Challenges: Appraising Government Real Estate

Nicholas S. Hufford, MAI, CAE
Director
Asset Management and Valuations Division
Chief Appraiser, GSA
1800 F Street NW, Suite 5150
Washington DC 20405
(202) 501-2055

Timothy J. Hansen, RPRA
Chief Appraiser
DOI - Office of Valuation Services
1 Denver Federal Center
Office of Valuation Services
Bldg 46, Suite 102
Denver, CO 80225
(303) 969-5368

John Simpson, MAI
Real Estate Advisor/Appraiser
Real Estate Evaluations
U.S. Department of State
Bureau of Overseas Buildings Operations
Washington, DC
(703) 875-5383
Agency-specific missions. Appraisal needs differ, but agencies share:

- Contracting regulations
- Issues and concerns
- The same pool of contract appraiser pools
- Goal - best value for the Government.

Some agencies contracting appraisal services:

- Department of Justice
- Department of Agriculture (Forest Service, Farm Service Agency....)
- US Army Corps of Engineers
- Navy (Naval Facilities Command)
- Department of Energy – Bonneville Power
- Internal Revenue Service

Other agencies have appraisal functions but may not contract directly.

- Residential properties
- State and local governments and DOTs.
The mission of the Office of Valuation Services (OVS) is to provide independent real property valuation services in an efficient, timely, and fiscally responsible manner in accordance with the highest professional and ethical standards.

OVS is the most current iteration of the appraisal function within DOI.

When the appraisal function was removed from the four land management bureaus within the department by SO in 2003, ASD (appraisal services directorate) was created within the National Business Center of DOI.

In 2010, in collaboration with the client bureaus, ASD was reorganized from 7 geographic regions into OVS which is made up of 4 client service based teams and moved from the National Business Center into the Office of the Secretary.
## Clients

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bureau of Land Management</td>
<td>• Federal Aviation Administration</td>
</tr>
<tr>
<td>• Bureau of Reclamation</td>
<td>• US Forest Service⁺</td>
</tr>
<tr>
<td>• National Park Service</td>
<td>• US Army Corps of Engineers#</td>
</tr>
<tr>
<td>• US Fish and Wildlife Service</td>
<td></td>
</tr>
<tr>
<td>• US Geological Survey*</td>
<td></td>
</tr>
<tr>
<td>• BIA/OST**</td>
<td></td>
</tr>
</tbody>
</table>

⁺ Mineral Evaluation Support
* Internal to DOI, but outside normal client list
# Contracting services only
TYPES OF ASSIGNMENTS

• Acquisition of land or interests in land
• Acquisition of partial interests
  • Conservation easements
  • Flowage and seepage easements
  • Rights-of-way
• Land exchanges
• Sales
• Market rent determinations for Rights of Way
  • Communication sites, roads,
• Market rent determinations for office space
• Consultation
• Legal support
• Grant program assistance
• Legislative/policy review
YOUR PUBLIC LANDS

Federal Public Land Surface & Subsurface

Map Scale

Legend:
- States
- Surface & Subsurface Federal Ownership
- All Federal Lands

Source: USGS National Atlas

Produced by:
Bureau of Land Management
Washington, DC, WDC-233
(202) 442-5112
3/3/05
DOI manages 500 million acres of surface land, or about one-fifth of the land in the United States, including:

- 256 million acres managed by the Bureau of Land Management
- 96.2 million acres managed by the Fish and Wildlife Service
- 84.6 million acres managed by the National Park Service
- 8.7 million acres managed by the Bureau of Reclamation associated with reclamation projects
- 66 million acres managed by the Bureau of Indian Affairs


Washoe County, Nevada  photo credit Sierra Club
NOT CHARISMATIC MEGAFANA
CHARISMATIC MEGAFIFAUNA - APPRAISAL
NOT CHARISMATIC MEGAFAUNA - APPRAISAL
“Slate Rock and Gravel Company”
Land Exchange
“Slate Rock and Gravel Company”
Land Exchange

Background

• Proposed exchange of 40 acres of federal mineral estate to the private surface owner via exchange

• Exchange for several private parcels in sensitive desert areas with important public land resource values

