different from that of the work under review.
- 1008 • The effective date of the reviewer's opinion of value may be the same or different
1009 from the effective date of the work under review.
- 1010 • The reviewer is not required to replicate the steps completed by the original
1011 appraiser. Those items in the work under review that the reviewer concludes are
1012 credible can be extended to the reviewer's development process on the basis of an
1013 extraordinary assumption. Those items not deemed to be credible must be replaced
1014 with information or analysis developed in conformance with STANDARD 1, 3, 6, 7,
1015 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*.

1016 **Standards Rule 3-4**1017 **Each written or oral Appraisal Review Report must be separate from the work under review and must:**

- 1018 (a) **clearly and accurately set forth the appraisal review in a manner that will not be misleading;**
 1019 (b) **contain sufficient information to enable the intended users of the appraisal review to understand**
 1020 **the report properly; and**
 1021 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, and hypothetical**
 1022 **conditions used in the assignment.**

1023 Comment: An Appraisal Review Report communicates the results of an appraisal review,
 1024 which can have as its subject another appraiser's work in an appraisal or appraisal review
 1025 assignment.

1026 The report content and level of information in the Appraisal Review Report is specific to the
 1027 needs of the client, other intended users, the intended use, and requirements applicable to the
 1028 assignment. The reporting requirements set forth in this Standard are the minimum for an
 1029 Appraisal Review Report. An appraiser must supplement a report form, when necessary, to
 1030 ensure that any intended user of the appraisal review is not misled and that the report
 1031 complies with the applicable content requirements set forth in this Standards Rule.

1032 **Standards Rule 3-5**

1033 **The content of an Appraisal Review Report must be consistent with the intended use of the appraisal**
 1034 **review and, at a minimum:**

- 1035 (a) **state the identity of the client, unless the client has specifically requested otherwise; state the**
 1036 **identity of any intended users by name or type;⁵¹**

1037 Comment: An appraiser must use care when identifying the client to avoid violations of the
 1038 Confidentiality section of the ETHICS RULE. If a client requests that their identity be
 1039 withheld from the report, the appraiser may comply with this request. In these instances, the
 1040 appraiser must document the identity of the client in the workfile and must state in the report
 1041 that the identity of the client has been withheld at the client's request.

- 1042 (b) **state the intended use of the appraisal review;**
 1043 (c) **state the purpose of the appraisal review;**
 1044 (d) **state information sufficient to identify:**
- 1045 (i) **the work under review, including any ownership interest in the property that is the**
 1046 **subject of the work under review;**
 1047 (ii) **the date of the work under review;**
 1048 (iii) **the effective date of the opinions or conclusions in the work under review; and**
 1049 (iv) **the appraiser(s) who completed the work under review, unless the identity is withheld by**
 1050 **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).

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.

1154 **STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING**

1155 **In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those**
 1156 **recognized methods and techniques necessary to produce and communicate credible mass appraisals.**

1157 Comment: STANDARD 6 applies to all mass appraisals of real or personal property
 1158 regardless of the purpose or use of such appraisals.⁵⁵ STANDARD 6 is directed toward the
 1159 substantive aspects of developing and communicating credible analyses, opinions, and
 1160 conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or
 1161 without computer assistance. The reporting and jurisdictional exceptions applicable to public
 1162 mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for
 1163 other purposes.

1164 A mass appraisal includes:

- 1165 1) identifying properties to be appraised;
- 1166 2) defining market area of consistent behavior that applies to properties;
- 1167 3) identifying characteristics (supply and demand) that affect the creation of value in
 1168 that market area;
- 1169 4) developing a model structure that reflects the relationship among the characteristics
 1170 affecting value in the market area;
- 1171 5) calibrating the model structure to determine the contribution of the individual
 1172 characteristics affecting value;
- 1173 6) applying the conclusions reflected in the model to the characteristics of the
 1174 property(ies) being appraised; and
- 1175 7) reviewing the mass appraisal results.

1176 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD
 1177 6 because ad valorem tax administration is subject to various state, county, and municipal
 1178 laws.

1179 **Standards Rule 6-1**

1180 **In developing a mass appraisal, an appraiser must:**

- 1181 **(a) be aware of, understand, and correctly employ those recognized methods and techniques**
 1182 **necessary to produce a credible mass appraisal;**

1183 Comment: Mass appraisal provides for a systematic approach and uniform application of
 1184 appraisal methods and techniques to obtain estimates of value that allow for statistical review
 1185 and analysis of results.

1186 This requirement recognizes that the principle of change continues to affect the manner in
 1187 which appraisers perform mass appraisals. Changes and developments in the real property and
 1188 personal property fields have a substantial impact on the appraisal profession.

1189 To keep abreast of these changes and developments, the appraisal profession is constantly
 1190 reviewing and revising appraisal methods and techniques and devising new methods and
 1191 techniques to meet new circumstances. For this reason it is not sufficient for appraisers to
 1192 simply maintain the skills and the knowledge they possess when they become appraisers.

