

Appraisal Institute Stakeholders Forum Notes
December 9, 2013
Park Hyatt Hotel, Washington, DC

Stakeholder Issue (current or future)	Problem Defined	How can appraisals be enhanced/changed to address
<p>Property consideration with “larger parcel.” Appraisals are required to adhere to Yellow Book (YB). Multifaceted problem</p>	<p>Potential misunderstanding of YB requirements When appraisers quote fees, they probably don’t know everything about the property. Due diligence required in fee quoting. Should be applied to reflect market value</p>	<p>Expand AI Yellow book Course Develop a case studies course to deal with Case studies that illustrate how to do the analysis (help them understand when /why this is handled) Yellow Book and Larger Parcel Comprehensive analysis needs to be made to determine what larger parcel is</p>
<p>Federal program officials are required to provide cost estimates relating to projects Agency needs to provide some information on the cost of the project but there may be a conflict with appraisal standards. The service oftentimes doesn’t fit into categories of services. Cost estimates are likely to grow – could be a concern if they are treated like appraisals (used in negotiation)</p>	<p>When condemnation is involved, there are wide differences between federal and state rules Appraisals are done at the end of the project There is a problem of doing a cost estimate and having it treated like an appraisal</p>	<p>“Gross” appraisals – will contract out Similar to mass appraisals Consultation services may be in order – rough order of magnitude so that nobody is misled. Scope of work may be needed that explains what is being done (modeling) Address issues relating to consulting standard Advisory opinion re: specified property and an appraiser do not provide a specific value opinion (AO21).</p>
<p>Consistency/Quality</p>	<p>Too often providing “filler” and with limited analysis</p>	<p>Develop better/more enhanced statements of work (scope) – client developed Model scope of work.</p>
<p>Larger Parcel and Highest and Best use Wide differences of opinion</p>	<p>One person will say it’s a future development and another appraiser that believes it’s industrial – two totally different views, that can have varying degrees of support It could be a case of two bad work products May not recognize what they’re getting into until they get into the assignment</p>	<p>Uncertain whether a class can address this issue, but that may be the best starting point.</p>
<p>Some agencies do not get involved until a quality assurance inspection is performed</p>	<p>Appraisers haven’t taken the course if 10-15 years. May have only done 1-2 appraisals in that time</p>	<p>Appraisers should take YB course on a reoccurring basis</p>

<p>after the transaction is completed Agencies have seen a lot of issues with larger parcel and highest and best use</p>		<p>Seminar should be developed on larger parcel and highest and best use Publicize the issue of problems with larger parcel and highest and best use</p>
<p>Terms of conservation easements – appraisers are given very generic terms. When management plans are developed it's 2-3 years down the road and the agency finds out that there was a different scope taken. Properties are having a larger detrimental impact on value that originally envisioned.</p>	<p>Appraisers need to push for management plan information to fully understand value impacts. May not be compensating property owner adequately.</p>	<p>Press land trusts for more information Appraisers should ask the right questions and be knowledgeable about the terms of conservation easements.</p>
<p>Timing – ordered early and then negotiation takes place. When should the appraiser relook?</p>	<p>As negotiations go on, things change. Can get an update but it complicates the negotiations Wetlands Reserve Easement as an example – very difficult to value</p>	<p>Training for non appraisers. Information on scope of work. Better communication b/w appraisers and clients</p>
<p>Trust and Donor Concerns: IRS issues- audit process is lengthy and expensive and appeals process is cumbersome Adversarial process with the agency Rewards people going to the extremes</p>	<p>Lengthy and expensive process Donation made without knowing the deduction 33 cases that have gone to tax court or federal district court. IRS valued contributions at 11.4 percent of taxpayer claim. On average courts settled on value 5.5 times IRS claim. Value being used as a negotiation tactic. Court verdict is 63 percent of taxpayer claim – exactly half between IRS and taxpayer claim No audit project underway within IRS – existed briefly Expensive for the IRS to contest these. Short staffing, some to retirement and to private sector Timing of cases – in audit for 5-6 years before they go to the court system. 12 years is not uncommon. Expensive for everyone. Limited learning from cases. In cases that are adjudicated, IRS save \$35M over 30 years Court has ruled that internal appraisers are not objective 200 cases in the Tax Court on conservation issues.</p>	<p>IRS Art panel as an example. Taxpayer can appeal the value, nobody has appealed since the 1960s. Canadian model completed prior to the donation (Ecological gift) Guidance on tax court cases Land trusts and AI should pursue alternative audit and appeal processes with agency.</p>
<p>Multi sources of public funds – appraisal processes associated with all of those. Subject to USPAP and YB rules and different interpretations of those rules.</p>	<p>Trusts may not be allowed to be a client on the appraisal. Often have unique knowledge of the property. Not allowed to participate in selection of appraiser even though they are often paying. When appraisal goes into review, rules prohibit conservation with reviewer. Agency rule issues – agencies making their own</p>	<p>Land trusts and AI should talk with individual agencies Develop list of specific issues where there are divergent opinions/interpretations and approach the agencies individually. Guidance to appraisers on how to work with two clients. FAQs on client appraiser</p>

	interpretations. Applying rules differently, frustrating to the process. Even within the agencies, different interpretations.	relations. Relationship of client and intended users.
Timing of appraisals – staffing. Landowners need to know when the process is complete. End of calendar year rush.		Related to above Guidance to appraisers on timing/overload of calendar
Access to appraisals when complete -	Some agencies don't release appraisals when complete	N/A
Quantity of appraisers	Chilling impact on historic preservation side Peaked in 2005 (800 approx), handful for Part 1 perspective. 2000 in 2006, to 150 in 2010	Finalize PPA regulations – definition of qualified appraisal & standards
Agency rules vs. IRS rules	Gap of understanding for taxpayers Exposure to appraisers Bargain sale situation – automatically dealing with two sets of rules Public confusion	Land trusts and AI should seek a commonality of standards/requirements Spot light the issue for the public Different set of rules for bargain sales (IRS/Treasury might want to specifically address it so there was no longer a need for conflicting rules)