• Proponent of exchange owns fee land adjacent to and surface of federal mineral estate

• Exchange proponent currently extracting mineral materials from the subject mineral estate under contract with BLM
“Slate Rock and Gravel Company”

Land Exchange
“Slate Rock and Gravel Company”

Land Exchange

Area outlined in green = Federal mineral estate, Private surface estate

Area highlighted is Private surface ownership by proponent

Current operator also owns surface and subsurface adjacent on east side of 40 acre parcel
More Background:

- BLM asked for commodity valuation to establish royalty rates for new mineral materials contract.
- OVS DME provided mineral evaluation that included royalty rate and NPV of the commodity in place.
- Mineral evaluation provided to BLM to establish royalty rate for new mineral material contract.
- BLM then decided to exchange the federal mineral estate for parcels yet to be determined.

What could possibly go wrong???
“Slate Rock and Gravel Company”
Land Exchange
“Slate Rock and Gravel Company”
Land Exchange

Issues created by client decision:

• Inclusion of Federal mineral estate in a land exchange changes the rules of the game for appraisal
  
  • Requires compliance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA)
  
  • Requires compliance with Federal land exchange regulations 43 CFR Part 2200
  
  • Mineral evaluation only has bearing on value of mineral estate to the open market, not to the current operator
“Slate Rock and Gravel Company”

LAND EXCHANGE

*Market value* means the most probable price in cash, or terms equivalent to cash, that lands or interests in lands should bring in a competitive and open market under all conditions requisite to a fair sale, where the buyer and seller each acts prudently and knowledgeably, and the price is not affected by undue influence.

43 CFR 2200.0-5(n)

“In conducting DCF analysis, the appraiser must avoid estimating a property-specific investment value to a particular owner instead of estimating the market value of the property if it were placed for sale on the open market.”

UASFLA D-11, Pg. 97-98
“SLATE ROCK AND GRAVEL COMPANY”
LAND EXCHANGE

• Initial appraisal valued the mineral estate under the current mining plan implemented by the current operator.

• Estate conveyed has to match the estate appraised. The mineral rights on 40 acres with no legal access is what BLM has to convey, exclusive of any existing contracts.

• Appraisal did not conduct a sales comparison approach or evaluate the open market as required by definition of market value.

• “In applying the income capitalization approach, appraisers must take care to consider only the income that the property itself will produce – not income produced from the business enterprise conducted on the property (i.e., the business of mining).” (UASFLA D-11, Pg. 97)
“Slate Rock and Gravel Company”

Land Exchange

Question:

If you’re given a mineral evaluation that concludes the net present value of the commodity under the current operations, does it equal market value of the mineral rights?

Hint: Previous slide may provide the answer…

Answer: Not likely. Only possible if a potential buyer on the open market could utilize the same mining operation as the current operator. In this case a potential buyer would have to apply for and get approval of a new mining permit. The last one granted in this county took 10-15 years to obtain.
“SLATE ROCK AND GRAVEL COMPANY”
LAND EXCHANGE

Question:

When considering the highest and best use of the subject property (40 acre mineral estate with no legal access), what are some possible uses that would create some value to the subject property?

Hint: Think about what you would do as an owner of the mineral estate...

Answer: One option would be for the owner to lease/sell the commodity to the current operator. The royalty interest would then be valued as an income stream to the owner for the estimated life of the pit or the term of the lease. This was not evaluated in the first appraisal which assumed the current operator purchasing the mineral estate and continuing operations.
“Slate Rock and Gravel Company”
Land Exchange

Question:

Given that the current operator controls access to the mine, has a grandfathered permit, and could effectively shut out any other party wanting to develop the mineral estate, does this help you in your determination of highest and best use?

Hint: Think about what other options are out there for the mineral owner…

Answer: According to the current operator, they cannot continue operations without access to the federal mineral estate. Essentially, a potential buyer of the federal mineral estate has no other viable options than to lease the mineral estate to the current operator. Permitting takes too long and is uncertain. Legal issues would have to be solved for access to both the property and the working face of the mine. Is this a bilateral monopoly situation?
Question:

Can you envision a scenario where the value of the mineral estate on the open market would exceed the value of the mineral commodity in place given the lack of physical access and difficulty in obtaining a permit?