⁵⁵ 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*.

1294 (b) **in appraising personal property: identify and analyze the effects on use and value of industry**
 1295 **trends, value-in-use, and trade level of personal property. Where applicable, analyze the current**
 1296 **use and alternative uses to encompass what is profitable, legal, and physically possible, as**
 1297 **relevant to the type and definition of value and intended use of the appraisal. Personal property**
 1298 **has several measurable marketplaces; therefore, the appraiser must define and analyze the**
 1299 **appropriate market consistent with the type and definition of value.**

1300 Comment: The appraiser must recognize that there are distinct levels of trade and each may
 1301 generate its own data. For example, a property may have a different value at a wholesale level
 1302 of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser
 1303 must analyze the subject property within the correct market context.

1304 **Standards Rule 6-4**

1305 **In developing a mass appraisal, an appraiser must:**

1306 (a) **identify the appropriate procedures and market information required to perform the appraisal,**
 1307 **including all physical, functional, and external market factors as they may affect the appraisal;**

1308 Comment: Such efforts customarily include the development of standardized data collection
 1309 forms, procedures, and training materials that are used uniformly on the universe of properties
 1310 under consideration.

1311 (b) **employ recognized techniques for specifying property valuation models; and**

1312 Comment: The formal development of a model in a statement or equation is called model
 1313 specification. Mass appraisers must develop mathematical models that, with reasonable
 1314 accuracy, represent the relationship between property value and supply and demand factors, as
 1315 represented by quantitative and qualitative property characteristics. The models may be
 1316 specified using the cost, sales comparison, or income approaches to value. The specification
 1317 format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for
 1318 representing the observable property characteristics. Appropriate approaches must be used in
 1319 appraising a class of properties. The concept of recognized techniques applies to both real and
 1320 personal property valuation models.

1321 (c) **employ recognized techniques for calibrating mass appraisal models.**

1322 Comment: Calibration refers to the process of analyzing sets of property and market data to
 1323 determine the specific parameters of a model. The table entries in a cost manual are examples
 1324 of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models
 1325 must be calibrated using recognized techniques, including, but not limited to, multiple linear
 1326 regression, nonlinear regression, and adaptive estimation.

1327 **Standards Rule 6-5**

1328 **In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:**

1329 (a) **collect, verify, and analyze such data as are necessary and appropriate to develop:**

1330 (i) **the cost new of the improvements;**

1331 (ii) **accrued depreciation;**

1332 (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*

1523 elements of the certification, for the assignment results, and for the contents of the appraisal
1524 report. In an assignment that includes real property assignment results not developed by the
1525 personal property appraiser(s), any personal property appraiser(s) who signs a certification
1526 accepts full responsibility for the personal property elements of the certification, for the
1527 personal property assignment results, and for the personal property contents of the appraisal
1528 report.

1529 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign
1530 the certification, the signing appraiser is responsible for the decision to rely on their work.
1531 The signing appraiser(s) is required to have a reasonable basis for believing that those
1532 individuals performing the work are competent. The signing appraiser(s) also must have no
1533 reason to doubt that the work of those individuals is credible.

1534 The names of individuals providing significant mass appraisal assistance who do not sign a
1535 certification must be stated in the certification. It is not required that the description of their
1536 assistance be contained in the certification, but disclosure of their assistance is required in
1537 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*.

1576 (b) **identify the intended use of the appraiser's opinions and conclusions;**⁷¹

1577 Comment: An appraiser must not allow the intended use of an assignment or a client's
1578 objectives to cause the assignment results to be biased.

1579 (c) **identify the type and definition of value. If the value opinion to be developed is market value,
1580 ascertain whether the value is to be the most probable price:**

1581 (i) **in terms of cash; or**

1582 (ii) **in terms of financial arrangements equivalent to cash; or**

1583 (iii) **in other precisely defined terms; and**

1584 (iv) **if the opinion of value is to be based on non-market financing or financing with unusual
1585 conditions or incentives, the terms of such financing must be clearly identified and the
1586 appraiser's opinion of their contributions to or negative influence on value must be
1587 developed by analysis of relevant market data;**

1588 Comment: When reasonable exposure time is a component of the definition for the
1589 value opinion being developed, the appraiser must also develop an opinion of
1590 reasonable exposure time linked to that value opinion.

1591 (d) **identify the effective date of the appraiser's opinions and conclusions;**

1592 (e) **identify the characteristics of the property that are relevant to the type and definition of value
1593 and intended use of the appraisal, including:**

1594 (i) **sufficient characteristics to establish the identity of the item including the method of
1595 identification;**⁷²

1596 (ii) **sufficient characteristics to establish the relative quality of the item (and its component
1597 parts, where applicable) within its type;**

1598 (iii) **all other physical and economic attributes with a material effect on value;**

1599 Comment: Some examples of physical and economic characteristics include
1600 condition, style, size, quality, manufacturer, author, materials, origin, age,
1601 provenance, alterations, restorations, and obsolescence. The type of property, the
1602 type and definition of value, and intended use of the appraisal determine which
1603 characteristics have a material effect on value.

