

Table of Contents

Overview	v
Seminar Schedule	ix

SECTION 1

Part 1. Land Valuation Summary

Preview Part 1	1
Land Attributes	3
Relationship of Land to Appraisal Principles	5
Land Valuation Concepts	8
Review Part 1	15

Part 2. Land Residual Analysis and Highest and Best Use

Preview Part 2	17
Highest and Best Use of the Land as Though Vacant	19
Land Residual Analysis	21
Issues with Using Land Residual Analysis.	22
Case Study 1 Introduction	23
Exercise 1	24
Exercise 2	26
Exercise 3	27
Review Part 2	29

Part 3. Special Impacts on Feasibility

Preview Part 3	31
Contamination/Environmental Issues	33
Relevant Property Characteristics	35
Tax Increment Financing (TIF) Districts	37
Case Study 2	39
Exercise 1	40
Review Part 3	43

Part 4. Relevant Units of Comparison

Preview Part 4.....	45
Introduction to Units of Comparison.....	47
Case Study 3 Introduction.....	48
Exercise 1	49
Exercise 2	51
Exercise 3	57
Exercise 4	60
Review Part 4.....	63

SECTION 2

Part 5. Lack of Available Land Sales

Preview Part 5.....	65
Land Valuation Methods and the Sales Comparison Approach	67
Allocation Method	68
Market Extraction Method	69
Case Study 4 Introduction and Exercise 1	70
Review Part 5.....	81

Part 6. Subdivision Development Method

Preview Part 6.....	83
Basics of Subdivision Development Analysis	85
Steps of Subdivision Development Method.....	86
Case Study 5 Introduction and Exercise 1	87
Exercise 2	90
Exercise 3	93
Exercise 4	97
Exercise 5	98
Review Part 6.....	101

Part 7. Condemnation

Preview Part 7	103
Introduction to Condemnation	105
Condemnation Appraising	106
Common Error of Commission	107
Common Error of Omission	108
Common Assignment Conditions	109
Case Study 6 Introduction.....	111
Exercise 1	115
Review Part 7.....	119

Overview

Seminar Description

Solving Land Valuation Puzzles presents a variety of land valuation and feasibility problems for beginner- to intermediate-level residential and general certified appraisers, real estate agents, landowners, land use planners, developers, and investors. The focus is on commercial assignments, but the concepts have applications to residential assignments.

Each part of the seminar begins with introductory lecture but is mostly comprised of interactive case studies. The seminar reviews issues specific to land valuation and the less commonly used land valuation techniques. Participants will study problem identification, assignment conditions, scope of work decisions, and standards of practice involved in examples. Then they will apply what they learn to less common valuation challenges presented in the case studies.

Other topics include highest and best use considerations, land residual analysis, contamination, and the impacts of tax increment financing on feasibility. Participants will also analyze unit of comparison selection, alternatives when inadequate land sales exist, subdivision analysis, and condemnation.

The case studies are modeled on lessons and examples found in the *General Appraiser Site Valuation and Cost Approach*, *General Appraiser Market Analysis and Highest & Best Use*, and the *Advanced Market Analysis and Highest & Best Use* courses. However, the case studies contain less detail than those courses to allow more time for discussion and class interaction.

Learning Objectives

At the conclusion of the seminar, participants should be able to

- Summarize the six recognized land valuation techniques
- Employ land residual analysis as part of a highest and best use decision
- Calculate and use internal rates of return as a method of testing feasibility
- Recognize terms and concepts used for valuation of contaminated land
- Test alternative units of comparison
- Perform allocation and market extraction when land sales are lacking
- Understand the basics of subdivision valuation
- Understand the basics of condemnation valuation
- Properly apply special/extraordinary assumptions, hypothetical conditions, and the JURISDICTIONAL EXCEPTION RULE of USPAP in unusual situations

Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, you will find a Preview page, which begins each Part. Included on the *Preview* page is a brief overview of the content, learning objectives to consider as you move through the content, and learning tips that will assist you in understanding the information you're about to learn in the class.
- **Learning Objectives.** Each learning objective covers essential information you need to know to fully understand the concepts in the seminar. Look them over before each Part begins so that you have a frame of reference as you move through the material. At the end of each Part, reread the objectives. Are you able to perform what is stated? If not, this is the time to ask your instructor for help. Or, review the concepts that you do not understand.
- **Examples, Problems, and Discussion Questions.** Supplementing the discussions, we've included examples, problems, and discussion questions to provide everyday illustrations and help you visualize and practice what you are learning.
- **Case Studies.** The case studies in the seminar contain exercises and problems that allow practical application of the methods used to appraise land valuation assignments.

- **Review.** Each Part concludes with a review. Included in the review are the learning objectives and key terms and concepts that have been covered.
- **Suggested Solutions.** A tabbed section of Suggested Solutions appears at the end of the Seminar Handbook. This component contains solutions to the discussion questions, problems, and case studies.

Classroom Guidelines

To make the learning environment a positive experience for everyone attending, please follow these guidelines when class is in session.

- 100% attendance is required. No exceptions.
- Limit use of laptops and wireless devices to classroom projects.
- Communicate with business associates during break time instead of class time.
- Put away reading materials such as newspapers and books that are not used in class.
- Please silence cell phones.
- Please do not record the lectures. Recordings are not permitted.
- Refrain from ongoing conversations with those seated near you and other distracting behavior.

General Information

- **Calculators.** A financial calculator is required. The accepted model used in the seminar is the HP-12C.
- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless otherwise noted by the program sponsor. The lunch break is one hour.
- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions. Attendance for the entire seminar is required.
- **Certificates of completion** will be emailed after completion of the program.

Recommended Textbooks

- *The Appraisal of Real Estate*, 14th ed. Chicago: Appraisal Institute, 2013.
- *The Dictionary of Real Estate Appraisal*, 6th ed. Chicago: Appraisal Institute, 2015.

USPAP References in This Course

All references to the Uniform Standards of Professional Appraisal Practice (USPAP) are taken from the 2018-2019 edition (Washington, D.C.: The Appraisal Foundation).

Rounding Policy

To minimize classroom time devoted to rounding concerns, the Appraisal Institute has adopted a rounding policy. This rounding policy is **not** necessarily appropriate for use outside the classroom. In order to achieve the same result demonstrated in the materials, leave interim calculations in the calculator, rather than round intermediate steps. The necessity for this policy is illustrated below:

Example

Using the price per square foot as the unit of comparison, what is the indicated value of a 500,000 square-foot lot if a comparable 300,000 square-foot lot sells for \$4,033,000?

Answer

Intermediate step: $\$4,033,000 / 300,000 \text{ sq. ft.} = \$13.44/\text{sq. ft.}$

Final step: $500,000 \text{ sq. ft.} \times \$13.44 = \$6,721,666$

Note that $500,000 \times \$13.44 = \$6,720,000$ if the calculation is performed by itself rather than as a chain from the intermediate step. Of course, the reason for the \$1,666 difference is that the unit sale price isn't exactly \$13.44; instead, it is \$13.4433333....