Hint: What other options are available to an owner?

Answer: Not to answer a question with a question, but…. If a buyer was to lease the mineral estate to the current operator could the cash flow from the royalty stream create enough net present value to exceed the commodity price? Does that represent market value? What do you think?
"SLATE ROCK AND GRAVEL COMPANY" LAND EXCHANGE

**Question:**

Does this situation represent a bilateral monopoly? If so, can market value result from the negotiations between the two parties?

**Answer:** DEFINITION of 'Bilateral Monopoly'

A market that has only one supplier and one buyer. The one supplier will tend to act as a monopoly power, and look to charge high prices to the one buyer. The lone buyer will look towards paying a price that is as low as possible. Since both parties have conflicting goals, the two sides must negotiate based on the relative bargaining power of each, with a final price settling in between the two sides points of maximum profit.

It would probably also be misleading to call the midpoint-price *market value* since it would "not be generated by market forces but only by the two individuals, and any other two individuals with different negotiation skills would generate another sale price."
"SLATE ROCK AND GRAVEL COMPANY”
LAND EXCHANGE

Last Question:

Can a bilateral monopoly conform to the definition of market value from Regulations?

*Market value* means the most probable price in cash, or terms equivalent to cash, that lands or interests in lands should bring in a competitive and open market under all conditions requisite to a fair sale, where the buyer and seller each acts prudently and knowledgeably, **and the price is not affected by undue influence**.

43 CFR 2200.0-5(n)
“Slate Rock and Gravel Company”
Land Exchange

Take-aways from this example

• What might appear to be pretty straightforward may not be.

• The estate appraised must match the estate conveyed every time.

• The definition of market value applicable to the assignment is critical to asking the right appraisal question.

• The best intentions of realty staff may cause the greatest difficulty for the appraiser.
The Department of the Interior, Office of Valuation Services, has a continuing need to identify certified general licensed fee appraisers nation-wide to conduct real property appraisals.

https://www.fbo.gov/index?s=opportunity&mode=form&id=d0043de7e912899651080a31d9b3582c&tab=core&cview=0
QUESTIONS?

THANK YOU!!!
The Bureau of Overseas Buildings Operations (OBO) manages the U.S. Department of State’s building program and sets worldwide priorities for the design, construction, operation, maintenance, acquisition and disposal of overseas property.

- 275 cities
- 190 countries
- 1,300 Office spaces (leased and owned)
- 15,200 Residential units (leased and owned)
- 44,400,000 square feet owned space
- 41,000,000 square feet leased space
- 5,800 acres
Major Functions

- Develop Fair Market Value (FMV) opinions for all properties bought or sold
- Develop Fair Market Rent Value (FMRV) opinions for all “high cost” leases
- Conduct research and analysis needed to make investment decisions
- Develop transaction guidance on complex and high cost acquisitions (lease vs. buy, lease vs. build, capital or operating lease scoring, PPP financial models, and other tools)

The Evaluations Division values between 200-300 properties per fiscal year, or $1B - $2B in cumulative value (2015 > $3B)
Appraisal Process

• Commission two independent third-party appraisals that we reconcile

• Supported by seven real estate appraisal and consulting contracts:
  - CBRE
  - Jones Lang LaSalle
  - Cushman & Wakefield
  - DTZ
  - Dunkin Valuation Services
  - Knight Frank
  - KPMG

• Ability to contract for appraisal services through an embassy or consulate

• May perform appraisals “in-house” in extremely non-transparent markets utilizing third-party market data or internal research

• Challenging value reconciliation process – reliance may be placed upon both appraisals, a single appraisal, or in-house analysis may be performed utilizing the best data from both reports and/or other sources
Additional Services

- Lead planning and analysis to inform major investments and developments

- Decision making vehicles include:
  - Lease vs. Buy
  - Lease vs. Build
  - Custom PPP analyses
  - Operating/Capital lease scoring
  - Multiple Build-to-Lease and Option-to-Lease decision templates
  - Programmatic reporting (data mining metrics & statistics from the portfolio)
  - Negotiation templates for at-the-table financial discussions

- Solve asking-market value differences when appraisals are weak or poor
How to Get Involved

• Most appraisals are done via IDIQ (Indefinite Delivery, Indefinite Quantity).
  - IDIQ contracts are for a year with yearly options to renew
  - They are advertised on FedBizOpps.gov
  - The next advertisement will be around mid-2017… watch for announcements!