1604 (iv) **the ownership interest to be valued;**

1605 (v) **any known restrictions, encumbrances, leases, covenants, contracts, declarations, special
1606 assessments, ordinances, or other items of a similar nature if relevant to the assignment;
1607 and**

1608 (vi) **any real property or intangible items that are not personal property but which are
1609 included in the appraisal;**

1610 Comment on (i)–(vi): The information used by an appraiser to identify the property
1611 characteristics must be from sources the appraiser reasonably believes are reliable.

1612 An appraiser may use any combination of a property inspection and documents or
1613 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 (measureable
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 (c) 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*.

1720 **STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING**

1721 **In reporting the results of a personal property appraisal, an appraiser must communicate each analysis,**
 1722 **opinion, and conclusion in a manner that is not misleading.**

1723 Comment: STANDARD 8 addresses the content and level of information required in a report
 1724 that communicates the results of a personal property appraisal.

1725 STANDARD 8 does not dictate the form, format, or style of personal property appraisal
 1726 reports, which are functions of the needs of intended users and appraisers. The substantive
 1727 content of a report determines its compliance.

1728 **Standards Rule 8-1**

1729 **Each written or oral personal property appraisal report must:**

- 1730 **(a) clearly and accurately set forth the appraisal in a manner that will not be misleading;**
 1731 **(b) contain sufficient information to enable the intended users of the appraisal to understand the**
 1732 **report properly; and**
 1733 **(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**
 1734 **conditions, and limiting conditions used in the assignment.**

1735 **Standards Rule 8-2**

1736 **Each written personal property appraisal report must be prepared under one of the following options**
 1737 **and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.⁷⁵**

1738 Comment: When the intended users include parties other than the client, an Appraisal Report
 1739 must be provided. When the intended users do not include parties other than the client, a
 1740 Restricted Appraisal Report may be provided.

1741 The essential difference between these two options is in the content and level of information
 1742 provided. The appropriate reporting option and the level of information necessary in the
 1743 report are dependent on the intended use and intended users.

1744 An appraiser must use care when characterizing the type of report and level of information
 1745 communicated upon completion of an assignment. An appraiser may use any other label in
 1746 addition to, but not in place of, the label set forth in this Standard for the type of report
 1747 provided.

1748 The report content and level of information requirements set forth in this Standard are
 1749 minimums for each type of report. An appraiser must supplement a report form, when
 1750 necessary, to ensure that any intended user of the appraisal is not misled and that the report
 1751 complies with the applicable content requirements set forth in this Standards Rule.

1752 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to
 1753 satisfy disclosure requirements does not become an intended user of the appraisal unless the
 1754 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;⁷⁸

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*.

- 1788 **(vii) summarize the scope of work used to develop the appraisal;**⁸⁰
- 1789 Comment: Because intended users` reliance on an appraisal may be affected by the
1790 scope of work, the report must enable them to be properly informed and not misled.
1791 Sufficient information includes disclosure of research and analyses performed and
1792 might also include disclosure of research and analyses not performed.
- 1793 When any portion of the work involves significant personal property appraisal
1794 assistance, the appraiser must summarize the extent of that assistance. The name(s)
1795 of those providing the significant personal property appraisal assistance must be
1796 stated in the certification, in accordance with Standards Rule 8-3.⁸¹
- 1797 **(viii) summarize the information analyzed, the appraisal methods and techniques employed,
1798 and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the
1799 sales comparison approach, cost approach, or income approach must be explained;**⁸²
- 1800 Comment: An Appraisal Report must include sufficient information to indicate that
1801 the appraiser complied with the requirements of STANDARD 7. The amount of
1802 detail required will vary with the significance of the information to the appraisal and
1803 with the significance of a particular object or group of objects to the overall
1804 assignment results.
- 1805 The appraiser must provide sufficient information to enable the client and intended
1806 users to understand the rationale for the opinion and conclusions, including
1807 reconciliation of the data and approaches, in accordance with Standards Rule 7-6.
- 1808 When reporting an opinion of market value, a summary of the results of the analysis
1809 of the subject sales, offers, options, and listings in accordance with Standards Rule 7-
1810 5 is necessary. If such information was unobtainable, a statement on the efforts
1811 undertaken by the appraiser to obtain the information is required. If such information
1812 is irrelevant, a statement acknowledging the existence of the information and citing
1813 its lack of relevance is required.
- 1814 **(ix) state, as appropriate to the class of personal property involved, the use of the property
1815 existing as of the date of value and the use of the property reflected in the appraisal;**
- 1816 Comment: In the context of personal property, value can be a function of the current
1817 and alternative use of the subject property, the choice of the appropriate market or
1818 market level for the type of item, the type and definition of value, and intended use
1819 of the report.
- 1820 **(x) when an opinion of the appropriate market or market level was developed by the
1821 appraiser, summarize the support and rationale for that opinion;**
- 1822 **(xi) clearly and conspicuously:**
- 1823 • state all extraordinary assumptions and hypothetical conditions; and
1824 • 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*.

STANDARD 8

- 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*.

1858 Comment: Because the client’s reliance on an appraisal may be affected by the scope
 1859 of work, the report must enable them to be properly informed and not misled.
 1860 Sufficient information includes disclosure of research and analyses performed and
 1861 might also include disclosure of research and analyses not performed.

1862 When any portion of the work involves significant personal property appraisal
 1863 assistance, the appraiser must state the extent of that assistance. The name(s) of those
 1864 providing the significant personal property appraisal assistance must be stated in the
 1865 certification, in accordance with Standards Rule 8-3.⁸⁸

- 1866 **(viii) state the appraisal methods and techniques employed, state the value opinion(s) and**
 1867 **conclusion(s) reached, and reference the workfile; exclusion of the sales comparison**
 1868 **approach, cost approach, or income approach must be explained;⁸⁹**

1869 Comment: An appraiser must maintain a specific, coherent workfile in support of a
 1870 Restricted Appraisal Report. The contents of the workfile must include sufficient
 1871 information to indicate that the appraiser complied with the requirements of
 1872 STANDARD 7 and for the appraiser to produce an Appraisal Report.

1873 When reporting an opinion of market value, information analyzed in compliance
 1874 with Standards Rule 7-5 is significant information that must be disclosed in a
 1875 Restricted Appraisal Report. If such information was unobtainable, a statement on
 1876 the efforts undertaken by the appraiser to obtain the information is required. If such
 1877 information is irrelevant, a statement acknowledging the existence of the information
 1878 and citing its lack of relevance is required.

- 1879 **(ix) state, as appropriate to the class of personal property involved, the use of the property**
 1880 **existing as of the date of value and the use of the property reflected in the appraisal;**

1881 Comment: In the context of personal property, value can be a function of the current
 1882 and alternative use of the subject property, the choice of the appropriate market or
 1883 market level for the type of item, the type and definition of value, and intended use
 1884 of the report.
 1885

- 1886 **(x) when an opinion of the appropriate market or market level was developed by the**
 1887 **appraiser, state that opinion;**

- 1888 **(xi) clearly and conspicuously:**

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

- 1891 **(xii) include a signed certification in accordance with Standards Rule 8-3.**

1892 **Standards Rule 8-3**

1893 **Each written personal property appraisal report must contain a signed certification that is similar in**
 1894 **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*.

STANDARD 8

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*.

1940 The names of individuals providing significant personal property appraisal assistance who do
1941 not sign a certification must be stated in the certification. It is not required that the description
1942 of their assistance be contained in the certification, but disclosure of their assistance is
1943 required in accordance with Standards Rule 8-2(a)(vii) or 8-2(b)(vii) as applicable.⁹²

1944 **Standards Rule 8-4**

1945 **To the extent that it is both possible and appropriate, an oral personal property appraisal report must**
1946 **address the substantive matters set forth in Standards Rule 8-2(a).**

1947 Comment: See the RECORD KEEPING RULE for corresponding requirements.

⁹² See Advisory Opinion 31, *Assignments Involving More than One Appraiser*

STANDARD 9

1948 STANDARD 9: BUSINESS APPRAISAL, DEVELOPMENT

1949 **In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must**
1950 **identify the problem to be solved, determine the scope of work necessary to solve the problem, and**
1951 **correctly complete the research and analyses necessary to produce a credible appraisal.**

1952 Comment: STANDARD 9 is directed toward the substantive aspects of developing a credible
1953 appraisal of an interest in a business enterprise or intangible asset.

1954 Standards Rule 9-1

1955 **In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:**

1956 **(a) be aware of, understand, and correctly employ those recognized approaches, methods and**
1957 **procedures that are necessary to produce a credible appraisal;**

1958 Comment: Changes and developments in the economy and in investment theory have a
1959 substantial impact on the business and intangible asset appraisal profession. Important
1960 changes in the financial arena, securities regulation, financial reporting requirements, and law
1961 may result in corresponding changes in appraisal theory and practice.

1962 **(b) not commit a substantial error of omission or commission that significantly affects an appraisal;**
1963 **and**

1964 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect
1965 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,
1966 conditions, data, and other information that would have a significant effect on the credibility
1967 of the assignment results.

1968 **(c) not render appraisal services in a careless or negligent manner, such as by making a series of**
1969 **errors that, although individually might not significantly affect the results of an appraisal, in the**
1970 **aggregate affect the credibility of those results.**

1971 Comment: Perfection is impossible to attain, and competence does not require perfection.
1972 However, an appraiser must not render appraisal services in a careless or negligent manner.
1973 This Standards Rule requires an appraiser to use due diligence and due care.