• Some appraisals are ordered in the city they’re needed, but you need to be practicing in that city to be considered

• Working or subcontracting for one of the IDIQ firms is an option

• If you want to really get involved doing international appraisals, work directly for State. Watch for advertisement in USAJobs.com for the State Department, Bureau of Overseas Building Operations.
Where is Baku?

Neighbors:
- Russia and Georgia to the North
- Iran to the South
- Caspian Sea to the East
- Armenia to the west (Nagorno-Karabakh War from late 1980’s to 1994)
Money and the Real Estate Industry

Oil, Oil Everywhere

• Azerbaijan produces approximately 20 percent of the world’s oil.
• Azerbaijan's has only been independent from the USSR since 1991.
• Much of the onshore petroleum has been exhausted, so drilling has extended into the sea offshore.
• 94 percent of exports are oil and natural gas.

Totally Non-Transparent (“opaque”) Market

• Sale prices recorded but not accurate due to tax avoidance.
• There is almost no real estate brokerage industry, no appraisers, no MLS, and no data services.
• There is no zoning and no construction code. Construction codes change every few months or so as do the fees.
• Land and buildings are separately titled.
Not the Same Rules You’re Used To

Pervasive Government Corruption
• Bribes are common and often necessary to do major deals.
• A small elite close to the government controls most of the country’s economic activities, particularly the real estate sector.

Real Estate Markets are Impervious to Supply and Demand
• With so much oil revenue, there is tremendous local wealth to be invested. Real estate is in the hands of billionaires with no compulsion to sell.
• With approximately 20 million Azerbaijanis in Iran and 2 million in Russia, substantial wealth funds flow into Baku, which is viewed as safer for investment.
• Turks are major investors in Baku due to its large Turkish population and the view that real estate is less expensive in Baku than the major cities in Turkey.

Real estate is viewed as a status symbol. Real estate is bought to park money; hence, most buildings are sold “core and shell” (unfinished interior units) and not even rented.
The Construction Industry and Title

Self-financed Projects
- A developer can stop construction anytime.
- Lot coverage ratios depend on who comes to ask about plans. No one knows the rules. Every three months or so, the State changes the construction code.

Title
- Bribery is expected as a cost of obtaining title. The inability of developers to predict what these bribes will be on multiple levels of government make it nearly impossible for developers to do accurate cash flow forecasting, so as a whole they do not.
- Baku is a Two-Tiered Real Estate Market. Six or so major developers can deliver “title” that commands a substantial unit sale price premium.
Developers and Financing

Dealing with Developers

• Demand does not drive building.
• An unscrupulous developer can sell a unit two or three times. With no ownership registration and units sold core and shell, many such sales go undiscovered.
• Developers do not think in terms of ratios or even numbers beyond sale price/m2. There is too much uncertainty in everything. If you built it, you will pre-sell it.

Financing

• Financing is rare. When the real estate is owned by billionaires, who needs banks?
• There is a total lack of investment sophistication. Only a few developers do any cash flow modeling. None do discounted cash flows. There’s no need when so much presale money comes in before the units are even constructed. Developers do not think in terms of ratios or even numbers beyond sale price/m2.
• You can finance a property that has a property certificate (a.k.a. ownership certificate) but not a purchase contract without one. So the low and middle income projects are paid all cash up-front.
Housing Styles

Trump Hotel & Tower (apt./hotel)