1974 Standards Rule 9-2

1975 **In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:**

1976 **(a) identify the client and other intended users;⁹³**

1977 **(b) identify the intended use of the appraiser's opinions and conclusions;⁹⁴**

1978 Comment: An appraiser must not allow the intended use of an assignment or a client's
1979 objectives to cause the assignment results to be biased.

1980 **(c) identify the standard (type) and definition of value and the premise of value;**

⁹³ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁹⁴ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

- 1981 **(d) identify the effective date of the appraisal;**
- 1982 **(e) identify the characteristics of the subject property that are relevant to the standard (type) and**
1983 **definition of value and intended use of the appraisal, including:**
- 1984 **(i) the subject business enterprise or intangible asset, if applicable;**
- 1985 **(ii) the interest in the business enterprise, equity, asset, or liability to be valued;**
- 1986 Comment: The interest to be valued may represent all ownership rights or a subset
1987 of those rights, such as a specific right to use the asset.
- 1988 **(iii) all buy-sell and option agreements, investment letter stock restrictions, restrictive**
1989 **corporate charter or partnership agreement clauses, and similar features or factors that**
1990 **may have an influence on value;**
- 1991 **(iv) the extent to which the interest contains elements of ownership control; and**
- 1992 Comment: The elements of control in a given situation may be affected by law,
1993 distribution of ownership interests, contractual relationships, and many other factors.
- 1994 **(v) the extent to which the interest is marketable and/or liquid;**
- 1995 Comment on (i)-(v): An appraiser must identify the attributes of the interest being appraised,
1996 including the rights and benefits of ownership.
- 1997 The information used by an appraiser to identify the property characteristics must be from
1998 sources the appraiser reasonably believes are reliable.
- 1999 **(f) identify any extraordinary assumptions necessary in the assignment;**
- 2000 Comment: An extraordinary assumption may be used in an assignment only if:
- 2001 • it is required to properly develop credible opinions and conclusions;
2002 • the appraiser has a reasonable basis for the extraordinary assumption;
2003 • use of the extraordinary assumption results in a credible analysis; and
2004 • the appraiser complies with the disclosure requirements set forth in USPAP for
2005 extraordinary assumptions.
- 2006 **(g) identify any hypothetical conditions necessary in the assignment; and**
- 2007 Comment: A hypothetical condition may be used in an assignment only if:
- 2008 • use of the hypothetical condition is clearly required for legal purposes, for purposes
2009 of reasonable analysis, or for purposes of comparison;
2010 • use of the hypothetical condition results in a credible analysis; and
2011 • the appraiser complies with the disclosure requirements set forth in USPAP for
2012 hypothetical conditions.

STANDARD 9

- 2013 (h) determine the scope of work necessary to produce credible assignment results in accordance with
2014 the SCOPE OF WORK RULE.⁹⁵

2015 Standards Rule 9-3

2016 In developing an appraisal of an equity interest in a business enterprise with the ability to cause
2017 liquidation, an appraiser must investigate the possibility that the business enterprise may have a higher
2018 value by liquidation of all or part of the enterprise than by continued operation as is. If liquidation of all
2019 or part of the enterprise is the indicated premise of value, an appraisal of any real property or personal
2020 property to be liquidated may be appropriate.

2021 Comment: This Standards Rule requires the appraiser to recognize that continued operation of
2022 a business is not always the best premise of value because liquidation of all or part of the
2023 enterprise may result in a higher value. However, this typically applies only when the business
2024 equity being appraised is in a position to cause liquidation. If liquidation of all or part of the
2025 enterprise is the appropriate premise of value, the scope of work may include an appraisal of
2026 real property or tangible personal property. If so, competency in real property appraisal
2027 (STANDARD 1) or tangible personal property appraisal (STANDARD 7) is required.

2028 Standards Rule 9-4

2029 In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must
2030 collect and analyze all information necessary for credible assignment results.

2031 (a) An appraiser must develop value opinion(s) and conclusion(s) by use of one or more approaches
2032 that are necessary for credible assignment results.

2033 (b) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if
2034 any, of:

2035 (i) the nature and history of the business enterprise or intangible asset;

2036 (ii) financial and economic conditions affecting the business enterprise or intangible asset,
2037 its industry, and the general economy;

2038 (iii) past results, current operations, and future prospects of the business enterprise;

2039 (iv) past sales of capital stock or other ownership interests in the business enterprise or
2040 intangible asset being appraised;

2041 (v) sales of capital stock or other ownership interests in similar business enterprises;

2042 (vi) prices, terms, and conditions affecting past sales of similar ownership interests in the
2043 asset being appraised or a similar asset; and

2044 (vii) economic benefit of tangible and intangible assets.