Turkish Style

Soviet Style
Different Value Assumptions = Different Values

<table>
<thead>
<tr>
<th>#</th>
<th>General Inputs</th>
<th>Appraisal Firm 1</th>
<th>Appraisal Firm 2</th>
<th>Difference (Δ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Site Size in m²</td>
<td>26,000</td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>HBU</td>
<td>Retail/Office/Apartment</td>
<td>Apartment</td>
<td>Different HBU</td>
</tr>
<tr>
<td>3</td>
<td>Lot Coverage Ratio</td>
<td>40%</td>
<td>Not Cited</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Optimal Story Height</td>
<td>15</td>
<td>20 stories</td>
<td>5 stories</td>
</tr>
<tr>
<td>5</td>
<td>Parking Levels Below Grade</td>
<td>2</td>
<td>Not Cited</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Number of Parking Spaces</td>
<td>Not Cited</td>
<td>1,500 spaces</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Built-up Area</td>
<td>177,019</td>
<td>263,986</td>
<td>49.1%</td>
</tr>
<tr>
<td>8</td>
<td>Resulting FAR</td>
<td>6.81</td>
<td>10.15</td>
<td>3.34</td>
</tr>
</tbody>
</table>

Note: Numbers changed for confidentiality

No Zoning - a lack of definitive zoning and bulk area requirements makes estimates of the highest and best use subjective, which explains the different appraisal assumptions above. Appraisers didn’t test the HBU mathematically.

Values were far apart; my job was to reconcile them. That could not be done at a desk, hence I went to the market to determine the most likely development on the site.
"The mission of GSA is to deliver the best value in real estate, acquisition, and technology services to government and the American people."
Public Buildings Service (PBS)

Mission: To provide superior workplaces for federal customer agencies at good economies to the American taxpayer.

Other major GSA Business lines:

- Federal Acquisition service (FAS)
- Technology Transformation Service
- Office of Government-wide Policy
- Fleet Management
- Office of Mission Assurance
- Office of Citizen Services and Innovative Technologies

Edward J. Schwartz CH annex
San Diego, CA

GSA.gov
GSA.gov/pbs
Establishes and manages national valuation policy, procedures, guidance and standards; provide strategic direction and management of capital investment and leasing programs; set strategic direction for PBS asset and portfolio management; and develop & review PBS policies related to space pricing, space occupancies, and customer rent bills.

Asset Management and Valuations Division

To support GSA’s mission by providing timely, accurate and unbiased real estate valuation and market information, bringing clarity to informed decision making.

- Understanding Markets
- Understanding Our Assets
- Understanding Value

Jonas Courthouse and Federal Building
Charlotte, NC
About Public Buildings Service (PBS)

<table>
<thead>
<tr>
<th>PORTFOLIO VALUE &amp; SIZE</th>
<th>PERCENTAGE OF PROPERTY TYPE BY RENTABLE SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,792 total assets</td>
<td>80.6% office</td>
</tr>
<tr>
<td>374.1 million rentable sq ft</td>
<td>8.2% courthouses</td>
</tr>
<tr>
<td>$79.8 billion in replacement value of owned portfolio</td>
<td>7.9% warehouses</td>
</tr>
<tr>
<td>1,621 owned assets</td>
<td>1.3% land ports of entry</td>
</tr>
<tr>
<td>183.2 million owned rentable sq ft</td>
<td>0.7% laboratories</td>
</tr>
<tr>
<td>7,171 leased assets</td>
<td>1.3% other</td>
</tr>
<tr>
<td>190.8 million leased rentable sq ft</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HISTORIC BUILDINGS</th>
<th>LAND PORTS OF ENTRY</th>
<th>PROPERTY DISPOSAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>482 buildings listed or eligible for listing in the National Register of Historic Places</td>
<td>104 owned</td>
<td>173 properties sold or transferred</td>
</tr>
<tr>
<td>17 National Historic Landmarks</td>
<td>20 leased</td>
<td>147 of those were sales that generated $66 million in proceeds</td>
</tr>
<tr>
<td>61 buildings contributing to the National Historic Landmark Districts</td>
<td>Northern Border 66.5 owned</td>
<td></td>
</tr>
<tr>
<td>9 buildings contributing to National Historic Sites</td>
<td>Southern Border 35.5 owned</td>
<td></td>
</tr>
<tr>
<td>31% of the owned inventory is historic buildings</td>
<td>13.5 leased</td>
<td></td>
</tr>
</tbody>
</table>