2045 Comment on (i)-(vii): This Standards Rule directs the appraiser to study the prospective and
2046 retrospective aspects of the business enterprise and to study it in terms of the economic and
2047 industry environment within which it operates.

⁹⁵ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

2048 (c) **An appraiser must, when necessary for credible assignment results, analyze the effect on value, if**
2049 **any, of buy-sell and option agreements, investment letter stock restrictions, restrictive corporate**
2050 **charter or partnership agreement clauses, and similar features or factors that may influence**
2051 **value.**

2052 (d) **An appraiser must, when necessary for credible assignment results, analyze the effect on value, if**
2053 **any, of the extent to which the interest appraised contains elements of ownership control and is**
2054 **marketable and/or liquid.**

2055 Comment: An appraiser must analyze factors such as holding period, interim benefits, and the
2056 difficulty and cost of marketing the subject interest.

2057 Equity interests in a business enterprise are not necessarily worth the pro rata share of the
2058 business enterprise interest value as a whole. Also, the value of the business enterprise is not
2059 necessarily a direct mathematical extension of the value of the fractional interests. The degree
2060 of control, marketability and/or liquidity or lack thereof depends on a broad variety of facts
2061 and circumstances that must be analyzed when applicable.

2062 **Standards Rule 9-5**

2063 **In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:**

2064 (a) **reconcile the quality and quantity of data available and analyzed within the approaches,**
2065 **methods, and procedures used; and**

2066 (b) **reconcile the applicability and relevance of the approaches, methods and procedures used to**
2067 **arrive at the value conclusion(s).**

2068 Comment: The value conclusion is the result of the appraiser's judgment and not necessarily
2069 the result of a mathematical process.

STANDARD 10

2070 **STANDARD 10: BUSINESS APPRAISAL, REPORTING**

2071 **In reporting the results of an appraisal of an interest in a business enterprise or intangible asset, an**
2072 **appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.**

2073 Comment: STANDARD 10 addresses the content and level of information required in a report that
2074 communicates the results of an appraisal of an interest in a business enterprise or intangible asset
2075 developed under STANDARD 9.

2076 STANDARD 10 does not dictate the form, format, or style of business or intangible asset
2077 appraisal reports, which are functions of the needs of intended users and appraisers. The
2078 substantive content of a report determines its compliance.

2079 **Standards Rule 10-1**

2080 **Each written or oral appraisal report for an interest in a business enterprise or intangible asset must:**

- 2081 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**
2082 (b) **contain sufficient information to enable the intended user(s) to understand the report; and**
2083 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**
2084 **conditions, and limiting conditions used in the assignment.**

2085 **Standards Rule 10-2**

2086 **Each written appraisal report for an interest in a business enterprise or intangible asset must be**
2087 **prepared in accordance with one of the following options and prominently state which option is used:**
2088 **Appraisal Report or Restricted Appraisal Report.⁹⁶**

2089 Comment: When the intended users include parties other than the client, an Appraisal Report
2090 must be provided. When the intended users do not include parties other than the client, a
2091 Restricted Appraisal Report may be provided.

2092 The essential difference between these options is in the content and level of information
2093 provided. The appropriate reporting option and the level of information necessary in the
2094 report are dependent on the intended use and intended users.

2095 An appraiser must use care when characterizing the type of report and level of information
2096 communicated upon completion of an assignment. An appraiser may use any other label in
2097 addition to, but not in place of, the label set forth in this Standard for the type of report
2098 provided.

2099 The report content and level of information requirements set forth in this Standard are
2100 minimums for both types of report.

2101 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report does not
2102 become an intended user of the appraisal unless the appraiser identifies such party as an
2103 intended user as part of the assignment.

⁹⁶ 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*.

2104 (a) **The content of an Appraisal Report must be consistent with the intended use of the appraisal**
2105 **and, at a minimum:**

2106 (i) **state the identity of the client, unless the client has specifically requested otherwise; state**
2107 **the identity of any intended users by name or type;**⁹⁷

2108 Comment: An appraiser must use care when identifying the client to avoid violations
2109 of the Confidentiality section of the ETHICS RULE. If a client requests that the
2110 client's identity be withheld from the report, the appraiser may comply with this
2111 request. In these instances, the appraiser must document the identity of the client in
2112 the workfile and must state in the report that the identity of the client has been
2113 withheld at the client's request.

2114 Types of intended users of the report might include parties such as lenders,
2115 employees of government agencies, partners of a client, and a client's attorney and
2116 accountant.

2117 (ii) **state the intended use of the appraisal;**⁹⁸

2118 (iii) **summarize information sufficient to identify the business or intangible asset and the**
2119 **interest appraised;**

2120 Comment: The identification information must include property characteristics
2121 relevant to the type and definition of value and intended use of the appraisal.