GSA.gov

GSA.gov/pbs

(New) Austin CH – 2012
ARRA-funded
<table>
<thead>
<tr>
<th><strong>CHILD CARE</strong></th>
<th><strong>OUTLEASE</strong></th>
<th><strong>SMALL BUSINESS</strong></th>
<th><strong>DIRECT REVENUE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximately 8,000 children in 102 centers in 31 states, DC &amp; Puerto Rico</td>
<td>700 outlease contracts &amp; licenses</td>
<td>$1.1 billion awarded to small businesses</td>
<td>$9.9 billion total</td>
</tr>
<tr>
<td>95% National Association for the Education of Young Children (NAEYC) accredited</td>
<td>1.4 million rentable sq ft</td>
<td>$626 million to small disadvantaged businesses</td>
<td>$3.9 billion from owned assets</td>
</tr>
<tr>
<td>95% Eco Healthy endorsed</td>
<td>$18.4 million in revenue</td>
<td>$128 million to service disabled veteran owned businesses</td>
<td>$6 billion from leased assets</td>
</tr>
<tr>
<td>97% Let’s Move Child Care certified</td>
<td></td>
<td>$270 million to women owned businesses</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ENERGY</strong></th>
<th><strong>ENERGY SAVINGS PERFORMANCE CONTRACTS</strong></th>
<th><strong>GREEN LEASING</strong></th>
<th><strong>ENERGY STAR</strong></th>
<th><strong>LEADERSHIP IN ENERGY &amp; ENVIRONMENTAL DESIGN (LEED)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>29.9% reduction in gallons of water consumed per gross sq ft from a 2007 base year</td>
<td>$245 million in ESPCs awarded toward the $344.5 million goal set for the Presidential Performance Contracting Challenge for the period 5/2014-12/2016</td>
<td>666 GSA leases over 5,000 rentable sq ft within 505 buildings include all (GSA-required) green provisions</td>
<td>6 owned buildings were awarded the ENERGY STAR label, bringing the total to 181 owned buildings</td>
<td>154 LEED certified owned buildings</td>
</tr>
<tr>
<td>30% energy intensity reduction in goal-subject buildings in BTUs per gross sq ft from FY 2003 base year</td>
<td>Approximately 3.98 billion BTUs projected reduction in annual energy consumption</td>
<td>664 GSA leases are within 402 buildings with the Energy Star label</td>
<td>326 owned buildings eligible for ENERGY STAR label</td>
<td>30 LEED certified lease construct buildings</td>
</tr>
</tbody>
</table>
GSA – PUBLIC BUILDINGS SERVICE

ASSET MANAGEMENT AND VALUATIONS DIVISION

Nicholas S. Hufford, MAI, CAE
Director; Chief Appraiser
ASSET MANAGEMENT AND VALUATIONS DIVISION
APPRAISAL PROGRAM AREAS

Fair Market Value (FMV)
  Central Office contracting and review

Fair Annual Rent (FAR)
  Regional contracting; Central Office oversight

Disposition and Re-purpose
  Regional (Disposal Zones) contracting
  Central Office oversight

Milwaukee Pierhead Light; 1872
WHAT’S SO HARD??
Unique Real Estate – unique challenges
No comps; economics

Specific requirements or authorities – creating unique issues
Exchange vs. sale; leasehold condemnation

Regulatory oversight; competing interests
1. WHAT’S THE RENT??

We charge rent – “commercially equivalent”

Basics: 250k RSF; CBD; LEED; Design excellence; nationally acclaimed architect; well known Federal tenant.
1. What's the Rent??

We charge rent – “commercially equivalent”

Basics: 250k RSF; CBD; LEED; Design excellence; nationally acclaimed architect; well known Federal tenant.

Construction cost $500-$600/RSF

Population 31,000 (2010);
   population 45,000 (1950)
Regional center, county seat
Prevailing office rent $12 to $18
Last new office - 1999 (attorney)

Basic Appraisalal Principles Prevail!
1. What’s the rent??

Challenge – “commercially equivalent”

Cost approach –
  Land – eminent domain
  Bldg – known cost

Sales – where is the market?

Income – well…that’s what we’re trying to figure out…..

BASIC APPRAISAL PRINCIPLES PREVAIL!
2. What’s the Value??

Challenge – obsolete building – sale?

We need a new office building for mega-Agency

Existing Basics:

800,000 RSF; 9 acres; 1960’s

Basic Appraisal Principles Prevail!
2. What’s the Value??

Challenge – obsolete building – sale?
We need a new office building for mega-Agency

Existing Basics:
800,000 RSF; 9 acres; 1960’s

Major, world class city; 2 blocks to subway; office rents $40 to $65/RSF

Basic Appraisal Principles Prevail!
2A. WHAT’S THE VALUE (AGAIN!)??

Challenge – obsolete building – exchange?
We need a new office building for mega-Agency

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Appraisal issues
• Same as previous – plus:

BASIC APPRAISAL PRINCIPLES PREVAIL!
2A. WHAT'S THE VALUE (AGAIN!)??

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Appraisal issues

• Same as previous – plus:
• Exchange for replacement building - somewhere

BASIC APPRAISAL PRINCIPLES PREVAIL!
2A. WHAT’S THE VALUE (AGAIN!)??

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Appraisal issues
• Same as previous – plus:
• Exchange for replacement building – somewhere
• Tenant continues to occupy

BASIC APPRAISAL PRINCIPLES PREVAIL!
2A. WHAT’S THE VALUE (AGAIN!)??

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Existing Basics:
  800,000 RSF; 9 acres; 1960’s

Major, world class city; 2 blocks to subway; office rents $40 to $65/RSF

Appraisal issues
  • Same as previous – plus:
  • Exchange for replacement building – somewhere
  • Tenant continues to occupy
  • Exchange occurs when the new building is complete

BASIC APPRAISAL PRINCIPLES PREVAIL!
2A. WHAT'S THE VALUE (AGAIN!)??

Challenge – obsolete building – exchange?
We need a new office building for mega-Agency

Existing Basics:
800,000 RSF; 9 acres; 1960’s

Major, world class city; 2 blocks to subway; office rents $40 to $65/RSF

Appraisal issues
• Same as previous – plus:
• Exchange for replacement building – somewhere
• Tenant continues to occupy
• Exchange occurs when the new building is complete
  • New location and design undetermined, but it’s bigger

BASIC APPRAISAL PRINCIPLES PREVAIL!
Still The Hot Buttons

HIGHEST AND BEST USE MATTERS!

Communicate with the CO/COR; Talk to us.

Read the Statement of Work; Understand the subject; ASK!

Maintaining client confidentiality

Understand of the contracting process (SAM; Notice to proceed; invoicing, etc.) We can help!

Analyze and explain – SUPPORT

Step back...is the value reasonable?

Tardiness; Sloppy draft or final – quality control – inappropriate boilerplate and definitions

AI® Connect
Where people and ideas come together.
Working With Federal Agencies: Contracting

Contract types:
• Individual – one-off
• IDIQ or BPA  
  (fedbizops – fbo.gov)
• Sole source (no, no, no...!)

Your contacts:
CO – Contracting Officer (All contract issues)
COR – Contracting Officer’s Rep  
(Appraisal/technical issues)

Competition:
• Usually required (FAR)
• Small business set-aside
• Small business preference
• Thresholds:
  • $3,000 credit card
  • $25,000 simple acquisition
  • $100,000+ full acquisition plan

Approved list? Varies by agency and contract type.
We love what we do, and what you do...

Adaptable to our ever-changing / expanding SOW / Flexibility
Price (sometimes!)
Communications – in development and review

Field support
Willingness to cover unsafe places (DOS)
Reasonableness in dealing with assignment cancellations

Creativity in solving the tough ones
On time, on budget
Alerting us of problems / issues
Challenges: 
Appraising 
Government Real 
Estate

Nicholas S. Hufford, MAI, CAE
Director
Asset Management and Valuations Division
Chief Appraiser, GSA
1800 F Street NW, Suite 5150
Washington DC 20405
(202) 501-2055

Timothy J. Hansen, RPRA
Chief Appraiser
DOI - Office of Valuation Services
1 Denver Federal Center
Office of Valuation Services
Bldg 46, Suite 102
Denver, CO 80225
(303) 969-5368

John Simpson, MAI
Real Estate Advisor/Appraiser
Real Estate Evaluations
U.S. Department of State
Bureau of Overseas Buildings Operations
Washington, DC
(703) 875-5383