2122 (iv) **state the extent to which the interest appraised contains elements of ownership control,**
2123 **including the basis for that determination;**

2124 (v) **state the extent to which the interest appraised lacks elements of marketability and/or**
2125 **liquidity, including the basis for that determination;**

2126 (vi) **state the standard (type) and definition of value and the premise of value and cite the**
2127 **source of the definition;**

2128 Comment: Stating the definition of value also requires any comments needed to
2129 clearly indicate to the intended users how the definition is being applied.

2130 (vii) **state the effective date of the appraisal and the date of the report;**

2131 Comment: The effective date of the appraisal establishes the context for the value
2132 opinion, while the date of the report indicates whether the perspective of the
2133 appraiser on the market or property as of the effective date of the appraisal was
2134 prospective, current, or retrospective.

2135 (viii) **summarize the scope of work used to develop the appraisal;**⁹⁹

2136 Comment: Because intended users' reliance on an appraisal may be affected by the
2137 scope of work, the report must enable them to be properly informed and not misled.

⁹⁷ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*

⁹⁸ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*

⁹⁹ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*

STANDARD 10

- 2138 Sufficient information includes disclosure of research and analyses performed and
2139 might also include disclosure of research and analyses not performed.
- 2140 When any portion of the work involves significant business and/or intangible asset
2141 appraisal assistance, the appraiser must summarize the extent of that assistance. The
2142 name(s) of those providing the significant business and/or intangible asset appraisal
2143 assistance must be stated in the certification, in accordance with Standards Rule 10-
2144 3.¹⁰⁰
- 2145 (ix) **summarize the information analyzed, the appraisal procedures followed, and the**
2146 **reasoning that supports the analyses, opinions, and conclusions; exclusion of the market**
2147 **approach, asset-based (cost) approach, or income approach must be explained;**
- 2148 Comment: An Appraisal Report must include sufficient information to indicate that
2149 the appraiser complied with the requirements of STANDARD 9. The amount of
2150 detail required will vary with the significance of the information to the appraisal.
- 2151 The appraiser must provide sufficient information to enable the client and intended
2152 users to understand the rationale for the opinions and conclusions, including
2153 reconciliation in accordance with Standards Rule 9-5.
- 2154 (x) **clearly and conspicuously:**
- 2155 • **state all extraordinary assumptions and hypothetical conditions; and**
 - 2156 • **state that their use might have affected the assignment results; and**
- 2157 (xi) **include a signed certification in accordance with Standards Rule 10-3.**
- 2158 (b) **The content of a Restricted Appraisal Report must be consistent with the intended use of the**
2159 **appraisal and, at a minimum:**
- 2160 (i) **state the identity of the client, unless the client has specifically requested otherwise;¹⁰¹**
2161 **and state a prominent use restriction that limits use of the report to the client and warns**
2162 **that the rationale for how the appraiser arrived at the opinions and conclusions set forth**
2163 **in the report may not be understood properly without additional information in the**
2164 **appraiser's workfile;**
- 2165 Comment: An appraiser must use care when identifying the client to avoid violations
2166 of the Confidentiality section of the ETHICS RULE. If a client requests that the
2167 client's identity be withheld from the report, the appraiser may comply with this
2168 request. In these instances, the appraiser must document the identity of the client in
2169 the workfile and must state in the report that the identity of the client has been
2170 withheld at the client's request.
- 2171 The Restricted Appraisal Report is for client use only. Before entering into an
2172 agreement, the appraiser should establish with the client the situations where this
2173 type of report is to be used and should ensure that the client understands the
2174 restricted utility of the Restricted Appraisal Report.

¹⁰⁰ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

¹⁰¹ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

- 2175 **(ii) state the intended use of the appraisal;**¹⁰²
- 2176 Comment: The intended use of the appraisal must be consistent with the limitation
2177 on use of the Restricted Appraisal Report option in this Standards Rule (i.e. client use
2178 only).
- 2179 **(iii) state information sufficient to identify the business or intangible asset and the interest**
2180 **appraised;**
- 2181 Comment: The identification information must include property characteristics
2182 relevant to the type and definition of value and intended use of the appraisal.
- 2183 **(iv) state the extent to which the interest appraised contains elements of ownership control,**
2184 **including the basis for that determination;**
- 2185 **(v) state the extent to which the interest appraised lacks elements of marketability and/or**
2186 **liquidity, including the basis for that determination;**
- 2187 **(vi) state the standard (type) of value and the premise of value, and cite the source of its**
2188 **definition;**
- 2189 **(vii) state the effective date of the appraisal and the date of the report;**
- 2190 Comment: The effective date of the appraisal establishes the context for the value
2191 opinion, while the date of the report indicates whether the perspective of the
2192 appraiser on the market or property as of the effective date of the appraisal was
2193 prospective, current, or retrospective.
- 2194 **(viii) state the scope of work used to develop the appraisal;**¹⁰³
- 2195 Comment: Because the client's reliance on an appraisal may be affected by the scope
2196 of work, the report must enable them to be properly informed and not misled.
2197 Sufficient information includes disclosure of research and analyses performed and
2198 might also include disclosure of research and analyses not performed.
- 2199 When any portion of the work involves significant business and/or intangible asset
2200 appraisal assistance, the appraiser must state the extent of that assistance. The
2201 name(s) of those providing the significant business and/or intangible asset appraisal
2202 assistance must be stated in the certification, in accordance with Standards Rule 10-
2203 3.¹⁰⁴
- 2204 **(ix) state the appraisal procedures followed, state the value opinion(s) and conclusion(s)**
2205 **reached, and reference the workfile; exclusion of the market approach, asset-based**
2206 **(cost) approach, or income approach must be explained;**
- 2207 Comment: An appraiser must maintain a specific, coherent workfile in support of a
2208 Restricted Appraisal Report. The contents of the workfile must include sufficient

¹⁰² See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

¹⁰³ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*

¹⁰⁴ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 10

2209 information to indicate that the appraiser complied with the requirements of,
2210 STANDARD 9 and for the appraiser to produce an Appraisal Report.

2211 (x) clearly and conspicuously:

- 2212 • state all extraordinary assumptions and hypothetical conditions; and
- 2213 • state that their use might have affected the assignment results; and

2214 (xi) include a signed certification in accordance with Standards Rule 10-3.

2215 Standards Rule 10-3

2216 Each written appraisal report for an interest in a business enterprise or intangible asset must contain a
2217 signed certification that is similar in content to the following form:

2218 I certify that, to the best of my knowledge and belief:

- 2219 — the statements of fact contained in this report are true and correct.
- 2220 — the reported analyses, opinions, and conclusions are limited only by the reported
- 2221 assumptions and limiting conditions and are my personal, impartial, and unbiased
- 2222 professional analyses, opinions, and conclusions.
- 2223 — I have no (or the specified) present or prospective interest in the property that is the
- 2224 subject of this report, and I have no (or the specified) personal interest with respect to
- 2225 the parties involved.
- 2226 — I have performed no (or the specified) services, as an appraiser or in any other capacity,
- 2227 regarding the property that is the subject of this report within the three-year period
- 2228 immediately preceding acceptance of this assignment.
- 2229 — I have no bias with respect to the property that is the subject of this report or to the
- 2230 parties involved with this assignment.
- 2231 — my engagement in this assignment was not contingent upon developing or reporting
- 2232 predetermined results.
- 2233 — my compensation for completing this assignment is not contingent upon the
- 2234 development or reporting of a predetermined value or direction in value that favors
- 2235 the cause of the client, the amount of the value opinion, the attainment of a stipulated
- 2236 result, or the occurrence of a subsequent event directly related to the intended use of
- 2237 this appraisal.
- 2238 — my analyses, opinions, and conclusions were developed, and this report has been
- 2239 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 2240 — no one provided significant business and/or intangible asset appraisal assistance to the
- 2241 person signing this certification. (If there are exceptions, the name of each individual
- 2242 providing significant business and/or intangible asset appraisal assistance must be
- 2243 stated.)

2244 Comment: A signed certification is an integral part of the appraisal report. An appraiser who
2245 signs any part of the appraisal report, including a letter of transmittal, must also sign this
2246 certification.

2247 In an assignment that includes only assignment results developed by the business and/or
2248 intangible asset appraiser(s), any appraiser(s) who signs a certification accepts full
2249 responsibility for all elements of the certification, for the assignment results, and for the
2250 contents of the appraisal report. In an assignment that includes real property or personal
2251 property assignment results not developed by the business and/or intangible asset appraiser(s),
2252 any business and/or intangible asset appraiser(s) who signs a certification accepts full
2253 responsibility for the business and/or intangible asset elements of the certification, for the

2254 business and/or intangible asset assignment results, and for the business and/or intangible
2255 asset contents of the appraisal report.

2256 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign
2257 the certification, the signing appraiser is responsible for the decision to rely on their work.
2258 The signing appraiser(s) is required to have a reasonable basis for believing that those
2259 individuals performing the work are competent. The signing appraiser(s) also must have no
2260 reason to doubt that the work of those individuals is credible.

2261 The names of individuals providing significant business and/or intangible asset appraisal
2262 assistance who do not sign a certification must be stated in the certification. It is not required
2263 that the description of their assistance be contained in the certification but disclosure of their
2264 assistance is required in accordance with Standards Rule 10-2(a)(vii) or 10-2(b)(vii), as
2265 applicable.¹⁰⁵

2266 **Standards Rule 10-4**

2267 **To the extent that it is both possible and appropriate, an oral appraisal report for an interest in a**
2268 **business enterprise or intangible asset must address the substantive matters set forth in Standards Rule**
2269 **10-2(a).**

2270 Comment: See the RECORD KEEPING RULE for corresponding requirements.

¹⁰⁵ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.